Zabka Group

(a public limited liability company (société anonyme) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office in Luxembourg, Grand Duchy of Luxembourg)

Offering of up to 300,000,000 ordinary shares (excluding any Over-Allotment Shares) without a nominal value and the seeking of the admission and introduction of 1,000,000,000 ordinary shares without a nominal value to trading on the regulated (main) market of the Warsaw Stock Exchange

This prospectus has been prepared in relation to: (i) the offering of up to 300,000,000 (excluding any Over-Allotment Shares (as defined below)) ordinary shares in Zabka Group, a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies ("**RCS**") under number B263068 (the "**Company**"), without a nominal value (the "**Sale Shares**") (the "**Offering**"), of which up to 223,030,975 Sale Shares (excluding any Over-Allotment Shares) are offered for sale by Heket Topco S.à r.l., a private limited liability company (*société à responsibilité limitée*) registered in Luxembourg with its registered office at 29 Avenue de la Porte-Neuve L-2227 Luxembourg, Grand Duchy of Luxembourg, and registered with the RCS under number B262589 ("**Selling Shareholder I**", "**Principal Selling Shareholder**" or "**Heket Topco S.à r.l.**"), and up to 76,969,025 Sale Shares (excluding any Over-Allotment Shares) are offered for sale by PG Investment Company 1113B S.à r.l., with its registered office in 35D, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, registered with the RCS under number B262636 ("**Selling Shareholder II**"), The European Bank for Reconstruction and Development, an international organisation formed by treaty with its headquarters at Five Bank Street, London, E14 4BG, United Kingdom ("**Selling Shareholder III**" and together with the Selling Shareholder I and the Selling Shareholder II, the "**Majority Selling Shareholders**") and certain other minority shareholders of the Company (jointly the "**Selling Shareholders**" and each of them a "**Selling Shareholder**"); and (ii) the seeking of the admission and introduction to trading on the regulated market (main market) of the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) (the "**WSE**") of all of the 1,000,000,000 ordinary shares issued by the Company, representing the entire share capital of the Company (the "**Shares**") (the "**WSE Admission**"). In addition, the Selling Shareholder I and the Selling Shareholder III are granting an option to the Stabilising Manager (as defined below) to borrow and further to purchase the Over-Allotment Shares (as defined below) representing up to a maximum number of 15% of the total number of the Sale Shares (the Sale Shares and the Over-Allotment Shares (as defined below) shall be referred to as the "**Offer Shares**") pursuant to the Over-Allotment Option (as defined below – see "*Underwriting, Stabilisation and Lock-ups*"). The Offering consists of a maximum of 345,000,000 Offer Shares, including all of the Sale Shares and any Over-Allotment Shares.

The Offering consists of: (i) a public offering to Retail Investors in Poland (as defined herein) and institutional investors (the "**Polish Offering**"), in each case in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"); and (ii) an international offering combining (a) an offering in the United States of America to persons reasonably believed to be qualified institutional buyers (the "**QIBs**") as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the U.S. Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and (b) an offering to certain institutional investors outside of the United States of America and Poland (such investors together with the QIBs, the "**International Institutional Investors**" and, together with the institutional investors participating in the Polish Offering, the "**Institutional Investors**") in accordance with Regulation S under the U.S. Securities Act (the "**International Offering**"). For the avoidance of doubt, the Joint Global Coordinators (as defined below), Banco Santander, S.A., BNP PARIBAS, CVC Capital Markets S.à r.l., ING Bank N.V., Morgan Stanley & Co. International plc and Pekao Investment Banking S.A. are acting in connection with the offering to Institutional Investors only and are not providing any advice or services in respect of the offering to Retail Investors.

The Offer Shares are being offered, as specified in this Prospectus, subject to the cancellation, suspension or modification of the Offering and subject to certain other conditions (see "*Terms and Conditions of the Offering*").

The Selling Shareholder I and the Selling Shareholder III are granting an option to Goldman Sachs Bank Europe SE, as the stabilising manager (the "**Stabilising Manager**"), for up to 30 calendar days from the date of the Listing Date (as defined below) to borrow and further to purchase Shares representing up to a maximum of 15% of the total number of Sale Shares (the "**Over-Allotment Shares**"), solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilisation transactions. Such stabilisation shall be conducted in accordance with the rules set out in Regulation 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and the stabilisation of financial instruments. If such stabilisation occurs, it will be undertaken on the WSE. Any Over-Allotment Shares made available pursuant to the Over-Allotment Option will be made available on the same terms and conditions as the Shares being offered pursuant to the Offering, will rank *pari passu* in all respects with all other Shares (including with respect to pre-emptive rights) and will form a single class with all of the other Shares for all purposes, including with respect to voting and all dividends and distributions thereafter declared, made or paid by the Company.

Investing in the securities described in the Prospectus is connected with a high degree of risk inherent to investments in capital market equity instruments and risks connected with the Group's operations and the business environment in which it operates. Prospective investors should read the entire Prospectus, in particular the discussion herein of certain risk factors that should be considered in connection with an investment in the Offer Shares (for more information, please see the section titled "*Risk Factors*" in this Prospectus). The market price of the Shares (including the Offer Shares) may decline and investors could lose all or part of their investment. An investment in the Offer Shares does not guarantee the achievement of the expected profitability level. An investment in the securities covered by this Prospectus is not covered by any invested capital protection schemes and it is not covered by guarantees of the Polish Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny)*. An investment in the Offer Shares is compatible only with investors who do not need guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 6(3) of Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended (the "**Prospectus Regulation**"), and has been prepared in accordance with the provisions of the Prospectus Regulation and the Luxembourg law of 16 July 2019 on prospectuses for securities (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières*) (the "**Luxembourg Prospectus Law**") and the rules promulgated thereunder. This Prospectus has been filed with, and was approved on 1 October 2024 by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the competent authority for the purposes of the Prospectus Regulation. The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of this Prospectus. The CSSF has neither reviewed nor approved any information in this Prospectus pertaining to the Offering to the International Institutional Investors. Investors should make their own assessment as to the suitability of investing in the securities that are the subject of this Prospectus. This Prospectus will be published on the official website of the Luxembourg Stock Exchange (www.luxse.com), on the Company's website (www.zabkagroup.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl). Application has been made to the CSSF to notify its approval of the Prospectus in accordance with Article 25(1) of the Prospectus Regulation to the competent authority in Poland, the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego (KNF))* (the "**PFSA**"*)*. Based on Article 2(m) of the Prospectus Regulation, the Grand Duchy of Luxembourg is the home Member State of the Company and the CSSF is solely authorised to approve this Prospectus. This approval cannot be considered as a judgment by the CSSF on, or any comment by the CSSF on, the merits of the transaction, nor on the situation of the Company, and by approving this Prospectus the CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Company, in line with the provisions of Article 6(4) of the Luxembourg Prospectus Law. The Selling Shareholders will be authorised to carry out the Polish Offering in Poland once the CSSF has notified the PFSA of its approval of this Prospectus and the Prospectus together with its summary translated into Polish has been published in Poland on the Company's website (www.zabkagroup.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl). In addition, in accordance with the requirements of the Prospectus Regulation, a copy of this Prospectus on a durable medium will be delivered to investors upon their request free of charge. Furthermore, a paper copy of this Prospectus will be delivered to the investors upon their request free of charge. However, pursuant to the Prospectus Regulation, such delivery will be limited to the jurisdiction in which the offer of the Offer Shares is made or where the admission to trading on a regulated market is taking place under the Prospectus Regulation. The PFSA is the competent authority for the purposes of the Prospectus Regulation in Poland as the host Member State of the Company.

Pursuant to Article 12 (1) of Regulation (EU) 2017/1129, this Prospectus shall be valid until 1 October 2025, being the period of twelve months after its approval by the CSSF. The information in this Prospectus speaks only as of its date, and the obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply after the time when the trading of the Shares on the WSE begins.

Prior to the Offering, the shares in the Company have not been admitted to or traded on any regulated market. Application will be made based on this Prospectus to admit all the Shares in the Company (including the Sale Shares and the Over-Allotment Shares, if any) to listing and trading on the regulated market of the WSE. The Company expects that the date on which trading in the Shares on the WSE will commence will be on or around 17 October 2024 (the "**Listing Date**").

The maximum price for the Retail Investors per Sale Share is PLN 21.50, being the top of the Offer Price Range (the "**Maximum Price**"). The Retail Investors will be placing orders at the Maximum Price. The final offer price per Sale Share for the Retail Investors (the "**Retail Investors Offer Price**") will be set within the Offer Price Range and will not be higher than the Maximum Price. The final offer price per Offer Share for the Institutional Investors (the "**Institutional Investors Offer Price**") is expected to be set within the Offer Price Range. The Institutional Investors Offer Price may be higher than the Maximum Price. The Institutional Investors will purchase the Offer Shares (the Sale Shares and the Over-Allotment Shares) at the Institutional Investors Offer Price. If the Institutional Investors Offer Price is not higher than the Maximum Price and is set within the Offer Price Range, the Retail Investors Offer Price and the Institutional Investors Offer Price will be the same. The Retail Investors Offer Price, Institutional Investors Offer Price, as well as the final number of the Offer Shares (including the final number of the Sale Shares and Over-Allotment Shares) offered in the Offering to the various categories of investors mentioned above shall be determined by the Company and the Principal Selling Shareholder following close consultation with Goldman Sachs Bank Europe SE ("**Goldman Sachs**") and J.P. Morgan SE ("**J.P. Morgan**") (together, the "**Joint Global Coordinators**") on or about 9 October 2024 (the "**Pricing Date**") and will be announced on or about 10 October 2024 in a manner compliant with the applicable regulations, as well as market practice in Luxembourg and Poland. More specifically, the Retail Investors Offer Price and the Institutional Investors Offer Price will be published in the same manner as this Prospectus, i.e. in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl), and notified to the CSSF.

If the Offering is cancelled on the terms provided in this Prospectus, all orders for the Offer Shares will be disregarded and any payments made will be returned without interest or other compensation. All dealings in the Offer Shares prior to the Listing Date are at the sole risk of the parties concerned. The Joint Global Coordinators, Banco Santander, S.A. ("**Banco Santander**"), Bank Polska Kasa Opieki S.A. – Biuro Maklerskie Pekao ("**Biuro Maklerskie Pekao**"), BNP PARIBAS ("**BNP PARIBAS**"), CVC Capital Markets S.à r.l. ("**CVC Capital Markets**"), Morgan Stanley & Co. International plc ("**Morgan Stanley**"), Pekao Investment Banking S.A. ("**Pekao Investment Banking**"), Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Biuro Maklerskie w Warszawie ("**PKO Securities**" and "**Offering Agent**"), Santander Bank Polska S.A. – Santander Biuro Maklerskie ("**Santander Poland**" and together with the Joint Global Coordinators, Banco Santander, Biuro Maklerskie Pekao, BNP PARIBAS, CVC Capital Markets, Morgan Stanley, Pekao Investment Banking and PKO Securities, the "**Joint Bookrunners**"), ING Bank N.V. ("**ING**"), mBank S.A. ("**mBank**") and Trigon Dom Maklerski S.A. ("**Trigon**", together with ING and mBank, the "**Co-Bookrunners**", and the Co-Bookrunners together with the Joint Bookrunners, the "**Managers**"), the Company and the Selling Shareholders do not accept any responsibility or liability with respect to any person as a result of a withdrawal/cancellation, modification or suspension of the Offering.

Except as indicated above, this Prospectus has not been registered, approved or submitted to any other regulatory body in any other jurisdiction, and the Offer Shares have not been registered or approved, nor are they the subject of a notification submitted to any regulatory body in any jurisdiction.

NEITHER THE OFFER SHARES NOR ANY OTHER SECURITIES OF THE COMPANY DESCRIBED IN THIS PROSPECTUS HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OR BY ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT TO PERSONS REASONABLY BELIEVED TO BE QIBS IN RELIANCE ON RULE 144A OR ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS IN EFFECT IN ANY STATE OR JURISDICTION OF THE UNITED STATES OF AMERICA. INVESTORS WHO ARE QIBS ARE HEREBY NOTIFIED THAT THE OFFER SHARES ARE BEING OFFERED AND SOLD IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE U.S. SECURITIES ACT. OUTSIDE THE UNITED STATES OF AMERICA, THE OFFER SHARES ARE BEING OFFERED AND SOLD IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT. THE OFFER SHARES ARE SUBJECT TO CERTAIN RESTRICTIONS CONCERNING THE SALE, POSSIBILITY TO OFFER, PLACE PURCHASE ORDERS FOR AND DISPOSE OF THE SAME. FOR A DETAILED DESCRIPTION OF THESE TRANSFER RESTRICTIONS, PLEASE SEE "*SELLING RESTRICTIONS*" AND "*TRANSFER RESTRICTIONS*". NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA HAS APPROVED OR DISAPPROVED OF THE OFFERING OF THE OFFER SHARES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

THE OFFERING IS NOT ADDRESSED TO RUSSIAN OR BELARUSIAN NATIONALS OR TO NATURAL PERSONS RESIDENT IN RUSSIA OR IN BELARUS OR TO ANY LEGAL ENTITY OR OTHER ORGANISATIONAL UNIT RESIDENT IN RUSSIA OR IN BELARUS OR TO OTHER ENTITIES SUBJECT TO OFFERING RESTRICTIONS UNDER NATIONAL AND EU LAWS.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs Bank Europe SE **J.P. Morgan**

Offering Agent and Joint Bookrunner

PKO Securities

Joint Bookrunners

Banco Santander Morgan Stanley BNP PARIBAS Santander Poland CVC Capital Markets

Biuro Maklerskie Pekao Pekao Investment Banking

Co-Bookrunners

ING mBank Trigon

The date of this Prospectus is 1 October 2024

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SUMMARY

Section A – Introduction and warnings
Warnings
This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the investor. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
The name of the securities
Based on this Prospectus: (i) the Selling Shareholders are offering up to 300,000,000 ordinary shares in the Company (excluding any Over-Allotment Shares), without a nominal value (the "**Sale Shares**") (the "**Offering**"); and (ii) the Company intends to seek the admission and introduction to trading on the regulated market (main market) of the Warsaw Stock Exchange (the "**WSE**") of all of the 1,000,000,000 ordinary shares issued by the Company, representing the entire share capital of the Company (the "**Shares**") (the "**WSE Admission**"). In addition, the Selling Shareholder I and the Selling Shareholder III are granting an option to the Stabilising Manager to borrow and further to purchase the Shares representing up to a maximum of 15% of the total number of the Sale Shares (the "**Over-Allotment Shares**", the Sale Shares and the Over-Allotment Shares, together the "**Offer Shares**") pursuant to the Over-Allotment Option. As at the date of this Prospectus (i.e. prior to the Conversion EGM), the share capital of the Company amounts to EUR 26,040,160.20 and is represented by 2,604,016,020 shares of EUR 0.01 (one euro cent) each, all fully subscribed for and entirely paid up (the "**Existing Shares**"). The Existing Shares were issued and currently exist in registered form in accordance with the Articles of Association of the Company and the Luxembourg law of 10 August 1915 on commercial companies as amended (the "**Luxembourg Company Law**"). It is intended that on the day after the Pricing Date, all of the Existing Shares in the Company will at a general meeting of the shareholders of the Company (the "**General Meeting**") be converted into one class of ordinary shares without nominal value, representing the entire share capital of the Company (the "**Conversion EGM**") that will rank *pari passu* in all respects and will be in a dematerialized form since their registration by the National Depository of Securities (the "**NDS**"). Subsequent to the Conversion EGM, the share capital of the Company will amount to EUR 26,040,160.20 and will be represented by 1,000,000,000 ordinary Shares without nominal value. No new shares in the share capital of the Company will be issued and offered in connection with the Offering.
The international securities identification number (ISIN) of the securities
The Shares have been assigned ISIN: LU2910446546.
The identity and contact details of the issuer, including its legal entity identifier (LEI)
Zabka Group, a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés* – the "**RCS**") under number B263068; LEI code No. 549300TU2RZ35E4ET914; telephone No.: +352 28994045; website: https://zabkagroup.com; email: contact@zabkagroup.com.
The identity and contact details of the offerors, including their legal LEI
In the Offering, the Offer Shares are offered by the Selling Shareholders, i.e. the shareholders of the Company, as follows: • Heket Topco S.à r.l., a private limited liability company (*société à responsibilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 29 Avenue de la Porte-Neuve L-2227 Luxembourg, Grand Duchy of Luxembourg, and registered with the RCS under number B262589; LEI code No. 549300BJ08S1RR4YQG97 ("**Principal Selling Shareholder**" or "**Selling Shareholder I**"); • PG Investment Company 1113B S.à r.l., a private limited liability company (*société à responsibilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 35D, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, registered with the RCS under number B262636; LEI code No. 529900F8UOHHYPXOXG62 ("**Selling Shareholder II**"); • The European Bank for Reconstruction and Development, an international organisation formed by treaty, with its headquarters at Five Bank Street, London, E14 4BG, United Kingdom; LEI code No. 549300HTGDOVDU6OGK19 ("**Selling Shareholder III**"); • Amphibian 2 S.à r.l., a limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 23, rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg, and registered with the RCS under number B288093; LEI code No. 875500L792GM8G0PBK94 ("**Selling Shareholder IV**"); and • Jacques de Vaucleroy, with professional address at 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg ("**Selling Shareholder V**"). The entity applying for the admission and introduction of the Shares to trading is the Company.
The identity and contact details of the competent authority approving the Prospectus
This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), and the Luxembourg law of 16 July 2019 on prospectuses for securities (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières*) (the "**Luxembourg Prospectus Law**"). The contact details of the CSSF are as follows: Commission de Surveillance du Secteur Financier, 283, route d'Arlon, L-1150 Luxembourg, telephone: +352 26 25 1-1 (switchboard), email: direction@cssf.lu.
The date of approval of the prospectus
This Prospectus was approved by the CSSF on 1 October 2024.
Section B – Key information on the issuer
Who is the issuer of the securities?
<u>**The issuer**</u> Zabka Group, a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg, and LEI code No. 549300TU2RZ35E4ET914 (the "**Company**"). <u>**The issuer's principal activities**</u> The Company is a holding company (which does not conduct other business operations) and together with its subsidiaries (including the period prior to the incorporation of the Company on 2 December 2021, the "**Group**"), it operates an "ultimate tech-powered convenience ecosystem" with modern physical convenience stores designed to meet growing need for convenience with QMS and services at the core of its differentiated proposition, unmanned autonomous stores, a recognized customer mobile app, direct to consumer meal solutions and eGrocery services. The Group's mission is to

create value by making people's everyday lives easier and allowing them to "free up free time" while also promoting a responsible approach towards products, packaging, customers, franchisees, suppliers and the broader environment.

The Group's total addressable market ("**TAM**") was worth PLN 584 billion in 2023, which is projected to grow at a CAGR of 4.6% between 2023 and 2028 (Source: OC&C). Żabka's Direct Addressable Market ("**DAM**") corresponding to Żabka's current same-day consumer missions is worth PLN 113 billion and is expected to grow at a CAGR of 8.6% between 2023 and 2028, ahead of TAM (Source: OC&C).

The Group has demonstrated a strong capability of delivering and rolling out new Żabka stores, having opened 1,100, 1,131 and 1,100 new stores in Poland in the years ended 31 December 2023, 2022 and 2021, respectively. As a consequence, according to OC&C, the Group is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024 (approximately 3 new stores opened per day).

Zabka Group recently entered the highly attractive Romanian market via the acquisition of DRIM – a top 10 distribution company in Romania. Through the acquisition, Zabka Group gained access to a strong logistics platform serving 13,000 physical locations and an established supplier network. As of the date of the Prospectus, the Group has already opened more than 20 stores in Romania and the rate of store openings in Romania is expected to gradually increase as the Group adapts its offering to the preferences of Romanian consumers.

The Group aims to open approximately 1,100 stores in 2024 and to continue opening over 1,000 per annum in the medium term in Poland and Romania to reach approximately 14,500 stores in Poland by 2028. The planned Żabka store openings over 2024-2028 are expected to be delivered through four key initiatives: (i) expanding into the best locations within the white space model; (ii) opening stores in new residential buildings; (iii) converting selected independent and chain small format stores; and (iv) developing new store formats. Żabka's store expansion is led by AI-powered model analysing more than 9 million Polish addresses and taking into account several hundred different KPIs to measure potential of each new location, which has resulted in a 70% reduction in location planning error. Based on analyses conducted by the Group in 2023, approximately 17 million Polish consumers live less than 500 metres from the nearest Żabka store.

The Management believes that the differentiation and innovation of Żabka's products and services is one of the key factors in its success to date among customers (only 33% SKU overlap with discounter channel). The time constrained customers are increasingly focused on immediate and near-term shopping missions. 76% of Żabka customers shop for same day consumption, significantly greater than approximately 40% customers of Polish discounters (Source: OC&C). Żabka stores have a tailored, immediate and near-term shopping missions-oriented layout offering a range of approximately 2,400 SKUs as well as wide range of Quick Meal Solutions products (coffee, hot dogs, healthy snacks, sandwiches, etc.). Furthermore, the stores offer a full-suite of services, including i.e. parcel pickup, games of chance, cash withdrawals, bill payments, phone service and top-ups. Services are critical determinants of relevance to the customers that the Group targets but also help to drive traffic and increase ticket size through cross-selling.

The physical stores are operated under Żabka's tailored and scalable franchised operating model, which assumes a clear split of responsibilities between Żabka and its franchisees who are local entrepreneurs independent from the Company. Within the model, the franchisees can benefit from the Group's scale and consistency, which contribute to market advantage in certain areas. These areas include: store location selection, lease of premises, store design, assortment strategy and supply chain which fall under the Group's responsibility. The franchisees can concentrate their efforts on key areas such as store self-management, customer service, management of their own staff employees and inventory management. Furthermore, the Group provides the franchisees with digital tools and applications to facilitate running their business on a daily basis.

The Group has an advanced digital offering which includes D2C meal solutions (Maczfit), D2C meal marketplace (Dietly), eGrocery businesses (delio, Jush!) and autonomous stores (Nano) ("**DCO**" or "**Digital Customer Offering**"). These businesses represent the Group's investment into innovative, digital-first businesses that have significant synergies with the core of the Group's operations and strengthen its business from the perspective of customer and market trends. These digital offerings complement the physical store footprint and allow the Group's customers to fulfil their convenience needs at their homes or workplaces. The Group's Digital Customer Offering serves as a replicable "plug and play" launchpad for future innovation, combining the agility of a start-up with the scale of the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally (Source: OC&C).

The Group has built up a first-mover advantage in the D2C meal segment by acquiring Maczfit and Dietly in 2021. Maczfit is a meal provider in Poland and delivers restaurant-quality prepared meals to consumers seeking convenient and healthy food. As of 31 December 2023 and 30 June 2024, Maczfit recorded a year-on-year growth in new customers of 39% and 17%, respectively. Dietly is a leading online D2C meal marketplace in Poland and SaaS software provider, covering approximately 60% of D2C meal providers active on the Polish market as of 30 June 2024. The Gross Merchandise Value (GMV) of these two businesses amounted to PLN 1,402.1 million in 2023 and PLN 928.6 million in the first half of 2024. The Group is also expanding its presence in eGrocery sector with two services addressing distinctive customer missions. Jush! is the Group's rapid eGrocery offering, aiming to deliver essential products with a range of approximately 4,000 SKUs. Delio, launched in February 2022, offers a broader variety with approximately 6,000 SKUs, allowing same day delivery time using a delivery slot method. The modern physical convenience footprint is supplemented by autonomous Żabka Nano stores with 44 locations operating in Poland and Germany as at 30 June 2024. These unmanned stores opened 24/7 leverage specifically tailored technology to cover locations not available to typical Żabka stores.

Żabka's business in Poland is supported by a well-invested logistics infrastructure, including 8 distribution centres, 19 cross-docking facilities including automated distribution centre in Małopole near Warsaw and dark stores infrastructure, dedicated for the Digital Customer Offering. The scale of the Group's operations translates into efficient procurement and competitive trade terms, and allows it to compete with a wide offer of products not available outside the Żabka chain (due to its own brands, dedicated branded ranges and tailored promotions).

The use of advanced technological solutions underpins the Group's dynamic growth. The Group leverages machine learning, AI and data analytics throughout its operations, including setting pricing and assortment, promotions and location planning. In addition, the Group operates data exchange platform for its suppliers.

The Group has made a strategic commitment, expressed in its environment, social and governance ESG framework, to promote sustainable living for everyone, every day, and to empower its customers to make responsible choices. The ESG strategy is based on four pillars: (i) a sustainable lifestyle; (ii) a mindful business impact; (iii) a responsible organisation; and (iv) a green planet. To deliver these commitments, the Group designs and deploys its business activities by integrating ESG-related factors into its decision-making processes, all of which are supported by its governance framework.

The Management believes that franchisees and people who work at and cooperate with the Group are one of the main drivers of its growth and success. As a result, the Group promotes a culture of learning, continuous development, performance and equality among its employees. The Group has built a truly innovative team by recruiting individuals with a disruptive mindset and global experience. This has allowed the Group to apply global best practices and knowledge to its physical and digital offerings. The Management believes that engaged employees perform better and are more committed to their work. Therefore, the Group regularly commissions a Gallup Q12 engagement survey, which enables the Group to track how its employees feel about the Group's culture and workplaces. In 2023, the 6th edition of the survey was finalized, according to which Żabka employees are five times more engaged than the average employee in Poland (72% in the Gallup global overall database). In 2023 Gallup Institute ranked the Company among the top 26% of the world's most engaged organisations and has given it the Gallup Exceptional Workplace Award for 2023 and 2024.

Historically, since its establishment the Group has consistently pursued a sales and EBITDA growth strategy, while achieving attractive Cash Conversion. Between 2000 and 2023, the Group delivered a Sales to End Customers CAGR of 23.0% due to a combination of positive LFL growth across vintages, an increase in the number of stores as well as development of Digital Customer Offering. In year 2023 Sales to End Customers amounted to PLN 22,774.9 million and were 23% higher compared to PLN 18,529.9 million in 2022. LFL growth in 2023 amounted to 10.8%. In the six-month period ended 30 June 2024 Sales to End Customers amounted to PLN 12,893.5 million and were 23% higher compared to PLN 10,532.5 million in the first half of 2023, LFL growth reached 10.3% in the six-month period ended 30 June 2024, significantly exceeding Żabka Internal Inflation of 4.3% in the same period. This translated into strong cash generation, with the average Cash Conversion in 2021-2023 and in the first half of 2024 being above 85%.

The issuer's shareholders

The following table sets out the approximate shareholding structure of the Company immediately prior to the Settlement of the Offering and subsequent to the Conversion EGM, assuming that the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price.

	Number of Shares	% of Shares in the share capital / % of votes at the GM
Heket Topco S.à r.l.	674,394,025	67.44%
PG Investment Company 1113B S.à r.l.	158,023,986	15.80%
EBRD	29,199,856	2.92%
Amphibian	33,473,915	3.35%
Other minority shareholders	104,908,218	10.49%
Total	**1,000,000,000**	**100.00%**

As at the date of this Prospectus, Heket Topco S.à r.l. exerts direct control over the Company due to its majority shareholding in the Company's share capital and the voting rights at the General Meeting held in connection with such shareholding. CVC Fund VI (as defined below) indirectly controls and owns 86.13% of the shares in Heket Topco S.à r.l., while 13.87% of the shares are owned by Heket Co-Investment L.P. which is also indirectly controlled by CVC Fund VI.

The identity of the issuer's key directors

As at the date of this Prospectus, the Company's Board of Directors comprised: (i) Tomasz Suchański (the CEO of the Company); (ii) Krzysztof Krawczyk; (iii) István Szőke; (iv) Stephan Schäli; (v) Olga Grygier Siddons; and (vi) Giulia Fitzpatrick.

The identity of the issuer's independent auditor

The consolidated financial statements of the Company and its Subsidiaries as at and for the years ended 31 December 2023, 31 December 2022 and 31 December 2021 have been audited by Ernst & Young S.A. ("**E&Y**"). E&Y has also reviewed the consolidated financial statements of the Company and its Subsidiaries as at 30 June 2024 and for the six-month periods ended 30 June 2024. E&Y is a member of the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises of Luxembourg*) and has its registered office at 35E, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg and is registered with the RCS under number B 47771.

What is the key financial information regarding the issuer?

Key Financial Information

The following tables set out a summary of selected consolidated financial information of the Group as at and for the six-month period ended, respectively, 30 June 2024 and 2023 and as at and for the years ended, respectively, 31 December 2023, 2022 and 2021.

	As at and for the six-month period ended 30 June 2024	As at and for the six-month period ended 30 June 2023	As at or for the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(PLN million, unless indicated otherwise) / (unaudited)		*(PLN million, unless indicated otherwise) / (audited, unless indicated otherwise[6])*		
Selected financial information from the consolidated statement of profit or loss...					
Revenue	11,148.0	9,177.1	19,805.9	16,003.4	12,493.4
Gross profit on sales	1,829.2	1,384.3	3,533.0	2,989.2	2,373.7
Operating profit before depreciation and amortisation (EBITDA)	1,378.9	1,001.4	2,739.6	2,334.6	1,881.7
Operating profit	574.1	365.7	1,380.4	1,219.9	966.3
Profit/(loss) before tax	90.2	(40.9)	509.7	548.8	649.2
Net profit/(loss) from continuing operations	58.2	(77.2)	356.3	383.7	495.3
Selected financial information from the consolidated statement of financial position...					
Total assets	16,973.0		15,570.7	13,296.4	11,679.7
Total equity	822.7		898.1	575.3	216.7
Net Debt excluding lease liabilities (unaudited)[1]	3,881.6		4,569.2	3,593.8	3,557.6
Selected financial information from the consolidated statement of cash flows......					
Net cash flows from operating activities	2,275.7	1,055.9	2,179.3	2,198.6	2,069.6
Net cash flows from investing activities	(700.2)	(758.5)	(1,575.2)	(1,030.2)	(1,333.3)
Net cash flows from financing activities	(1,068.3)	290.3	(235.6)	(1,370.9)	(629.3)
Net change in cash and cash equivalents	507.2	587.7	368.4	(202.5)	107.1
Selected Alternative Performance Measures and other operating KPIs (unaudited)...					
Sales to End Customers (unaudited)[2]	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9

LFL growth (%) (unaudited)[3]	10.3	9.7	10.8	17.0	9.8
Number of Żabka stores (at the end of period) (unaudited)	10,640	9,666	10,014	9,021	7,954
Adjusted EBITDA[4]	1,399.0	1,048.0	2,834.1	2,418.5	1,986.3
Adjusted EBITDA / Sales to End Customers (%) (unaudited)	10.9	9.9	12.4	13.1	13.7
4-Wall Adjusted EBITDA[5] per store (PLN thousand) (unaudited)	**186.1**	**165.9**	**400.5**	**389.2**	**342.7**

[1] Net Debt excluding lease liabilities means the sum of loans and borrowings less cash and cash equivalents.

[2] Sales to End Customers represents sales to end customers from Żabka stores, as well as of New Growth Engines, and does not represent the Company's revenue.

[3] LFL growth defined as the comparison of Sales to End Customers from Żabka stores between periods, taking into account the sales of stores operating on the same day of both the current and previous period.

[4] Adjusted EBITDA means EBITDA adjusted for (i) funds spent on ensuring business continuity in the face of unforeseen event within the Group's environment, protection of employees, franchisees and society, (ii) Group reorganization costs, (iii) costs related to changes in the ownership structure and obtaining financing, (iv) transaction costs in respect of M&A, (v) incentive schemes and additional compensation in connection with the termination of cooperation with key employees, and (vi) result on disposal of property, plant and equipment and right of use.

[5] 4-Wall Adjusted EBITDA relates to convenience stores and adds back certain costs attributable directly to stores. It is calculated as gross profit on sales, increased by cost of field force (i.e. the team working in the field responsible mainly for support of store expansion, recruitment, training and ongoing support of franchisees, as well as monitoring stores' performance), selected EBITDA adjustments and other items, in particular overheads included in gross profit on sales. 4-Wall Adjusted EBITDA per store means 4-Wall Adjusted EBITDA divided by the average number of Żabka stores in a given period (calculated based on the number of store days).

[6] The measures referred to in footnotes 1-3 and 5 above are unaudited.

What are the key risks that are specific to the issuer?

Presented below is a selection of the key risks that are specific to the Group.

- Competitive pressures placed on the Group, changes in consumer trends, as well as a slowdown in the growth of the modern convenience segment could have a material adverse effect on its profit margins and growth prospects.
- The Group is dependent on third parties in respect of certain areas of its business.
- The information technology systems employed by the Group may be breached, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.
- The loss of or a failure to hire and retain highly skilled senior managers and other key staff or a failure to maintain relationships with the Group's workforce could materially adversely affect the Group's business, results of operations, financial condition and prospects.
- An increase in the franchisee churn rate, decrease in the attractiveness of the franchise offer to new franchisees or a decrease of the Group's share in the margins realised may adversely affect the Group's business.
- Failure to implement the Group's strategy related to the expansion of its store network in Poland and Romania may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.
- The Group may face challenges in implementing its international expansion plans or may be unable to successfully enter new markets.
- Failure to maintain LFL growth may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.
- The Group may be unable to successfully implement its strategy in respect of the development of new business projects and/or to effectively manage its anticipated growth, which may adversely affect its business.
- The Group requires a certain level of cash flow to service its interest-bearing loans, other borrowings and lease liabilities and is subject to certain financial covenants, and consequently may face the risk of a deterioration of its liquidity position or being unable to repay its financial debt or ensure financing on favourable terms.
- Changes in general economic conditions may lead to a decrease in consumer demand, which could adversely impact the operations of the Group.
- Amendments to the Sunday Trading Ban Act could have a material and adverse effect on the Group.
- Changes to the legislative framework and ambiguity in the interpretation of laws could require the Group to modify its current business practices, incur increased costs and expose it to potential liabilities.

Section C – Key information on the securities

What are the main features of the securities?

Description of securities being the subject of the Offering and the admission and introduction to trading on the main market of the WSE

Based on the Prospectus: (i) the Selling Shareholders are offering up to 300,000,000 Sale Shares (excluding any Over-Allotment Shares), i.e. 300,000,000 ordinary shares in the Company, without a nominal value; and (ii) the Company intends to seek the admission and introduction to trading on the regulated market (main market) of the WSE of all of the Shares, i.e. 1,000,000,000 ordinary shares issued by the Company. In addition, the Selling Shareholder I and Selling Shareholder III are granting an option solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilisation transactions (the "**Over-Allotment Option**") to Goldman Sachs Bank Europe SE (the "**Stabilising Manager**") for up to 30 days following the Listing Date to borrow and further to purchase ordinary shares in the Company representing up to a maximum of 15% of the total number of the Sale Shares (the "**Over-Allotment Shares**").

It is intended that all of the Existing Shares in the Company will be converted into one class of ordinary shares with no nominal value that will rank *pari passu* in all respects at the Conversion EGM and will be in a dematerialized form since their registration by the NDS. The Offer Shares have been assigned ISIN LU2910446546.

Rights attached to securities

Each Offer Share entitles the holder thereof to one vote at the General Meeting, subject to the limitations imposed by law. All of the Offer Shares carry full dividend rights.

Relative seniority of the securities in the Issuer's share capital in the event of insolvency

In the event of the liquidation, dissolution or winding-up of the Company, the net assets remaining after the payment of all debts, charges and expenses shall be distributed to the shareholders of the Company in proportion to their respective shareholdings.

Restrictions on the free transferability of the securities

There are no restrictions on the transferability of the Shares in the Articles of Association or under Luxembourg law. However, addressing the Offering to persons located or resident in, or who are citizens of, or who have a registered address in certain countries, and the transfer of the Offer Shares into certain jurisdictions, may be subject to specific regulations or restrictions.

Dividend or payout policy

The Board of Directors currently intends to retain all of the available funds and any future earnings to fund the growth and development of the Group's business, and currently does not intend to recommend paying dividends in the medium term. The Board of Directors believes that the investment of the earnings will generate tangible benefits for the shareholders of the Company.

In the future, the Board of Directors may re-examine the dividend policy on an as-required basis, while decisions in that respect will be taken subject to various factors regarding the Company and the Group, including the prospects of future activities, future profits, the amount of the Company's unconsolidated distributable reserves, demand for cash, financial condition, planned Capex and development plans, as well as any legal requirements applicable to the payment of dividends by the Company, including in particular, the Company's ability to pay dividends.

Where will the securities be traded?

All of the Shares will be subject to an application for the admission and introduction to trading on the regulated (main) market operated by the WSE.

What are the key risks that are specific to the securities?

Presented below is a selection of the key risks that are specific to the Offering and the Shares.

- The Offering may be suspended, modified or cancelled, or the results of the Offering may deviate significantly from the envisaged Offering size and value.
- The Shares may not be eligible for admission to trading or listing on the regulated market (main market) of the WSE.
- The interests of the Company's significant shareholders, including certain Selling Shareholders, may conflict with the interests of other shareholders.

Section D – Key information on the offering of securities to the public and/or the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

The terms and conditions of the Offering

The Offering consists of: (i) the public offering in the territory of Poland (the "**Polish Offering**"), including: (a) the Retail Offering and (b) the Polish Institutional Offering, in accordance with Regulation S under the U.S. Securities Act; (ii) the offering in the United States to persons reasonably believed to be qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (iii) an offering to certain other institutional investors outside of the United States and Poland (such investors together with the QIBs, the "**International Institutional Investors**" and, together with the Polish Institutional Investors, the "**Institutional Investors**") in accordance with Regulation S under the U.S. Securities Act (the "**International Offering**"). The Polish Offering is being conducted exclusively within the territory of Poland. This Prospectus will not be passported or notified in any other way for the purpose of any public offering outside of Poland.

Expected timetable of the Offering

The timetable below lists expected key dates relating to the Offering. All times and dates referred to in this timetable are based on local Warsaw time and may be adjusted by the Company and the Principal Selling Shareholder in agreement with Goldman Sachs Bank Europe SE ("**Goldman Sachs**") and J.P. Morgan SE ("**J.P. Morgan**") (together, the "**Joint Global Coordinators**", the Joint Global Coordinators together with Banco Santander, S.A. ("**Banco Santander**"), Bank Polska Kasa Opieki S.A. – Biuro Maklerskie Pekao ("**Biuro Maklerskie Pekao**"), BNP PARIBAS ("**BNP PARIBAS**"), CVC Capital Markets S.à r.l. ("**CVC Capital Markets**"), Morgan Stanley & Co. International plc ("**Morgan Stanley**"), Pekao Investment Banking S.A. ("**Pekao Investment Banking**"), Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Biuro Maklerskie w Warszawie ("**PKO Securities**" and "**Offering Agent**"), Santander Bank Polska S.A. – Santander Biuro Maklerskie ("**Santander Poland**", together, the "**Joint Bookrunners**", and the Joint Bookrunners together with ING Bank N.V. ("**ING**"), mBank S.A. ("**mBank**") and Trigon Dom Maklerski S.A. ("**Trigon**"), the "**Managers**")) acting on their own behalf and on behalf of the remaining Managers, and in consultation with the Offering Agent. Should the dates set out in the timetable be adjusted materially, the Company will notify the CSSF and the PFSA and publish information regarding such fact in a manner compliant with the applicable regulations, as well as with the relevant market practices in Luxembourg and Poland on the Company's website (www.zabkagroup.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl) including where necessary by issuing a supplement to this Prospectus.

1 October 2024	Approval of the Prospectus by the CSSF Passporting of the Prospectus to the PFSA Publication of the Prospectus and the Polish summary of the Prospectus Opening of the Offering – commencement of the book-building process among the Institutional Investors
2-9 October 2024	Subscription period for the investors authorised to subscribe for the Sale Shares pursuant to this Prospectus who are natural persons (individuals), corporate entities (legal persons) and non-corporate entities other than individuals (an organisational unit without legal personality) (the "**Retail Investors**") – acceptance of purchase orders from the Retail Investors (until 3:00 pm Warsaw time on 9 October 2024)
9 October 2024	End of the book-building process among the Institutional Investors Determination of the Retail Investors Offer Price, Institutional Investors Offer Price, the final number of the Offer Shares (including the Sale Shares and Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors (the "**Pricing Date**")
on or about 9 October 2024	Execution of the pricing memorandum determining, among others, the Retail Investors Offer Price, Institutional Investors Offer Price and the final number of the Offer Shares (including the Sale Shares and Over-Allotment Shares) to be offered in the Offering and the final number of Offer Shares to be offered to the various categories of investors
on or about 10 October 2024	Publication of the Retail Investors Offer Price, Institutional Investors Offer Price, the final number of the Offer Shares (including the Sale Shares and Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www. bm.pkobp.pl)
10-14 October 2024	Acceptance of purchase orders from the Institutional Investors
not later than 14 October 2024	Payment for the Offer Shares subscribed for by the Institutional Investors
until 15 October 2024	Submission of purchase orders, if any, by the substitute Institutional Investors who respond to additional invitations to purchase the Offer Shares, or by the Underwriters or their subsidiaries in performance of their obligations under the Underwriting Agreement
14 October 2024	WSE allocation – submission of purchase orders for the sale of the Sale Shares to the Retail Investors through the WSE system
15 October 2024	Expected date of registration of the Sale Shares in the securities accounts of the Retail Investors Expected date of the registration of the Offer Shares in the securities accounts of the Institutional Investors (on the condition that the data provided by the investors for the registration of the Offer Shares in their securities accounts is complete and correct) – closing of the Offering
not later than 15 October 2024	Allotment of the Offer Shares (the "**Allotment Date**")
on or about 17 October 2024	Expected first day of trading of the Shares on the WSE (the "**Listing Date**")

Maximum Price; Determination of the Final Price of the Offer Shares

The offer price will be determined in PLN. The offer price range of PLN 20.00-21.50 per one Offer Share has been determined for the purpose of the book-building process (the "**Offer Price Range**").The final offer price per Sale Share for the Retail Investors (the "**Retail Investors Offer Price**") will not be set higher than PLN 21.50 per Offer Share (the "**Maximum Price**"), being the top of the Offer Price Range. The final offer price per Offer Share for the Institutional Investors (the "**Institutional Investors Offer Price**") is expected to be within the Offer Price Range. The Institutional Investors Offer Price may be higher than the Maximum Price. The Institutional Investors will purchase the Offer Shares (the Sale Shares and the Over-Allotment Shares) at the Institutional Investors Offer Price. If the Institutional Investors Offer Price is not higher than the Maximum Price and is set within the Offer Price Range, the Retail Investors Offer Price and the Institutional Investors Offer Price will be the same. The Retail Investors Offer Price and the Institutional Investors Offer Price will be determined by the Company and Principal Selling Shareholder, following close consultation with the Joint Global Coordinators. The Company will announce the Retail Investors Offer Price and the Institutional Investors Offer Price in the same manner as this Prospectus, i.e. in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl), and notified to the CSSF.

Final number of the Offer Shares

No later than on the date of the determination of the Retail Investors Offer Price and the Institutional Investors Offer Price, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, will make a decision on the final number of the Offer Shares to be offered in the Offering, including the final number of the Sale Shares and the final number of the Over-Allotment Shares. In any case, the final number of the Sale Shares to be offered in the Offering will not be higher than 300,000,000, but it may be lower. In any case, the final number of the Offer Shares to be offered in the Offering will not be higher than 345,000,000 (including all Sale Shares and any Over-Allotment Shares), but it may be lower. Additionally, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, will determine the final number of the Offer Shares to be offered to each specific investor category.

The Sale Shares may be acquired by the Retail Investors and the Institutional Investors and there is no fixed split of the Sale Shares that will be allocated to each category of investors. The Selling Shareholders intend to allocate up to 5% of the final number of the Sale Shares in aggregate to the Retail Investors. The remainder of the Offer Shares will be allocated to the Institutional Investors. However, the above-mentioned proportions may be altered by the Principal Selling Shareholder after a recommendation from the Joint Global Coordinators and in the case of the Polish Institutional Offering only, after consultation with the Offering Agent.

The information on the final number of the Offer Shares offered in the Offering and the alteration mentioned in the preceding paragraph, if any, will be announced together with and in the same manner as the Retail Investors Offer Price and the Institutional Investors Offer Price, i.e. in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl), and notified to the CSSF.

Subscription and payment of Retail Investors

The Retail Investors will place their purchase orders in Poland at the Maximum Price, indicating the number of Sale Shares they are willing to buy. Purchase orders from the Retail Investors will be accepted at the client service points of the Offering Agent and other members of the Retail Syndicate accepting purchase orders (jointly with the Offering Agent, the "**Retail Syndicate**"). The Retail Investors may place multiple purchase orders for the Sale Shares, provided that the maximum number of the Sale Shares subscribed for by a Retail Investor in one purchase order is not higher than 15,000,000 Sale Shares. A purchase order covering a higher number of the Sale Shares than 15,000,000 Sale Shares will be regarded as a purchase order for 15,000,000 Sale Shares. Orders not fully paid for or with improperly completed purchase order forms will be deemed invalid. All the consequences of submitting an incorrect or incomplete purchase order will be borne by the Retail Investor submitting such purchase order. Any purchase orders for the Sale Shares by a Retail Investor with a price other than the Maximum Price will be deemed invalid.

At the time of placing the purchase order, the Retail Investor must have cash on his/her investment account in an amount equivalent to the product of the number of the Sale Shares covered by the purchase order and the Maximum Price, increased by any fees, commissions and costs of the entity accepting the purchase order. A purchase order for Offer Shares can only be paid up with use of funds on the investor's securities account if there are enough funds not blocked on that investor's cash account kept for his/her securities account. Without enough funds on the account, the Retail Investor's purchase order will not be accepted.

Payment for the Sale Shares must be made in PLN in accordance with the rules of the given member of the Retail Syndicate, accepting a purchase order for the Sale Shares. Retail Investors will not bear any additional costs or taxes in connection with the payment for the Sale Shares, except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account) and any brokerage commissions payable under relevant agreements or rules of the entity accepting purchase orders.

Subscription and payment of Institutional Investors

Once the book-building process has been completed, the Company and Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, and, with respect to the Polish Institutional Offering only, the Offering Agent, will select the Institutional Investors to whom an invitation to submit a purchase order for the Offer Shares will be sent by the Offering Agent on behalf of the Joint Bookrunners and who will be entitled to purchase the number of Offer Shares specified in such invitation and to make payments for the Offer Shares at the Institutional Investors Offer Price to the account indicated in such invitation. Purchase orders placed by Institutional Investors who were invited to place purchase orders for the Offer Shares will be accepted on the terms as stated in the invitation to place purchase orders. Each Institutional Investor may submit one or several purchase orders for such number of Offer Shares as is indicated in the invitation addressed to such Institutional Investor to place a purchase order. Purchase orders which jointly cover a number of the Offer Shares greater than that stated in the invitation will be treated as purchase orders for the maximum number of the Offer Shares which may be covered by a purchase order placed by the given Institutional Investor.

The Institutional Investors are required to pay for their purchase orders by the date and time set forth in their respective invitations to submit a purchase order for the Offer Shares, in PLN, for the number of the Offer Shares stated in the invitation and in compliance with the instructions stated in the invitation to submit a purchase order. Payments should be made by wire transfer in PLN to the account stated in the invitation to submit a purchase order. The date of payment shall be the date on which the relevant cash sum is credited to such account.

Details of the admission to trading on the regulated market

Prior to the Offering, there has been no public market for the Shares and as at the date of this Prospectus, the Shares are not listed on any regulated or equivalent market. However, based on this Prospectus, the Company intends to submit an application to the WSE for the admission of all of the Shares issued to be listed on the regulated market in the continuous trading system. The Company will inform the public in the form of a current report that will be available to the public, in particular through a publication on the Company's website (www.zabkagroup.com), of the admission and introduction of the Shares to trading on the regulated market of the WSE upon receiving the required resolutions of the Management Board of the WSE in compliance with the applicable regulations, as well as market practices in the Grand Duchy of Luxembourg and Poland.

Shareholding structure following the Offering

The following table sets out the approximate shareholding structure of the Company immediately after the Settlement of the Offering, assuming that (i) the Selling Shareholders will sell all of their Offer Shares in the Offering, (ii) the Over-Allotment Option is exercised in full and (iii) the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price.

	Number of Shares	% of Shares in the share capital / % of votes at the GM
Heket Topco S.à r.l.	408,230,595	40.82%
PG Investment Company 1113B S.à r.l.	126,419,189	12.64%
Other minority shareholders	120,350,216	12.04%
Free float (purchasers of the Offer Shares)	345,000,000	34.50%
Total	**1,000,000,000**	**100.00%**

Costs of the Offering

The Company estimates that the total costs related to the Offering that will be incurred by the Company will be in the range of approximately PLN 35 million and PLN 40 million, which will comprise, among others: fees for legal and other advisory services, fees for accounting services, fees incurred in connection with the marketing activities and fees relating to the approval of this Prospectus and the WSE Admission or the costs and expenses related to the organisation of meetings with investors (early-look meetings and investor education), pilot fishing and the roadshow.

Neither the Selling Shareholders, nor the Company will collect any fees from investors placing purchase orders for the Offer Shares. Nonetheless, the amount paid by an investor subscribing for the Offer Shares may be increased by a potential commission of the Investment Firm accepting the purchase order in accordance with the rules in place in such Investment Firm.

Who is the Offeror and/or the person asking for admission to trading?

In the Offering, the Offer Shares are offered by the Selling Shareholders. Information on the Selling Shareholders has been presented in section A in the subsection "*The identity and contact details of the offerors, including their legal LEI*". Information on the Company as an entity seeking the admission and introduction of the Shares to trading on the regulated (main) market operated by the WSE is presented in section B in the subsection "*Who is the issuer of the securities*".

Why is this Prospectus being produced?

Reasons for the Offering

The Management believes that the listing of the Shares on the WSE will strengthen the Group's public profile by way of increased attention and brand awareness among current and potential commercial partners as well as other interested parties. The Management expects the Offering to create a new long-term shareholder base for the Group as well as liquidity for its existing and future shareholders. The Offering will provide the Selling Shareholders with an opportunity to partially realise their investment in the Group. Furthermore, the Management is of the opinion that an initial public offering will benefit the Group by giving the Company access to the Polish and international capital markets in the event any future capital needs arise, including, in particular, in connection with funding any potential M&A transactions. The Management also believes that the WSE Admission will assist it with incentivising the management team and senior staff, as well as will enhance the Group's employer branding and allow the Management to provide such persons with equity-based incentives linked to the listed Shares, thus aligning their interests with the interests of the shareholders. The Company will not receive any of the proceeds from the sale of the Offer Shares by the Selling Shareholders. The Selling Shareholders will receive all of the proceeds from the sale of the Offer Shares.

Underwriting Agreement

On 1 October 2024, the Company, the Selling Shareholders and the Managers entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which, the Managers severally agreed, on the terms and subject to the conditions set out in the Underwriting Agreement, to use reasonable endeavours to procure as agent for each of the Selling Shareholders purchasers for, or failing which, purchase themselves (except for Banco Santander and Pekao Investment Banking), and the Selling Shareholders agreed to sell, subject to certain conditions, to the Managers (except for Banco Santander and Pekao Investment Banking), the aggregate number of Sale Shares sold in the Offering (excluding in respect of the Sale Shares sold to Retail Investors), taking into account the underwriting commitments of each Manager (except for Banco Santander and Pekao Investment Banking) as set forth in the Underwriting Agreement, at the Institutional Investors Offer Price to be set forth in the pricing memorandum to be entered into between the Company, the Selling Shareholders and the Managers on or around 9 October 2024 and announced by the Company on or about 10 October 2024.

Conflicts of interest

The members of Board of Directors, István Szőke and Krzysztof Krawczyk, hold functions and management positions at certain affiliates of the Selling Shareholder I and Stephan Schäli is the Chief Investment Officer of and a partner at Partners Group AG, an affiliate of the Selling Shareholder II. Accordingly, their interests with respect to the Offering and WSE Admission may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest. Moreover, certain members of the Group's management, including members of the Management Committee, hold (directly or indirectly) Shares in the Company and intend to sell a portion of these Shares in the Offering through Amphibian. Their private interests might therefore not always align with those of other shareholders of the Company (including other Selling Shareholders) or the interests of the Company.

Subject to the foregoing, in accordance with the information available to the Company, there are no actual or potential conflicts of interest between any duties of the members of the Board of Directors or the Management Committee towards the Company and any of their private interests or other duties.

RISK FACTORS

Before investing in the Offer Shares, prospective investors should carefully consider the risks and uncertainties described below, together with the other information contained in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, may have a significant negative impact on the Group's business, financial condition, results of operations and prospects. The price of the Shares could decline, and an investor might lose part or all of its investment upon the occurrence of any such event.

All of these risk factors are contingencies that may or may not occur. The Group may face a number of these risks described below simultaneously and some risks described below may be interdependent where indicated with a cross-reference. Although the most material risk factors have been presented first within each category, the order in which the remaining risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential negative impact on the Group's business, financial condition, results of operations and prospects. While the risk factors below have been divided into categories, some risk factors could belong to more than one category, and prospective investors should carefully consider all of the risk factors set out in this section.

Although the Group believes that the risks and uncertainties described below are material risks and uncertainties concerning the Group's business and industry and the Offer Shares, they are not the only risks and uncertainties relating to the Group and the Offer Shares. Other risks, events, facts or circumstances not presently known to the Group, or that the Group currently deems to be immaterial, could, individually or cumulatively, prove to be important and may have a significant negative impact on the Group's business, financial condition, results of operations and prospects.

Prospective investors should carefully read and review the entire Prospectus and should form their own views before making an investment decision with respect to the Offer Shares. Furthermore, before making an investment decision with respect to the Offer Shares, prospective investors should consult their own professional advisors and carefully review the risks associated with an investment in the Offer Shares and consider such an investment decision in light of their personal circumstances.

Risks relating to the Group's business, operations and the industry in which it operates

Competitive pressures placed on the Group, changes in consumer trends, as well as a slowdown in the growth of the modern convenience segment could have a material adverse effect on its profit margins and growth prospects.

The market in which the Group operates is highly competitive, in particular due to the presence and continued expansion of large, organised retail networks, including discount chains and other retailers, (such as Biedronka, Lidl, Auchan, Eurocash, Grupa Kapitałowa Specjał and Makro) as well as Quick Service Restaurant ("**QSR**") chains, and eGrocery and e-commerce providers.

The Group's competitors may have greater financial, distribution, technical, staff and marketing resources, any of which could provide them with a competitive advantage over the Group. The Group's competitors may also seek to replicate some elements of the Group's strategy, which could harm the Group's competitive advantage. In addition, the retail landscape is constantly evolving, with players diversifying their offerings and venturing into adjacent sectors to capture broader consumer bases. Therefore, the Group stores also face the risk of intensified competition from market participants operating in other segments of the retail market, some of whom engage in aggressive pricing strategies to attract customers. Actions taken by the Group's competitors as well as new entrants to the market or market consolidation may increase competitive pressure on the Group, which may, in turn, place pressure on the Group's pricing strategy, margins and profitability. In particular, the Group may be unable to pass on the increased costs of the operations of the Group to its customers due to competitive pressure.

The market in which the Group operates is subject to changes in consumer trends, including customer preference for shopping in discount stores or supermarkets and demand for e-commerce and eGrocery solutions, as well as for greater convenience. Changes in consumer preferences could result, among others, from changes in disposable income, the unemployment rate, the inflation rate or the social and political situation (such as the war in Ukraine or elsewhere). These and other trends have resulted and may continue to result (in particular during times of economic uncertainty) in increased competition in the market sector in which the Group operates as consumers may become more price-sensitive and, consequently, may prioritise the prices of products over the convenience of shopping.

The ability of the Group to successfully compete depends on its financial, technical, staff and marketing resources enabling, among others, a proper response to changing customer needs and preferences (including the successful development and growth of new channels such as eGrocery and direct to consumer ("**D2C**")) as well as maintaining high level brand awareness and a good reputation, effective communication with customers, proper relationships with key suppliers and franchisees, successful implementation of smart price and promotion strategies, and preserving the attractiveness of the format of the Group's stores. The success of the Group also relies on its ability to select and secure attractive new store locations, therefore a shortage of appropriate locations with high foot traffic and favourable demographics, may impede the Group's expansion efforts and growth objectives. Therefore, no assurance can be given that the Group will be able to effectively compete with its existing or future competitors.

Furthermore, the modern convenience segment in which the Group operates may be subject to a slow-down due to a number of factors such as macroeconomic conditions (including high inflation rates), governmental actions (including new legislative initiatives and changes in the regulatory environment), pandemics, geopolitical events or other unforeseen circumstances, which could also contribute to changes in customer behaviours and habits. This, in turn, could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects. See also "*—Risks relating to the macroeconomic and political environment in which the Group operates—Changes in general economic conditions may lead to a decrease in consumer demand, which could adversely impact the operations of the Group*" in this Section ("*Risk Factors*").

As a result of increasing competitive pressure driven by factors beyond the Group's control, changes in consumer trends and/or a slowdown in the growth of the modern convenience segment, the Group's business, results of operations, financial condition and prospects could be materially and adversely affected.

The Group is dependent on third parties in respect of certain areas of its business.

The Group depends, entirely or to some extent, on third parties in respect of certain key areas of its business, including the supply of products, marketing, product selection, transport of goods, information technology systems and software (such as cloud systems or certain information technology systems at the Group's stores), client application, card transaction processing and services for clients like Lotto or parcels. In addition, certain of the Group's own-brand products rely on a single supplier. See also "*—Risks relating to the franchise business model operated by the Group—The Group's operations and growth strategy depend largely on the success of its franchisees*" in this Section ("*Risk Factors*").

Such third parties may fail to provide necessary products or services on a timely basis or to the agreed upon standard or could discontinue or limit their products or services, or seek to charge the Group higher prices. Furthermore, the Group might be compelled to change its suppliers for reasons beyond its control, such as disruption in regular supply chains (e.g., as a consequence of wars, natural calamities or any other reason). Any such event or change in availability of such third-party providers of various products and services (for reasons involving a deterioration of a business relationship between the Group and a third party or due to reasons independent of the parties, such as natural disasters) may result in a significant interruption to the Group's business. In such case, the Group may be forced to find different suppliers, which may be impossible to achieve within a short time, or the Group may need to accept new unfavourable commercial terms with a new supplier or suppliers. In addition, the Group may be unable to procure products and services from such alternative supplier or suppliers that meet its quality criteria.

The impact of the above-mentioned circumstances will vary depending on the type of third-party supplier. In case of disruptions involving product suppliers, procurement and transport, this could cause delays in deliveries, a deterioration of the quality of products or reduce the Group's competitiveness in terms of the offered prices and the range of own-brand products. Disruptions involving software and marketing services providers could adversely affect the Group's ability to communicate with clients and, as a result, harm the Group's reputation. In the case of disruptions involving services for clients it could adversely affect their shopping experience and, as a result, decrease clients' expenses and loyalty.

Any issues with third-party providers could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The information technology systems employed by the Group may be breached, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group operates websites, applications, networks and other data systems through which it collects, maintains, transmits and stores information about its suppliers, franchisees, customers and others, including credit card information and personal information, as well as other confidential and proprietary information. The Group also cooperates with third-party service providers that store, process and transmit proprietary, personal and confidential information on its behalf. Furthermore, the Group relies on encryption and authentication technology licensed from third parties in order to securely transmit confidential and sensitive information, including credit card details and personal data. Although the Group takes steps to protect the security, integrity and confidentiality of the information it collects, stores or transmits, it regularly records attempts to break into its systems, and the Group and its service providers might not have the resources or technical sophistication to anticipate or continue to prevent all types of attacks and techniques used to obtain unauthorised access to its systems. In the past, the Group has experienced IT-related security incidents that temporarily affected operations of some of its stores, and the risk of future IT breaches persists, potentially causing operational downtime, financial losses, and damage to the Group's reputation.

As the techniques used to obtain unauthorised access to or sabotage systems change frequently and may not be known until launched against the Group or the Group's third-party service providers, the Group may be unable to anticipate or implement adequate procedures and measures to protect against such attacks. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by employees or by persons with whom the Group has commercial relationships. Any compromise or breach of the Group's cybersecurity measures, or those of its third-party service providers, could result in operational disruptions, the theft or destruction of data, including personal data, as well as commercial, financial and product information, which, in turn, could result in a violation of applicable privacy, data security and other laws, significant legal and financial risks, reputational damage and a loss of confidence in the Group's security measures.

In addition, actual or anticipated attacks may cause the Group to incur significantly higher costs, including the costs of deploying additional staff and network protection technologies, training employees and engaging third-party experts and consultants. Any such breaches of the Group's cybersecurity measures could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The loss of or a failure to hire and retain highly skilled senior managers and other key staff or a failure to maintain relationships with the Group's workforce could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group's business is dependent on its ability to recruit, retain and motivate highly skilled senior management and other staff with significant experience in the Group's industry. The loss of any members of the senior management team could have a material adverse effect on the Group's business plans, product development, growth strategy, marketing and other plans as the Group may not be able to implement its succession planning and/or find suitable individuals to replace such staff on a timely basis without incurring increased costs, or at all.

In addition, the competencies and commitment of the Group's employees are important factors for the Group's successful development and the management of opportunities and risks. Given the Group's strategy in respect of the development of its international, e-commerce and eGrocery segments, the ability to attract highly qualified employees (including IT specialists) may be crucial for the further development of the Group in this respect which, taking into consideration the widespread demand for individuals in IT-related positions, as well as managers with international experience, may pose difficulties for the Group.

The departure of qualified staff, a high level of employee turnover or persistent issues with filling job vacancies with suitable applicants could have a material adverse effect on the Group's ability to compete effectively, and considerable expertise could be lost by the Group or obtained by the Group's competitors. In addition, to attract or retain qualified staff, the Group might have to offer increased compensation packages and other benefits, which could lead to higher staff costs. Any inability to attract, train, motivate or retain skilled staff at reasonable costs could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The brands of the Group and the Group's reputation are crucial to its business.

The Group's success depends, in part, upon brand recognition and the customer goodwill associated with it and its brand names (in particular, "Żabka", "Maczfit", "Dietly", "Żabka Café", "Żabka Nano", "Żappka", "Jush!", "delio", "Froo", and "Froo bistro"). The Group's reputation and the quality of the Group's brands are crucial to its business and success, and any adverse changes thereto could negatively impact the business of the Group. The Group believes that it has built its reputation on its commitment to customers, its ability to respond effectively to changing consumer needs and preferences (such as growing societal awareness of health and sustainability), local proximity to customers and the layout of its stores. The Group's ability to achieve its strategy depends on its ability to protect and grow the value of its brands. Any negative incident that affects consumer loyalty to its brands could significantly reduce its value and damage the Group's business. Moreover, any adverse event, whether real or perceived, can spread rapidly across social media platforms, potentially eroding the Group's brand reputation and customer trust. The proliferation of user-generated content and the spread of misinformation amplify the risk, as false narratives can quickly gain traction and undermine the Group's credibility. Failure to effectively manage and respond to negative publicity may lead to long-term consequences, including decreased customer loyalty, damage to the Group's brand and decreased financial performance.

The Group may be adversely affected by any negative publicity involving the Group, its franchisees or its competitors, regardless of its accuracy or substantiality, including with respect to the quality of the products sold, product pricing, newly launched products and promotional campaigns, customer or workplace incidents, security breaches, the terms of cooperation with franchisees, and government or industry investigations or findings concerning the Group or its stores. The Group is also subject to the risk of reputational damage resulting from the actions of its franchisees, which are outside of the Group's control. Negative publicity surrounding any assertion (even if baseless) that the products sold by the Group (in particular, own-brand products) were of low quality, or contributed to any illness, injury or death could negatively impact the perception of the Group's brands or image as held by existing and potential customers, which may result in a loss of customers, a decrease in revenue or in higher franchisee churn.

Customer complaints, product liability claims, product recalls, health and safety issues or legal actions concerning the Group, including in respect of the Group's own brands, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The preparation, packaging, transportation, storage and sale of perishable food products and non-food products (including the Group's own-brand products and products offered under the "Maczfit" brand) entail a risk of product contamination, deterioration or defect that could potentially lead to product recalls, liability claims and adverse publicity, as well as all of the reputational impact and costs related therewith. Food and non-food products may contain contaminants that could, in certain cases, cause illness, injury or death. In many cases, these issues will be outside of the control of the Group. The sale (or claims relating to an alleged sale) of contaminated, deteriorated or defective products may result in product liability claims or product recalls. Moreover, some fresh products offered in the Group's stores (such as hot dogs, chips, churros, chicken nuggets, rolls) are prepared in the stores, hence the quality of such products may vary depending on a specific store, which may result in a lack of consistent quality among the Group's stores in respect of such products and customer complaints related thereto. There can also be no assurance that franchisees will fully adhere to and implement the Group's standard controls and procedures in order to maintain the expected quality and prevent the contamination of the fresh products offered in the Group's stores; thus, any incidents or reports of foodborne illness or other food safety issues, food or employee hygiene and cleanliness failures, or improper employee conduct at the Group's stores could lead to product liability or other claims against the Group or otherwise adversely affect the Group's reputation.

In addition, the Group must comply with certain requirements of applicable law, and its in-store and processing activities and own-brand products are subject to the supervision and control of various public inspection authorities, in particular in relation to compliance with food safety rules. Thus, the Group is required to ensure compliance with many sanitary requirements and procedures, including those relating to health and safety and the monitoring and laboratory analysis of the quality of raw materials and end products, and consequently could be subject to emergency product recalls from the market. Moreover, some regulations, especially those related to environmental protection, impose obligations and fees on the entity that commissions production, rather than on the producer acting on commission, therefore certain duties and responsibilities are imposed on Żabka Polska as an entrepreneur that outsources the manufacturing of own-brand products to another entrepreneur. If regulatory requirements change or the Group is required to increase its regulatory controls and processes, the Group's costs could increase, which could, in turn, have a material adverse impact on its profitability.

The Group's major own-brand products include "Tomcio Paluch" (sandwiches), "Szamamm" (ready meals), "Dobra Karma" (clean label meals), "Plant Hunter" (vegan meals), "Haps!" (snacks), "Foodini" (smoothies), "Wycisk" (cold pressed juices), and "S!" (functional shots). The Group has also several internationalized own brands in its portfolio, such as Tommy Bites, Foodini, Good Soul, Barefruit, Haps! and Yammee, which are available in Romania. These own-brand products are important for the Group's future growth prospects as these items offer a significant means of competitive differentiation and generally offer more attractive margins. Maintaining broad market acceptance of the Group's own-brand products depends on many factors, including value, quality and customer perception of the Group itself. The Group may prove unsuccessful in its efforts to ensure the consistent quality and safety of its products and may be subject to product liability claims from customers or to government penalties, including with respect to products that are recalled, defective or otherwise alleged to be harmful. While the Group believes that the Group's products comply in all material respects with all applicable laws and regulations, there can be no assurance that such products will not cause, or be alleged to cause, harm or that the Group will not be subject to claims or lawsuits relating to such matters. Although the Group generally seeks contractual indemnification and insurance coverage from its suppliers and has product liability insurance, it may not have adequate contractual indemnification and/or insurance available that, in certain cases, may require the Group to respond to, and accept liability for, claims or complaints from customers as if it were the manufacturer. Even if a product liability claim is unsuccessful, is not fully pursued or is ultimately covered by adequate insurance and indemnification, the negative publicity surrounding any such claim could adversely affect the Group's reputation among existing and potential customers, which may result in a loss of customers, a decrease in revenue or in higher franchisee churn. See also "*—Risks relating to the Group's business, operations and the industry in which it operates—The brands of the Group and the Group's reputation are crucial to its business*" in this Section ("*Risk Factors*").

Any customer complaints, product liability claims, product recalls, health and safety issues, legal actions or other factors that undermine the value of the Group's brand names could lead to increased legal, regulatory or marketing costs and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

A disruption to or a malfunction of, or a failure to make improvements to the Group's information technology systems and technological solutions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group depends on its IT systems for the efficient functioning of its business, the effective management of risks and the optimisation of its product offerings, customer base and profitability. This includes the management of its franchise stores, including the sales process, inventory, logistics operations (including operations in the automated distribution centre) and finance and accounting needs through a variety of IT solutions. Such IT solutions allow for the optimisation of orders and the limitation of potential losses or the loss of sales in the case of stock-outs or a failure to make timely deliveries of goods to the Group's franchise stores. In addition, the Group's IT systems are of strategic importance to the achievement of the Group's strategy within the D2C, e-commerce and eGrocery segments. See also "*—Risks relating to the Group's strategy—The Group may be unable to successfully implement its strategy in respect of the development of new business projects and/or to effectively manage its anticipated growth, which may adversely affect its business*" in this Section ("*Risk Factors*"). Events such as telecommunications difficulties, software failures, inadequate capacity of IT centres, IT equipment failures or breakdowns, the unavailability of internal resources, fires, electrical failures, power outages and any delay in or impossibility of installing new IT systems could adversely affect the capacity and availability of the Group's IT systems, and the success of the Group's strategy. Furthermore, the Group's online platform is, like all online services, vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload its servers with distributed denial-of-service attacks, misappropriation of data through website scraping or other attacks or similar disruptions from unauthorised use of the Group's IT systems. Although the Group has implemented procedures and systems to protect it and its customers from such events, the Group's measures may be inadequate to prevent such events, which could lead to a loss of critical data, service and operations interruptions, delays in processing information and completing deliveries to the Group's stores and customers, and ultimately losses in sales, customer or employee dissatisfaction, or negative publicity that could adversely impact the Group's reputation, results of operations, financial condition and prospects.

As advancements in technology continue to reshape the retail landscape, the Group's ability to remain competitive and meet the changing needs of consumers hinges on its capacity to embrace and integrate innovative solutions into the Group's operations. Moreover, the role of AI in data analytics, supply chain optimization, and personalized marketing constantly increases. Failure to leverage technological innovation may hinder the Group's ability to anticipate consumer preferences, optimize pricing strategies, and streamline operations, thereby limiting its ability to adapt to rapidly evolving market.

The Group's operations and development depend on the efficient and uninterrupted functioning of its IT systems. Any failure by the Group to ensure that the process of maintaining its existing IT systems is properly carried out, that the systems, including the data constituting trade secrets or any personal data (including data processed in connection with non-cash payments), are secured and that optimum new solutions are introduced when appropriate could potentially result in disruptions to its IT systems and have an adverse effect on the Group's business. There can be no assurance that the Group's IT systems will not be subject to interruption or failure, which could impair the Group's ability to manage supplies to its store network, including to provide the Group's stores with stock management services, and could jeopardise the proper functioning of the Group's stores, including offering services like parcel delivery, cash back and utility bill payment. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group depends on its material intellectual property rights, and any failure by the Group to protect its intellectual property rights could significantly harm the Group's business, and defending intellectual property claims may be expensive and could divert valuable company resources.

The Group's key trademarks are crucial to the business of the Group. The Group's portfolio of intellectual property rights consists primarily of trademarks relating to the "Żabka", "Maczfit", "Dietly", "Żabka Café", "Żabka Nano", "Żappka", "Jush!", "delio", "Froo Bistro" and "Froo") brands. While the Group relies on a combination of trademark and copyright laws and licensing arrangements, where appropriate, to establish and protect the Group's intellectual property rights, third parties may infringe on, or misappropriate, the Group's rights, or assert rights over, or ownership of, the Group's trademarks and other intellectual property rights, or attempt to create and/or use trademarks that are similar to trademarks that the Group owns. The steps that the Group has taken to protect such rights may not be sufficient to protect them or to prevent others from seeking to invalidate its trademarks. The Group may in the future resort to litigation to enforce its intellectual property rights. Any such litigation could result in substantial costs and a diversion of financial and management resources. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

It is also possible that the Group may fail to identify third-party intellectual property rights adequately or assess the scope and validity of these third-party rights, which may lead to claims that the Group has infringed certain intellectual property rights owned by third parties, who may challenge the Group's right to continue to sell certain products and/or may seek damages from the Group. Any such claims or lawsuits, whether or not substantiated, could be expensive and time-consuming to defend and could cause the Group to cease offering products that incorporate the challenged intellectual property, which could adversely affect the operations of the Group and divert the attention and resources of the Group's management. The Group cannot provide any assurance that it will prevail in any litigation related to infringement claims made by, or against, the Group. A successful claim of infringement against the Group could result in the Group being required to pay significant damages, cease the sale of certain products that incorporate the challenged intellectual property or obtain licences from the holders of such intellectual property, which may not be available on commercially reasonable terms, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The business of the Group may be subject to external factors beyond the control of the Group, which could adversely impact the operations of the Group.

The Group is exposed to a number of risks in the conduct of its business arising from external factors beyond its control, including, but not limited to, accidents, vandalism, natural hazards, acts of terrorism, wars, damage and loss caused by fire, power failures or other events that could potentially lead to the interruption of the Group's business operations, personal injuries, or damage to third-party property or the environment. For example, the Group relies on third-party data centre providers, whose facilities could suffer catastrophic failure as a result of physical damage or cyberattack and subject the Group to losses beyond those for which it is insured. See also "*—Risks relating to the Group's business, operations and the industry in which it operates—The Group is dependent on third parties in respect of certain areas of its business*" in this Section ("*Risk Factors*"). In addition, the Group's activities relating to the distribution of goods involve specific risks such as fires, falls from height, objects falling from storage shelving and during movement, or traffic collisions that could result in damage to equipment, damage to the property of third parties and personal injury or death. Accidents or other incidents that occur at the Group's warehouses or that involve the Group's staff or operations could result in claims for damages against the Group, interrupt the Group's operations and/or damage the Group's reputation.

The Group could also be affected by other natural or man-made disasters, such as heavy storms, floods, explosions and other accidents or catastrophes, as well as international health risks (e.g., viruses, epidemics, pandemics). The recent coronavirus (SARS-CoV-2) and related Covid-19 respiratory disease pandemic (the Covid-19 pandemic) and government and other measures put in place to control the spread of the virus, such as travel bans and restrictions, lockdowns, quarantine orders and shutdowns of business and workplaces, led to a significant worsening of macroeconomic conditions including higher unemployment and inflation rates, reduced disposable income and lower consumption and supply chain disruptions and negatively impacted the Polish retail market in which the Group operates. If any such events were to occur in the future, they might result in a decrease in revenue, additional operational complexity, supply chain disruptions, reduced footfall, closures of the Group's stores, delays in opening new stores or increased corporate expenses, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, over the past several years, changing climatic conditions have added to the inherent unpredictability and frequency of natural disasters (heatwaves, droughts, conventional storms and floods) and have created additional uncertainty as to future trends and exposure in this respect. The occurrence of a severe catastrophic event could damage the Group's operations (for example, by causing an interruption in the operations of the Group's logistics centres and, consequently, a disruption in the Group's logistic infrastructure) or harm Poland's economy, reducing the number of customers of the Group's stores and impairing the Group's ability to procure supplies and to deliver products to its franchise stores.

Any or all of these developments could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

An increase in insurance costs or reduction in insurance coverage may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Although the Group has insurance policies in place against certain losses at a level and cost it deems appropriate, the Group's insurance policies are subject to exclusions and limitations, and certain risks, such as those relating to the pandemics or act of war, cannot be insured against at commercially reasonable terms or at all. The Group cannot guarantee that all material events of damage or loss will be fully or adequately covered by an applicable insurance policy. As a result, the amount of any costs, including fines or damages that the Group might incur in such circumstances, could substantially exceed any insurance the Group has to cover such losses. Moreover, even if insurance claims are paid in full, the resulting loss of business as a consequence of any such losses would not be insured. In addition, the Group's insurance providers could become insolvent, or the Group may not in the future be able to obtain adequate insurance on commercially reasonable terms. If any of these events occur, alone or in combination, they could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to the franchise business model operated by the Group

An increase in the franchisee churn rate, decrease in the attractiveness of the franchise offer to new franchisees or a decrease of the Group's share in the margins realised may adversely affect the Group's business.

The Group's strategy, both in respect of the expansion of its store network and maintaining the rate of store network utilisation (i.e. the ratio of the number of open stores to all stores of the Group) and LFL growth, depends to a large extent on the ability to attract new franchisees and retain existing franchisees.

There can be no assurance that the Group's churn rate of franchisees (i.e., the number of terminated franchise contracts compared to the total number of franchisees at the start of the period) will not increase in the future or that the Group will be able to recruit a sufficient number of new franchisees to meet its organic growth targets. This could be caused by a range of factors, some of which are beyond the Group's control, including a deterioration of macroeconomic conditions, greater employment opportunities that make sole trading less attractive to potential franchisees, market competition and/or changes in applicable law or tax regulations increasing the tax burdens of sole traders. In particular, a low unemployment rate may make it challenging for the Group to attract high-quality professionals who would be interested in pursuing business opportunities as a franchisee. Accordingly, the Group continuously monitors and maintains its relations with franchisees and offers attractive elements of cooperation (e.g., by launching digital tools that facilitate in-store operations) and financial terms in order to be perceived as an attractive business partner by the franchisees. A potential increase in the Group's churn rate of franchisees along with an inability to attract new franchisees could materially adversely affect the Group's operations and its ability to achieve its strategy.

The Group views its franchisees as key stakeholders of the Group's business and has developed a number of strategic initiatives in order to build franchisee engagement and satisfaction and has continuously invested in their margins in the last five years. This resulted in a steady increase in certain expenditure items for the Group over such period. The average Franchisee Margin per average number of stores increased by 11.5% between 2022 and 2023 and a CAGR of 13.5% between 2021 and 2023. In the six-month period ended 30 June 2024 Franchisee Margin per average number of stores amounted to PLN 212.6 thousand relative to PLN 194.1 thousand in the first half of 2023. Although the Group aims to maintain this trend in the coming years, no assurance can be given that the Group will not face increasing pressure on margins realised by franchisees due to a further increase in the minimum wage (above the inflation rate), changes to the tax burden of franchisees (such as, e.g. the "*Polish Deal*" legislation introduced in Poland in 2022, which contains certain provisions that are unfavourable for sole traders) or other macroeconomic conditions (e.g. a competitive labour market, low unemployment and high inflation). Consequently, the Group may have to incur greater expenditures connected with the margins realised by the franchisees than anticipated, which could adversely affect the Group's financial condition and the ability of the Group to finance its growth strategy and new business projects.

Any increase in the churn rate of franchisees, a shortage of potential future franchisees or an increase in the costs related to the margins realised by the franchisees borne by the Group could limit the Group's future growth and ability to achieve its strategy, negatively affect the Group's profitability and, in turn, have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in the legal framework relating to the franchise market could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group operates its business based on a franchise business model, under which each franchisee (acting as a sole trader) concludes a franchise agreement with the Group setting out the rules of cooperation between the Group and the franchisee. Pursuant to the franchise agreements, franchisees are required to operate a store (or stores) at their own cost, on their own account and in their own name in line with the guidance and procedures provided by the Group and with support from the Group (both financial support, including subsidies for the development of stores, and non-financial support, such as marketing support, training, digital tools and assistance with staff recruitment).

As at the date of this Prospectus, the franchise agreement has not been regulated as a separate type of contract in the Polish Civil Code, which means that the parties (the Group and a franchisee) have significant autonomy in determining their respective rights and responsibilities. The former Polish government had however expressed its intention to regulate the franchise market (e.g., by introducing additional obligations on franchisors and certain restrictions on the termination of such agreements), and the initiative, if further undertaken, could lead to more restrictive laws and regulations relating to the Group's franchise agreements.

The Group is unable to predict the final shape and scope of such a new law, the ultimate cost of compliance with such regulations or their effects on its operations. The Group may be required to incur significant costs or modify its business model in order to comply with amendments to existing laws and regulations and/or with future laws and regulations relating to the franchise business model, which may increase its costs and limit its ability to operate its business, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Either as a result of any newly-imposed regulations, or under existing law, there can be no assurance that the Group's franchise arrangements or franchise arrangements in general in Poland will not be challenged by franchisees, competitors or regulators, or that such franchise arrangements will not be regulated in the future, either of which could have a material adverse effect on the Group's business.

In addition, business cooperation based on franchise agreements is not separately and comprehensively regulated by Polish tax law, and as a result there is no unanimous or uniform interpretation of the law or uniform practice of the tax authorities in respect of the Group's franchise arrangements. Therefore, particular provisions and solutions included in its franchise agreements, for instance those relating to financial settlements between the parties to the franchise agreement may be subject to interpretations by the tax authorities that are different than those applied by the Group, which could result in unfavourable tax rulings issued against the Group resulting in unforeseen costs and in resulting changes to its franchise model. Moreover, certain retailers in Poland are taxed on the revenues generated from retail sales. The tax base is the surplus of revenues from retail sales over PLN 17 million earned in a given month (the tax rate amounts to 0.8% of the tax base for the given month, in the part not exceeding the amount of PLN 170 million and 1.4% of the excess of the tax base, in the part exceeding the amount of PLN 170 million). As at the date of the Prospectus franchise chains, including the Group, are not subject to this tax, although certain of the Group's businesses, such as its Nano stores, may be subject to this tax in certain conditions, particularly if the Group's revenue from its Nano stores were to exceed certain thresholds in the future. In addition, the Group cannot rule out that the law may be amended to impose the retail tax on chains operating in a franchise model. If the tax is imposed on retail franchise chains, it would result in significant new expenses for the Group, increase of the Group's operating costs, and reducing its competitive capacity compared to integrated formats, especially discounters.

Furthermore, under Polish law, it is not permitted to replace an employment contract with a civil law agreement where the nature of the work performed by an individual meets the requirements of an employment relationship. In the case of such unlawful replacement of an employment contract with a civil law agreement, an employer is required to settle such agreement in a manner that is appropriate for an employment contract. If the Company's franchise arrangements were deemed to be employment contracts, this could result in significant additional costs, such as the payment of outstanding social security contributions and payments for overtime work. The Group has in the past been a party to proceedings relating to claims for the reclassification of franchise agreements as employment contracts, all of which were settled by courts in favour of the Group. Nonetheless, it cannot be ruled out that a ruling unfavourable to the Group could be issued in such proceedings in the future. Moreover, an unfavourable ruling in such cases could increase the frequency of other franchisees initiating similar claims against the Group. The aforementioned factors could divert the attention of the Group's management, harm the reputation of the Group and increase its costs, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's operations and growth strategy depend largely on the success of its franchisees.

The Group operates a franchise business model whereby franchisees operate stores in their own name and cooperate with the Group based on franchise contracts. Maintaining good relationships with the Group's franchisees is crucial to ensure the successful execution of the Group's strategy and to avoid disruptions to the Group's business. Therefore, the Group's profitability is inherently connected to its franchisees and the turnover generated in the stores operated by such franchisees.

The Group's franchisees operate stores independently as sole traders who employ their own employees. Therefore, their actions are, in many respects, beyond the control of the Group. Although the Group has developed criteria to evaluate and screen prospective franchisees and to provide them with training and other support during the entire period of their cooperation with the Group, the Group cannot assure that its franchisees will have the business acumen, skills or commitment necessary to operate successful stores. For instance, the franchisees of the Group may not be able to secure the funds necessary to continue the operation of a store, retain or attract staff, and perform key services necessary to ensure the proper functioning of a store. Despite efforts to leverage automation and streamline operations, the success of the Group's franchise locations remains dependent on the availability of skilled and competent personnel. Staff shortages or high turnover rates may compromise service quality, leading to diminished customer satisfaction and loyalty. Moreover, franchisees may disagree with or fail to implement elements of the Group's strategy or may otherwise put pressure on the Group to change or abandon certain policies or procedures. Although franchisees are legally independent businesses, their actions or incidents, including those involving employees at franchisee-operated stores or employment-related claims could impact the Group's brand and financial position, particularly if customers perceive these issues as reflective of the Group's broader operations. In addition, the franchisees of the Group are exposed to the risks of loss, theft or robbery related to cash, products or inventory in the stores they operate, or to other fraud, which, if substantial in the aggregate, could impair their ability to make payments to the Group. Given the portion of fixed costs incurred by the Group in relation to franchise contracts, the failure of the Group's franchisees to operate their franchises successfully or in line with the Group's strategy and standards could contribute to a loss of revenues and profitability of the Group, and have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In case of a failure of a franchisee to operate his/her business successfully or in line with the Group's strategy, the Group may terminate its cooperation with such franchisee, which could result in difficulties in collecting an ex-franchisee's debt towards the Group, which primarily relates to the settlement of the franchise contract, payments for delivered supplies, contractual damages or under any other legal title. Although the Group's franchisees have the opportunity to purchase insurance (through a third-party insurance company) that is designed to cover such potential liability in the event of the termination of their cooperation with the Group, such insurance is optional and, even if purchased, may prove insufficient to cover the entirety of such liability toward the Group, and there can be no assurance that the Group would be able to collect on the remaining amounts owed to it by former franchisees in a timely manner or at all.

As at 30 June 2024, the Group was involved in 317 pending court proceedings against former franchisees relating to debt owed to the Group, which, in aggregate, amounted to PLN 23.5 million (contract value).

In order for the Group's relationships with its franchises to be successful, the terms of their cooperation with the Group need to be perceived as fair and reasonable and also need to be in line with the Group's business model. However, no assurance can be given that the Group will not face disputes, strikes or similar actions relating to the terms of cooperation with the franchisees or other issues, which may require the Group to adopt or negotiate changes with respect to its terms of business cooperation with the franchisees. This, in turn, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to the Group's strategy

Failure to implement the Group's strategy related to the expansion of its store network in Poland and Romania may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

One of the Group's strategic pillars is the continued rapid and organic expansion of its store network in Poland and the expansion in Romania through transformation of existing stores served by DRIM and organic new store openings. The Group sees an overall market opportunity for approximately 19,500 Żabka stores in Poland and approximately 4,000 in Romania, implying significant headroom across both markets (see: "*Business of the Group—Strategy—New store openings*").

The successful implementation of the Group's expansion strategy depends on several factors, such as the ability to locate and lease suitable real estate on commercially reasonable terms, the ability to attract new franchisees and maintain existing franchisees, and access to financing on commercially reasonable terms to fund the capital expenditures related to new store openings. In addition, further expansion of the Group's business will result in increased amount of leased space, translating into growing fixed occupancy cost. The standard lease contracts executed by Żabka Polska are linked to the previous year's CPI index, with the landlord holding the responsibility of requesting a change in the lease fees. As part of an ongoing renegotiation process of lease fees, in 2023 Żabka Polska renegotiated over 700 contracts, which maintained the year-on-year increase of rental costs below the CPI index, no assurance can be given that the Group will be successful in similar attempts in the future.

There can be no assurance that the Group will be able to expand its store network in Poland and Romania at the rate and profitability envisaged in its business plan or to effectively manage the increasing size and complexity of the Group's business resulting from future growth, and any failure to do so could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may face challenges in implementing its international expansion plans or may be unable to successfully enter new markets.

The Group conducts its business, for the most part, in Poland. In February 2024, the Group acquired DRIM Daniel Distributie FMCG S.R.L. ("**DRIM**") in Romania and, in the future, may engage in other acquisitions abroad. As of the date of the Prospectus, the Group operates more than 20 stores in Romania and is in the process of opening more stores in this market. In particular, the Group has more than 50 locations targeted in Bucharest – the country's largest city and its capital, with an intention to open more than 500 stores by 2028 across Romania.

The Group's near-term international expansion strategy is focused on the Romanian market, which is characterized by its fragmentation. Both international and local retailers are actively expanding their presence across key segments, including hypermarkets, supermarkets, and convenience stores. Major international and local retailers are consistently investing in network growth and optimizing their market strategies to capture evolving consumer demand, particularly within the rapidly expanding convenience sector. While the decision to enter the Romanian market was preceded by market analyses, the Group cannot rule out that its existing business model may not resonate with consumers or meet market demands in Romania.

The successful introduction of the Group to other markets relies on various factors, including, inter alia, macroeconomic development (increase in GDP, customers available income, consumption), market acceptance, the Group's effectiveness in attracting high-quality local talent (managers), aligning its business with local regulations and operational execution. Moreover, the value of the Polish złoty (PLN) relative to other currencies (including Romanian leu (RON)) can be volatile, and these fluctuations may impact the Group's financial performance and overall business operations.

While the convenience store concept has proved itself and continues to prove itself, earning the recognition of Polish customers, this does not mean that the Group's offering will gain the expected traction and thus develop the expected market share in other markets. Misalignment with local preferences could lead to diminished brand appeal and underwhelming sales performance, hindering the Group's ability to capture market share and achieve desired revenue targets.

The Group cannot guarantee that it will be able to adapt its offering to a local market characterized by a different culture and consumer habits. Penetrating a new market also requires substantial investments in various areas such as marketing, distribution channels, and operational infrastructure. These upfront costs, coupled with uncertainties surrounding consumer adoption rates and competitive responses, may lead to significant financial burdens and lower than expected profitability.

Each jurisdiction has its own set of regulations governing retail operations, trade practices, and product standards. Failure to navigate these regulatory frameworks effectively could result in legal disputes, penalties, or even business closures, thereby disrupting the Group's market entry plans. The Group has started to conduct its operations in Romania based on an agency model, which has not been widely implemented by the Group before, therefore, its effective implementation may create significant challenges for the Group. Under the agency model, the agent will operate a retail store in the name and on behalf of Froo Romania Retail S.R.L. (the "**Principal**"), exclusively under the directions and instructions of the Principal (contrary to the franchise model implemented in Poland, where the franchisees operate Żabka stores on their own behalf and on their own account). The premises for the store locations in Romania are leased by the Principal whereas the goods that are sold are owned by the Principal (unlike under the franchise model in Poland, where the franchisees are required to acquire goods on their own account). Under the agency contract, the agent will be entitled to a commission provided for in the agency contract (where in the franchise model, since the stores are operated for and on behalf of the franchisee, the turnover generated by a particular Żabka store is attributable to the franchisee and the franchisee is obliged to pay to Żabka fees provided for in the franchise agreement).

As a result of these or other factors and considering required capital expenditures, the Group could achieve lower-than-expected returns on investment in international expansion and incur liabilities or expenses that prove to be larger than anticipated. This, in turn, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

<u>*Failure to maintain LFL growth may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.*</u>

One of the Group's strategic pillars is to maintain its LFL growth. The Group's ability to achieve such growth is dependent on a number of initiatives, including: (i) continuous development of the Group's product assortment (i.e. launching specific products, including own-brand products); (ii) effective AI-driven pricing and promotions; (iii) personalised communication with customers, as well as the development of digital tools and ESG initiatives meant to build customer engagement; and (iv) additional initiatives to drive increased traffic to the Group's stores (i.e. attracting new customers and increasing the frequency of customer visits), such as the roll-out of new services addressing current consumer trends and the implementation of new mission-based store layouts tailored to customer needs. Any failure to successfully implement these initiatives may result in slower than planned growth and a loss of franchisees to faster-growing businesses, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Given that the Group's revenue and profitability is ultimately driven by its sales volume to end customers, the Group's ability to maintain LFL growth largely depends on the number of customers visiting the Group's stores and the average basket size of their purchases. Therefore, any decrease in the number of customers visiting the Group's stores or in their average basket size could negatively affect the Group's ability to maintain LFL growth and its profitability. The Group's ability to maintain LFL growth may also be impacted by a number of factors beyond its control, including macroeconomic conditions (such as a high inflation rate or a high rate of unemployment that could negatively impact disposable consumer income and increase customer price sensitivity) or changing consumer habits. In addition, the ability of the Group to retain existing franchisees and/or attract new franchisees who will replace those leaving the Group as part of natural churn is a significant factor that has an impact on the successful implementation of the Group's strategy in respect of maintaining LFL growth, see also "*—Risks relating to the franchise business model operated by the Group—An increase in the franchisee churn rate, decrease in the attractiveness of the franchise offer to new franchisees or a decrease of the Group's share in the margins realised may adversely affect the Group's business*" in this Section ("*Risk Factors*").

<u>*The Group may be unable to successfully implement its strategy in respect of the development of new business projects and/or to effectively manage its anticipated growth, which may adversely affect its business.*</u>

The Group's strategy and further development of the Żappka consumer app rely, in part, on its ability to expand its modern convenience ecosystem (in particular, Maczfit and Dietly in the D2C segment, Jush! and delio in the eGrocery segment, and the autonomous Żabka Nano and hybrid stores and QSR services). There can be no assurance that the Group will successfully develop and increase the scale of its operations or achieve satisfactory profitability in respect of such parts of its ecosystem, especially given the early stage of the development of certain projects, the high degree of innovation required and the Group's limited track record in these new segments. These new segments operate in a highly competitive market environment featuring changing consumer preferences and a number of new and potential market entrants. Therefore, the Group must constantly adopt new technological solutions and/or develop existing ones in order to remain competitive and adequately respond to the expectations of consumers. As a result, there is a risk that the Group could fail to use or develop effective technological solutions which would allow it to offer products and services to customers within its convenience ecosystem (see also "*—Risks relating to the Group's business, operations and the industry in which it operates—A disruption to or a malfunction of, or a failure to make improvements to the Group's information technology systems and technological solutions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects*" in this Section ("*Risk Factors*")).

Moreover, the implementation of the Group's strategic plans and objectives may place significant demands on its resources, management, and operational and financial infrastructure, and may divert the Management's attention from other critical business matters. In addition, as the Group seeks to grow its business by offering new and innovative products and services within its convenience ecosystem, it will need to continue to improve and upgrade its IT systems and infrastructure to deal with the greater scale and complexity of its operations. Such growth will require the Group to commit substantial management, operational and other resources in advance of the implementation of any new business project, with no assurance that the Group will be able to do so successfully or that the anticipated increase in its revenue and profit will be realised accordingly.

In addition, taking into account the growing eGrocery segment and the strong competition therein, and the increasing number of customers shifting their purchases to the eGrocery channel, is expected to be particularly important for the Group to develop and adjust its eGrocery channel to market trends. A failure to do so may result in the outflow of the Group's customers (in both the traditional and eGrocery sales channels) to its competitors.

If the Group is unable to successfully manage anticipated growth in respect of new business projects (both current and future) and the related costs of the technological tools and e-commerce or eGrocery solutions related thereto, or if such initiatives prove insufficient to meet customer needs or achieve satisfactory profitability, or if the Group does not adequately anticipate consumer trends, the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

The Group may be unable to successfully implement its commitment in respect of ESG, which may adversely affect its business.

The Group's strategic commitment in respect of ESG is to create conditions for sustainable living for everyone, everyday, which entails offering more conscious and sustainable choices, making an impact on entrepreneurs and local communities, shaping purpose-led organisation and minimising the environmental impact across the whole value chain. If the Group fails to deliver its ESG commitments, if the solutions applied by the Group in the area of ESG prove insufficient or if the costs of implementation of such solutions are higher than expected, the Group's reputation and profitability could be materially adversely impacted. Moreover, the Group could suffer additional cost of fees or lower reduction of interest margin in that part of financing, which is related to ESG targets achievement.

In addition, the Group may fail to adequately adjust to and comply with applicable ESG regulatory requirements (including in respect of circular economy requirements, which mandate the continuous reduction of the amount of primary materials used and increased reliance on recycling and reusing resources and materials, or to achieve food waste prevention goals) due to the lack of ready-to-implement solutions that would fit the Group's requirements and the scale of its operations. The Group also faces the risk of higher implementation costs in relation to such solutions, as well as a lack of sufficient involvement by franchisees, and unanticipated changes in customer behaviour. The Group is also vulnerable to increases in energy costs, which may be driven by a number of factors that are beyond the Group's control, including regulatory changes, increases in the cost of the extraction of fossil fuels, a growth in emission rights costs, increased demand for energy and the potential lower efficiency of renewable energy sources. Although Żabka has signed a corporate Power Purchase Agreement (the "**cPPP**") and has implemented an energy purchase strategy no assurance can be given that energy prices could not have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

At the same time, the up-coming regulation related to sustainability-related information disclosure guided by the Corporate Sustainability Reporting Directive (CSRD) may cause some initial challenges in ensuring consistent level of transparency to some of the Group's entities, as coverage of information to be presented in the external filing (based on double materiality assessment) is greater than what the Group has reported to date. The Group is currently conducting the CSRD readiness exercise to ensure that the processes are adequately tested, but no assurance can be given that possible adjustments might be necessary to implement all procedures in a timely manner.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may face challenges in integrating acquired businesses or may be unable to successfully pursue acquisitions.

In February 2024, the Group acquired DRIM and, in the future, may engage in opportunistic acquisitions of other companies, businesses and assets, both in Poland and abroad. Such acquisitions involve numerous risks, any of which could harm the Group's business, including, but not limited to:

- difficulties with the implementation of corporate governance in acquired businesses;

- obstacles to integrating any acquired business or a failure to realise the anticipated benefits or synergies of a transaction;
- an inability to generate sufficient growth in value;
- a failure to identify all of the issues or liabilities in the due diligence phase;
- issues related to intellectual property, regulatory compliance, accounting practices or employees or customers;
- risks of entering new markets in which the Group has limited or no experience; and
- the risk of the inability to retain or recruit the management of an acquired business, as well as the potential loss of key employees, customers and suppliers.

Although the Group has internal guidelines relating to M&A processes and works with specialised external advisors to perform due diligence reviews (financial, tax, legal, commercial, IT, technical, HR, environmental and other), advise on valuations and to support the Group in the negotiation of transaction documentation, no assurance can be given that the Group will properly assess the merits of a given acquisition target, or avoid incurring acquisition costs or other costs that later prove to be unjustified, or properly integrate the acquisition target into the Group's business in a timely and cost-efficient manner. As a result of these or other factors, the Group could incur liabilities or expenses that prove to be larger than anticipated. This, in turn, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's targets and the assumptions and judgments underlying its stated near or medium-term financial outlook and other forward-looking performance measures may prove inaccurate and, as a result, the Group may be unable to successfully meet or achieve its targeted financial results.

Various targets are presented in this Prospectus relating to the Group's near or medium-term financial outlook in respect of Sales to End Customers, LFL growth, as well as various income statement and cash flow and balance sheet items, and other forward-looking performance measures. The information in respect of the Group's near or medium-term financial outlook and other forward-looking performance measures only reflects the Group's targets and should not be relied upon to predict or forecast actual near or medium-term results or future events. Such targets and beliefs are unaudited and reflect a number of assumptions any of which may not arise due to both known and unforeseen risks, uncertainties or other important factors beyond the control of the Group that could affect its actual results. Such targets and their underlying assumptions and judgments carry an inherent degree of uncertainty and may not take into account all of the relevant considerations. For instance, the Group's assumptions regarding the Group's targeted store roll-out plan, the Group's LFL growth, or Adjusted EBITDA / Sales to End Customers ratio in the near or medium-term may turn out to be inaccurate, thus adversely affecting the capability of the Group to successfully meet or achieve its targeted financial results. If the assumptions upon which the estimated data is based prove to be inaccurate, growth rates may be lower than projected or the Group's position in its industry may be less favourable than expected, which, in turn, may have a material adverse impact on the Group's business, financial condition, results of operations and prospects in the near or medium-term.

Risks relating to financial matters

The Group requires a certain level of cash flow to service its interest-bearing loans, other borrowings and lease liabilities and is subject to certain financial covenants, and consequently may face the risk of a deterioration of its liquidity position or being unable to repay its financial debt or ensure financing on favourable terms.

As at 30 June 2024, the Group had PLN 12,160 million in interest-bearing liabilities (including loans and borrowings, trade payables covered by reverse factoring agreements and lease liabilities) that are subject to variable interest rates, while the ratio of Net Debt / Adjusted EBITDA (for the preceding twelve months) amounted to 2.6. As a result, the Group must dedicate a certain portion of its cash flow from operating activities to the payment of the principal amounts of, and the interest on, its loans, which could thereby:

- reduce the availability of such cash flow to fund its business operations, acquisitions or other general corporate purposes, or the execution of its growth strategy;
- increase the Group's vulnerability to adverse economic and industry conditions;
- limit the Group's flexibility in planning for or reacting to changes in its business and industry, and in the economy generally; and
- limit the Group's ability to obtain additional financing.

In the medium-term (i.e. beyond the end of the period covered by the Group's working capital statement), the Group's ability to make principal or interest payments when due on the Group's indebtedness, to the extent required to be paid in cash, and to fund the Group's ongoing operations or planned capital expenditures, will depend on the Group's future performance and ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors. If upon the maturity of the Group's credit facilities or any other debt that the Group may incur the Group does not have sufficient cash flows from operations and other capital resources to pay the

Group's debt obligations or to fund the Group's other liquidity needs, the Group may be required to refinance or restructure its indebtedness.

Furthermore, the Group may need to refinance all or a portion of its indebtedness on or prior to the stated maturity thereof. If the Group is unable to refinance or restructure all or a portion of the Group's indebtedness or obtain such refinancing or restructuring on acceptable terms, the Group may be forced to sell assets, decrease its capital expenditures or raise additional debt or equity financing in amounts that could be substantial, or the holders of the Group's debt may accelerate the Group's debt and, to the extent such debt is secured, foreclose on the Group's assets. The Group cannot provide any assurance that it will be able to accomplish the aforementioned measures in a timely manner or on commercially reasonable terms, if at all. In such an event, the Group may not have sufficient assets to repay all of the Group's debt.

As part of its management of working capital, the Group uses factoring and reverse factoring agreements in relation to its receivables and liabilities. The unexpected termination of those agreements, external adverse events or business circumstances, such as declining performance, the unavailability of funding or changes in interest rates may lead to increased cash requirements and the deterioration of the liquidity position of the Group, which, in turn, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The credit facilities agreements concluded by the Group include certain affirmative, negative and financial covenants, including: (i) a requirement to maintain a senior leverage ratio not exceeding 4.00:1 for relevant periods ending on the quarter dates from 30 June 2024 up to and including 31 March 2027 and 3.75:1 for the relevant periods ending on 30 June 2027 and thereafter; and (ii) a requirement to maintain an interest cover ratio of no lower than 1.50:1. As at 30 June 2024, the Group's senior leverage ratio amounted to 1.52x, while its interest cover ratio amounted to 3.86x. Complying with certain of the covenants in the Group's agreements could limit its ability to finance or refinance its indebtedness or otherwise impact its future operations and ability to pursue certain business activities that may be in its interest. In the medium-term (i.e. beyond the end of the period covered by the Group's working capital statement), any failure by the Group to comply with its contractual obligations, including the covenants in its financing arrangements, or a failure to pay its financial liabilities when due could result in a variety of material adverse consequences, including the financing parties refusing to continue to provide the financing and demanding the repayment of the already extended facilities, declaring them immediately due and payable, or the financing parties satisfying their claims with the assets of the Group which would entail the loss of such assets, and such defaults could trigger additional cross defaults under other indebtedness or agreements.

Moreover, the Group's growth strategy will require significant capital expenditures in the future and while the Group expects to finance a substantial portion of these through cash flows generated from the Group's operations, the Group may also seek additional financing through additional external financing. Therefore, if the Group is not able to secure financing in accordance with its expectations, it may be forced to change its strategy or to limit its development and, consequently, the pace of the Group reaching its strategic expansion objectives may be slower than originally assumed.

The Group's inability to meet the obligations associated with its financial liabilities or to arrange external financing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group faces the risk of higher interest rates, which may negatively affect its interest expenses.

As at 30 June 2024, the Group had PLN 12,160 million in interest-bearing liabilities (including loans and borrowings, trade payables covered by reverse factoring agreements and lease liabilities) that are subject to variable interest rates.

As a result of the foregoing, changes in interest rates and other financial market parameters may impact the Group's operations in the future. Interest rates are largely dependent on changes of many factors such as, specifically, the global and domestic economic, political conditions and certain other factors that are beyond the Group's control. Any variation in interest rates may result in an increase in financial costs, which could adversely affect the Group's business, results of operations, financial condition and prospects.

Risks relating to the macroeconomic and political environment in which the Group operates

Changes in general economic conditions may lead to a decrease in consumer demand, which could adversely impact the operations of the Group.

The Group conducts its business, for the most part, in Poland and is dependent on the level of Polish consumer demand. Consumer demand is sensitive to a range of factors that are beyond the control of the Group, in particular the macroeconomic and political conditions in Poland and other factors impacting consumer discretionary spending. Such factors include GDP growth dynamics, inflationary or deflationary conditions (including in food prices), consumer confidence, the unemployment rate, the statutory minimum wage, taxation rates, interest rates, currency exchange rates, political uncertainty, demographic changes, levels of EU funding to Poland and other factors resulting in decreases in disposable income or consumer spending. In particular, growing inflation rates may impact consumer disposable income and spending habits (e.g. result in a decrease in impulse or other discretionary purchases and/or an increase in discount sector shopping).

Poland has experienced increases in inflation in recent years. According to GUS, the consumer price index in Poland increased year-on-year by 5.1%, 14.4% and 11.4% in 2021, 2022 and 2023, respectively, and the consumer price index for food and non-alcoholic beverages in Poland increased year-on-year by 3.2%, 15.4% and 15.1% in 2021, 2022 and 2023, respectively. The higher inflation rate has affected the costs incurred by the Group, such as higher energy costs, higher purchasing costs and increased franchisee costs and wages (please see: "*Operating and Financial Review—General factors affecting the operating and financial results—Economic environment in Poland*").

As a result of the high rate of inflation, the prices of the goods offered by the Group have been adjusted accordingly. In the future, the Group's ability to pass increased costs on to consumers will depend on various factors, including market competition and consumer price sensitivity. Failure to effectively adjust pricing in response to an inflationary environment and rising input costs may result in diminished profitability and competitiveness of the Group.

The above-mentioned factors may cause a decrease in demand for the Group's products, limited access to external financing, difficulties related to suppliers and other entities with which the Group conducts business, which may, in turn, translate into difficulties in, or prevent such suppliers or other entities from performing their obligations towards the Group, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Should the general economic conditions in Poland deteriorate due to the above or other economic factors, for political reasons or due to a downgrading of Poland's credit rating, which has happened in the past, the Group's business, results of operations, financial condition and prospects could be adversely impacted.

Furthermore, in such challenging economic circumstances, customers may become more price-sensitive and, consequently, may be less willing to buy the Group's high-margin discretionary products (such as QMS products, ready-to-eat products, snacks and drinks), or to spend a premium on the Group's services such as Jush! or delio, and may instead focus on purchasing essential and promotional items, which typically generate a lower margin for the Group. Any such trends could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to legal, tax and regulatory matters

Amendments to the Sunday Trading Ban Act could have a material and adverse effect on the Group.

Pursuant to the Sunday Trading Ban Act, which entered into force in 2018, as a rule, trading in retail stores in Poland is banned on Sundays and holidays (the "**Sunday Trading Ban**"). The Sunday Trading Ban provided for, among others, exceptions allowing for the opening of a retail store on Sundays and holidays, specifically: (i) if the sales conducted in a retail store on such days are carried out by a business owner thereof being a natural person and conducting business in its own name and on its own behalf (the "individual trader exemption"); or (ii) if a given store is a postal outlet. Immediately following the entry into force of the Sunday Trading Ban in 2018, the Group was the only retail network on the Polish market able to remain open on Sundays and holidays using the exemption provided for places with postal outlet status and thus, providing an opportunity to gain an advantage over its competitors. However, over time, the Group's competitors gradually started to open their stores on the basis of the postal outlet exception, which increased the Group's competition on such days and resulted in a decrease in the Group's sales.

On 1 February 2022, the Amended Sunday Trading Ban entered into force. It restricts Sunday and holiday trading by further limiting the exceptions that allow for trading on Sundays and holidays with respect to retail stores. Under the Amended Sunday Trading Ban, retail stores are no longer able to trade on Sundays as postal outlets unless at least 40% of their monthly revenue is generated by postal activities. Therefore, the main exception allowing to open a store on Sundays and holidays available for store operators is carrying out sales therein by a business owner being a natural person with family support. As of 30 June 2024, the majority of the Group's stores can continue trading under the individual trader exemption. Please see "*Market and Regulatory Overview—Regulatory Overview—Regulations related to the commercial activity of the Group and governing the sale of certain products by the Group—The Sunday Trading Ban Act*".

The Group has implemented a package of incentives (including, for example, additional income incentive, training, digital tools and self-checkout stations) to encourage the franchisees to open their stores on Sundays and holidays. In the first quarter of 2024 the Group has maintained the high level of stores utilization (over 90%) on Sundays with trade ban and bank holidays. In addition, no assurance can be given that the competitors of the Group will not adopt a similar business model to the one operated by the Group in order to open stores on Sundays and holidays. Furthermore, the Amended Sunday Trading Ban may result in increasing the shift of consumer spending to eGrocery, to the benefit of the Group's competitors more active in this sector. That could put more pressure on the Group in terms of attracting customers to its stores and/or eGrocery channels. Consequently, this could materially adversely impact the Group's profitability and, in turn, the Group's business, results of operations, financial condition and prospects.

Despite the announcement of the Polish parliamentary majority elected in 2023 to restore Sunday trading to some extent, it is unclear when the new regulations will be adopted or if at all and what the conditions and limitations will be. It cannot be ruled out that the new regulations may benefit the Group's competitors and not necessarily have a positive impact on the Group's business. In particular, if new regulations increase competition by enabling a growth in the number of retail outlets open on Sundays and holidays the Group's results of operations may be adversely affected. As a result, the adoption of any new law further restricting or otherwise regulating Sunday and holiday trading may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes to the legislative framework and ambiguity in the interpretation of laws could require the Group to modify its current business practices, incur increased costs and expose it to potential liabilities.

The Group's activities are subject to numerous laws and regulations pertaining to trade restrictions, advertising, consumer protection, product safety, quality and liability, health and safety, the environment (e.g. plastic and glass bottles deposit schemes, waste management and/or the regulation on single-use plastics), climate, fire, planning, competition (e.g. making use of contractual advantages), data protection, employment practices and other laws and regulations that apply to retailers generally (e.g. opening hours of stores) and/or that govern the import, promotion and sale of products and the operation of retail stores. In order to ensure the continued compliance of the Group with the regulations applicable to its operations, the Group may be required to incur substantial costs, and any failure of the Group to ensure such compliance may result in financial penalties being imposed on the Group which, apart from an adverse financial impact on the Group's operations, could result in the deterioration of the Group's reputation.

In addition, a significant number of laws and regulations applicable to the Group's business have been and may in the future be subject to change as a result of legal, political and economic changes (for example, regulations relating to extended producer responsibility, deposit return schemes or excise duty) as the Polish legal system is, in general, subject to frequent changes. Thus, no assurance may be given that the laws and regulations applicable to the Group's business, including those relating to the protection of the environment, health and safety or trading restrictions in Poland will not be made more restrictive or otherwise adversely affect the Group (see also "*—Risks relating to legal, tax and regulatory matters—Amendments to the Sunday Trading Ban Act could have a material and adverse effect on the Group*" in this Section ("*Risk Factors*")).

Furthermore, certain provisions of Polish law are ambiguous, and often there is no unanimous or uniform interpretation of the law or uniform practice by the public authorities or the courts as far as the application of Polish law. Because of frequent changes in law and the varying interpretations thereof, the risk connected with Polish law may be greater than that in other developed markets.

Accordingly, if any of the statutes, laws or regulations applicable to the Group's operations were to change, the Group is unable to predict the ultimate cost of compliance with these requirements or their effects on its operations. The Group may be required to incur significant costs or modify its business practices in order to comply with amendments to existing laws and regulations and/or with future laws and regulations, which may increase its costs and limit its ability to operate its business, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in public policies, regulations or attitudes regarding the sale of alcoholic beverages, energy drinks, nicotine products and/or tobacco could adversely impact the operations of the Group.

In 2023, of the total number of transactions carried out in the Group's stores, approximately 5.4% included an alcohol product (spirits and wine) and approximately 14.7% included a tobacco and nicotine products (including e-cigarettes), while 11.5% involved beer (excluding non-alcoholic beer).

In recent years, certain restrictions and other regulatory measures concerning alcohol and tobacco have been implemented in Poland. For example, the Polish Act on Education Concerning Sobriety and the Prevention of Alcoholism (the "**Prevention of Alcoholism Act**") was amended in 2018 in order to give local authorities (municipalities) the power to introduce restrictions on the sale of alcoholic beverages during evening hours (between 10:00 p.m. and 6:00 a.m.). To date, a number of Polish municipalities have exercised this right and have opted to restrict or even entirely prohibit the sale of alcoholic beverages overnight. Although this restriction has had a limited impact on the Group to date (given that the Group's stores are open between 6:00 a.m. and 11:00 p.m.), there can be no assurance that the Prevention of Alcoholism Act will not be further amended in a manner that could have a material adverse effect on the Group's operations. In 2021, an additional licence fee was also introduced for the sale of alcoholic beverages in small packages (up to 300 ml). For several years now, various groups and activists have been advocating further restrictions on alcoholic advertising and sales. Proposals include a total ban on beer advertising, introducing a limit on the number of permits for the sale of alcoholic beverages that can be issued in a given area, and an increase in excise duty on alcoholic beverages.

Moreover, the Act of 17 August 2023 amending the Public Health Act and certain other acts (the "**Energy Drinks Act**") introduced in Poland, as of 1 January 2024, a prohibition on the sale of beverages with added taurine and caffeine (i.e., energy or energy drinks) to individuals under 18 years of age. According to the Energy Drinks Act, a beverage with added caffeine or taurine means a beverage which is a consumable product, the composition of which contains caffeine in a proportion exceeding 150 mg/l or taurine, excluding substances naturally present in it. Because of the prohibition, the Group had to introduce appropriate age control mechanisms for the sale of such products (including with respect to the eGrocery channel operated via delio or Jush! applications), the same as for the sale of alcohol and tobacco products. Following the entry into force of the prohibition, the Group experienced a minor decline in sales of energy drinks. The Group cannot guarantee that the sales volume of products of this type will return to the pre-prohibition performance, even if the producers adjust their beverage offerings by introducing beverages without caffeine or with lower caffeine content. The Group also cannot rule out that such products will not be positively received by younger customers who have previously opted for the energy drinks currently prohibited under the Energy Drinks Act. The initial draft of the bill introducing the ban also provided for significant restrictions on the advertising and promotion of energy drinks. Even though these restrictions were not implemented, the Group cannot rule out that they will be implemented in the future.

As at the date of this Prospectus, the Polish government has announced plans to introduce legislation banning the sale of disposable e-cigarettes. However, as at the date of this Prospectus, no draft bill has been presented to fulfil these announcements. Instead, a draft law has been presented that aims to subject nicotine-free e-cigarettes to the same regulation as nicotine-containing e-cigarettes. However, this segment represents a negligible percentage of the products offered in the Group's shops. Although the final form of this regulation is not yet known, this and similar restrictions, which can be introduced in the future, will impact the revenue streams of the Group and its margins, and may also result in reduced footfall. Moreover, Poland is working on the implementation of the EU directive on the withdrawal of certain exemptions in respect of heated tobacco products imposing a ban on characterising flavours in novel tobacco products. As a result of its implementation, the Group will not be able to sell a large part of this product assortment, which may negatively impact the Group's revenue and margins from tobacco sales. Additionally, the Polish Finance Ministry recently presented a proposal to significantly increase the scale of excise duty increases on tobacco products and their substitutes in 2025-2027 and imposing an excise duty on vaporisation devices, including e-cigarettes (both disposable and reusable) and devices used with heated tobacco products. This will impact the prices of these products and their attractiveness to customers. Higher excise duties typically lead to an increase in the retail price of tobacco and similar products and result in decreased consumer demand, which could materially and adversely affect the Group's sales and impact footfall.

The Group can also expect increased inspection activity in the retail sector by the trade inspection, police and prosecutors, reflecting increased focus on enforcement of existing restrictions on the sale, advertising and promotion of tobacco products, electronic cigarettes and alcoholic beverages. Due to intensified inspections, there is also an increased risk that the Group's tobacco, e-cigarette or alcoholic beverages sales model in the eGrocery channel (via delio or Jush!) can be challenged by the competent authorities.

In addition, given the tendency of different governments to restrict the sale of alcoholic beverages and/or tobacco and promote a healthier lifestyle, there can be no assurance that new regulations will not be introduced providing for more restrictive rules concerning the sale of alcoholic beverages and/or tobacco in Poland (e.g. limiting sales of alcoholic beverages and/or tobacco only to dedicated shops or limiting the hours during which sales of alcoholic beverages and/or tobacco can be carried out), which could lead to a significant decrease in revenue for the Group, and, in turn, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in tax law regulations specific for the Group's business and their interpretation, or changes to the individual interpretations of tax law regulations could adversely affect the Group.

Some provisions of Polish tax law are ambiguous, and often there is no unanimous or uniform interpretation of the law or uniform practice by the tax authorities or the courts in regard to the application of Polish tax law. Furthermore, the Polish tax system is subject to frequent changes. Given the above, the risk connected with Polish tax law may be greater than in other developed markets (for example, tax legislation introduced as of 1 January 2022 as part of what was referred to as the "*Polish Deal*" introduced fundamental changes to the Polish tax legislation).

Therefore, no assurance may be given that the tax authorities will not issue a different interpretation of the tax laws applied by the Group that could be unfavourable to the Group. In addition, specific tax interpretations already obtained and applied by the Group may be changed or deprived of protection. In particular, the Group cannot rule out the possibility that, following the introduction of anti-tax avoidance regulations (GAAR) that contain general clauses and the interpretation of which is not developed by tax authorities or supported by administrative court decisions, the tax authorities will assess the tax consequences of the transactions executed by the Group and within the Group differently than the Group has assessed them.

In view of the above, it is uncertain whether or not the tax authorities will question the accuracy of the Group's tax settlements or the determination of the Group's outstanding tax liabilities.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The control and prevention mechanisms of the Group's compliance structure may be insufficient to adequately protect the Group from all legal or financial risks.

A management system for governance, risk and compliance, which includes standards of conduct, corruption prevention, competition law compliance, prevention of conflicts of interest, information and data protection, prevention of unlawful discrimination, and protection of company property and know-how has been established in the Group's main operating subsidiary: Żabka Polska. The Group has introduced certain guidelines including a procurement policy, a tender procedure, a controlling procedure and a legal procedure, in order to reduce unauthorised practices, violations of the law, corruption and fraud, especially with regard to purchasing practices, or other adverse consequences of non-compliance within Żabka Polska and its subsidiaries. In addition, all purchasing processes in Żabka Polska are based on integrated IT systems that allow for the full transparency of liability for the given orders. Despite the Group's best efforts, breaches of these regulations may occur. Any such breach may damage the Group's reputation and significantly impair the Group's business, financial standing and earnings position. In addition, these policies and the oversight of the Group's internal compliance and legal departments might not be sufficient to prevent all unauthorised practices, legal infringements, corruption and fraud, in particular in respect of purchasing practices, or other adverse consequences of non-compliance within the Group's organisation or by or on behalf of the Group's employees. Any failure in compliance could harm the Group's reputation and have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Any revocation or non-renewal of the Group's permits for the distribution of alcohol and for maintaining a wholesale pharmaceutical warehouse may have a negative impact on the Group's revenue and/or the Group's reputation.

The Group holds wholesale permits to distribute alcohol products (with an alcohol content of up to 4.5% and beer, with an alcohol content of between 4.5% and 18.0% excluding beer, as well as products with an alcohol content of over 18.0%). The Group distributes alcoholic beverages to the Group's stores on the basis of such wholesale permits. The Group's permits were issued for a specified term of two years and one year (depending on the specific wholesale permit). In addition, the sale of alcoholic beverages in the Group's stores is conducted on the basis of permits for the retail sales of each of the aforementioned categories of alcoholic beverages, which are obtained by franchisees as the business owners of the stores.

If any of the permits for the distribution of alcoholic beverages held by the Group or a significant number of the permits for the sale of alcoholic beverages held by the Group's franchisees are revoked or such franchisees are not in a position to reapply for such permits for the sale of alcoholic beverages, this may result in a decrease in the sale of alcoholic beverages or the lack of the possibility to sell alcoholic beverages at all, which could adversely impact the Group's results of operations and reputation.

In addition, the Group holds a permit for maintaining a wholesale pharmaceutical warehouse, which allows it to distribute specific over-the-counter medicines to the Group's stores. If such permit is revoked, the Group would need to seek alternative suppliers of such over-the-counter medicines in order to continue selling them in its stores, and there can be no assurance that the Group would be able to secure an alternative supplier on favourable commercial terms or without a significant interruption in supply to the Group's stores.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be subject to regulatory action or financial penalties if it fails to comply with applicable data protection requirements, including the General Data Protection Regulation, and a failure to adequately protect the confidential information of customers and employees could significantly impact the Group's reputation and expose the Group to litigation or other legal or regulatory actions.

The Group is subject to broad regulations regarding the use of personal data. The Group collects and processes personal data (including names, addresses, age, bank and credit card details, and other personal data) from its employees, customers (including users of the Żappka and Jush! mobile applications, among others) and business contacts as part of its business operations and is subject to data protection and privacy laws. Such laws generally impose certain requirements on the Group in respect of the collection, retention, use and processing of such personal information. Failure to implement effective data collection controls could potentially lead to regulatory implications, fines and reputational and financial costs. Although the Group seeks to ensure that procedures are in place to ensure compliance with all applicable data protection regulations by its employees and any third-party service providers, and also to implement security measures to prevent cyber-theft, the Group is nonetheless exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen, or processed in breach of applicable data protection laws.

In particular, the Group is subject to the General Data Protection Regulation (Regulation (EU) 2016/679) (the "**GDPR**"), which has been in effect since 25 May 2018. The GDPR increased the regulatory burden on the Group, as well as third-party providers on which the Group relies, in respect of the processing of personal customer, employee and other data in the conduct of its business and increased the potential sanctions for breaches as the GDPR provides for significant financial penalties up to the higher of 4% of the annual worldwide turnover of company groups or EUR 20 million. If the Group fails to comply with its obligations under the GDPR, the Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity and reputational damage.

Any of the foregoing events could result in the Group suffering reputational damage as well as the loss of new or repeat business, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be subject to regulatory actions or financial penalties in relation to alleged or actual anti-competitive practices, practices negatively impacting consumers, unfair use of contractual advantage in trading in agricultural and food products or payment delays.

The Group's activities are subject to laws and regulations pertaining to consumer protection, competition (including making unfair use of contractual advantages) and payment delays. Companies in the fast-moving consumer goods ("**FMCG**") sector, including the Group, have been closely monitored by competition and consumer protection regulators and relevant enforcement bodies, including the President of the UOKiK and the European Commission. There can be no assurance that the Group will not be subject to, or impacted by, any proceedings brought by the President of the UOKiK or the European Commission, whether or not such proceedings directly involve the Group.

The Group's compliance with competition and consumer regulations is monitored by the President of the UOKiK on an ongoing basis.

In particular, the Group may be subject to proceedings concerning an infringement of the collective interests of consumers or the declaration of a given clause utilised in standard terms applied by the Group as being abusive. No infringement proceedings against the Group are pending as at the date hereof; however, the President of the UOKiK has addressed a number of requests for information (either within explanatory proceedings or in the President of UOKiK's letter without instigating any proceedings) to investigate whether the Group's activity may constitute a violation of the relevant consumer protection regulations, in particular with regard to promotions and loyalty programmes dedicated to consumers or in-store sales activities (pricing, price labelling and product marking including providing information on prices of discounted products).

The Group may also be subject to proceedings concerning the restriction of competition. For example, on 11 September 2020, the President of the UOKiK initiated a general and preliminary fact-finding process (i.e. explanatory proceedings) to investigate the market for FMCG products (such as food, beverages, toiletries), including its structure and level of concentration. Also, on 3 August 2021, the President of the UOKiK conducted an inquiry into the Group regarding the contents of the Group's lease agreements and, on 25 August 2021, regarding its trade in over-the-counter medicine. Further, on 19 January 2023, the President of the UOKiK provided Żabka Polska with request for information within explanatory proceedings related to terms of use or making available properties on which parcel lockers are located. As at the date of this Prospectus, no infringement proceedings against the Group are pending as a result of these inquiries and fact-finding processes, but it cannot be excluded that cooperation between the Group and its suppliers, franchisees and other contractors (e.g. service providers), the Group's lease agreements, or other activities will not be challenged or examined in the future.

Both the President of the UOKiK and the European Commission have the power to impose fines of up to 10% of the turnover of the company concerned (or in certain circumstances, of the group to which the company belongs) in the last financial year for a breach of competition rules or, in the case of the President of the UOKiK, for a breach of consumer protection rules.

The Group is also subject to regulations targeting an unlawful abuse of superior bargaining power governed by the Act on Counteracting the Unfair Use of a Contractual Advantage in Trading in Agricultural and Food Products. The aforementioned law prohibits the unfair, i.e. being contrary to good practice and threatening the material interest of the other party or infringing such interest, use of a contractual advantage, whereby there is a large disparity between the economic potential of the purchaser and that of the supplier or vice versa. The Act on Counteracting the Unfair Use of a Contractual Advantage in Trading in Agricultural and Food Products provides for a non-exhaustive list of practices that are deemed to be unfair, including, for instance, delays in payments to suppliers, the short-notice cancellation of orders, unilateral changes to the terms of a supply agreement, unjustified decreasing of compensation due for delivery of products after receiving it by the buyer in particular through claims for a rebate, charging the supplier for payments or contributions that are not related to the sale of the agricultural and food products of the supplier. The act forbids also charging the supplier with fees for certain other services (e.g. slotting fees, advertising fees, marketing fees and fit-out fees) unless they have been agreed in clear and unambiguous terms in the agreement between the buyer and the supplier. The President of the UOKiK may, by way of a decision, impose on an entity (a supplier or a purchaser) that breaches such prohibition a fine of up to 3% of the turnover achieved by such entity in the previous financial year.

The President of the UOKiK has addressed a number of requests for information, mainly within explanatory proceedings related to, for example, rebate policies, terms of cooperation with suppliers during COVID-19 pandemic, meat purchases from ASF (African Swine Fever) red zones. For instance, in 2020, the President of the UOKiK launched explanatory proceedings regarding the rebate policies of retail chains relating to the supply of agricultural and food products. Also, in 2022 the President of the UOKiK provided Żabka Polska with request for information within explanatory proceedings related to, in particular, terms of commercial cooperation with suppliers and services offered by the company to suppliers. As at the date hereof, no infringement proceedings against the Group are pending as a result, but it cannot be excluded that cooperation between the Group and its suppliers will be challenged or examined in the future.

The Group is also subject to a late payment regime, as governed by the Act on Combating Late Payment in Commercial Transactions. The President of the UOKiK conducts proceedings regarding excessive delays in payment when the statutory thresholds are met, namely where the value of payments not made and/or delayed exceeds PLN 2 million in the period of three consecutive months. The President of the UOKiK may impose an administrative penalty the amount of which depends, among other things, on the value of the late payment and the period of delay. The Group is not and has not been the subject of any of these proceedings.

The Group seeks to ensure compliance with the relevant laws and regulations (e.g. the Group implemented a code of best trade practices for trading in agricultural or food products, as well as codes of conduct for its employees and suppliers). Notwithstanding such efforts, the Group is exposed to the risk that certain operations that the Group conducts may be deemed to violate EU and/or Polish competition, consumer protection or trading regulations (including regulations related to unfair use of contractual advantage or payment delays). Such rules may also be subject to private enforcement (including through consumer class actions).

Any adverse determinations could also result in significant adverse publicity or reputational harm, and could result in, or complicate, other inquiries, investigations or lawsuits in future antitrust, consumer protection or other investigations. Fines, adverse decisions in proceedings, changes to the manner in which the Group can operate or negative publicity resulting therefrom may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

<u>The Group is, from time to time, subject to inspections of the tax, social security, labour or other governmental authorities, including in respect of compliance with applicable tax and environmental regulations, the related-party transactions executed by the Group or verification of individuals engagement and social security remittance obligations.</u>

The Group is from time to time subject to inspections carried out by tax, social security, labour or other governmental authorities which could result in increased costs for the Group, divert management attention from other business affairs and may result in penalties or adverse financial implications for the Group, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Governmental authorities routinely conduct inspections and audits to ensure compliance with applicable laws and regulations, including environmental laws. For instance, due to the use of refrigeration equipment in stores and logistics centers regulatory authorities may conduct inspections and audits to ensure compliance with regulations governing the emission of greenhouse gases, the use of ozone-depleting substances, and the proper handling, disposal, and recycling of refrigerants.

Tax inspections tend to focus on, among others, corporate income tax ("**CIT**") and withholding tax, personal income tax (including tax remitters' obligations on payroll), VAT, verification of the terms of transactions with related entities (as well as issues related to transfer pricing policy) and group reorganisations. Although the Group requests tax rulings from the tax authorities and seeks the advice of professional tax advisors in order to comply with tax regulations, no assurance can be given that the tax authorities will not take different view than that presented in a tax ruling or tax advice. There can be no assurance as to the outcome of any future tax inspection for the Group or that the Group will not incur financial penalties as a result thereof. On 14 November 2023 Żabka Polska, Lite e-Commerce, Żabka Nano, Retail Technology Investments sp. z o.o. and Żabka BS sp. z o.o. concluded an agreement on formation of tax capital group "PGK ZABKA POLSKA" ("**TCG**"). The fulfillment of the TCG requirements could be also subject to verification of the relevant tax authorities. For details regarding TCG please see "*Business of the Group—Operations of the Group—Żabka Polska tax capital group*".

Inspections by the social security and labour inspectorate involve, among other things, verifying compliance with labor laws and the correctness of social security remittance obligations. Due to scale of conducted business activity, the Group companies employ employees on the basis of employment contracts and engage individuals based on civil law agreements (such as internship agreements, mandate agreements and cooperation agreements with individuals that are sole traders), as well as use the work performed by temporary workers provided by temporary work agencies or outsource performance of services to their service providers who delegate personnel to perform the services for the Group companies. Therefore, the inspections may also verify the engagement of individuals under civil law contracts or the use of work performed by temporary workers or individuals engaged by the Group companies' service providers. The Group cannot rule out that the nature of the legal relationship between the Group companies and some of those persons might be questioned by authorities, courts or individuals.

Although the Group seeks the advice of professional advisors in order to comply with the labour and social security regulations, no assurance can be given that the labour, social security authorities or courts will not assume different view on factual state or interpretation of social security or labour regulations than applied by the Group or that the Group may not be fully compliant at all times with such regulations due to, among others, misinterpretations of legal requirements, frequent regulatory changes, human errors, or limitations in the Group internal control systems. There can be no assurance as to the outcome of any inspection, administrative or legal proceedings for the Group or that the Group will not be required to bear additional financial burdens as a result thereof. The Group also cannot rule out tax or court proceedings being initiated as a result of or in conjunction with such social security or labour inspections or their outcome.

Risks relating to the Offering

The Offering may be suspended, modified or cancelled, or the results of the Offering may deviate significantly from the envisaged Offering size and value.

The Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may cancel the Offering and/or modify its terms and, after consultation with the Offering Agent, its dates at any time prior to the commencement of the distribution of the information on clearing or transfer instructions (*zlecenia rozrachunku*) in order to record the Offer Shares in the securities accounts of the Institutional Investors, which is expected to take place on 14 October 2024 (or another date and time, if amended, and as indicated in any supplement to this Prospectus). Information on the cancellation or modification of the terms of the Offering will be made publicly available through a publication on the Company's website as well as, to the extent required, by way of a supplement to this Prospectus.

If information on the cancellation, suspension or modification of the Offering is published before the commencement of the offer period for the Retail Investors, no reason must be published for such cancellation, suspension or modification. After the commencement of the offer period for the Retail Investors, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may also cancel, suspend or modify the Offering at any time if proceeding with the Offering is considered impracticable or inadvisable. Reasons that would make the Offering impracticable or inadvisable include, but are not limited to: (i) the occurrence of a sudden or unforeseeable change in the economic or political situation in Poland or abroad which may have a material adverse effect on the financial markets, Poland's economy, the Offering or the Group's operations; (ii) the occurrence of a sudden or unforeseeable change or event other than those stated under item (i) above which could have a material adverse impact on the Group's operations or which could result in the Group incurring material damage or any material disruption to its operations; (iii) the occurrence of a material adverse change in the Group's business, financial condition or operating results; (iv) the suspension of, or a material limitation in, trading in securities on the WSE or on any other exchange if such circumstances could have a material adverse effect on the Offering and/or the WSE Admission; (v) an unsatisfactory demand for the Offer Shares from the Institutional Investors based on the declarations received in the book-building process; (vi) in the opinion of the Joint Global Coordinators and after consultation with the Offering Agent, an insufficient number of the Shares is expected to be traded on the WSE which would not warrant the required liquidity of the Shares; (vii) the occurrence of a sudden and unforeseeable change which could have a direct, material and adverse effect on the Group's operations; or (viii) the termination of the Underwriting Agreement.

A decision to suspend the Offering, without providing any reason for doing so, may be taken at any time before the commencement of the offer period for the Retail Investors by the Company and the Principal Selling Shareholders following close consultation with the Joint Global Coordinators. From the commencement of the offer period for the Retail Investors up to the submission of orders for the sale of the Sale Shares to the Retail Investors through the WSE system, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may decide to suspend the Offering only for reasons that are (in the opinion of the Company and the Principal Selling Shareholder) material, which may include, among other things, any event that might adversely affect the success of the Offering or cause increased investment risks for the purchasers of the Offer Shares. A decision to suspend the Offering may be made without specifying a new timetable for the Offering, which may be determined at a later date. In the event of the suspension of the Offering, information about the suspension of the Offering will be made available to the public through a publication on the Company's website as well as, to the extent required, by way of a supplement to this Prospectus. If a decision to suspend the Offering is made in the period between the commencement of the offer period for the Retail Investors and the submission of orders for the sale of the Sale Shares to Retail Investors through the WSE system, any purchase orders received and any payments made will still be considered valid; however, investors will have the right to withdraw their purchase orders by submitting a relevant representation within two business days from the date of the publication of the supplement to this Prospectus relating to the suspension of the Offering. If a decision on the suspension of the Offering is made after the completion of the book-building process but prior to the opening of the period for accepting purchase orders from the Institutional Investors, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may repeat the book-building process, provided that in such event they determine whether or not the previously submitted declarations and invitations to place orders for the Offer Shares remain valid.

Furthermore, there is a risk that the final number of the Offer Shares to be allocated in the Offering and, respectively, the Retail Investors Offer Price and the Institutional Investors Offer Price determined during the Offering could be significantly lower due to many factors, including low demand or a lack of available financial resources due to public offerings of other companies conducted simultaneously with the Offering. As a result, the size of the free float of the Shares may not guarantee a satisfactory level of liquidity of the Shares.

The Shares may not be eligible for admission to trading or listing on the regulated market (main market) of the WSE.

The admission of the Shares to trading on the regulated market (main market) of the WSE (the "**WSE Admission**") is subject to the consent of the management board of the WSE and the registration by the NDS of the Shares.

Such consent and registration may be obtained if the Company and the Shares satisfy all of the legal requirements, specifically, those set forth in the Market and Issuers Regulation as well as in the respective regulations of the WSE and the NDS. For example, one of the requirements provided for in the Market and Issuers Regulation as well as in the rules of the WSE, on which the admission of the Shares to trading on the regulated market of the WSE depends, is ensuring the proper liquidity of the Shares. Moreover, while analysing the request of the Company for the admission and introduction of the Shares to trading on the WSE, the WSE will take into account the existing and forecasted financial standing of the Company, its growth prospects, the experience and qualifications of its management, the safety of exchange trading, and the interest of trading participants.

Some of the criteria with respect to the WSE Admission are discretionary and left to the WSE to assess. The Company cannot guarantee that such criteria will be satisfied and/or that the requisite approvals and consents will be obtained and that the Shares will be admitted and introduced to trading on the regulated market of the WSE. In addition, the Company cannot rule out the possibility that due to circumstances beyond its control, the WSE Admission will be effected on dates other than as originally anticipated. If the Shares, including the Offer Shares, are not admitted to trading on the WSE, the Company will not be able to submit another application for admitting those same shares to trading for another six months from the date of delivery of a resolution of the WSE's management board refusing the admission of the Shares to trading on the WSE, and if that resolution is appealed, from the date of delivery of a resolution of the WSE's supervisory board in that respect.

The Company assumes that upon the completion of the Offering, it will satisfy the conditions for the WSE Admission. If after the completion of the Offering the Company does not satisfy the criteria for the WSE Admission, the Company will not seek the admission of the Shares to trading on the parallel market operated by the WSE.

In the event of a breach or suspected breach of law in relation to the Offering, or the application for the admission and introduction of the Shares to trading on a regulated market, the CSSF and the PFSA may take measures to protect investors by prohibiting or suspending the Offering and issuing an order to stay the application or prohibit the application for the admission or introduction of the Shares to trading on the regulated market.

Under the Prospectus Regulation, if the PFSA has clear and demonstrable grounds for believing that irregularities have been committed by an issuer of securities, an offeror or a person applying for admission to trading on a regulated market or that those persons have infringed their obligations under the Prospectus Regulation, it shall refer those findings to the CSSF and to ESMA. Where, despite the measures taken by the CSSF, the issuer of securities, the offeror or the person applying for admission to trading on a regulated market persists in infringing the Prospectus Regulation, the PFSA, after informing the CSSF and ESMA, shall take all appropriate measures in order to protect investors and shall inform the European Commission and ESMA thereof without undue delay. Such appropriate measures may consist of, among others, ordering that the commencement of the public offering and/or the application for the admission and/or introduction of the securities to trading on a regulated market be withheld or the offering, subscription or sale or the admission and/or introduction of the securities to trading be delayed for up to ten business days; or otherwise prohibit the commencement of the public offering, subscription or sale or further activity in relation to it as well as the admission and/or introduction of the securities to trading or further activity in relation thereto.

Additionally, pursuant to the Act on Trading in Financial Instruments, if the safety of trading on a regulated market so requires or if the interests of investors are prejudiced, the WSE will suspend, at the request of the PFSA, the admission to trading on its market or the commencement of the listing of securities or other financial instruments designated by the PFSA for a period not exceeding ten days. In addition, the CSSF may request the WSE to suspend trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Luxembourg Prospectus Law have been infringed by the Company or if it has reasonable grounds for believing that such legal provisions have been infringed. The CSSF may further request the WSE to suspend the Shares from trading if, in its opinion, the Company's situation is such that trading would be detrimental to investors' interests. The occurrence of the circumstances mentioned above could have a material adverse effect on the success of the Offering and the WSE Admission.

Trading in the Shares on the WSE may be suspended.

There can be no assurance that trading in the Shares will not be suspended. The WSE may adopt a resolution suspending trading in securities in accordance with the WSE Rules. The WSE may suspend trading in financial instruments: (i) at the request of a listed company; (ii) in order to protect the interests and the safety of trading activities; or (iii) upon a violation of the WSE regulations by a listed company. Trading may be suspended for a period determined by the WSE's management board and may be further extended.

The PFSA is empowered under the Act on Trading in Financial Instruments to direct the WSE to suspend trading in instruments quoted on the WSE for a period specified by the PFSA. The PFSA may exercise this right if trading in specific securities or other financial instruments constitutes a threat to the proper functioning of the WSE or the safety of trading on the WSE, or if the interests of investors have been infringed. During a suspension of trading in securities, investors are unable to purchase and sell the affected securities on the stock market, which adversely affects the liquidity levels of such securities. Any off-market sale of suspended securities might be achieved only at a significant discount to their last traded price.

The CSSF may request the WSE to suspend trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Luxembourg Transparency Law have been infringed by the Company. The CSSF may further request the WSE to withdraw the Shares from the regulated market of the WSE if it finds that the provisions of the Luxembourg Transparency Law have been infringed, or if it has reasonable grounds for suspecting that the provisions of such law have been infringed. The CSSF may also request the suspension of trading in the Shares if the Company is in breach of its obligations under the Market Abuse Regulation. The CSSF may further request the WSE to suspend the Shares from trading if, in its opinion, the Company's situation is such that trading would be detrimental to investors' interests.

The Company's failure to meet the requirements set forth in the WSE Rules, the Luxembourg Transparency Law or the Act on Public Offering may cause the Shares to be delisted.

Securities traded on the WSE may be delisted by the management board of the WSE. The WSE Rules establish the basis for the optional and mandatory delisting of securities by the WSE. Securities are mandatorily delisted in the case where: (i) their transferability has been limited; or (ii) at the PFSA's request made pursuant to the Act on Trading in Financial Instruments; or (iii) when they are no longer registered in book-entry form (dematerialised); or (iv) a competent authority delists them from a regulated market. Pursuant to the Act on Trading in Financial Instruments, the WSE may take a decision on delisting securities if they no longer satisfy the conditions in force on the regulated market operated by the WSE and provided that this does not materially impact investors' interests or threaten the proper operation of the market. Moreover, the PFSA may decide to delist a listed company's securities if the company breaches its duties under the Act on Public Offering.

The WSE may decide to delist securities if a listed company repeatedly violates WSE regulations, submits an application for delisting, is declared bankrupt, fails to have any dealings in the given securities for the period of the last three months or it initiates liquidation proceedings. There can be no assurance that no grounds for the delisting of the Shares will occur in the future. Upon the delisting of securities, investors can no longer trade in the affected securities on the WSE, which would have a material adverse effect on the liquidity of such securities. Any off-market sale of such securities may be achieved only at a significant discount to their last traded price.

If the Company does not comply with the requirements with which it must comply as a listed company, the value of its Shares may be adversely affected.

A publicly listed company is subject to several obligations, including reporting and disclosure obligations. The Company has never been subject to such obligations and may fail to sufficiently fulfil such obligations. Therefore, the Company may be subject to various administrative penalties, criminal and civil liability, including fines, damage claims and negative investor perception, and shareholders may not be provided on time or at all with price sensitive information, or the content of materials made publicly available may be of an unsatisfactory quality. In addition, other sanctions may be imposed on the Company for non-compliance with regulations relating to publicly listed companies. If any of the above-mentioned risks materialise, the value of the Shares could be materially adversely affected.

The marketability of the Shares may decline and the market price of the Shares may fluctuate and decline below their respective offer price.

The Company cannot assure that the marketability of the Shares will improve or remain consistent. The Retail Investors Offer Price and/or the Institutional Investors Offer Price, as the case may be, may not be the same as the market price for the Shares after the Offering has been completed. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Company and/or its competitors, changes in financial estimates by securities analysts, the overall condition of the Polish economy, conditions and trends in the retail sector in Poland and elsewhere in Europe, changes in market valuations of companies in the Group's industry, fluctuations in stock market prices and volumes, potential changes in the regulatory regime, and announcements by the Group or its competitors of new services or technology, significant investments, acquisitions or joint ventures. The market price of the Shares is also subject to fluctuations in response to further issuances of shares by the Company, sales of the Shares by any of the Selling Shareholders, the liquidity of trading in the Shares, share capital decreases or purchases of Shares by the Company, as well as investor perception. As a result of these or other factors, the Company cannot give assurance that the public trading market price of the Shares will not decline below the Retail Investors Offer Price and/or the Institutional Investors Offer Price, as the case may be, irrespective of the Group's results of operations.

There is no prior market for the Shares and therefore no assurance regarding the future development of a liquid market can be given.

The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or on the price at which the holders may be able to sell their Shares. If a market for the Shares were to develop, the Shares could trade at prices that may be higher or lower than their respective offer price, depending on many factors.

The fact that the Shares are admitted to trading on the regulated market operated by the WSE does not guarantee that the Shares will be sufficiently liquid. Listed companies from time to time experience significant fluctuations in securities trading volumes, which can have a negative impact on the market price of the Shares. If an appropriate level of trading in the Shares is not achieved or maintained, that could have a material impact on the liquidity and price of the Shares. Even if the appropriate level of trading in the Shares is achieved and maintained, the market price of the Shares may be below the price of such shares in the Offering.

Furthermore, the Shares may have a lower level of liquidity than the shares in comparable companies to the Company listed on other markets, especially in the United States or in European countries other than Poland.

Any inadequate level of liquidity of the Shares may limit the ability of investors to sell the required number of the Shares at the expected share price. This could have a material adverse effect on the price of the Shares.

The free float of the Shares is expected to remain limited for at least a period of 360 days after the Listing Date due to applicable lock-up arrangements, which may have a negative impact on the liquidity of and market price for the Shares.

It is expected that, immediately after the completion of the Offering, assuming that the Selling Shareholders will sell all Sale Shares in the Offering, around 30.00% of the Shares will be publicly held by investors who are not subject to any lock-up arrangements (assuming no exercise of the Over-Allotment Option). The Selling Shareholders have entered into lock-up arrangements pursuant to which they have agreed not to dispose of their Shares for a period of 180 days following the Listing Date with respect to the Majority Selling Shareholders, without the written consent of the Joint Global Coordinators (on behalf of themselves and the other Joint Bookrunners and Co-Bookrunners, which is not to be unreasonably withheld or delayed) and subject to certain customary exceptions and (ii) 360 days from the Listing Date with respect to Amphibian and the Restricted Persons, without the prior written consent of the Principal Selling Shareholder and the Joint Global Coordinators (which is not to be unreasonably withheld or delayed) and subject to certain customary exceptions. In separate lock-up agreement the Selected Key Managers undertake to the Principal Selling Shareholder certain lock-up arrangements pertaining to: (i) the Selected Key Managers' Shares for a period of one year since the Listing Date; (ii) 66.66% of the Selected Key Managers' Shares for a period starting the day after the one-year anniversary of the Listing Date and ending on the second anniversary of the Listing Date; and (iii) 33.33% of the Selected Key Managers' Shares for a period starting the day after the two-year anniversary of the Listing Date and ending on the third anniversary of the Listing Date, such lock-up restrictions subject to certain customary exceptions.

Therefore, the free float of the Shares is expected to remain limited during the periods where such lock-up agreements are applicable. This may have a negative impact on the liquidity of the Shares and may result in a low trading volume, which could adversely affect the then-prevailing market prices for the Shares.

Future offerings by the Company of equity or debt securities may adversely affect the market price of the Shares and dilute the interests of its shareholders.

To finance planned investments, the Company or its Subsidiaries may raise additional capital by offering debt or additional equity securities, including notes convertible into shares, senior or subordinated notes and ordinary shares.

The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of the existing shareholders of the Company if made without granting pre-emptive or other subscription rights, or reduce the price of the Shares in the Company, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Company may issue in the future may also dilute the interests of the Company's shareholders. Holders of the Shares in the Company have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of the Company's ordinary shares. As a result, holders of the Shares in the Company may, in certain circumstances, have the right to purchase shares that the Company may issue in the future in order to preserve their percentage ownership interest in the Company. If the General Meeting deprives investors of their pre-emptive rights or they fail to exercise such rights, their share in the share capital of the Company will be reduced.

As any decision by the Company to issue additional securities depends on market conditions and other factors beyond the Company's control, the Company cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Company's future offerings reducing the market price of the Shares and diluting their interest in the Company.

Future sales or the possibility of future sales of a substantial number of the Shares by the Selling Shareholders or other shareholders may materially adversely affect the market price of the Shares.

After the expiration of the lock-up periods for the respective Selling Shareholders (in particular after the expiration of the lock-up period of 180 days from the Listing Date for the Majority Selling Shareholders), the Selling Shareholders may sell substantial numbers of their Shares on the public market. In addition, there could also be a perception on the market that such sales could occur due to the expiry of the applicable lock-up period or the waiver thereof.

Furthermore, other shareholders of the Company who acquire the Shares in the Offering or in stock exchange transactions may plan to sell the Shares or securities entitling their holders to the Shares in the future.

The sale or disposal of a significant number of the Shares in the future or an expectation that such sale will take place after the closing of the Offering, in particular after all contractual lock-ups on the issuance, sale or other disposal of the Shares imposed on the Company and/or the Selling Shareholders expire (or pursuant to a waiver under the lock-up arrangements or in reliance on any of the customary carve-outs contained in the lock-up such as the granting / enforcement of security in connection with margin loan financing either during or after the lock-up period), may have an adverse effect on the market price of the Shares and significantly reduce the Company's ability to arrange capital by way of a public offering or private placements of shares or other securities. Furthermore, the sale or other disposal of the Shares by one or more significant shareholders of the Company may have an adverse impact on the perception of the Company's standing or its prospects for strategic growth, and thus on the value of the Shares. The Company cannot predict the potential effect that either the sale of the Shares by the existing or future shareholders, or the belief that such sale will take place, will have on the Share price.

Any of these circumstances may adversely affect the market price of the Shares. In addition, such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

Risks relating to the Shares

The interests of the Company's significant shareholders, including certain Selling Shareholders, may conflict with the interests of other shareholders.

As at the date of this Prospectus, Heket Topco S.à r.l. exerts direct control over the Company due to its majority shareholding in the Company's share capital and the voting rights at the General Meeting held in connection with such shareholding. CVC Fund VI indirectly controls and owns 86.13% of the shares in Heket Topco S.à r.l., while 13.87% of the shares are owned by Heket Co-Investment LP (which is indirectly controlled by CVC Fund VI). After the completion of the Offering and provided that all of its Offer Shares are sold in the Offering, the Company expects that Heket Topco S.à r.l. will continue to remain the largest shareholder of the Company.

Therefore, as a result of their ownership of the Shares and representation on the Board of Directors (please see: "*Management and Corporate Governance—Board of Directors—Manner of operation of the Board of Directors following the Offering*"), significant shareholders, including Heket Topco S.à r.l., have, and will continue to have, directly or indirectly, the ability to influence the Company's legal and capital structure, the outcome of matters requiring action by the shareholders, and other major decisions regarding the Group's operations. Moreover, certain members of the Group's management, including members of the Management Committee, hold (directly or indirectly) Shares in the Company and intend to sell a portion of these Shares in the Offering through Amphibian. Their private interests might therefore not always align with those of other shareholders of the Company (including other Selling Shareholders) or the interests of the Company. Any conflicts between senior management and the Group's significant shareholders, including certain Selling Shareholders, could adversely affect the Group and its operations. Further, the significant shareholders, including certain Selling Shareholders, may have other business interests and portfolio companies that may conflict with investors' interests as shareholders (or compete with the Group) and may conflict with potential transactions that the Group may wish to undertake. In addition, any circumstances relating to the Selling Shareholders' or other significant shareholders' ownership or beneficial ownership in the Group or in their other portfolio companies may negatively affect the Group's business and operations, including its image, brand or ability to refinance its indebtedness to the extent that financial institutions deem such ownership as materially adverse to their willingness to undertake any such refinancing or other capital raising. There can be no assurance that the interests of the Group's significant shareholders, including certain Selling Shareholders, will be consistent with the interests of the other shareholders or the Group, or that the significant shareholders, including certain Selling Shareholders, will exercise their rights for the benefit of all of the shareholders, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The interpretation of Polish laws and regulations governing investing in shares, including tax laws and regulations applicable to investors, may be unclear, and Polish tax laws and regulations may change.

Some provisions of Polish law, including tax law, are ambiguous, and subject to frequent changes (see also "*—Risks relating to legal, tax and regulatory matters—Changes to the legislative framework and ambiguity in the interpretation of laws could require the Group to modify its current business practices, incur increased costs and expose it to potential liabilities*" and "*—Changes in tax law regulations specific for the Group's business and their interpretation, or changes to the individual* *interpretations of tax law regulations could adversely affect the Group*" in this Section ("*Risk Factors*"). Because of frequent changes in law and, specifically, tax law and the varying interpretations thereof, the risk connected with Polish tax law may be greater than that in other developed markets. The above is true in particular with respect to issues related to income tax applicable to income generated by investors in relation to the acquisition, holding and sale of securities. No assurance may be given that changes to the tax law, including tax treaties, which may prove unfavourable to investors, will not be introduced or that the Polish tax authorities will not take a new, different and unfavourable interpretation of tax provisions, which could have an adverse effect on the tax charges incurred and the actual profit generated by investors from their investment in the Shares. In particular, potential changes in regulations on capital gains tax or potential changes to the double tax treaties may influence the returns achieved by investors. This risk could have material adverse effects on the Offering in Poland.

Dividends and gains from disposals of the Shares may, in certain circumstances, be subject to Polish tax when received or earned by non-Polish tax residents.

Investors who do not reside within the territory of Poland are required to pay tax exclusively on income obtained within the territory of Poland (i.e. on Polish source income). Income earned in the territory of Poland includes, among other items, income from securities and derivative financial instruments (other than securities) that are admitted to public trading in the territory of Poland on a regulated exchange market, including income generated from the disposal of such securities or financial derivatives, and the exercise of the rights arising from any of the above. On account of the fact that the Shares will be traded on the WSE following the WSE Admission, dividends and gains from disposals of the Shares may, in certain circumstances, be subject to Polish tax when received or earned by non-Polish tax residents. This is primarily the case where an exemption or a double taxation treaty does not apply between Poland and the country where the investor is a tax resident. Prospective purchasers of the Offer Shares are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal or other circumstances related to the Offer Shares. In particular, the tax treatment of the dividends and capital gains from the disposal of the Offer Shares should be verified in terms of the respective double taxation treaties between Poland and country of residence of the investor.

The value of the Shares for foreign investors may decrease due to exchange rate fluctuations.

The market price of the Shares traded on the WSE will be denominated in Polish złoty (PLN). Consequently, payments for the Offer Shares will be made in PLN and, accordingly, foreign investors must convert amounts into PLN at a certain exchange rate, which could be different from the exchange rate prevalent in the future. Consequently, the return on investment in the Shares will depend not only on changes in the price of the Shares during the investment period, but also on fluctuations in the exchange rate between the PLN and the investors' domestic currencies. Exchange rate risk will also apply to any cash disbursements under rights associated with the Shares, including the payment of dividends, which, if any are made, may be paid in PLN.

The exercise of certain shareholder rights and the tax treatment of non-Luxembourg investors in a Luxembourg company may be more complex and costly.

The Company is organised and exists under the laws of Luxembourg. Accordingly, its corporate structure as well as the rights and obligations of the Company's shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE.

The exercise of certain shareholder rights for non-Luxembourg investors in a Luxembourg company may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the General Meeting may be adopted with majorities different from the majorities required for the adoption of equivalent resolutions in Polish companies. Under Luxembourg law, there are limited grounds on the basis of which resolutions taken by the general meeting of the shareholders can be invalidated. Actions aimed at declaring a resolution invalid must be filed with, and will be reviewed by, a Luxembourg court in accordance with the laws of Luxembourg.

Investors holding Shares may also be subject to Luxembourg taxation in respect of dividends received from the Issuer. Although Poland and Luxembourg have entered into a double taxation treaty, which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force.

The rights of shareholders in a Luxembourg company may differ from the rights of shareholders in companies organised under the laws of other jurisdictions. For instance, in the case of a WSE-listed company that has its registered office in a Member State of the EEA other than Poland, certain corporate resolutions are adopted by decision-making bodies competent under the legislation in force in the state in which the company has its registered office and such decision-making bodies may be different from those that would be competent under Polish law if the company had its registered office in Poland.

The Company is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg. The rights of holders of the Shares in the Company and the responsibilities of the Company to its shareholders under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of other jurisdictions. As such, it may be difficult or impossible to enforce rights against the Company that may be common in other jurisdictions.

The Company may become subject to insolvency proceedings.

The Company is a holding company incorporated under the laws of Luxembourg the principal assets of which are the shares of its subsidiaries. If the Group's operating subsidiaries experience sufficiently adverse changes in their financial position or results of operations, or the Company otherwise becomes unable to pay its debts as they become due and accumulates further debt, the Company may be in a state of cessation of payments (*cessation de paiements*) and lose its commercial creditworthiness (*ébranlement de crédit*), which could result in the commencement of insolvency proceedings. Such proceedings would have a material adverse effect on the Company's business and prospects, and the value of the Shares.

Insolvency proceedings may be brought against the Company or its subsidiaries, and such proceedings may be conducted under, and be governed by, the insolvency laws of Luxembourg. The insolvency laws of Luxembourg may not be as favourable to interests of investors as the laws of Poland, the United States or other jurisdictions with which investors may be familiar.

Under the insolvency laws of the Grand Duchy of Luxembourg, the following types of proceedings (together referred to as "**Insolvency Proceedings**") may be opened against the Company to the extent that the Company has its registered office or the "centre of its main interests" (*centre des intérêts principaux*) (for the purposes of Council of the European Union Regulation (EU) No. 848/2015 of 20 May 2015 on insolvency proceedings) in the Grand Duchy of Luxembourg at the time of the commencement of such proceedings:

- Bankruptcy proceedings (*faillite*): the opening of which may be requested by the Company, or by any of its creditors or by the public prosecutor; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the Company: (i) is in a state of cessation of payments (i.e. unable to pay its debts as they become due (*cessation de paiements*)); and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*); moreover, if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on the basis of its own motion. In order to safeguard the interests of creditors, the period between the cessation of payments and the declaration of bankruptcy is deemed a "suspect period" (*période suspecte*), and certain acts performed by the Company during this period (or ten days prior to such period) that could be detrimental to the rights of the creditors may be declared null and void. A judgment declaring bankruptcy can set the suspect period to a date prior to the declaration of bankruptcy. However, this date cannot precede the date of the judgment by more than six months, except that in certain specific situations, the Commercial District Court (*Tribunal d'arrondissement siégeant en matière commerciale*) may set the start of such period at an earlier date or at another date if the Company requested a suspension of payments prior to the bankruptcy proceeding;

- Judicial reorganisation proceedings (*réorganisation judiciaire*) pursuant to the law of 7 August 2023 on business preservation and modernisation of insolvency law (the "**Luxembourg Reorganisation Law**"), the opening of which may be requested by the Company without the bankruptcy (*faillite*) of the Company preventing the opening or the continuation of the judicial reorganisation proceeding.

A judicial reorganisation proceeding (*réorganisation judiciaire*) is aimed at preserving, under the supervision of the court, the continuity of all or part of the assets or business activities of the relevant distressed debtor. The purpose for initiating such procedure is:

- to obtain a standstill (*sursis*) to enable an out-of-court arrangement to be reached with certain creditors (accord amiable); or

- to negotiate a collective agreement (*accord collectif*) with creditors on a reorganisation plan which may include deferred debt reimbursements, debt-to-equity swaps, cram-downs of the company's debts or the sale of all or part of the company's business or activities and any other collective agreement to be approved by creditors in accordance with the majority requirements set forth in the Luxembourg Reorganisation Law and declared enforceable by a Luxembourg court; or

- to allow for the transfer of all or part of the assets or business of the debtor by a court decision (*transfert par décision de justice*) pursuant to which a court appointed agent will organise and complete such transfer.

While the application for a judicial reorganisation is pending before the court and after the court has determined to open the proceedings, the relevant debtor may not be declared bankrupt (*en faillite*), (except on a bankruptcy filing by the distressed debtor itself) and, subject to certain exceptions including pledges governed by the law of 5 August 2005 on financial collateral arrangements (as amended), there is a temporary stay on enforcement measures against assets of the distressed debtor.

In clear cases of gross negligence by the governing body of the distressed debtor, the court may, at the request of any interested party or the public prosecutor, by a reversible decision, appoint a provisional administrator who will replace such governing body during the stay.

Subject to the foregoing, the board of directors and management of the distressed debtor will conduct the negotiations of the out of court arrangement or the collective agreement and plan of reorganisation and will need to agree the terms of any sale of all or part of the debtor's business, assets or activities.

There may however be no or only very limited involvement of the board of directors or management of the distressed debtor in case of a judicial reorganisation by way of transfer by court decision. Such transfer may be ordered by the court with the consent of the debtor. The court may however also order such transfer without the consent of the debtor on the application of the public prosecutor or a creditor or any person having an interest to acquire all or part of the debtor's business, in case (a) the debtor fulfils the conditions of bankruptcy and has not applied for the opening of judicial reorganisation proceedings, or (b) the court rejects the application for such proceedings on the grounds that the relevant debtor is disqualified from applying for a judicial reorganisation because it has obtained the opening of judicial reorganisation proceedings less than three years ago, or (c) the court terminates such proceedings on the grounds that the debtor is manifestly unable to ensure the continuation of its business or where the information provided by the debtor to its creditors or the court is manifestly incomplete or incorrect or (d) cancels the reorganisation plan on application of a creditor in case the debtor is manifestly no longer able to execute such plan and this causes the applicant to suffer a damage or (e) creditors do not approve the reorganisation plan, or a class of creditors does not approve the reorganisation plan and the court does not use its power to order a class cram-down, or (f) the court does not declare the collective agreement enforceable. Such a transfer and the negotiation of its terms will be entrusted to an agent appointed by the court, and the board of directors and management of the distressed debtor will only be involved in such transfer and negotiation of its terms to the extent decided by such agent or the court.

In addition to these proceedings, the Company may be affected by a decision of the Commercial District Court granting a suspension of payments (*sursis de paiement*).

In addition to Insolvency Proceedings, Luxembourg Company Law provides that the Commercial District Court may, based on an application of the public prosecutor (*procureur d'État*), order the dissolution and the liquidation of the Company if it pursues activities contrary to Luxembourg criminal law or if it seriously violates the provisions of the Luxembourg Commercial Code or Luxembourg laws governing Commercial Companies.

Certain foreign judgments issued against the Company, its directors or the Selling Shareholders based on an application by the Company's shareholders may not be enforceable.

The Company is incorporated in Luxembourg, and the Group conducts its operations predominantly in the territory of Poland, and the majority of the Group's assets are located in Poland. It may be difficult or impossible for an investor in the Shares to enforce a judgment issued outside of Luxembourg against the Company or against members of the Company's Board of Directors. This applies, to the greatest extent, to judgments from the courts of any countries that are not party to conventions or bilateral agreements on the mutual recognition and enforcement of court judgments to which Luxembourg is a party. Even if an investor were successful in bringing an action of this kind, the laws of Poland or Luxembourg, as applicable, may render such investor unable to enforce a judgment against the Company's and the Group's assets or the assets of the Company's directors and officers.

Moreover, certain of the Selling Shareholders are entities incorporated and operating in accordance with the laws of Luxembourg and thus any judgments issued against such Selling Shareholders, including those issued by Polish courts, in connection with the Offering and the Offer Shares will be recognised and enforced specifically on the terms determined by the private international law rules applicable in Luxembourg.

In addition, given certain judgments of the Court of Justice of the European Union regarding the changes made to Poland's judicial system (e.g. the rulings of the Court of Justice of the European Union in cases C-619/18, C-192/18, C-791/19) and the judgments of the European Court of Human Rights in which the European Court of Human Rights ruled that the National Council of the Judiciary had lacked impartiality and independence, and as a consequence, involvement of certain Polish judges (appointed on the recommendation of this Council) in the court, deprives this court of the premise of a "tribunal established by law" (e.g. the judgment in the case of Dolińska-Ficek and Ozimek v. Poland and the judgment in the case of Reczkowicz v. Poland; and similar judgments with regard to the judges appointed on the recommendation of the new National Council of the Judiciary have been issued by numerous Polish state courts), there is a risk that foreign state courts, including those of Member States of the EU, may question the validity and enforceability of certain rulings of the Polish state courts for the reasons set out above.

Holders of the Shares in certain jurisdictions may be subject to restrictions regarding the exercise of pre-emptive rights with respect to future offerings.

In the case of an increase of the Company's issued share capital, existing shareholders of the Company are entitled to exercise pre-emptive rights pursuant to the applicable regulations of Luxembourg, unless such exercise is limited or suspended in whole or in part under a resolution of the General Meeting or of the Board of Directors in the case of an issuance of shares within the authorised share capital of the Company. To the extent that pre-emptive rights are granted, holders of the Shares in the United States may be unable to exercise their pre-emptive rights unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. Shareholders in other jurisdictions may also be limited in their ability to exercise their pre-emptive rights. The Company cannot give any assurance that in the future it will register any of the Shares or other securities in accordance with the U.S. Securities Act or the provisions of any other jurisdiction outside Poland. If the Company's share capital is increased in the future, the Company's shareholders who are not able to exercise a potential pre-emptive right (in accordance with the laws of the country where they have their residence or their registered office) should take into account that their interest in the Company's share capital may be diluted upon such issuance of new shares in the Company. Furthermore, although in some jurisdictions non-participating shareholders may be given a distribution in cash of the value of their tradable rights, there is no requirement to do so in Luxembourg and, consequently, a holder of the Shares may not receive any exercisable rights or any compensation in lieu of such rights.

The Company and the Board of Directors are likely to incur costs and expenses, as well as be required to invest time, in complying with the obligations of a listed company.

Compliance with reporting and disclosure in connection with being a public company, as well as certain operational elements and investor expectations, will require the incurrence of certain costs and expenses that the Group has previously not had to incur. In addition, complying with these requirements will require the investment of the time of the management, which will divert attention from other aspects of the Group's business. As the Company (or its subsidiaries) has not been run as a public company in the past, it may increase the costs, expenses and time required of the Board of Directors to comply with these requirements. In addition, as mentioned above, if the Company fails to sufficiently fulfil these obligations, the Company may be subject to fines, damage claims and negative investor perception.

IMPORTANT INFORMATION

Goldman Sachs and J.P. Morgan, as the Joint Global Coordinators and Joint Bookrunners, PKO Securities as the Offering Agent and Joint Bookrunner, as well as Banco Santander, Biuro Maklerskie Pekao, BNP PARIBAS, CVC Capital Markets, Morgan Stanley, Pekao Investment Banking, PKO Securities and Santander Poland, as the Joint Bookrunners, as well as ING, mBank and Trigon, as the Co-Bookrunners (together, the "**Managers**"), are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering and they will not be responsible towards or regard anyone other than the Company and the Selling Shareholders (whether or not a recipient of this Prospectus) as their respective clients and will not be responsible for providing the protections afforded to their respective clients, or for providing advice in relation to the Offering or any transaction or arrangement referred to in this Prospectus.

Capitalised terms used in this Prospectus and not otherwise defined in this Prospectus have the meanings ascribed to such terms in the "*Abbreviations and Definitions*" section. Moreover, certain industry terms and other terms used in this Prospectus are explained in the "*Abbreviations and Definitions*", "*Glossary of Industry Terms*", and "*Presentation of Financial and Other Information—Market, economic and industry data*" sections below.

Unless implied otherwise in this Prospectus, the terms the "**Group**" or similar terms refer to the Company (including the period prior to the incorporation of the Company on 2 December 2021) together with its Subsidiaries. The term the "**Company**" refers solely to Zabka Group as the issuer of the Shares and a holding company of the Group, which does not conduct business operations. "**Żabka Polska**" refers solely to Żabka Polska sp. z o.o. as the main Subsidiary within the Group conducting business operations. The term the "**Management**" refers to the Board of Directors and the members of the Management Committee.

The validity of this Prospectus will expire on 1 October 2025, being twelve months after the date of its approval. The information contained in this Prospectus speaks only as at the date hereof and any obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies (insofar as required under the Prospectus Regulation) will not apply after the closing of the offer period for the Offer Shares or the time when trading in the Offer Shares on a regulated market begins, whichever occurs later.

Unless indicated otherwise, references to statements as to beliefs, expectations, estimates and opinions of the Company or its management refer to the beliefs, expectations, estimates and opinions of the Management.

None of the Company, the Selling Shareholders, the Managers or any of their respective representatives is giving any assurance or making any representation to any investor as to the legality of an investment in the Offer Shares by an investor under the laws applicable to such investor. The contents of this Prospectus are not to be construed as investment, legal, financial, business or tax advice. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

The Company, the Selling Shareholders and the Managers may reject any offer to purchase the Offer Shares in whole or in part, sell less than the entire principal amount of the Offer Shares offered hereby or allocate to any purchaser less than all of the Offer Shares for which it has subscribed.

This Prospectus is intended to provide information to prospective investors in the context and for the sole purpose of evaluating a possible investment in the Offer Shares offered in the Offering. It has been prepared in accordance with the provisions of the Prospectus Regulation and the Luxembourg Prospectus Law, and does not express any commitment or acknowledgement or waiver, and does not create any express or implied right towards anyone other than a prospective investor in the context of the Offering. It cannot be used except in connection with the Offering and the WSE Admission.

RESPONSIBILITY STATEMENT

The Company accepts responsibility for the completeness and accuracy of the information contained in this Prospectus. To the best of the Company's knowledge, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Company are honestly held by the Company, have been reached after considering all the relevant circumstances and are based on reasonable assumptions.

None of the Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer. Each of the Managers and each of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this Prospectus or any such statement.

No representation or warranty, express or implied, is made by the Managers or any of their respective affiliates as to the accuracy, completeness or verification of the information set forth in this Prospectus or any other information provided by the Company or the Selling Shareholders in connection with the Offer Shares or their distribution, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers or any of their respective affiliates in this respect, as to the past, present or the future. The Managers assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this document or any such statement.

NOTICE TO PROSPECTIVE INVESTORS

This Prospectus is intended to provide information to prospective investors in the context and for the sole purpose of evaluating a possible investment in the Offer Shares offered in the Offering and the WSE Admission. It contains selected and summary information, does not express any commitment or acknowledgement or waiver and does not create any express or implied right towards anyone other than a prospective investor in the context of the Offering and the WSE Admission. It cannot be used except in connection with the Offering and the WSE Admission. The contents of this Prospectus are not to be construed as an interpretation of the Group's obligations, of market practice or of contracts entered into by the Group.

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore read this Prospectus in its entirety, in particular the "*Risk Factors*" section hereof, when considering an investment in the Offer Shares. In making an investment decision, prospective investors must rely on their own examination, analysis and enquiry of the Company, the Offer Shares and the Offering, and the information contained in this Prospectus, including the merits and risks involved in an investment in the Offer Shares.

Any decision to invest in the Offer Shares offered in the Offering should be based solely on this Prospectus (and any supplement hereto), taking into account that any summary or description set forth in this Prospectus of legal provisions, accounting principles or a comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be construed as legal, accounting or tax advice as to the interpretation or enforceability of such provisions, information or relationships.

Investors should rely only on the information contained in this Prospectus. Except as provided for under mandatory provisions of law, no person is authorised to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus (and any supplement hereto), and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholders or any of the Managers.

This Prospectus does not constitute an offer to sell or a solicitation by or on behalf of the Company, the Selling Shareholders or the Managers to any person to purchase any of the Offer Shares offered in the Offering in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus may come are required by the Company, the Selling Shareholders and the Managers to inform themselves about and to observe such restrictions. Other than with respect to the Offering in Poland, no action has been taken by the Company, the Selling Shareholders or the Managers that would permit an offer of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material or application form relating to the Offer Shares, in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. None of the Company, the Selling Shareholders or any of the Managers accepts any responsibility for any violation by any person, whether or not such person is a prospective investor in the Offer Shares, of any of these restrictions. See "*Selling Restrictions*" and "*Transfer Restrictions*" elsewhere in this Prospectus.

This Prospectus has been prepared in accordance with the Prospectus Regulation and the Luxembourg Prospectus Law, as well as with the Act on Public Offering and other applicable legislation governing the public offering of securities in Poland. This Prospectus has been prepared for the purpose of the admission to trading of the Offer Shares on the regulated market of the Warsaw Stock Exchange and for the purpose of the Polish Offering. This Prospectus was approved by the CSSF, published on the Luxembourg Stock Exchange's website (www.luxse.com), and it will be published on the Company's website (www.zabkagroup.com) (together with its summary translated into Polish), following which this Prospectus will be passported to the PFSA. Additionally, for information purposes, the Prospectus will be published on the Offering Agent's website (www.bm.pkobp.pl). The publication of the Prospectus will be made in accordance with Article 21 (2), (3) and (7) of the Prospectus Regulation.

None of the Company, the Selling Shareholders, the Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. The contents of this Prospectus should not be construed as legal, financial or tax advice. The investors are advised to consult their own legal advisor, independent financial advisor or tax advisor for legal, financial or tax advice.

Each of the Managers and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase a portion of the Offer Shares in the Offering as a principal position and, in that capacity, may retain, subscribe for, purchase, sell, offer to sell, contract to sell, transfer, dispose or otherwise deal for its or their own account(s) the Offer Shares and any other securities of the Company or related investments and may offer or sell securities of the Company or such other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Offer Shares being issued, offered, subscribed, sold, placed or otherwise dealt with should be read as including any issue or offer to, or subscription or purchase or dealing by of such securities to the Managers and any relevant affiliate acting as an investor for its or their own account. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, certain of the Managers or their affiliates may enter into financing or any other arrangements (including swaps, warrants or contracts for differences) with investors in connection with which such Managers (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Neither the delivery of this Prospectus nor any sale made hereunder at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the entirety of the information set forth in this Prospectus is correct as at any time subsequent to its date.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholders, any of the Manager or any of their affiliates or representatives that any recipient of this Prospectus should subscribe for or purchase the Shares.

The Offer Shares are subject to a public offering within the territory of the Republic of Poland on the basis of the Prospectus approved by the CSSF. In certain countries, applicable legislation may limit the distribution of the Prospectus or any advertising or promotion of the Offering. The Prospectus may not be used for the purpose of or in connection with, and does not constitute, any offer to sell, or any solicitation or invitation to purchase, subscribe for, or any advertising or promotion of the Offering with respect to the Offer Shares in any jurisdiction in which such offer or solicitation or invitation or advertising or promotion would be unlawful. The Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an undefined period of time. Persons in possession of the Prospectus should inform themselves about and observe and comply with any restrictions in such respect, including the restrictions regarding the possibility to acquire or subscribe for the Offer Shares (see "*Selling Restrictions*" and "*Transfer Restrictions*"). Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

For the purpose of acquiring or subscribing for the Offer Shares, each investor will be required to make certain representations and warranties and to take certain actions as described in "*Terms and Conditions of the Offering*". The Selling Shareholders reserve the right to refuse, at their own discretion, to allot any Offer Shares if in the opinion of the Selling Shareholders, the Company or the Managers or any representative thereof such allotment could constitute a breach or result in a breach of any law or regulation (see "*Selling Restrictions*" and "*Transfer Restrictions*").

Prospective investors also acknowledge that: (i) they have not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiary or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholders or the Managers.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Company has prepared this Prospectus solely for use in connection with the offer of the Shares to QIBs under Rule 144A, or another exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and outside the United States under Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this Prospectus and the transactions contemplated hereby in confidence. You may not distribute this Prospectus to any person, other than a person retained to advise you in connection with the purchase of any Offer Shares.

Neither the Offer Shares nor any other securities of the Company described in this Prospectus have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred in the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares will be offered and sold only: (i) outside of the United States, to certain investors in offshore transactions in accordance with Regulation S; and (ii) in the United States, to persons reasonably believed to be QIBs as defined in and in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another an exemption from, or in a transaction not subject to, the registration requirement provided for by the U.S. Securities Act.

Neither the U.S. Securities and Exchange Commission nor any securities regulatory authority of any state or other jurisdiction of the United States has approved or disapproved of the Offer Shares offered in the Offering or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO EEA INVESTORS

The Prospectus has been approved by the CSSF, the financial sector supervisory authority in the Grand Duchy of Luxembourg, for the purpose of the Polish Offering and the WSE Admission. No offer of the Offer Shares to the public is being made in any Member State of the European Economic Area (other than Poland) (each, a "**Relevant State**") that would require the publication of the Prospectus or any other offering document in such other Relevant State. However, the Managers may decide to advertise the Offering in another Relevant State under certain exemptions from the obligation to publish a prospectus under the Prospectus Regulation, provided that any such offering of the Offer Shares to the public will not result in a requirement to publish the Prospectus or any other offering document by the Company, the Selling Shareholders or any of the Managers under Article 3 of the Prospectus Regulation.

In relation to each Relevant State, no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, as applicable, except that the Offered Shares may be offered to the public in that Relevant State at any time:

- to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Offer Shares shall require the Company, the Selling Shareholders or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation within the territory of the Relevant State, and each person who initially acquires Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Managers, the Selling Shareholders and the Company that it is a "qualified investor" within the meaning of the Prospectus Regulation.

The Company, the Selling Shareholders, the Managers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the consent of the Banks, be permitted to purchase Offer Shares in the Offering.

NOTICE TO UK INVESTORS

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed in the United Kingdom to, and is only directed at, persons in the United Kingdom that are qualified investors ("**qualified investors**") within the meaning of the assimilated Regulation (EU) 2017/1129 as it forms part of domestic UK law by virtue of the European Union (Withdrawal) Act 2018 and that also: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); or (ii) who are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as the "**relevant persons**"). The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, the relevant persons. This Prospectus and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this Prospectus or any of its contents.

MIFID II PRODUCT GOVERNANCE REQUIREMENTS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming any and all liability, whether arising in tort, contract or otherwise, that any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares that are the subject of the Offering have been subject to a product approval process that has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment and in case other than the Polish Offering to retail investors, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining the appropriate distribution channels.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Consolidated Financial Statements and other data in the Prospectus

Financial information

This Prospectus includes consolidated financial information of the Company and its Subsidiaries which has been derived from the consolidated financial statements of the Company and its Subsidiaries as at and for the years ended 31 December 2023, 31 December 2022 and 31 December 2021 prepared in accordance with the International Financial Reporting Standards (the "**IFRS**") as adopted by the European Union (the "**Annual Financial Statements**") and included elsewhere in this Prospectus. Ernst & Young S.A., with its registered office at 35E Av. John F. Kennedy, 1855 Luxembourg, ("**E&Y**"), has audited the Annual Financial Statements included herein.

This Prospectus also includes consolidated financial information of the Company and its Subsidiaries which has been derived from the interim condensed consolidated financial statements of the Company and its Subsidiaries as at 30 June 2024 and for the six-month periods ended 30 June 2024, prepared in accordance with IAS 34 (the "**Interim Financial Statements**", and Interim Financial Statements together with the Annual Financial Statements, the "**Consolidated Financial Statements**"), and included elsewhere in this Prospectus. E&Y has reviewed the Interim Financial Statements included herein.

Unless otherwise stated, the financial information in this Prospectus has been prepared in accordance with the IFRS as adopted by the European Union.

The financial information presented in this Prospectus was not prepared in accordance with US Generally Accepted Accounting Principles ("**U.S. GAAP**") or audited in accordance with US Generally Accepted Auditing Standards ("**U.S. GAAS**") or the auditing standards of the Public Company Accounting Oversight Board ("**PCAOB Standards**"). No opinion or any other assurance with regard to any financial information was expressed under U.S. GAAP, U.S. GAAS or PCAOB Standards, and the financial information is not intended to comply with the SEC reporting requirements. Compliance with such requirements would require modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided.

Establishment of the Group and its reorganisation in 2021

The Company was incorporated on 2 December 2021 as a public limited liability company. The Company did not exist and as a result had no material operations prior to becoming the holding company of the Group, which was the result of an internal reorganisation process of the investment structure that held Żabka Polska in December 2021, whereby, among others, the former shareholders of Heket Holdings S.à r.l. sold and contributed in kind their entire share capital in Heket Holdings S.à r.l. in exchange for new shares issued by the Company, and certain former shareholders of Heket Investments S.à r.l. sold and contributed in kind their shares in Heket Investments S.à r.l. in exchange for new shares issued by the Company. The reorganisation was a transaction executed under common control (the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original Group and the new Group) and did not constitute a business combination within the scope of IFRS 3. Instead, the retrospective predecessor method of accounting was applied, and the reorganisation was accounted for by incorporating into the consolidated financial statements of the Company the assets and liabilities of the pre-existing Group at their carrying values from the consolidated financial information of the pre-existing investment structure prepared in accordance with the IFRS. Any differences between the cost of the transaction and the carrying value of the net assets of the pre-existing Group are reorganisation differences that were recorded directly in equity (retained earnings). Effectively, on the basis of business continuity, the Consolidated Financial Statements of the Company included in this Prospectus are a continuation of the consolidated financial information of Heket Holdings S.à r.l. (historical parent). Please refer to note 3 to the Annual Financial Statements for details.

Non-IFRS measures

This Prospectus contains certain measures that are not defined or recognised under IFRS, including alternative performance measures ("**APMs**") and certain other key performance indicators that include operating data and/or financial measures that are not defined or recognised under IFRS.

The APMs are presented as the Group believes that these metrics (i) may provide an enhanced understanding of the Group's underlying results, financial condition and related trends, and/or (ii) may assist investors and analysts in comparing the Group's performance and liquidity across reporting periods, and/or (iii) may represent similar financial measures that are widely used by securities analysts, investors and other interested parties as supplemental financial measures of operating and financial performance. The Group also believes that the APMs, in addition to IFRS measures, may be supportive in understanding of the Group's results and related trends over the track record period, therefore increasing transparency and clarity into the core results of the Group's business.

Information regarding these measures is sometimes used to evaluate the efficiency of a company's operations and its ability to apply its earnings towards the repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures, and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures that are calculated in accordance with IFRS. The non-IFRS measures presented in this Prospectus may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

Alternative Performance Measures

The Company has included certain alternative performance measures ("**APMs**") in this Prospectus.

The Company has defined the APMs as follows:

- ***4-Wall Adjusted EBITDA*** relates to convenience stores and adds back certain costs attributable directly to stores. It is calculated as gross profit on sales, increased by cost of field force (i.e. the team working in the field responsible mainly for support of store expansion, recruitment, training and ongoing support of franchisees, as well as monitoring stores' performance), selected EBITDA adjustments and other items, in particular overheads included in gross profit on sales.
- ***Adjusted EBITDA*** means EBITDA adjusted for (i) funds spent on ensuring business continuity in the face of unforeseen event within the Group's environment, protection of employees, franchisees and society, (ii) Group reorganization costs, (iii) costs related to changes in the ownership structure and obtaining financing, (iv) transaction costs in respect of M&A, (v) incentive schemes and additional compensation in connection with the termination of cooperation with key employees, and (vi) result on disposal of property, plant and equipment and right of use.
- ***Adjusted EBITDA (post-rent)*** means Adjusted EBITDA reduced by rent (real estate rent cost as incurred).
- ***Adjusted EBITDA (post-rent) minus Maintenance Capex*** means Adjusted EBITDA (post-rent) minus Maintenance Capex.
- ***Adjusted EBITDA / Revenue*** means Adjusted EBITDA divided by the revenue.
- ***Adjusted Net Income*** means Net profit /(loss) from continuing operations adjusted for EBITDA Adjustments taxed at corporate nominal tax rate (19%).
- ***Adjusted Net Income Margin*** means Adjusted Net Income divided by Sales to End Customers.
- ***Capex*** means the sum of additions related to intangible assets and property, plant and equipment within the Group's consolidated statement of cash flows.
- ***Cash Conversion*** means (Adjusted EBITDA (post-rent) minus Maintenance Capex) divided by Adjusted EBITDA (post-rent).
- ***EBITDA*** means the Group's net income/(loss) for the reporting period before the effect of income taxes, financing activities and depreciation and amortisation expense.
- ***EBITDA margin*** means EBITDA divided by revenue.
- ***Free Cash Flow*** means Adjusted EBITDA (post-rent) minus Capex plus cost of the Sale and Leaseback Transaction plus changes in working capital and provisions.
- ***Free Cash Flow Conversion*** means Free Cash Flow divided by Adjusted EBITDA (post-rent).
- ***Growth Capex*** means Capex minus Maintenance Capex.
- ***Leverage Ratio*** means Net Debt divided by the sum of total equity and Net Debt.
- ***Maintenance Capex*** means Capex incurred generally in relation to the maintenance of the existing asset base, in particular the replacement of store equipment, logistics other than new distribution centres and Capex for Strategic Leadership and Central Functions (unless related to development or major expansion).
- ***Net profit margin*** means net profit /(loss) from continuing operations divided by revenue.
- ***Net Debt*** *means* the sum of loans and borrowings, lease liabilities less cash and cash equivalents.
- ***Net Debt / Adjusted EBITDA*** means Net Debt divided by Adjusted EBITDA for the preceding twelve months.
- ***Net Debt excluding lease liabilities*** means the sum of loans and borrowings less cash and cash equivalents.
- ***Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent)*** means Net Debt excluding lease liabilities divided by Adjusted EBITDA (post-rent) for the preceding twelve months.

For reconciliations of the APMs discussed herein, see "*Selected Historical Financial Information—APMs and other operating KPIs*".

Other operating key performance indicators

The Company uses the following other key performance indicators that include operating data and/or financial measures that are not defined or recognised under IFRS:

- ***4-Wall Adjusted EBITDA per store*** means 4-Wall Adjusted EBITDA divided by the average number of Żabka stores in a given period (calculated based on the number of store days).
- ***4-Wall Adjusted EBITDA / Sales to End Customers*** (***4-Wall Adjusted EBITDA margin***) means 4-Wall Adjusted EBITDA divided by Sales to End Customers at Żabka stores.
- ***Adjusted EBITDA / Sales to End Customers*** means Adjusted EBITDA divided by Sales to End Customers.
- ***Capex / Sales to End Customer*** means Capex divided by Sales to End Customers.
- ***Cash Conversion Cycle*** is calculated on the basis of Sales to End Customers and is defined as the sum of Inventory in Days of Sales to End Customers (inventory divided by Sales to End Customer and multiplied by the number of days) and Receivables in Days of Sales to End Customers (trade receivables divided by Sales to End Customers and multiplied by the number of days) reduced by Payables in Days of Sales to End Customers (trade payables and other financial liabilities reduced by Capex payables divided by Sales to End Customers multiplied by the number of days).
- ***Franchisee Margin*** means the amount the franchisee earns from selling products and taking into account the incentives received from the Group.
- ***Franchisee Margin / Sales to End Customers at Żabka stores*** means the Franchisee Margin divided by the Sales to End Customers at Żabka stores.
- ***Franchisee Margin per average number of stores*** means the Franchisee Margin divided by average number of active stores (calculated based on number of store days).
- ***GMV*** is defined as the gross merchandise value, which represents revenue generated by Maczfit and the total gross value of goods sold through the Dietly, Jush! and delio platforms (including value added tax).
- ***Gross Profit / Sales to End Customers*** means the Group's gross profit divided by Sales to End Customers.
- ***Growth Capex / Sales to End Customers*** means Growth Capex divided by Sales to End Customers.
- ***LFL (or "Like-for-Like") growth*** is defined as the comparison of Sales to End Customers from Żabka stores between periods, taking into account the sales of stores operating on the same day of both the current and previous period.
- ***Maintenance Capex / Sales to End Customers*** means Maintenance Capex divided by Sales to End Customers.
- ***Payback Period*** means the length of time (in months) it takes to recover the initial cost of an investment in a store. Payback is calculated based on Capex directly attributable to a given store, 4-Wall Adjusted EBITDA per store post-rent and the estimated impact of that store on the Group's net working capital (NWC). It does not take into account taxes or finance costs and with respect to Payback Period for stores opened in 2022: Capex for Merrychef rollout and a small number of stores which have not matured yet (i.e. stores which have not reached their estimated sales potential) have been excluded.
- ***Sales to End Customers*** represents sales to end customers from Żabka stores, as well as of New Growth Engines, and does not represent the Company's revenue.
- ***Sales to End Customers at Żabka stores*** represents sales to end customers from Żabka stores and does not include sales from New Growth Engines including Digital Customer Offering (Maczfit, Dietly and eGrocery businesses (delio and Jush!)). This measure does not represent the Company's revenue.
- ***Sales to End Customers per Żabka store*** means the Sales to End Customers at Żabka stores divided by the average number of active Żabka stores in a given period. This measure does not represent the Company's revenue.

Rounding

Certain numerical figures set out in this Prospectus, including financial data presented in millions and certain operating data, have been subject to rounding adjustments. As a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial data are calculated using the numerical data in the Consolidated Financial Statements or the tabular presentation of financial data (subject to rounding) contained in this Prospectus, as applicable, and do not use the numerical data in the narrative description thereof.

Currency presentation

Unless otherwise indicated, all references in the Prospectus to "PLN", "Polish złoty" or "zł" are to the lawful currency of Poland, references to "euro" or "EUR" are to the common currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, while references to "USD", "U.S. Dollar" or "$" are to the lawful currency of the United States of America.

Presentation of market and operating data

Some of the meanings of the terms regarding the Company's operations, the market in which it operates and the data presentation method used by the Company for the purposes of the Prospectus may differ from those used by other entities operating in the retail market.

For certain definitions and explanations of industry terms, see "*Glossary of Industry Terms*" and "*Market and Regulatory Overview*".

Market, economic and industry data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Company's estimates using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies where appropriate, as well as from market research, publicly available information and industry publications, including services provided to the Group by OC&C Strategy Consultants SP ("**OC&C**").

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. The Group believes that these industry publications, surveys and forecasts are reliable, but neither the Group nor the Managers have independently verified them, or made any representation or warranty as to their accuracy or completeness. To the extent these industry publications, surveys and forecasts are accurate and complete, the Group confirms it has correctly extracted and accurately reproduced the information from such sources. As far as the Group is aware and able to ascertain from information published by such sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. The Group cannot therefore assure you of the accuracy and completeness of such information and the Group has not independently verified such information.

However, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party sources could prove to be inaccurate. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. The fact that information from the aforementioned third-party studies (including those from Euromonitor) has been included in this Prospectus should not be considered as a recommendation by the relevant third parties to invest in, purchase, or take any other action whatsoever with respect to shares in the Company.

Where third-party information has been used in this Prospectus, the source of such information has been identified. In addition, in many cases, statements in this Prospectus regarding the Group's industry and its position in the industry are based on the Group's experience and its own investigation of its industry and the review of information made publicly available by competitors. Comparisons between the Group's reported financial or operational information and that of competitors using this information may not fully reflect their actual positions on the market as such information may not be defined consistently or reported for companies that operate in the same industry as the Group defines or reports such information in this Prospectus.

While the Group is not aware of any misstatements regarding the industry data presented herein, the Group's estimates involve certain assumptions, risks and uncertainties and are subject to change based on various factors, including those discussed in the "*Risk Factors*" section. The Company or the Managers cannot assure the investors that any of these statements are accurate or correctly reflect the Group's position in the industry, and none of its internal surveys or information have been verified by any independent sources, and the Group cannot guarantee their accuracy.

Forward-looking statements

The Prospectus includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets", "assumptions", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "plans", "assumes", "would" or "could", but also similar expressions or the negative thereof. The forward-looking statements apply specifically to the dividend policy, strategy, targets and plans of the Company, including in terms of the occurrence of specific economic events and assumed trends, including the development of the operations of the Group, the impact of the global coronavirus pandemic, as well as factors and estimates which could in the future impact the financial results, financial situation and cash flows of the Group. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the real events and the actually realised and achieved assumptions, targets, plans, estimates and development of business, and, consequently, the Group's results of operations, its financial situation and development prospects to materially differ from any of those expressed or implied by the forward-looking statements included in this Prospectus. The forward-looking statements included in the Prospectus are based on numerous assumptions regarding the future, including those relating to the future operations of the Group, the present and future business strategies in that respect, the occurrence of certain events and the environment in which the Group currently operates and will operate in the future. Some of the factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those discussed in the "*Risk Factors*" section and including, among others:

- the pace of growth and degree of competition in the modern convenience segment in Poland;
- general economic conditions, political events and levels of consumer demand;
- the ability of the Group to implement its strategy related to the expansion of its store network or to maintain its LFL growth;
- the ability of the Group to implement its strategy in respect of the development of new business projects, especially in the D2C, e-commerce and g-commerce segments, and/or to effectively manage its anticipated growth;
- the ability of the Group to implement its international expansion plans, in Romania or other markets;
- increases in the franchisee churn rate, an inability to attract new franchisees or a decrease of Group's share in the margins realised;
- the impact of any changes in the legal framework relating to the franchise market;
- the performance of third parties on which the Group relies;
- the ability of the Group to build, maintain and secure its information technology systems and any disruptions or malfunctions of such systems;
- the ability of the Group to hire and retain highly skilled senior managers and other key staff and to maintain relationships with its workforce;
- the Group's ability to protect and grow the value of its brands and intellectual property;
- the impact of any customer complaints, product liability claims, product recalls, health and safety issues or legal actions concerning the Group;
- the impact of external factors beyond the Group's control, including, for example, accidents, vandalism, natural hazards, acts of terrorism, war, damage and loss caused by fire, power failures or other events that could potentially lead to the interruption of the Group's business operations, personal injuries, or damage to third-party property or the environment;
- increases in insurance costs or reductions in insurance coverage;
- the ability of the Group to implement its ESG commitments;
- the ability of the Group to maintain the requisite level of cash flow to service interest-bearing loans and borrowings and lease liabilities, to adhere to financial covenants or to repay its financial debt when due;
- the ability of the Group to ensure financing on favourable terms;
- the impact of higher interest rates;
- the impact of any amendments to the Sunday Trading Ban Act;
- the impact of changes to or ambiguity in relevant legislative frameworks, public policies, regulations or tax laws in all countries the Group operates in;
- the impact of changes in public policies, regulations or attitudes regarding the sale of alcoholic beverages and/or tobacco; and
- the impact of any revocation or non-renewal of any of the Group's required permits.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. Investors are urged to read the sections of this Prospectus titled "*Operating and Financial Review*", "*Risk Factors*" and "*Business of the Group*" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which it operates.

The forward-looking statements speak only as at the date of this Prospectus. Neither the Company, nor the Selling Shareholders have any obligation, nor have they made any undertaking, to disseminate any updates of or revisions to any forward-looking statements contained in the Prospectus, unless they are required under applicable laws or the listing rules of the WSE.

Neither the Company, nor the Selling Shareholders make any representation, warranty or prediction that the factors anticipated in such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or typical scenario.

The Company has not published and does not intend to publish any profit estimates within the meaning of Regulation 2019/980, and no such profit estimate is provided in this Prospectus.

Documents incorporated in the Prospectus by reference

The Prospectus does not contain any information incorporated therein by reference to information contained in other publicly available documents or sources, regardless of the form in which they have been made available or recorded.

No incorporation of website information

The contents of the Group's websites and all other websites mentioned in this Prospectus do not form part of this Prospectus. The information on such websites has not been scrutinised or approved by the CSSF.

Except for the Prospectus, any Prospectus supplements and the information about the final number of the Offer Shares offered in the Offering, the final number of the Offer Shares offered in the Offering to various investor categories. The Retail Investors Offer Price and the Institutional Investors Offer Price published in compliance with the requirements of the Prospectus Regulation, the information published on the websites of the Company, the Selling Shareholders and the Managers and the information contained on the websites to which the websites of the Company, the Selling Shareholders and the Managers are linked does not constitute a part of the Prospectus.

Trademarks and trade names

The Group has proprietary and/or licence rights to certain trademarks or trade names that it uses in conjunction with the operation of its businesses. The Group does not intend to use or display other companies' trademarks or trade names to imply a relationship with, or an endorsement of or sponsorship by the Group of any other companies. Each trademark, trade name or service mark of any other company appearing in this Prospectus belongs to its respective holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Prospectus may be listed without the ©, ® and TM symbols, but the Group will assert, to the fullest extent under applicable law, its rights or the rights of the applicable licensor to these trademarks, trade names and copyrights.

Enforceability of foreign court judgments

The Company has been established and operates in accordance with Luxembourg law. The assets of the Company are principally situated in Poland. Therefore, in respect of matters that are not subject to the jurisdiction of Luxembourg courts, it may be difficult for investors who are not subject to the jurisdiction of Luxembourg to successfully deliver to the Company any letters or judgments issued in courts outside the European Union in connection with any proceedings conducted against such persons with respect to the Offering or the Offer Shares.

In each of Poland and Luxembourg, being Member States, Regulation No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "**Recast Brussels Regulation 1215/2012**") is applied directly. Under the Recast Brussels Regulation 1215/2012, the recognition of judgments of courts of the Member States in each of Poland and Luxembourg does not require any special procedure in order to be recognised in either Member State. In addition, the enforcement of judgments of courts of the Member States in each of Poland and Luxembourg does not require a declaration of enforceability in separate proceedings. The relevant court, at the request of the person against whom a motion was submitted for the recognition and enforcement of a judgment may refuse to recognise and enforce the judgment if any of the following occur: (i) the recognition and enforcement would undoubtedly contradict the public policy system of the relevant Member State; (ii) where the judgment was given in default of appearance, if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a manner as to enable him to arrange for his defence, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so; (iii) if the judgment is irreconcilable with the judgment given between the same parties in the Member State addressed; (iv) if the judgment is irreconcilable with an earlier judgment given in another Member State or in a third state in a dispute involving the same cause of action and between the same parties, provided that the earlier judgment satisfies the conditions necessary for it to be recognised in the relevant Member State; or (v) if the judgment contradicts the Recast Brussels Regulation 1215/2012 regarding jurisdiction over matters concerning insurance, consumer agreements or individual contracts of employment if the defendant was the insurer, the insured, the beneficiary under insurance, an injured party, a consumer or an employee and Recast Brussels Regulation 1215/2012 regarding exclusive jurisdiction. The Company cannot give any assurance that all of the conditions for the enforcement of foreign judgments in Poland and/or Luxembourg, as the case may be, will be met or that any particular judgment will be enforceable in Poland and/or Luxembourg, as the case may be.

With respect to a judgment issued by courts of a state that is not party to any relevant bilateral or multilateral treaty with Poland regarding the recognition of judgments and which is not a Member State, the Polish Code of Civil Procedure provides, in principle, that foreign court judgments in civil matters that may be enforced become enforcement titles after their enforceability is declared by a Polish court and after an enforcement clause is attached thereto. A judgment is declared enforceable if it is enforceable in the country in which it was issued and if none of the following obstacles exist: (i) the judgment is not final and non-appealable in the country in which it was issued; (ii) the judgment was issued in a matter that was subject to the exclusive jurisdiction of the Polish courts; (iii) a defendant who did not accede to the dispute as to the merits of the case was not duly served a letter on the commencement of the proceedings within a sufficient time to allow for the preparation of a defence; (iv) in the course of the proceedings, no party was deprived of its right to defence; (v) a case regarding the same claim between the same parties was commenced in Poland prior to the commencement of the case in a foreign state (or, before any other Polish or foreign state authority); (vi) the judgment contradicts a prior foreign court judgment (or a judgment issued by any other Polish or foreign state authority) which satisfied the conditions of being recognised in Poland which was issued in a matter regarding the same claim between the same parties; and (vii) the judgment is considered as being in breach of the legal order of Poland (a public order clause).

With respect to a judgment issued by courts of a state which is not a Member State and not party to any relevant bilateral or multilateral treaty with Luxembourg regarding the recognition of judgments, such judgment will not be directly enforced by the courts in Luxembourg. In order to obtain a judgment which is enforceable in Luxembourg, enforcement proceedings must be initiated in Luxembourg (*exequatur*) before the Luxembourg District Court (*Tribunal d'Arrondissement*), subject to compliance with the relevant provisions of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case law, being:

- the court awarding the judgment had jurisdiction over the subject matter of the action having led to the judgment according to its applicable laws and Luxembourg private international law rules on conflict of jurisdiction;
- the judgment rendered by the relevant court is enforceable (*exécutoire*);
- the judgment is in compliance with international procedural public order and with international substantial public order;
- the judgment has not been obtained by way of fraud; and
- the absence of a contradiction between the judgment issued and an already issued judgment of a Luxembourg court.

If an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law, amongst others and notably (i) if the choice of such foreign law was not made in good faith (*bona fide*), (ii) if the foreign law was not pleaded and proved, or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg's international public policy. Also, an exequatur may be refused in respect of a foreign judgment granting punitive damages. In practice, Luxembourg courts presently tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review. Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

In addition, the Company and some of the Selling Shareholders are entities existing and operating under the laws of Luxembourg and thus notices and demands regarding the recognition and enforcement of judgments issued against the Company or such Selling Shareholders, including by Polish courts, in connection with the Offering and the Offer Shares will specifically have to comply with the regulations of the laws of Luxembourg, including in the case of judgments rendered by a court in a Member State of the EU (including Poland) Recast Brussels Regulation 1215/2012.

See also "*Risk Factors—Risks relating to the Shares—Certain foreign judgments issued against the Company, its directors or the Selling Shareholders based on an application by the Company's shareholders may not be enforceable*".

Provision of information

The Company has agreed that for as long as any of the Offer Shares are in issue and constitute "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will, during any period in which the Company is neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such Offer Shares or to any prospective purchaser of such Offer Shares designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Background to, and reasons for, the Offering

The Management believes that the listing of the Shares on the WSE will strengthen the Group's public profile by way of increased attention and brand awareness among current and potential commercial partners as well as other interested parties. The Management expects the Offering to create a new long-term shareholder base for the Group as well as liquidity for its existing and future shareholders.

The Offering will provide the Selling Shareholders with an opportunity to partially realise their investment in the Group. Furthermore, the Management is of the opinion that an initial public offering will benefit the Group by giving the Company access to the Polish and international capital markets in the event any future capital needs arise, including, in particular, in connection with funding any potential M&A transactions.

The Management also believes that the WSE Admission will assist it with incentivising the management team and senior staff, as well as will enhance the Group's employer branding and allow the Management to provide such persons with equity-based incentives linked to the listed Shares, thus aligning their interests with the interests of the shareholders.

Use of proceeds

The Company will not receive any of the proceeds from the sale of the Offer Shares by the Selling Shareholders. The Selling Shareholders will receive all of the proceeds from the sale of the Offer Shares. The amount of such proceeds depends on the final number of the Offer Shares sold by the Selling Shareholders in the Offering, the final number of the Offer Shares offered and sold to each specific investor category, the Retail Investors Offer Price and the Institutional Investors Offer Price. For information on the costs of the Offering incurred by the Company, see "*Additional Information—Costs of the Offering*".

DIVIDEND AND DIVIDEND POLICY

Dividend history

The Company has not paid any dividends since its incorporation on 2 December 2021.

Żabka Polska has not paid any dividends from its net profits within and since the period covered by the Consolidated Financial Statements.

Dividend policy

Resolutions regarding the distribution of profits and the payment of dividends are adopted by the general meeting of the shareholders upon the proposal of the Board of Directors. The Board of Directors may also resolve to pay interim dividends out of the Company's realised net profits or other distributable reserves subject to the restrictions indicated in "—*Restrictions regarding dividend and interim dividend payment*" below.

The Board of Directors currently intends to retain all of the available funds and any future earnings to fund the growth and development of the Group's business, and currently does not intend to recommend paying dividends in the medium term. The Board of Directors believes that the investment of the earnings will generate tangible benefits for the shareholders of the Company.

In the future, the Board of Directors may re-examine the dividend policy on an as-required basis, while decisions in that respect will be taken subject to various factors regarding the Company and the Group, including the prospects of future activities, future profits, the amount of the Company's unconsolidated distributable reserves, demand for cash, financial condition, planned Capex and development plans, as well as any legal requirements applicable to the payment of dividends by the Company, including in particular, the Company's ability to pay dividends.

All of the Shares, including the Offer Shares, entitle the holders thereof to equal rights as regards the payment of dividends (including interim dividends) and authorise their holders to a share in the Company's profits as of the date of their acquisition in the Offering.

Restrictions regarding dividend and interim dividend payment

Luxembourg law provides that from the annual net profits of the Company, at least 5% should be allocated each year to the Company's legal reserve (the "**Legal Reserve**"). Such allocation to the Legal Reserve will cease to be required as soon and as long as the Legal Reserve amounts to 10% of the issued share capital of the Company. After such allocation to the Legal Reserve and upon the recommendation of the Board of Directors, the General Meeting should determine how the annual net profits will be utilised. It may decide to allocate all or a part of the annual net profits to a reserve, to carry it forward to the following fiscal year or to distribute it to the shareholders as dividend. Currently, no allocation has been made to the Legal Reserve.

Additionally, given that the Company is only a holding company, the Group's legal structure may have a significant impact on the Company's ability to pay dividends. This depends on the profits generated by and the cash flows of the Subsidiaries, primarily Żabka Polska, as well as the ability of the Subsidiaries to pay dividends for the benefit of the Company. No assurance may be given by the Company that its Subsidiaries will be able to pay dividend for its benefit, that they will generate sufficient cash flows allowing for such payment or that their dividend payment will be effectively made in an amount and within the deadlines allowing for the exercise of the dividend policy of the Company. The Articles of Association do not provide for any restrictions regarding dividend payments other than those under Luxembourg law.

There are no specific dividend restrictions or procedures for non-resident shareholders.

Moreover, Żabka Polska is a party to facilities agreements that provide for a number of restrictions and obligations regarding the payment of dividend (see *"Business of the Group—Operations of the Group—Material agreements—Material financing agreements*" below).

For information regarding the taxation of revenue (income) paid as dividend, see "*Taxation*".

CAPITALISATION AND INDEBTEDNESS

The data presented in this section should be analysed in conjunction with the information provided in "Operating and Financial Review" and the Consolidated Financial Statements and the notes thereto, as well as the financial data presented in the other sections of the Prospectus.

Working capital statement

The Company is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months commencing as at the date of this Prospectus.

Capitalisation and indebtedness

Following table sets out the consolidated capitalisation and indebtedness of the Group as at 31 July 2024.

Capitalisation	As at 31 July 2024 *(PLN million) / (unaudited)*
Total current debt* (including the current portion of non-current debt):	**253.0**
Guaranteed	-
Secured	253.0
Unguaranteed / unsecured	-
Total non-current debt* *(excluding the current portion of non-current debt)*	**4,792.1**
Guaranteed	-
Secured	4,792.1
Unguaranteed / unsecured	-
Shareholder equity	**974.3**
Share capital	119.8
Share premium	8,104.0
Legal reserve**	278.9
Put option reserves	(192.8)
Retained earnings	(7,231.6)
Actuarial gains/ (losses)	0.2
Exchange differences on translation of foreign operations	(31.1)
Cash flow hedge	(73.3)

* *Excluding lease liabilities.*
** *The Group provided certain loans secured by its own shares. Therefore, the Company had to book a reserve (in equity), unavailable for distribution, in the amount of such loans. The restriction will be removed at the repayment of the loans (expected immediately after the Offering).*

Indebtedness	As at 31 July 2024 *(PLN million) / (unaudited)*
A. Cash	1,297.8
B. Cash equivalents	-
C. Liquidity (A + B)	**1,297.8**
D. Current portion of loans and borrowings	253.0
E. Current portion of lease liabilities	729.7
F. Current financial indebtedness (D + E)	**982.7**
G. Net current financial indebtedness (F – C)	**(315.1)**
H. Non-current portion of loans and borrowings	4,792.1
I. Non-current portion of lease liabilities	3,903.7
J. Non-current financial indebtedness (H + I)	**8,695.8**
K. Total financial indebtedness (G + J)	**8,380.7**

As at the date of this Prospectus and since the date of the financial information presented above, there have been no significant changes in the Group's capitalisation, indebtedness or liquidity position.

Contingent liabilities and off-balance sheet liabilities

For information on indirect and contingent liabilities, see "*Operating and Financial Review—Contingent liabilities and off-balance sheet liabilities*".

SELECTED HISTORICAL FINANCIAL INFORMATION

The data presented in this section should be analysed in conjunction with the information provided in the "Operating and Financial Review", the Consolidated Financial Statements and the notes thereto, as well as the financial data presented in the other sections of the Prospectus.

For information on the basis for the preparation and presentation of the Consolidated Financial Statements, see "Presentation of Financial and Other Information".

The following tables set out selected consolidated historical financial information of the Group as at and for the six-month periods ended 30 June 2024, 30 June 2023 and as at and for the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

Consolidated statements of profit or loss

	For the six-month periods ended 30 June		**For the 12-month periods ended 31 December**		
	2024	**2023**	**2023**	**2022**	**2021**
	(PLN million) / (unaudited)		*(PLN million) / (audited)*		
Revenue	11,148.0	9,177.1	19,805.9	16,003.4	12,493.4
Cost of sales	(9,318.8)	(7,792.8)	(16,272.8)	(13,014.2)	(10,119.7)
Gross profit on sales	**1,829.2**	**1,384.3**	**3,533.0**	**2,989.2**	**2,373.7**
Marketing costs	(130.2)	(116.8)	(224.9)	(211.9)	(133.6)
General and administrative costs	(175.3)	(154.9)	(329.2)	(316.8)	(222.5)
Costs of technology, innovation and development	(145.2)	(106.2)	(230.5)	(178.3)	(124.0)
Other operating income	16.9	5.8	30.8	88.5	24.4
Other operating costs	(14.4)	(5.3)	(33.5)	(25.6)	(18.1)
Expected credit losses on trade receivables	(2.0)	(5.6)	(6.0)	(10.5)	(18.2)
Operating profit before depreciation and amortisation (EBITDA)	**1,378.9**	**1,001.4**	**2,739.6**	**2,334.6**	**1,881.7**
Depreciation and amortisation	(804.8)	(635.7)	(1,359.2)	(1,114.7)	(915.4)
Operating profit	**574.1**	**365.7**	**1,380.4**	**1,219.9**	**966.3**
Financial income	32.2	85.2	141.6	41.5	66.2
Interest income	*25.5*	*20.6*	*47.6*	*10.1*	*65.3*
Other	*6.7*	*64.6*	*93.9*	*31.4*	*0.9*
Financial costs	(516.0)	(491.8)	(1,011.8)	(712.6)	(383.3)
Interest costs	*(491.4)*	*(461.0)*	*(950.1)*	*(688.1)*	*(345.2)*
Other	*(24.6)*	*(30.7)*	*(61.7)*	*(24.5)*	*(38.1)*
Expected credit losses on loans	(0.1)	-	(0.5)	-	-
Profit/(loss) before tax	**90.2**	**(40.9)**	**509.7**	**548.8**	**649.2**
Income tax expense	(32.0)	(36.3)	(153.4)	(165.1)	(153.9)
Net profit /(loss) from continuing operations	**58.2**	**(77.2)**	**356.3**	**383.7**	**495.3**

Consolidated statement of financial position

	As at 30 June	As at 31 December		
	2024	2023	2022	2021
	(PLN million) / (unaudited)	*(PLN million) / (audited)*		
Goodwill	3,439.3	3,387.3	3,387.3	3,387.3
Other intangible assets	1,031.9	1,009.7	873.3	736.7
Property, plant and equipment	3,527.7	3,392.3	2,844.7	2,313.6
Right-of-use assets	4,183.2	3,728.2	3,324.4	2,872.4
Deferred tax assets	40.0	42.4	52.7	-
Loans granted	-	201.4	1.0	-
Shares and stocks	18.8	18.8	18.8	14.8
Other financial assets	34.3	22.3	19.1	20.1
Other non-financial assets	10.4	10.1	8.8	6.6
Non-current assets	**12,285.6**	**11,812.5**	**10,530.2**	**9,351.3**
Inventory	706.0	774.7	595.9	424.6
Right of return assets	11.9	11.3	13.2	13.5
Trade receivables	2,339.2	2,079.5	1,663.0	1,263.1
Income tax receivables	0.0	0.1	5.4	0.0
Loans granted	257.0	5.5	4.6	4.0
Other financial assets	25.3	82.2	72.2	14.5
Other non-financial assets	82.4	155.9	131.3	125.5
Cash and cash equivalents	1,156.3	649.1	280.7	483.2
Current assets	**4,578.2**	**3,758.2**	**2,766.3**	**2,328.4**
Non-current assets held for sale	109.1	-	-	-
Total assets	**16,973.0**	**15,570.7**	**13,296.4**	**11,679.7**
Loans and borrowings	4,793.7	5,045.0	3,392.7	3,698.2
Lease liabilities	3,775.8	3,368.5	3,030.6	2,565.5
Liability for a written put option over a non-controlling interest	99.9	-	101.4	98.9
Employee benefits liabilities	3.3	3.1	4.4	3.7
Other financial liabilities	92.4	25.8	0.2	2.0
Deferred tax liability	54.6	107.5	95.3	148.1
Other non-financial liabilities and deferred income	0.0	0.1	0.1	0.1
Non-current liabilities	**8,819.7**	**8,549.9**	**6,624.5**	**6,516.5**
Loans and borrowings	244.3	173.4	481.8	342.7
Lease liabilities	724.0	644.1	568.3	496.2
Trade payables and other financial liabilities	5,744.5	4,742.3	4,477.6	3,754.4
Liability for a written put option over a non-controlling interest	110.0	120.7	2.3	4.1
Refund liabilities	343.7	278.6	225.7	155.4
Income tax liabilities	8.2	4.4	207.2	112.8
Employee benefits liabilities	87.5	109.2	90.4	56.5
Contract liabilities	26.6	18.8	12.0	7.2
Other non-financial liabilities and deferred income	39.2	28.4	28.6	16.5
Provisions	2.6	2.8	2.8	0.7
Current liabilities	**7,330.5**	**6,122.7**	**6,096.7**	**4,946.5**
Total liabilities	**16,150.3**	**14,672.5**	**12,721.2**	**11,463.0**
Net assets	**822.7**	**898.1**	**575.3**	**216.7**
Share capital	119.8	119.8	119.8	119.8
Share premium	8,108.4	8,114.5	8,382.9	8,382.9
Legal reserve	274.6	268.5	0.0	0.0
Put option reserve	(189.7)	(112.0)	(95.3)	(92.1)
Retained earnings	(7,386.7)	(7,447.4)	(7,801.1)	(8,183.4)

	As at 30 June	As at 31 December		
	2024	**2023**	**2022**	**2021**
	(PLN million) / (unaudited)	*(PLN million) / (audited)*		
Exchange differences on translation of foreign operations	(30.6)	(30.1)	(31.0)	(10.6)
Actuarial gains/(losses)	0.2	0.2	(0.2)	0.1
Cash flow hedge	(73.3)	(15.4)	-	-
Equity attributable to owners of the parent	**822.7**	**898.1**	**575.3**	**216.7**
Non-controlling interests	-	-	-	-
Total equity	**822.7**	**898.1**	**575.3**	**216.7**

Consolidated statement of cash flows

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(PLN million) / (unaudited)		*(PLN million) / (audited)*		
Cash flows from operating activities					
Profit/(loss) before tax	**90.2**	**(40.9)**	**509.7**	**548.8**	**649.2**
Adjusted for:					
Depreciation, amortisation and impairment losses	804.8	635.7	1,359.2	1,114.7	915.4
(Gains) / Losses due to exchange differences	(3.4)	(78.0)	(121.5)	(17.3)	2.0
(Gains) / Losses from investing activities	2.9	(16.3)	7.1	(61.3)	5.6
Valuation of derivatives	(4.0)	16.3	28.9	(5.0)	-
Net interest (income) / cost	465.9	440.4	902.5	678.0	279.9
Revision of estimated cash flows	11.7	0.0	0.0	(10.9)	22.6
Changes in working capital and provisions:	979.3	350.5	(197.5)	148.1	278.7
Receivables	*(151.4)*	*(247.5)*	*(439.8)*	*(411.8)*	*(251.7)*
Inventory	*120.4*	*(20.2)*	*(178.7)*	*(171.4)*	*(95.0)*
Right of return assets	*(0.7)*	*3.7*	*1.9*	*0.3*	*(7.4)*
Payables (except loans and borrowings)	*913.2*	*839.2*	*339.2*	*540.1*	*607.7*
Refund liabilities	*65.1*	*33.2*	*52.9*	*70.3*	*24.8*
Contract liabilities	*7.8*	*6.1*	*6.8*	*4.8*	*1.3*
Prepayments and deferred income	*25.2*	*(264.2)*	*20.2*	*113.7*	*0.6*
Provisions	*(0.2)*	*0.0*	*0.1*	*2.1*	*(1.7)*
Other	(0.5)	(0.1)	(0.7)	3.7	0.6
Income tax paid	(71.3)	(251.9)	(308.4)	(200.1)	(84.4)
Net cash flows from operating activities	**2,275.7**	**1,055.9**	**2,179.3**	**2,198.6**	**2,069.6**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	(580.8)	(655.8)	(1,473.1)	(1,323.9)	(1,060.1)
Proceeds from the sale of property, plant and equipment and intangible assets	1.5	24.1	7.9	340.3	34.0
Acquisition of subsidiaries net of cash acquired	(92.1)	-	(2.4)	(4.2)	(286.7)
Purchase of investments in unrelated equity	-	-	-	-	(1.0)
Loans granted	(50.8)	(197.0)	(202.7)	(15.9)	(19.8)
Repayments from loans granted	5.9	7.3	14.3	14.3	0.3
Interest received	16.1	15.9	33.8	5.6	0.3
Other investments (term deposits)	-	47.0	47.0	(47.0)	-
Other flows	-	-	-	0.6	(0.1)
Net cash flows from investing activities	**(700.2)**	**(758.5)**	**(1,575.2)**	**(1,030.2)**	**(1,333.3)**
Cash flows from financing activities					
Proceeds from the increase of the share capital	-	-	-	-	0.3
Repayment of lease liabilities	(354.0)	(309.3)	(639.2)	(556.6)	(469.7)
Lease interest paid	(156.3)	(115.4)	(246.8)	(177.5)	(143.3)
Proceeds from loans and borrowings	580.0	4,931.1	5,278.5	151.1	419.6
Repayment of loans and borrowings	(800.6)	(3,768.0)	(3,796.0)	(318.1)	(276.8)
Interest rate cap settlement	-	(19.4)	(19.4)	-	-
Other interest paid	(337.4)	(428.8)	(812.8)	(469.8)	(159.3)
Net cash flows from financing activities	**(1,068.3)**	**290.3**	**(235.6)**	**(1,370.9)**	**(629.3)**
Net change in cash and cash equivalents	**507.2**	**587.7**	**368.4**	**(202.5)**	**107.1**
Cash and cash equivalents at the beginning of the period	649.1	280.7	280.7	483.2	376.1
Cash and cash equivalents at the end of the period	**1,156.3**	**868.4**	**649.1**	**280.7**	**483.2**

APMs and other operating KPIs

The following APMs and other operating KPIs are measured and used by the Management for an analysis of the Group's performance in the periods indicated or as at certain dates. In the following table, the APMs are indicated with an asterisk (*) and underlined.

	As at and for the six-month periods ended 30 June		As at and for the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(unaudited, unless indicated otherwise)				
Sales to End Customers (PLN million)(1)	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9
Sales to End Customers at Żabka stores (1) (PLN million)	12,395.6	10,290.4	22,304.7	18,246.1	14,361.3
Sales to End Customers per Żabka store (PLN million)	1.2	1.1	2.4	2.2	2.0
Franchisee Margin (PLN million)	2,136.0	1,751.2	3,678.8	2,897.2	2,208.0
Franchisee Margin / Sales to End Customers at Żabka stores (%)	17.2	17.0	16.5	15.9	15.4
Franchisee Margin per average number of stores (PLN thousand)	212.6	194.1	395.6	355.4	306.8
LFL growth (%)	10.3	9.7	10.8	17.0	9.8
GMV (PLN million)	1,016.7	800.1	1537.2	1126.3	912.9
Gross profit / Sales to End Customers (%) (2)	14.2	13.1	15.5	16.1	16.4
Adjusted EBITDA (PLN million)* (3)	1,399.0	1,048.0	2,834.1	2,418.5	1,986.3
Adjusted EBITDA / Sales to End Customers (%) (4)	10.9	9.9	12.4	13.1	13.7
Adjusted EBITDA / Revenue (%)* (5)	12.5	11.4	14.3	15.1	15.9
Adjusted EBITDA (post-rent) (PLN million)* (6)	925.6	637.4	2,009.4	1,737.0	1,423.7
4-Wall Adjusted EBITDA (PLN million)* (7)	1,870.1	1,496.6	3,724.6	3,172.5	2,466.6
4-Wall Adjusted EBITDA per store (PLN thousand)(8)	186.1	165.9	400.5	389.2	342.7
4-Wall Adjusted EBITDA / Sales to End Customers at Żabka stores (%) (9)	15.1	14.5	16.7	17.4	17.2
Adjusted Net Income (PLN million)*(10)	74.6	(39.5)	432.8	451.7	580.0
Adjusted Net Income Margin (%)*(11)	0.6	(0.4)	1.9	2.4	4.0
Cash Conversion (%)* (12)	85.2	76.8	84.8	85.0	87.3
Cash Conversion Cycle (# days) (13)	(35.3)	(39.5)	(26.7)	(37.8)	(47.1)
Free Cash Flow (PLN million)* (14)	1,259.7	382.1	460.8	721.1	613.4
Free Cash Flow Conversion (%)* (15)	136.1	59.9	22.9	41.5	43.1
Capex (PLN million)* (16)	645.2	605.8	1,351.0	1,432.2	1,089.0
Capex / Sales to End Customers (%) (17)	5.0	5.8	5.9	7.7	7.5
Maintenance Capex (PLN million)* (18)	136.6	147.6	305.6	260.6	180.2
Maintenance Capex / Sales to End Customers (%) (19)	1.1	1.4	1.3	1.4	1.2
Growth Capex (PLN million)* (20)	508.6	458.2	1,045.4	1,171.6	908.8
Growth Capex / Sales to End Customers (%) (21)	3.9	4.4	4.6	6.3	6.3
Adjusted EBITDA (post-rent) minus Maintenance Capex (PLN million)* (22)	789,0	489,8	1,703.8	1,476.4	1,243.5
Net Debt (PLN million)* (23)	8,381.4	7,996.0	8,581.8	7,192.7	6,619.3
Leverage Ratio (%)* (24)	91.1	94.3	90.5	92.6	96.8
Net Debt / Adjusted EBITDA* (25)	2.6[1]	3.3[1]	3.0	3.0	3.3
Net Debt excluding lease liabilities (PLN million)* (26)	3,881.6	4,041.6	4,569.2	3,593.8	3,557.6
Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent) (%)* (27)	1.7[1]	2.4[1]	2.3	2.1	2.5

[1] *Adjusted EBITDA calculated for the preceding twelve months.*

(1) The following table reconciles Sales to End Customers at Żabka stores / Sales to End Customers to the Group's revenue.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(PLN million) / (unaudited, unless indicated otherwise)				
Sales to End Customers at Żabka stores	**12,395.6**	**10,290.4**	**22,304.7**	**18,246.1**	**14,361.3**
Revenue from sales to external customers of New Growth Engines (*audited)	498.1	241.7	469.9*	282.8*	136.4*
Sales to End Customers	**12,893.5**	**10,532.5**	**22,774.9**	**18,529.9**	**14,497.9**
Regional sales	(78.3)	(103.2)	(189.6)	(230.0)	(252.3)
Store inventory change	419.1	468.9	821.4	565.7	418.9
Sales of services and other	49.7	30.1	78.0	35.0	36.9
Sales of goods, products and services	**13,284.0**	**10,928.3**	**23,484.7**	**18,900.6**	**14,701.4**
Franchisee Margin	(2,136.0)	(1,751.2)	(3,678.8)	(2,897.2)	(2,208.0)
Revenue (*audited)	**11,148.0**	**9,177.1**	**19,805.9***	**16,003.4***	**12,493.4***

(2) Gross profit / Sales to End Customers represents the Group's gross profit divided by Sales to End Customers.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(unaudited, unless indicated otherwise)				
1. Gross profit on sales (PLN million) (*audited)	1,829.2	1,384.3	3,533.0*	2,989.2*	2,373.7*
2. Sales to End Customers (PLN million)	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9
Gross profit / Sales to End Customers (%) (1 / 2)	**14,2**	**13,1**	**15.5**	**16.1**	**16.4**

(3) The following table reconciles Net profit /(loss) from continuing operations to Adjusted EBITDA for the periods indicated.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(PLN million) / (unaudited)		(PLN million) / (audited)		
Net profit/loss	**58.2**	**(77.2)**	**356.3**	**383.7**	**495.3**
Income tax expense	32.0	36.3	153.4	165.1	153.9
Profit/(loss) before tax	**90.2**	**(40.9)**	**509.7**	**548.8**	**649.2**
Profit/ (Loss) on financial activity	483.8	406.6	870.7	671.1	317.1
Depreciation and amortisation	804.8	635.7	1,359.2	1,114.7	915.4
Operating profit before amortisation and depreciation (EBITDA)	**1,378.9**	**1,001.4**	**2,739.6**	**2,334.6**	**1,881.7**
Costs related to changes in the ownership structure and obtaining financing	6.0	8.9	16.0	26.3	20.3
Funds spent on ensuring business continuity in the face of unforeseen event within the Group's environment, protection of employees, franchisees and society	-	31.5	32.2	13.5	28.0
Group reorganization costs	9.3	6.8	37.2	7.5	14.7
Result on disposal of property, plant and equipment and right of use	(3.0)	(1.9)	4.0	4.9	3.5
Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	7.8	0.4	2.7	23.7	17.8
Transaction costs in respect of M&A	0.1	1.0	2.4	8.1	20.3
Adjusted EBITDA	**1,399.0**	**1,048.0**	**2,834.1**	**2,418.5**	**1,986.3**

(4) Adjusted EBITDA / Sales to End Customers represents Adjusted EBITDA divided by Sales to End Customers.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
			(unaudited)		
1. Adjusted EBITDA (PLN million) (*audited)	1,399.0	1,048.0	2,834.1*	2,418.5*	1,986.3*
2. Sales to End Customers (PLN million)	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9
Adjusted EBITDA / Sales to End Customers (%) (1 / 2)	**10.9**	**9.9**	**12.4**	**13.1**	**13.7**

(5) Adjusted EBITDA / Revenue represents Adjusted EBITDA divided by the Group's revenue.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
			(unaudited, unless indicated otherwise)		
1. Adjusted EBITDA (PLN million) (*audited)	1,399.0	1,048.0	2,834.1*	2,418.5*	1,986.3*
2. Revenue (PLN million) (*audited)	11,148.0	9,177.1	19,805.9*	16,003.4*	12,493.4*
Adjusted EBITDA / Revenue (%) (1 / 2)	**12.5**	**11.4**	**14.3**	**15.1**	**15.9**

(6) Adjusted EBITDA (post-rent) represents Adjusted EBITDA reduced by rent (real estate rent cost as incurred).

	For the six -month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
			(PLN million) / (unaudited)		
1. Adjusted EBITDA (*audited)	1,399.0	1,048.0	2,834.1*	2,418.5*	1,986.3*
2. Rent cost related to real estate	473.5	410.6	824.7	681.5	562.6
Adjusted EBITDA (post-rent) (1 – 2)	**925.6**	**637.4**	**2,009.4**	**1,737.0**	**1,423.7**

(7) 4-Wall Adjusted EBITDA represents gross profit on sales related to convenience stores, increased by cost of field force (i.e. the team working in the field responsible mainly for support of store expansion, recruitment, training and ongoing support of franchisees, as well as monitoring stores' performance), selected EBITDA adjustments and other items, in particular overheads included in gross profit on sales.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
			(PLN million) / (unaudited, unless indicated otherwise)		
1. Gross profit on sales	1,829.2	1,384.3	3,533.0	2,989.2	2,373.7
2. Field force*	83.8	80.1	157.6	142.4	106.5
3. EBITDA adjustments: revenue**	(0.1)	(0.6)	(0.6)	(0.7)	(0.3)
4. EBITDA adjustments: cost of sales**	4.6	37.2	51.2	5.4	7.7
5. Other ***	(47.4)	(4.5)	(16.7)	36.1	(21.0)
4-Wall Adjusted EBITDA (1 + 2 + 3 + 4 + 5)	**1,870.1**	**1,496.6**	**3,724.6**	**3,172.5**	**2,466.6**

** The team working in the field responsible mainly for support of store expansion, recruitment, training and ongoing support of franchisees, as well as monitoring stores' performance.*
*** Part of management adjustment included in Gross profit on sales described in the reconciliation of net profit to Adjusted EBITDA.*
**** Excluded gross profit on sales from New Growth Engines and added back costs not attributable directly to stores, in particular overheads related mostly to logistics and franchisee support functions.*

(8) 4-Wall Adjusted EBITDA per store represents 4-Wall Adjusted EBITDA divided by the average number of Żabka stores.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
			(unaudited)		
1. 4-Wall Adjusted EBITDA (PLN million)	1,870.1	1,496.6	3,724.6	3,172.5	2,466.6
2. Average number of Żabka stores	10,049	9,023	9,300	8,151	7,197

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
4-Wall Adjusted EBITDA per store (PLN thousand) (1/2)	**186.1**	**165.9**	**400.5**	**389.2**	**342.7**

(9) 4-Wall Adjusted EBITDA / Sales to End Customers represents 4-Wall Adjusted EBITDA divided by Sales to End Customers at Żabka stores.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(unaudited)				
1. 4-Wall Adjusted EBITDA (PLN million)	1,870.1	1,496.6	3,724.6	3,172.5	2,466.6
2. Sales to End Customers (PLN million) at Żabka stores	12,395.6	10,290.4	22,304.7	18,246.1	14,361.3
4-Wall Adjusted EBITDA / Sales to End Customers (%) (1 / 2)	**15.1**	**14.5**	**16.7**	**17.4**	**17.2**

(10) The following table reconciles Net profit /(loss) from continuing operations to Adjusted Net Income for the periods indicated.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(PLN million) / (unaudited, unless indicated otherwise)				
1. Net profit /(loss) from continuing operations (*audited)	58.2	(77.2)	356.3*	383.7*	495.3*
*2. EBITDA Adjustments (*audited)[1], including:*	*20.2*	*46.6*	*94.5**	*83.9**	*104.6**
Costs related to changes in the ownership structure and obtaining financing	*6.0*	*8.9*	*16.0**	*26.3**	*20.3**
Funds spent on ensuring business continuity in the face of unforeseen event within the Group's environment, protection of employees, franchisees and society	*-*	*31.5*	*32.2**	*13.5**	*28.0**
Group reorganization costs	*9.3*	*6.8*	*37.2**	*7.5**	*14.7**
Result on disposal of property, plant and equipment and right of use	*(3.0)*	*(1.9)*	*4.0**	*4.9**	*3.5**
Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	*7.8*	*0.4*	*2.7**	*23.7**	*17.8**
Transaction costs in respect of M&A	*0.1*	*1.0*	*2.4**	*8.1**	*20.3**
3. EBITDA Adjustments after tax[2]	16.4	37.7	76.5	68.0	84.7
Adjusted Net Income (1 + 3)	**74.6**	**(39.5)**	**432.8**	**451.7**	**580.0**

[1] As presented in the Consolidated Financial Statements, [2] EBITDA Adjustments as presented in the Consolidated Financial Statements taxed at corporate nominal tax rate (19%).

(11) Adjusted Net Income Margin represents Adjusted Net Income divided by the Sales to End Customers.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(unaudited, unless indicated otherwise)				
1. Adjusted Net Income (PLN million)	74.6	(39.5)	432.8	451.7	580.0
2. Sales to End Customers (PLN million)	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9
Adjusted Net Income Margin (%) (1 / 2)	**0.6**	**(0.4)**	**1.9**	**2.4**	**4.0**

(12) Cash Conversion represents (Adjusted EBITDA (post-rent) minus Maintenance Capex) divided by Adjusted EBITDA (post-rent).

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(unaudited, unless indicated otherwise)				
1. Adjusted EBITDA (post-rent) (PLN million)	925.6	637.4	2,009.4	1,737.0	1,423.7
2. Maintenance Capex (PLN million)	136.6	147.6	305.6	260.6	180.2

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
Cash Conversion (%) ((1 – 2) / 1)	**85.2**	**76.8**	**84.8**	**85.0**	**87.3**

(13) Cash Conversion Cycle is calculated on the basis of Sales to End Customers and is defined as the sum of Inventory in Days of Sales to End Customers (average inventory divided by Sales to End Customer and multiplied by the number of days) and Receivables in Days of Sales to End Customers (average trade receivables divided by Sales to End Customers and multiplied by the number of days) reduced by Payables in Days of Sales to End Customers (average trade payables and other financial liabilities reduced by Capex payables divided by Sales to End Customers multiplied by the number of days).

	As at 30 June		As at 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(unaudited, unless indicated otherwise)				
1. Inventory (PLN million) (*audited)	706.0	616.1	774.7*	595.9*	424.6*
2. Trade receivables (PLN million) (*audited)	2,339.2	1,898.2	2,079.5*	1,663.0*	1,263.1*
3. Trade payables and other financial liabilities reduced by Capex payables[1] (PLN million)	5,494.2	4,810.7	4,518.8	4,178.0	3,559.4
Trade working capital (1 + 2 – 3)	**(2,449.1)**	**(2,296.4)**	**(1,664.6)**	**(1,919.0)**	**(1,871.7)**
Inventory in days of Sales to End Customers[2]	10.0	10.6	12.4	11.7	10.7
Receivables in days of Sales to End Customers[3]	32.3	32.6	33.3	32.8	31.8
Payables in days of Sales to End Customers[4]	77.6	82.7	72.4	82.3	89.6
Cash Conversion Cycle (Trade working capital in days of sales)	**(35.3)**	**(39.5)**	**(26.7)**	**(37.8)**	**(47.1)**

[1] *Defined as Trade payables related to purchase of property, plant and equipment and other intangible assets.*
[2] *Defined as Inventories / Sales to End Customers * number of days in the year.*
[3] *Defined as Trade receivables / Sales to End Customers * number of days in the year.*
[4] *Defined as Trade payables / Sales to End Customers * number of days in the year.*

(14) Free Cash Flow represents Adjusted EBITDA (post-rent) minus Capex plus cost of the Sale and Leaseback Transaction plus changes in working capital and provisions.

	As at and for the six-month periods ended 30 June		As at and for the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(PLN million) / (unaudited)		*(PLN million) / (audited, unless indicated otherwise)*		
1. Adjusted EBITDA (post-rent) (unaudited)	925.6	637.4	2,009.4	1,737.0	1,423.7
2. Capex (unaudited)	645.2	605.8	1,351.0	1,432.2	1,089.0
3. Cost of the Sale and Leaseback Transaction (unaudited)	0.0	0.0	0.0	268.2	0.0
4. Changes in working capital and provisions	979.3	350.5	(197.5)	148.1	278.7
Free Cash Flow (1 – 2 + 3 + 4) (unaudited)	**1,259.7**	**382.1**	**460.8**	**721.1**	**613.4**

(15) Free Cash Flow Conversion represents Free Cash Flow divided by Adjusted EBITDA (post-rent).

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(unaudited)				
1. Free Cash Flow (PLN million)	1,259.7	382.1	460.8	721.1	613.4
2. Adjusted EBITDA (post-rent) (PLN million)	925.6	637.4	2,009,4	1,737.0	1,423.7
Free Cash Flow Conversion (%) (1 / 2)	**136.1**	**59.9**	**22.9**	**41.5**	**43.1**

(16) Capex represents the sum of additions related to other intangible assets and property, plant and equipment.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(unaudited)		*(unaudited)*		
1. Other intangible assets (PLN million)	108.7	90.9	303.3	262.5	194.6

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
2. Property, plant and equipment (PLN million)	536.4	514.9	1,047.7	1,169.6	894.5
Capex (PLN million) (1 + 2)	**645.2**	**605.8**	**1,351.0**	**1,432.2**	**1,089.0**

(17) Capex / Sales to End Customers represents Capex divided by Sales to End Customers.

	As at and for the six-month periods ended 30 June		As at and for the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(unaudited, unless indicated otherwise)				
1. Capex (PLN million)	645.2	605.8	1,351.0	1,432.2	1,089.0
2. Sales to End Customers (PLN million)	12,893.5	10 532.5	22,774.9	18,529.9	14,497.9
Capex / Sales to End Customers (%) (1 / 2)	**5.0**	**5.8**	**5.9**	**7.7**	**7.5**

(18) Maintenance Capex represents Capex incurred generally in relation to the maintenance of the existing asset base, in particular the replacement of store equipment, logistics other than new distribution centres and Capex for the Group's Strategic Leadership and Central Functions (unless related to development or major expansion).

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(PLN million) / (unaudited)				
1. Replacement of store equipment	78.9	86.8	185.2	134.2	73.7
2. Logistics other than new distribution centres	16.7	23.5	38.1	50.3	43.5
3. Strategic Leadership and Central Functions	41.0	37.3	82.4	76.1	63.0
Maintenance Capex (1 + 2 + 3)	**136.6**	**147.6**	**305.6**	**260.6**	**180.2**

(19) Maintenance Capex / Sales to End Customers represents Maintenance Capex divided by Sales to End Customers.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(unaudited)				
1. Maintenance Capex (PLN million)	136.6	147.6	305.6	260.6	180.2
2. Sales to End Customers (PLN million)	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9
Maintenance Capex / Sales to End Customers (%) (1 / 2)	**1.1**	**1.4**	**1.3**	**1.4**	**1.1**

(20) Growth Capex represents Capex minus Maintenance Capex.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(unaudited, unless indicated otherwise)				
1. Capex (PLN million)	645.2	605.8	1,351.0	1,432.2	1,089.0
2. Maintenance Capex (PLN million)	136.6	147.6	305.6	260.6	180.2
Growth Capex (PLN million) (1 – 2)	**508.6**	**458.2**	**1,045.4**	**1,171.6**	**908.8**

(21) Growth Capex / Sales to End Customers represents Growth Capex divided by Sales to End Customers.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
	(unaudited)				
1. Growth Capex (PLN million)	508.6	458.2	1,045.4	1,171.6	908.8
2. Sales to End Customers (PLN million)	12,893,5	10,532.5	22,774.9	18,529.9	14,497.9
Growth Capex / Sales to End Customers (%) (1 / 2)	**3.9**	**4.4**	**4.6**	**6.3**	**6.3**

(22) Adjusted EBITDA (post-rent) minus Maintenance Capex represents Adjusted EBITDA (post-rent) decreased by Maintenance Capex.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(PLN million) / (unaudited, unless indicated otherwise)				
1. Adjusted EBITDA (post-rent)	925.6	637.4	2,009.4	1,737.0	1,423.7
2. Maintenance Capex	136.6	147.6	305.6	260.6	180.2
Adjusted EBITDA (post-rent) minus Maintenance Capex (1 – 2)	**789.0**	**489.8**	**1,703.8**	**1,476.4**	**1,243.5**

(23) Net Debt represents the sum of loans and borrowings, lease liabilities less cash and cash equivalents.

	As at 30 June		As at 31 December		
	2024	2023	2023	2022	2021
	(unaudited)		*(audited, unless indicated otherwise)*		
1. Loans and borrowings (PLN million)	5,037.9	4,910.0	5,218.4	3,874.5	4,040.8
2. Lease liabilities (PLN million)	4,499.8	3,954.4	4,012.6	3,598.8	3,061.7
3. Cash and cash equivalents (PLN million)	1,156.3	868.4	649.1	280.7	483.2
Net Debt (PLN million) (unaudited) (1 + 2 – 3)	**8,381.4**	**7,996.0**	**8,581.8**	**7,192.7**	**6,619.3**

(24) Leverage Ratio represents Net Debt divided by the sum of Total Equity and Net Debt.

	As at 30 June		As at 31 December		
	2024	2023	2023	2022	2021
	(unaudited, unless indicated otherwise)				
1. Net Debt (PLN million)	8,381.4	7,996.0	8,581.8	7,192.7	6,619.3
2. Total Equity (PLN million) (*audited)	822.7	487.3	898.1*	575.3*	216.7*
Leverage Ratio (%) (1 / (1 + 2))	**91.1**	**94.3**	**90.5**	**92.6**	**96.8**

(25) Net Debt / Adjusted EBITDA represents Net Debt divided by Adjusted EBITDA for the preceding twelve months.

	As at and for the periods ended 30 June		As at and for the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(unaudited)				
1. Net Debt (PLN million)	8,381.4	7,996.0	8,581.8	7,192.7	6,619.3
2. Adjusted EBITDA (PLN million) for the preceding twelve months	3,185.2	2,455.7	2,834.1	2,418.5	1,986.3
Net Debt / Adjusted EBITDA (1 / 2)	**2.6**	**3.3**	**3.0**	**3.0**	**3.3**

(26) Net Debt excluding lease liabilities represents the loans and borrowings less cash and cash equivalents.

	As at 30 June		As at 31 December		
	2024	2023	2023	2022	2021
	(PLN million) / (unaudited)				
1. Net Debt	8,381.4	7,996.0	8,581.8	7,192.7	6,619.3
2. Lease liabilities (*audited)	4,499.8	3,954.4	4,012.6*	3,598.8*	3,061.7*
Net Debt excluding lease liabilities (1 – 2)	**3,881.6**	**4,041.6**	**4,569.2**	**3,593.8**	**3,557.6**

(27) Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent) represents Net Debt excluding lease liabilities divided by Adjusted EBITDA (post-rent) for the preceding twelve months.

	As at and for the periods ended 30 June		As at and for the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(unaudited)				
1. Net Debt excluding lease liabilities (PLN million)	3,881.6	4,041.6	4,569.2	3,593.8	3,557.6
2. Adjusted EBITDA (post-rent) (PLN million) for the preceding twelve months	2,297.5	1,691.3	2,009.4	1,737.0	1,423.7
Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent) (1 / 2)	**1.7**	**2.4**	**2.3**	**2.1**	**2.5**

OPERATING AND FINANCIAL REVIEW

The following operating and financial review has been prepared based on: (i) the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, and the consolidated statement of cash flows of the Group as at and for the six-month periods ended 30 June 2024 and 30 June 2023, respectively, and as at and for the years ended 31 December 2023, 2022 and 2021, respectively; and (ii) the accounting policies and the related notes thereto.

For information on the presentation and basis for the preparation of the Consolidated Financial Statements, please refer to "Presentation of Financial and Other Information" and note 2 to the Annual Financial Statements and note 2 to the Interim Financial Statements. Investors should become acquainted with the above and take into account the explanations included therein, as well as analyse the information contained in this and other sections of the Prospectus. Some of the financial information presented in the operating and financial review is not part of the Consolidated Financial Statements and has not been audited or reviewed by an independent auditor. Such information should not serve as an indicator of the Group's future operating performance or be used to analyse the Group's business independently from the Consolidated Financial Statements and other financial information contained elsewhere in this Prospectus. The Company is presenting such information because it believes that investors may find it useful in assessing the Group's business, its financial position, cash flow and results of operations. See also "Selected Historical Financial Information".

The summary of significant accounting policies and estimates pursuant to which the Consolidated Financial Statements were prepared is provided below under the heading "—Critical accounting policies, estimates and judgments", as well as in note 2 to the Annual Financial Statements and note 2 to the Interim Financial Statements.

This section includes forward-looking statements that reflect the current views and opinions of the Management and, due to their nature, involve certain risks and uncertainties. The actual events and performance results of the Group may differ significantly from the results presented in the forward-looking statements due to the factors discussed below and in other sections of the Prospectus, in particular in the section "Risk Factors". See also "Presentation of Financial and Other Information—Forward-looking statements".

The Consolidated Financial Statements have been prepared in accordance with the IFRS, which differ in significant respects from U.S. GAAP. Potential investors, in particular QIBs, should consult their own professional advisors for an understanding of the differences between U.S. GAAP and the IFRS and how these differences might affect the financial statements and financial information contained herein.

Overview

The Group serves convenience driven customers across physical and digital channels and it has continuously evolved into a unique "ultimate tech-enabled convenience ecosystem" with modern physical convenience stores, unmanned autonomous stores, a recognized customer mobile app, direct to consumer meal solutions and eGrocery services. The Group's mission is to create value by making people's lives easier and allowing them to "free up free time" while also promoting a responsible approach towards products, packaging, customers, franchisees, suppliers and the broader environment. "Free up free time" is the positioning of Żabka, which expresses in a tangible, emotional way the benefit customers have from Żabka, which helps them live sustainably, yet comfortably, by providing proximity to stores, an assortment tailored to their immediate needs, thoughtful services and a comfortable shopping experience. Addressing same-day consumer missions, i.e. shopping missions for grocery and health/beauty items for use/consumption immediately, or later that day, Żabka strives to integrate products and services to provide a unique and complete ecosystem of solutions for every part of the day, every need and every craving.

According to OC&C, Żabka is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024. To be closer to its customers Żabka constantly expands to new locations, that are inaccessible to other chains and discounters, having more than 10,500 physical locations throughout Poland, in major cities and in smaller towns, business districts and suburban housing estates, at subway stations and on seaside promenades (as at 30 June 2024). Żabka's store expansion is led by AI-powered model analysing more than 9 million Polish addresses and taking into account several hundred different KPIs to measure potential of each new location, which has resulted in a 70% reduction in location planning error. The use of these tools has enabled the Group to reduce uncertainty and contingency to a minimum when selecting new sites for the location of its stores. Based on analyses conducted by the Group in 2023, approximately 17 million Polish consumers live less than 500 metres from the nearest Żabka store.

The Management believes that the differentiation and innovation of Żabka's products and services is one of the key factors in its success to date among customers. The time constrained customers are increasingly focused on immediate and near-term shopping missions. 76% of Żabka customers shop for same day consumption (with only 33% SKU overlap with discounter channel), significantly greater than approximately 40% at Polish discounters (Source: OC&C). Żabka stores have a tailored, immediate and near-term shopping missions-oriented layout offering a complete grocery range of approximately 2,400 SKUs as well as wide range of Quick Meal Solutions products (coffee, hot dogs, healthy snacks, sandwiches, etc.). In the twelve-month period ended 30 June 2024 Żabka sold approximately 82.4 million hot dogs, 40.0 million coffees and 35.0 million sandwiches, which places it among the leading warm snacks providers in Poland. Furthermore, the stores also offer a full-suite of services, including parcel pickup and return, lottery tickets, cash withdrawals, bill payments, phone service and top-ups, reflecting the Żabka's mission aimed at addressing customers' immediate everyday needs even more effectively. Services are critical determinants of relevance to the customers that the Group targets but also help to drive traffic and increase ticket size through cross-selling.

The physical stores in Poland are operated under Żabka's tailored and scalable franchise model, which empowers local entrepreneurs, who are independent from the Group. Żabka is responsible for location-selection, store design, assortment selection, setting maximum retail resale prices (with the flexibility of the franchisees to determine final prices below the maximum retail resale prices), central sourcing and delivery, and lease ownership, while the franchisee operates the store, which includes being responsible for staff recruitment and management, in-store stock management and providing customer service.

Based on a deep-dive analysis evaluating the potential revenue, profitability and payback of future stores, and by stress testing for future store economics and cannibalization, the Group's model assumes the total white space in Poland still to be at approximately 19,500 stores, implying significant room for growth.

The Group has an advanced digital customer offering which includes D2C meal solutions (Maczfit), a SaaS-enabled D2C meal marketplace (Dietly), eGrocery businesses (delio and Jush!) and autonomous stores (Nano) ("**DCO**", "**Digital Customer Offering").** These digital offerings complement the physical store footprint and allow the Group's customers to fulfil their convenience needs at their homes or workplaces. The Group's Digital Customer Offering serves as a replicable "plug and play" launchpad for future innovation, combining the agility of a start-up with the scale of the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally (according to OC&C).

The Group has built up a first-mover advantage in the D2C meal segment by acquiring Maczfit and Dietly in 2021. Maczfit is a meal provider in Poland and delivers restaurant-quality prepared meals to consumers seeking convenient and healthy food. As of 31 December 2023 and 30 June 2024, Maczfit recorded a year-on-year growth in new customers of 39% and 17%, respectively. Dietly is a leading online D2C meal marketplace and SaaS software provider in Poland, covering approximately 60% of D2C meal providers active on the Polish market as of 30 June 2024. The Gross Merchandise Value (GMV) of these two businesses amounted to PLN 1,402.1 million in 2023 and PLN 928.6 million in the first half of 2024.

The Group is also expanding its presence in eGrocery sector with two services addressing distinctive customer missions. Jush! is the Group's rapid eGrocery offering with a range of approximately 4,000 SKUs. Delio, launched in February 2022, offers a broader variety with approximately 6,000 SKUs, offering same day delivery time using a delivery slot method and based on the existing dark store infrastructure used by Jush!.

The modern physical convenience footprint is supplemented by autonomous Żabka Nano stores with 44 locations operating in Poland and Germany as at 30 June 2024. These unmanned stores opened 24/7 leverage custom-made technology to cover locations not available to typical Żabka stores by utilising a simplified offering model with lower costs and a tailored and targeted assortment of goods. Autonomous technology is also tested in selected standard physical Żabka stores with night shift (23:00-7:00) being operated without store staff present (so called "hybrid stores"). The Group plans to open more hybrid stores in 2024.

The use of advanced technological solutions underpins the Group's dynamic growth. The Group leverages machine learning, AI and data analytics throughout its operations, including setting pricing and assortment, promotions and location planning. In addition, the Group operates a globally recognised data exchange platform for its suppliers. Please see "*Business Overview—Business Model—Technology*" for an extensive description of the Group's usage of innovative technology.

Żabka's business in Poland is supported by a well-invested logistics platform, including 8 distribution centres, 19 cross-docking facilities including automated distribution centre in Małopole near Warsaw, and dedicated dark stores and dark kitchens infrastructure for the Digital Customer Offering. The scale of the Group's operations translates into efficient procurement and competitive trade terms, and allows it to compete with a wide offer of products not available elsewhere, due to its own brands, dedicated branded ranges and tailored promotions.

In next phase of growth, the Group seeks to further expand its physical offering by expansion into Romania. The recent acquisition by the Group of DRIM in Romania grants it access to a strong logistics platform serving 13,000 physical locations, an established supplier network, and in-depth understanding of market dynamics with 25 years of experience. This offers a strong foundation for growth and expansion, via transformation of existing serviced stores, complemented with organic new openings. In May and June 2024, the Group opened its first stores in Romania under the local brand "Froo" and as of the date of the Prospectus, the Group operates more than 20 stores in the country.

The Management believes that people who work at and cooperate with the Group are one of the main drivers of its growth and success. As a result, the Group promotes a culture of learning, continuous development, performance and equality among its employees. The Group has built a truly innovative team by recruiting individuals with a disruptive mindset and global experience. This has allowed the Group to apply global best practices and knowledge to its physical and digital offerings. The Management believes that engaged employees perform better and are more committed to their work. Therefore, the Group regularly commissions a Gallup Q12 engagement survey, which enables the Group to track how its employees feel about the Group's culture and workplaces. In 2023, the 6th edition of the survey was finalized, according to which Żabka employees are five times more engaged than the average employee in Poland (72% in the Gallup global overall database), and the Group has over 14 engaged employees for every one unengaged employee, which is nearly three times more than the average result for the category of Grocery and General Merchandise Retail Chains (five engaged employees for every one unengaged employee). The employee NPS score has increased by 5 points since 2020, reaching 58 points in 2023.

The Group has a strong track record of growth and innovation expanding its footprint and amplifying its TAM (as defined by OC&C and discussed in section "*Market and Regulatory Overview—Market overview—Large and growing Total Addressable Market*"). The Group has delivered a strong historical financial profile with consistent growth and profitability, which translates into attractive Cash Conversion. Between 2000 and 2023, the Group delivered a Sales to End Customers CAGR of 23.0% due to a combination of positive LFL growth across vintages, an increase in the number of stores as well as development of Digital Customers Offering. In the six-month period ended 30 June 2024 Sales to End Customers amounted to PLN 12,893.5 million relative to PLN 10,532.5 in the first half of 2023. LFL growth amounted to 10.8%, 17.0% and 9.8% in 2023, 2022 and 2021, respectively, and reached 10.3% in the six-month period ended 30 June 2024, significantly exceeding Żabka Internal Inflation of 4.3% in the same period. This translated into strong cash generation, with the average Cash Conversion in 2021-2023 and in the first half of 2024 being above 85%.

General factors affecting the operating and financial results

The key factors affecting the Group's financial and operating results in the six-month periods ended 30 June 2024 and 30 June 2023 as well as in the years 2021-2023 are set out below. The Management believes that these factors have historically had and may continue to have an effect on the business, operating and financial results, financial condition, cash flows and prospects of the Group, and present the trends which, in the opinion of the Management, will apply to the market in which the Group operates over the next few years.

The Group's operating and financial performance is affected primarily by: (i) the economic environment in Poland including inflation and development of real and minimum salary; (ii) changing consumer trends and habits; (iii) new store openings; (iv) LFL growth; (v) product mix and terms of trade with the suppliers; (vi) cooperation with the franchisees; (vii) the use of technology, data and AI; (viii) operating cost efficiency; (ix) investment in stores, logistics and technological backbone; (x) financial costs, interest rate changes and working capital management; and (xi) tax structure and effective tax rate.

A more detailed analysis of the actual impact of those factors on the statement of profit or loss and other comprehensive income of the Group, the statement of financial position and the statement of cash flows of the Group during the period under review is presented in this section under "*—Results of operations*" and "*—Liquidity and capital resources*".

Economic environment in Poland

The Group's business is conducted, for the most part, in Poland. Therefore, the macroeconomic conditions in Poland, which are affected by the economic environment in the region and the global economy, are of significant importance to the Group's operations and financial results. Any significant or rapid changes in the macroeconomic conditions, including the GDP growth rate, the unemployment rate, interest rates, inflation/deflation rates, changes in average and minimum statutory remuneration, the evolution of disposable income, consumer spending and private consumption, government-sponsored social and pro-family policies, and consumer confidence indices affect the disposable income of consumers, thus shaping consumers' spending habits. The above-mentioned factors also impact the Group's product prices, customers' shopping decisions and sales, and thus materially affect the Group's financial results.

Poland, a member of the European Union since 2004, represents the fifth largest EU market by population (38.5 million people in 2023) and the sixth largest EU market by 2023 GDP (PLN 3,399 billion) (Source: Oxford Economics) and by 2023 consumer expenditure (above PLN 1,920 billion) (Source: Euromonitor International, Passport 2024 edition, expenditure in current prices).

The Polish economy is among the fastest-growing economies in the EU, with its Real GDP per capita growing by a CAGR of 2.6% between 2018 and 2023 (the sixth highest in the EU and second highest in Western Europe) (Source: Oxford Economics), its real wage growing by a CAGR of 2.9% between 2018 and 2023 (the fifth highest in the EU and second highest in Western Europe) (Source: Euromonitor International, Passport 2024; Wage per Hour in USD, Fixed 2023 ex rates, Constant 2023 Prices), private consumption CAGR of 6.1% between 2018 and 2023 (the sixth highest in the EU and first in Western Europe) and 2023 unemployment rate of 3.0% (the second lowest in the EU and the lowest in Western Europe) (Source: Oxford Economics). Macroeconomic outlook for Poland is strong with Real GDP per capita projected to grow at a CAGR of 3.2% between 2023 and 2028 (1.9 percentage points above the growth rates forecast for Western Europe) (Source: Oxford Economics, OC&C). Since 2016, Polish consumers have benefitted from supportive fiscal measures. The Family 800+ Programme (previously, the Family 500+ Programme), a government child support programme, being part of the Polish government's wider fiscal stimulus package, was aimed at encouraging higher spending for families with one or more children (Poland raised the 500 plus benefit to PLN 800 from January 2024). Other supportive political initiatives include an income tax waiver for people below 26 years of age entering the labour market as well as an increase in state pensions for retirees. The above-mentioned state measures are believed to have contributed to greater affluence and higher consumer spending, which translates into, greater demand for the Group's products and services. Due to the low unemployment rate, the country is continuously leveraging its strong inflow of foreign workers, especially from Ukraine, to support its labour market. Real disposable income of the Polish population was growing at CAGR of 2.4% between 2018 and 2021, before a temporary period of decline during the high inflationary period (1.0% CAGR decline in 2021-23) (Source: Oxford Economics, OC&C). Resumption of real disposable income growth is now expected as elevated inflation subsides, with forecast of a CAGR of 4.8% between 2023 and 2028 (3.6 percentage points above the growth rates forecast for by Western Europe) (Source: Oxford Economics, OC&C). The minimum wage in Poland increased from PLN 2,800 gross in 2021 to PLN 4,242 gross (51.5%) in January 2024, and was further increased to PLN 4,300 gross in July 2024. The low unemployment, the increase in the minimum wage and average salary have had a positive impact on consumer confidence and continue to drive consumer expenditures. As a result, Poles are spending more every year on goods and services – outlook of per capita annual real consumer expenditure is growing at a CAGR of 8% between 2023 and 2028 as compared to 3.6% in Western Europe (Source: Euromonitor International, Passport 2024 edition, CAGR in value terms, based on current prices data).

Since joining the EU in 2004 and until 2021 inflation in Poland has averaged around 2%, with some fluctuations along the way. According to GUS, the consumer price index in Poland increased year-on-year by 5.1%, 14.4% and 11.4% in 2021, 2022 and 2023, respectively, and the consumer price index for food and non-alcoholic beverages in Poland increased year-on-year by 3.2%, 15.4% and 15.1% in 2021, 2022 and 2023, respectively.

Elevated levels of inflation in Poland have been driven by high energy prices as a result of the Ukraine war, in line with the global trend, as well as record low interest rates and government stimulus packages during the COVID-19 pandemic. Inflation remained elevated in 2023, but there appears to be some renormalisation underway, with inflation returning towards historical long term trend levels, according to GUS, the consumer price index in Poland in the six-month period ended 30 June 2024 amounted to 2.7% year-on-year. As a result of the high rate of inflation, the prices of the goods offered by the Group have been adjusted accordingly. The higher inflation rate has also affected the costs incurred by the Group, such as higher energy costs, higher purchasing costs and increased franchisee costs and wages. The Group also saw an increase in energy costs of approximately 65 bps (as a percentage of Sales to End Customers) in 2023 as a result of an energy contract signed in 2022 with above-market rates. The Group does not expect increase in energy costs to continue, and in the six-month period ended 30 June 2024, the Group already saw a reduction in their energy costs of approximately 44 bps (as a percentage of Sales to End Customers) compared to the six-month period ended 30 June 2023. The Group aims to manage this increase in costs by adjusting its pricing and promotional policy as it has successfully managed to do in the past.

Almost all of the Group’s revenue and the vast majority of its costs are denominated in PLN, so the Group has only limited exposure to foreign exchange markets.

The Group has not been directly impacted by the war in Ukraine, but indirect effects include in particular the massive influx of the Ukrainian refugees to Poland, which positively impacted the Group’s revenue. In addition, some of the Ukrainians became the Group’s franchisees and employees. On the other hand, higher energy costs, caused by the war, also affected the Group. Going forward, the Group does not foresee much of an additional impact on its operations assuming no major changes in geopolitical situation surrounding the war in Ukraine.

For detailed information on the economic environment in Poland, please see “*Market and Regulatory Overview—Market overview*”.

Changing consumer trends and habits

The Group believes that creating a deep understanding of the needs and habits of its consumers is key to its success. The Group seeks to understand the needs of its customers through detailed analyses of current and future trends in social and customer behaviour as well as purchasing habits based on internal and external data. In order to increase customer engagement, loyalty and satisfaction, as well as to enrich its offers, sales and marketing actions, the Group collects and uses a variety of transactional data. The Group has identified three consumer megatrends: Ultimate Convenience, Digital Engagement and Responsible Choices.

Ultimate Convenience

Poles are among the populations with the highest number of working hours in the European Union (Source: Eurostat). With 40.4 hours on average spent at work per week (as of 2022), they work on average 10% longer than their Western European counterparts, 14% more than in Germany, and 8% more than the average across the EU (Source: Eurostat). A fast pace of life contributes to positive consumer attitudes towards food-to-go products in convenience stores. Consumers are beginning to treat convenience stores as not only a place for quick day-to-day shopping, but are also starting to perceive them as a quick service restaurant (QSR) and a place to buy beverages like various types of coffee, and snacks, such as hot dogs, ready-to-eat salads or other ready-to-eat meals.

Accordingly, between 2016 and 2020, the Group remodelled all of its stores into a new convenience format (Galaxy format), which included a new layout, in order to offer its consumers an optimised shopping experience, a wide range of QMS and food-to-go products (including coffee, hot dogs, healthy snacks, sandwiches, etc.) and a full suite of services consisting of money withdrawal services, lottery services, parcel and postal services, medical services, and phone packs. Additionally, in 2022 the Group started to roll out new, extended street food and QMS offering – Merrychef (Żabka Café 2.0) including french fries, nuggets, burgers and many others QMS categories. All of the above positively impacted the sales per store, LFL growth and margin in the period under review. In particular, the Group has seen strong sales uplift in the QMS category in the first half of 2024 for stores that incorporated Żabka Cafe 2.0. The Group had Żabka Cafe 2.0 in 3,280 stores and 5,555 stores as at 31 December 2023 and 30 June 2024, respectively, with further plan to roll out approximately additional 2,900 stores in 2024. The Group expects the roll-out to continue through the second half of 2025.

Having less free time, a growing number of people are looking for convenience while also doing grocery shopping. 82% of Poles say they are always on the lookout for solutions that make their life easier, 71% believe that lack of time is something that limits their life, 53% whenever they can use ready to eat or partially prepared meals as it saves a lot of time and 60% feel that the main reason for not cooking at home is a lack of time (according to an internal study conducted by the Group in 2021).

As a consequence, consumers in Poland are changing their habits and are increasingly preferring to do shopping that is both time-saving and convenient for them. This choice involves shopping that focuses on same-day missions, including purchase for consumption now and for later that day. These missions in Poland increased by 12 percentage points, from 32% in 2016 to 44% in 2023 (Source: OC&C). Moreover, a customer survey conducted by OC&C indicates that 34% of consumers are willing to pay significantly more to save time and Żabka customers are over two times more willing to pay a premium in order to save time than customers at discounters and approximately eight times more willing than customers at Dino.

Management believes that the Group is well-positioned to capitalise on this shift as a greater share of the Group's customers make purchases for same day – close to 80% of the Group's customers buy for immediate consumption, on impulse, which is highly differentiated from bigger formats and discounters (according to OC&C).

According to OC&C, the modern convenience segment in which the Group competes grew at a CAGR of 20% between 2019 and 2023, significantly outperforming the overall Polish offline grocery market, which grew at a CAGR of 8.7% over the same time period. The Group supported that trend and benefited from it. The Group was able to properly identify customers' expectations and was successful in responding to them. In recent years, starting with the remodelling process, the Group has focused on convenience in terms of layout, assortment and new in-store solutions to make shopping easier for its customers. This has led to an increase in the "to go" and "immediate consumption" categories. QMS category increased significantly in the period under review (over 50% in 2022 and over 30% in 2023 and in 2023 over 16% of tickets). This trend has continued, with QMS category increasing over 26% in the six-month period ended 30 June 2024 as compared to the six-month period ended 30 June 2023 (in the first half of 2024, QMS accounted for 17% of tickets). The Group believes that the food-to-go market in Poland will develop in the next few years. The growth of the food-to-go market is the result of changing consumer trends and habits. Given that consumers expect a wide range of ready-to-eat meals to be available in convenience stores, the Group introduced a Żabka Café area in all of its Żabka stores and started to roll-out Żabka Café 2.0 format aimed to become a leader in street food segment.

Digital Engagement

Poles are increasingly adopting technology and becoming more digitally proficient. Between 2016-2023 the share of Polish population with daily internet use increased by 23 percentage points (from 57% in 2016 to 74% in 2021 and 80% in 2023) (Source: Eurostat). In the same period, the share of the Polish non-food eCommerce in total retail grew by 13 percentage points, reaching 24% in 2023, with further estimated increase of 7 percentage points by 2028 (Source: OC&C).

91% of Poles believe that new technologies make everyday life easier, 83% of online shoppers declare their e-shopping spending will increase or remain the same, 74% of Poles are actively looking for technological innovations, 50% have digital services subscriptions, 45% use mobile payments and 72% of internet users make purchases in e-stores and 77% declare that they have bought a product online during the last 12 months (according to a study conducted by the Group in 2021).

In order to accommodate the digitalisation trend, in 2020, the Group introduced through Żappka a click and collect service in Żabka stores. In 2021 the Group broadened its scope of business by acquiring Maczfit and Dietly (see "*Business of the Group—Operations of the Group—Digital businesses—D2C ready meal solutions (direct to customer)—Maczfit*" and "*Business of the Group—Operations of the Group—Digital businesses—D2C ready meal solutions (direct to customer)—Dietly*"). The Group is also building its strong presence in the eGrocery sector with two new services: Jush!, launched in October 2021, provides rapid delivery of essential products (approximately 4,000 SKUs) and delio, launched in February 2022, offers a wider selection (approximately 6,000 SKUs) with same-day delivery through delivery slots and utilizes the existing Jush! dark store infrastructure. As at the date of this Prospectus, both services are available in Warsaw and Cracow, although the Group plans to further develop its eGrocery footprint in other Polish cities in the medium term. Reflecting its expansion efforts, the Group has seen growth in the Sales to End Customers of its New Growth Engines from PLN 136 million in 2021 to PLN 283 million in 2022 and PLN 470 million in 2023. In the six-month period ended 30 June 2024, the Sales to End Customers from the Group's New Growth Engines reached PLN 498 million.

The Group believes that there is high potential for growth in the D2C and eGrocery markets. The key drivers of the digital offering results include: the scale of operations (the number of locations covered by the service), the number of new customers acquired, the customer acquisition costs and their retention. Investment in the digital convenience backbone (including eGrocery and D2C services) is expected to have a growth impact on the results of the Group going forward.

Responsible Choices

Poles are aware of their own impact on the environment. 80% are concerned about the state of the Earth, and 83% intend to change their shopping habits to be more sustainable; Poles are also trying to conserve water (93%), reduce emissions (84%) and recycle products or reuse them multiple times (86%) (Source: EY Future Consumer Index – study for Poland: March 2023).

The Group takes into consideration the above-mentioned consumer concerns in its product line-up, e.g. in 2020, all plastic bottles of the Foodini, Wycisk, OdNowa and S! brands were replaced with recycled PET, in 2021, a paper lid for on-the-go coffee was introduced. Consumers also favour healthy and nutritious products. The Group offers healthy S! (shots), Foodini (smoothies), Wycisk (cold pressed juices) and vegan products under the Plant Hunter brand, in 2023 the Group introduced Nutri Score for all own brands products, and a 100% recyclable reusable cup and discount on coffee without disposable cup. The above-mentioned trends as well as changes in regulations and consumers' expectations in this area may impact the range of products offered by the Group as well as its cost base and profitability.

The Group believes that it has been successful in responding to changing customer needs and market trends and has translated them into the Group's value proposition, which has supported the increase of Sales to End Customers. Customer preferences and choices will continue to have a significant impact on the Group's operation results, as well as on its ability to implement its expansion strategy.

For detailed information on certain market trends and consumer habits, please see "*Market and Regulatory Overview—Market overview*".

New store openings

In order to increase the Group's market presence and attract new customers, the Group seeks to expand its network by opening new stores. As a result, new store openings have been a core driver of the Group's growth in the period under review and are expected to continue to materially affect the Group's operation results going forward.

The store launch strategy utilizes a proven AI-based approval system that leverages predictive algorithms for precise location analysis, factoring in projected profitability and potential overlap with existing stores. This is complemented by a dedicated team of more than 130 individuals focused on identifying prime locations.

Between the beginning of 2021 and 30 June 2024, the number of Żabka stores in Poland increased by 54.2%, with 714 new stores opened in the six-month period ended 30 June 2024 (achieving 626 net openings in the given period, including first 5 stores in Romania), and 1,100, 1,131 and 1,100 in the years ended 31 December 2023, 2022 and 2021, respectively, and 88 closed in the six-month period ended 30 June 2024 and 107 (78 excluding Nano), 64 and 45 stores in the years ended 31 December 2023, 2022 and 2021, respectively. The Group's store closures ratio in 2023 was affected by a review of the Group's Nano stores network which resulted in the relocation of 13 and closing of 16 locations. If adjusted for these 29 Nano stores, the Group's store closure ratio was less than 1% in 2021-2023 period.

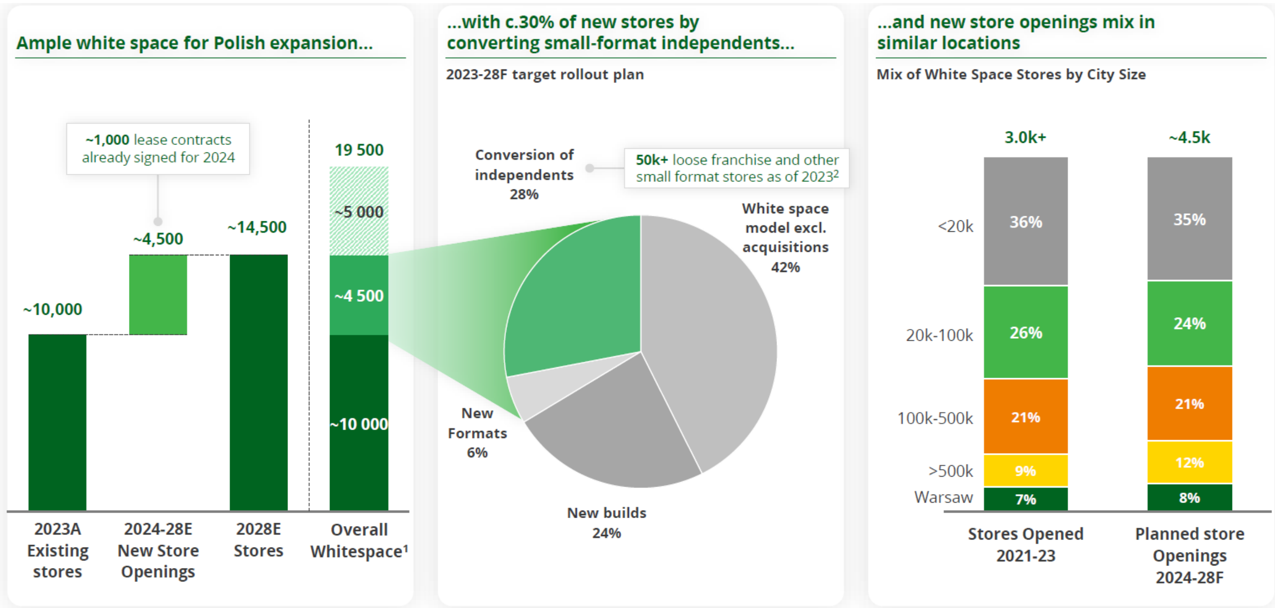
The following table presents the total store numbers, the number of stores added, the number of stores closed and the net increase in the period under review.

	As at and for the six-month period ended 30 June	**As at and for the 12-month periods ended 31 December**		
	2024	**2023**	**2022**	**2021**
Total store numbers (as at 1 January)	10,014	9,021	7,954	6,899
Number of stores added	714	1,100	1,131	1,100
Number of stores closed	88	78[1]	64	45
Number of stores closed / total stores as at year end (in %)	0.8	0.8[1]	0.7	0.6
Total store numbers (end of period)	10,640	10,014	9,021	7,954
Net increase (y/y)	974	1,022[1]	1,067	1,055
Net increase (y/y in %)	(15.9)	11.3[1]	13.4	15.3
Total growth of the Sales to End Customers (PLN million)	2,361.0	4,245.0	4,032.0	2,696.3
Of which contribution of new stores to the growth of the Sales to End Customers (PLN million)[2]	**1,072.8**	**2,142.7**	**1,513.9**	**1,456.7**

[1] *Excludes one-off Nano store re-locations and closures in 2023, amounting to 29 Nano stores (relocation of 13 and closing of 16 locations).*
[2] *Includes impact of store openings and utilisation.*

The Group identified a total potential in Poland that could serve approximately 19,500 physical Żabka stores (excluding Żabka Nano), taking into account the Group's existing network of 9,967 physical Żabka stores and 47 Żabka Nano in Poland (as of 31 December 2023) as well as 10,591 physical Żabka stores and 39 Nano stores in Poland (as of 30 June 2024), available white space of approximately 8,200 stores. The Group aims to open approximately 1,100 stores in 2024 and to continue opening over 1,000 per annum in the medium term in Poland and Romania to reach approximately 14,500 stores in Poland by 2028. Such growth is supported by a growing number of vacated real estate locations after different businesses moved from offline to online sales (e.g. banking and non-food retail) as well as a higher supply of new residential buildings and over 50,000 existing small traditional stores.

The following charts present additional information on certain parameters for the Group's store expansion.



Source: Company. [1] As of 2024; [2] Includes traditional trade and small chained stores.

The efficient store opening and adaptation process is designed to support a high pace of store rollout. With its scalable franchise operating model, highly tailored store format and experienced expansion team of approximately 130 dedicated members, the Group is able to scale its business and open new stores efficiently. The process leverages big data, advanced analytics and technological solutions supporting the selection of optimal locations for stores and enabling high automation of the store rollout process, as well as streamlined store monitoring processes. The Group utilises a regularly updated in-house database and expansion model which allows for a detailed estimation of future revenue from a potential location.

The Group monitors the stores' performance on the basis of a number of performance metrics, including Sales to End Customers, LFL growth, 4-Wall Adjusted EBITDA and 4-Wall Adjusted EBITDA / Sales to End Customers, and the Payback Period. The Group has an active real estate and store management department and proactively negotiates with landlords to improve lease terms.

The Payback Period of the new stores is one of the KPIs that is monitored by the Group on a regular basis. The Group has improved the Payback Period of new stores from 20 months for stores opened in 2017 to 11 months for those opened in 2021 and 12 months for those opened in 2022, which it achieved through the use of technology, leveraging data to select new high-quality locations, improving the working capital profile (supported by the use of reverse factoring), as well as efficient internal processes and high performance of teams. The Group anticipates that the Payback Period for 2023 will not materially differ from the Payback Periods for 2021 and 2022.

The Payback Period of new stores is highly consistent across different city sizes. For stores opened in 2021 Payback Period varied from 14 months for medium cities (50-300k population) to 11 months for small cities (<50k population) and 9 months for large cities (Poznan, Cracow, Lodz, Silesia, Tricity, Warsaw, Wroclaw). The performance of new stores is impacted by various factors such as location (including whether it is located in a new or existing market), the local competitive environment, the experience of the franchisee who runs the store, rent, the store opening costs and other elements.

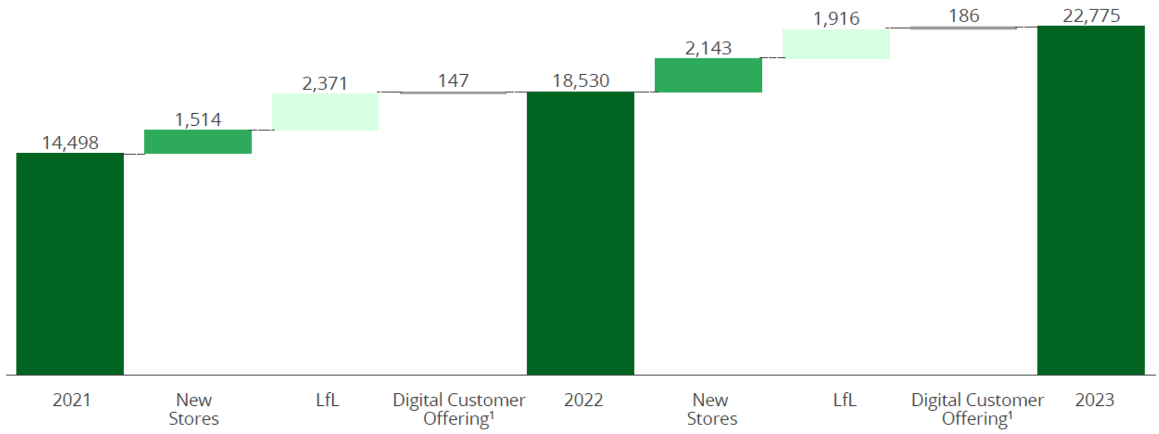
Apart from opening standard physical Żabka stores, the Group intends to roll out multiple locations related to new formats and businesses. The new formats being in different phases of development include petrol station stores, transportation hub stores, QSR focused stores, mobile stores and seasonal stores as well as autonomous unmanned Żabka Nano stores. At the end of June 2024, the Group had 44 Żabka Nano stores in Poland and Germany. The Group plans to increase the number of Żabka Nano stores in the medium term and increase its white space potential depending on the final payback parameters achieved. Learnings from operating the Group's network of unmanned convenience stores can be also transferred to the Group's traditional convenience retail footprint of more than 10,500 stores and provide significant opportunities to increase store efficiency by increasing sales (less out of stock, better merchandising) and limiting operating costs (theft, instore operations efficiency, field operations efficiency) and add value and benefits to franchises partnering with the Group. For more information on unmanned stores, please see "*Business of the Group—Operations of the Group—Digital businesses—Żabka Nano*".

In next phase of growth, the Group seeks to further expand its physical offering by expansion into Romania. The recent acquisition by the Group of DRIM in Romania grants it access to a strong logistics platform serving 13,000 physical locations, an established supplier network, and in-depth understanding of market dynamics with 25 years of experience. This offers a strong foundation for growth and expansion, via transformation of existing serviced stores, complemented with organic new openings. In May and June 2024, the Group opened its first stores in Romania under the local brand "Froo" and as of the date of the Prospectus, the Group operates more than 20 stores in the country.

The returns on invested capital generated by the Group's investments in new stores have been strong in the periods under review. The Group believes that this, combined with the scale of the planned roll-out, positions it for earnings growth. New store openings are expected to have a significant impact on the Group's revenue, operating profit and cash flow. The Group's store network growth strategy requires capital expenditure. See also "—*Capex*" below.

LFL growth

The Group's results are affected by Sales to End Customers, which are primarily driven by: (i) store network expansions (described above); and (ii) the performance of existing stores reflected in LFL growth. The following chart presents Sales to End Customers' growth contributors for the periods indicated (in PLN million).



Source: Company. [1] *Includes contribution from Maczfit, Dietly and Q-Commerce.*

The following table presents information on the Group's Sales to End Customers and LFL growth in the period under review.

	As at and for the six-month periods ended 30 June		As at and for the 12-month periods ended 31 December		
	2024	**2023**	**2023**	**2022**	**2021**
			(unaudited)		
Sales to End Customers (in PLN million)	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9
LFL growth (%)	**10.3**	**9.7**	**10.8**	**17.0**	**9.8**
Total growth of the Sales to End Customers (PLN million)	2,361.0	1,881.9	4,245.0	4,032.0	2,696.3
Of which contribution of LFL growth to the growth of the Sales to End Customers (PLN million)*	**1,214.5**	**801.5**	**1,915.9**	**2,370.9**	**1,109.1**

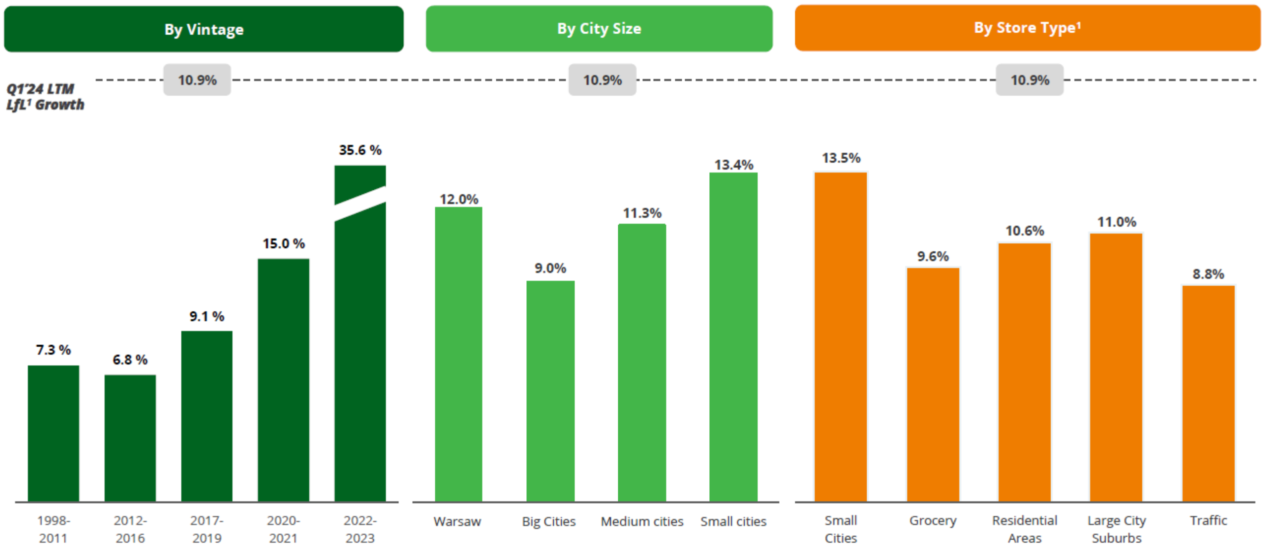
* *All stores included in LFL growth calculation irrespective of the type of alcohol license held.*

The Group's Sales to End Customers increased by PLN 2,361.0, or 22.4%, to PLN 12,893.5 in the six-month period ended 30 June 2024 compared to PLN 10,532.5 in the six-month period ended 30 June 2023, and increased by PLN 4,245.0 million, or 22.9%, to PLN 22,774.9 million in 2023 compared to PLN 18,529.9 million in 2022, and by PLN 8,277.0 million, or 57.1%, compared to PLN 14,497.9 million in 2021.

In the last four quarters (Q3 2023-Q2 2024) the Group recorded consistent LFL growth results, reaching levels of, respectively, 12.7%, 10.6%, 11.5% and 9.3%. LFL growth in the second quarter of 2024 was well above Żabka Internal Inflation (see "—*Financial costs, interest rate changes and working capital management*" below) and achieved with a well-balanced mix of volume and basket increase, driven by improved customer sentiment and commercial actions further supported by favourable weather conditions. In the six-month period ended 30 June 2024 the Group's LFL growth was at 10.3%, well above Żabka Internal Inflation of 4.3%, demonstrating robust volume trends. In comparison, the Group's LFL growth was at 9.7% in the six-month period ended 30 June 2023.

The Group's LFL growth amounted to 10.8% in 2023, 17.0% in 2022 and 9.8% in 2021 and was above Żabka Internal Inflation amounting to 10.4%, 10.4% and 4.0% and in 2023, 2022, 2021, respectively.

The following charts present LFL growth across all store vintages, cities and types.



Source: Company. [1] Excludes new formats within store types.

LFL growth is driven by two factors: traffic and basket values, supported by use of data algorythms (e.g. pricing, assortment) and dynamic performance monitoring.

Traffic indicates the number of customers that visit Żabka stores. Due to stores being heavily focused on impulse shopping, traffic is highly correlated with street footfall and people movement in general.

The Group's goal is to increase traffic at its stores by attracting new customers and increasing loyalty and the frequency of purchases. Currently, the Group has over 4 million customers visiting the Group's stores more than 9 times a month (heavy users), 5.1 million customers visiting between 3-8 times a month (medium users) and 4.6 million customers visiting between 1-2 times a month (light users). The Group is focused on building further customer loyalty to transform light and medium users to high users. At the same time the Group recruits new customers by further expansion.

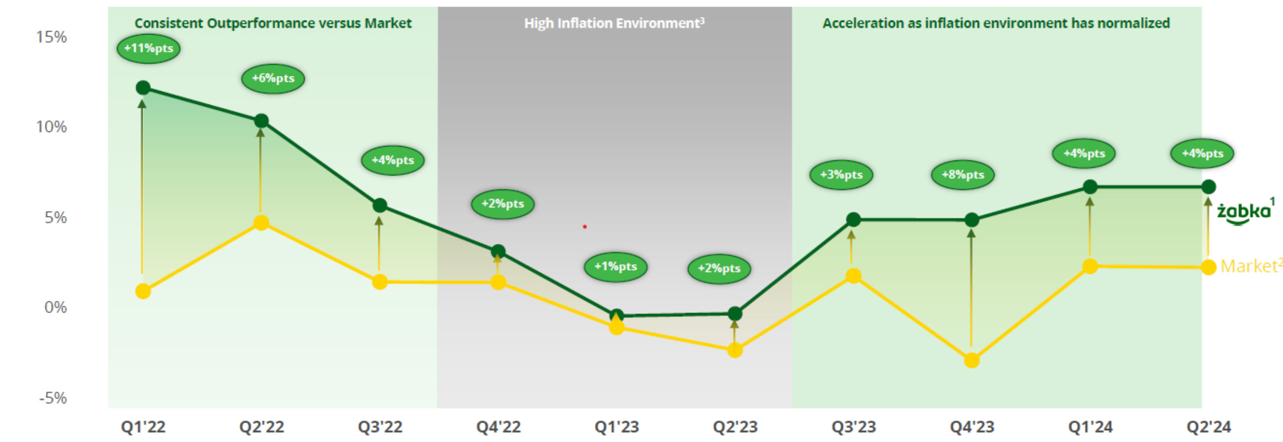
The main drivers of basket value are the number of items purchased by a customer and the product mix. The Group aims to increase the average basket value by: (i) increasing customer engagement, for example through the use of the Żappka mobile application (based on the data from December 2023, the Group observed that the average basket value of an app user is approximately 20% higher compared to a non-app user, and the strategically important sales of the QMS category account for approximately 50% of app users – the highest among all categories); (ii) using price and promotions to drive the basket size; (iii) creating new shopping missions (occasions) by launching new products and services; and (iv) product premiumisation.

The largest growth in 2022 store traffic as compared to 2021 was observed between February and May 2022 and mostly driven by inflow of Ukrainian immigrants. In 2023 store traffic was under pressure driven by worsening consumer sentiment and disposable income, resulting in a decrease of average number of customers per store by 1.8% as compared to 2022. Basket value grew year-on-year both in 2022 and 2023 with price inflation being the main positive contributor, while average quantity of purchased goods during single store visit was declining in both periods. In the six-month period ended 30 June 2024, the Group observed an increase by 3.4% of average number of customers per store comparing to the six-month period ended 30 June 2023. The inflation and price strategy were main drivers of the basket value growth by 4% in the first half of 2024 as compared to the same period of the previous year, whereas the average quantity of products on the average ticket slightly decreased.

In order to develop a highly attractive customer proposition driving both traffic and basket size, the Group focuses primarily on trade campaigns within its strategic leadership impulse categories (e.g. ice cream, snacks, beverages, beer) and enters in partnerships with strong category leaders (e.g. Coca Cola).

A further strong tailwind for LFL growth is the continuous improvement of customer NPS, which increased from 30 points in December 2017 to 41 points in December 2023 and reached 37 points in June 2024 (according to regular, internal Group surveys conducted in this frame), fuelling repetitive visits and a larger basket. The Group invests in the improvement of customer experience, including maintaining high store standards and quality customer service.

The chart below presents Year-over-Year real LFL growth (excluding inflation) of Żabka as compared to market.



Source: Company, OC&C and NielsenIQ. [1] Adjusted for actual weighted price inflation data from Żabka shelf-inflation, including VAT for Q2'24; [2] Nielsen definition of the market, i.e. packaged food, beverage and tobacco products with a WAN code (excluding non-packaged fresh products) and real market LFL calculated using GUS inflation rates by product category; [3] Defined as period when food inflation was above 18%.

LFL growth is monitored by several units, including the Trade Department (57 FTEs as at 31 December 2023), the Trade Development Department (42 FTEs as at 31 December 2023), the Revenue Management Department (31 FTEs as at 31 December 2023), the Marketing & Digital Department (56 FTEs as at 31 December 2023). These teams are responsible for the development and execution of trade plans designed to support continuous sales growth.

Product mix and terms of trade with suppliers

The Group's gross profit and margin are affected by a number of factors, including product mix and movements in the cost of sales (including the prices of products and materials), the extent to which the Group can negotiate favourable prices and rebates from suppliers.

The Group believes that its long-standing, direct, dynamic and collaborative relationships with its suppliers help it to gain favourable access to quality merchandise at attractive prices. The Group has a highly diversified base of approximately 527 suppliers, which comprise both local entrepreneurs and well-established international brands. 502 domestic suppliers were responsible for 98% of the procurement value. Strong relationships with the suppliers are particularly important to Żabka's businesses; therefore, a dedicated, centralised procurement function operates within the organisation to ensure these relationships are well cultivated. As a result, the Group is able to collaborate with suppliers in the long term. The Group's strategy is to foster a mutually beneficial relationship with its suppliers (store service level at approximately 99%). This strategy has been consistently realised in recent years, which is evidenced by the fact that in 2023 the Group was selected as the number one retail chain in Poland in the annual Advantage Mirror Group research conducted among FMCG suppliers. Furthermore, in 2020, the Group developed a data exchange platform for 30+ of its largest suppliers (see "—*Use of technology, data and AI*" section below). This strategy also contributes to the Group's strong product offering, provides an opportunity to develop and offer products not available elsewhere, dedicated branded ranges and tailored promotions, and results in increasing gross profit for the Group and more attractive pricing for customers.

The Group has also benefited by leveraging the scale of its buying power to achieve lower costs. Due to the scale and pace of expansion, its knowledge of customer behaviour and its well-developed supply chain, the Group has been in a position to offer its suppliers the potential for a greater market share, which, in turn, has enabled the Group to negotiate improved purchasing conditions, thereby increasing the Group's gross margins and competitiveness. In the six-month period ended 30 June 2024 the Group's gross margin was at 14.2%, recording a strong improvement of approximately 110 bps compared to the same period in 2023 driven by strong LFL and stabilized energy costs.

The Group's procurement function also serves as a key differentiator for the Group's digital businesses, generating a particular competitive advantage for the eGrocery solutions Jush! and delio as a result of the Group's scale of buying power.

Additionally, in 2017 the Group launched a strategic payment terms review programme, and in subsequent years successfully worked with its key suppliers to improve the Group's working capital management. The payment terms improvement strategy assumes that an extension of payment terms is either financially covered by the supplier with no impact on the Group's cash flows or covered by the Group through supplier finance. The introduction of this strategy allows the Group to improve its collaboration with suppliers and maintains its strong working capital profile.

Working on the offering and assortment is key for the Group to drive LFL growth as well as gross profit. Given that the gross margin differs between suppliers and different product categories, the product mix is critically important for the Group's gross profit evolution. The Group offers third-party brands and its own private branded products collectively comprising approximately 2,400 SKUs per store and covering categories such as: soft drinks, snacks, QMS, top-up food products, beer, alcohol and wine, non-food products, and services. The Group's assortment is based on fast-moving products. The Group's gross margin is impacted by the value of goods and products sold which, in turn, is affected by the Group's product mix (including with respect to different product categories, suppliers and third-party branded vs. private brands). The Group actively manages its product mix with the aim of providing a balanced offering that maximises appeal to its customers and profitability.

In the periods under review, each category of products sold at the Group's stores had positive gross profit margins at the store level (in aggregate). The lowest margin percentage was realised on tobacco. Since 2017, the Group increased impulse shopping and developed its range of convenience and on-the-go products (including QMS, soft drinks, Żabka Café products and snacks), which has had a positive impact on the gross profit generated by the Group. QMS, snacks and beverages were among major drivers of footfall, accounting for 58% of transactions carried out in the Group's stores in 2023. As of 30 June 2024, the Group has experienced significant continued momentum in gross margins at approximately 110 basis points year-on-year, recording 14.2% in gross margins for the first half of 2024, as well as momentum in EBITDA margins at approximately 100 basis points year-on-year (10.9% in the same period).

The Group's assortment and product mix is regularly revised and updated based on big data analysis, market developments, customer behaviour, information from suppliers, relevance to the Group's offering and anticipated impact on margins and gross profit. The Group's success in driving assortment and product mix decisions is largely based on an extensive database and a thorough analysis supported by econometrical models and AI, supported by a high degree of digitalisation and the use of technology allowing the Group to monitor and analyse data regarding consumer preferences and demand for various goods.

Cooperation with the franchisees

The Żabka stores (except for autonomous Żabka Nano stores and a few stores operated by agents) are operated by franchisees, who are independent entrepreneurs and cooperate with the Group on the basis of a franchise contract. The contract regulates the terms of cooperation, the rights and obligations of both parties, as well as the rules of mutual settlements. The Group's profitability is inherently connected to its franchisees, the turnover generated in their stores and the terms of trade agreed between the Group and its franchisees (as represented by the Franchisee Margin which is the proportion of the Group's Sales to End Customers which is retained by its franchisees).

The main source of the Group's revenues are contracts concluded with franchisees (ultimate convenience) under which the Group, among other things, sells goods to the franchisees and generates fees in connection with licensing and the provision of know-how (see "*—Explanation of selected items of the statement of profit or loss—Revenue*" *below*).

Franchisees' margins are dependent on the turnover and sales volume of goods and ancillary services in the shops they manage, and consists of, in particular: the margin on the sale of goods, basic discounts, loyalty discounts, incentive bonuses, commissions on ancillary services and other discounts, and bonuses or refunds stated in the franchise contract. The franchisee is entitled to independently determine the margin on the sale of goods, as long as the sale price is not higher than the maximum retail resale price set by Żabka Polska for each product. The entire margin earned by franchisee above the cost the franchisee pays to the Group for the item is retained by the franchisee. All of the financial settlements of the parties are regulated by the franchise contract (see "*Business of the Group—Operations of the Group—Modern Convenience—Franchisee-centric model*"). The Group monitors on a regular basis the factors that impact the profitability of the franchisees, including, primarily, increases in the average salary and minimum wage, inflation, the dynamics of Sales to End Customers, the product mix for a given store as well as changes in tax or legal regulations impacting the franchisees. These factors impact the franchisees' expectations as regards the margin that they earn and, therefore, may also impact the Group's gross profit. For instance, the Group has seen a 12% increase in minimum wage in Poland in 2023 and taken the conscious decision to invest more into its franchisees' margins in 2023 to maintain the Group's attractive proposition. With the expected stabilisation of inflation and minimum wage increases, the Group expects the growth in its franchisees' margins to stabilise as well. The average franchisee's margin per store, which is a key metric which allows the Group to recruit and retain new franchisees for its stores, increased by a CAGR of 13.5% between 2021 and 2023.

The following table presents information on Franchisee Margin in the period under review.

	As at and for the six-month periods ended 30 June		**As at and for the 12-month periods ended 31 December**		
	2024	**2023**	**2023**	**2022**	**2021**
			(unaudited)		
Sales to End Customers at Żabka stores (PLN million)	12,395.6	10,290.4	22,304.7	18,246.1	14,361.3
Franchisee Margin (PLN million)	2,136.0	1,751.2	3,678.8	2,897.2	2,208.0
Franchisee Margin / Sales to End Customers at Żabka stores (%)	17.2	17.0	16.5	15.9	15.4
Franchisee Margin per average number of stores (PLN thousand)	212.6	194.1	395.6	355.4	306.8

The aim of the Group is to closely monitor and adjust accordingly franchisees' margins in order to remain an attractive business partner. The Group is also aware of factors that can impact the profitability of the franchisee labour market and that are beyond the Group's control. See also "*Risk Factors—Risks relating to the franchise business model operated by the Group—An increase in the franchisee churn rate, decrease in the attractiveness of the franchise offer to new franchisees or a decrease of the Group's share in the margins realised may adversely affect the Group's business*".

The Group considers its franchisees as key stakeholders and believes that maintaining their engagement and satisfaction is crucial to ensuring the successful execution of the Group's strategy. As a result, the Group places great importance on the relations between it and its franchisees. Żabka Polska is a signatory of The Code Of Good Practice for Franchising and as a member of Polish Franchise Organisation is binded by The European Code of Ethics for Franchising. The Group not only provides the franchisees with a wide array of assistance and support, such as dedicated training sessions, and digital, legal and security support, but also constantly invests in margins realised by franchisees, technology as well as tools facilitating work at the stores and increases efficiency. The Group's efforts to follow the "Franchisee-centric" approach are visible both in the steady growth in the number of new franchisees and increasing NPS scores (+43 points between October 2018 and December 2023). The number of new franchisees amounted to 1,118 and 1,145 in the six-month period ended 30 June 2024 and 30 June 2023, respectively, and 2,217, 2,401 and 2,206 in 2023, 2022 and 2021, respectively.

For detailed information on the cooperation with the franchisees, please see "*Business of the Group—Operations of the Group—Modern Convenience—Franchisee-centric model*".

Use of technology, data and AI

Recent trends show a move towards progressive digitalisation, and the use of data and technology is affecting the Group's business. The Group's technological development is one of the pillars of the Group's growth. The Group implements advanced IT solutions in its operations in order to create the ultimate convenience ecosystem. This focus was reflected in significant investments in technology.

Since 2017, the Group launched a number of new technology tools for different stakeholders with the aim of driving the engagement of customers and franchisees and improving the efficiency of internal processes and controls. These technological initiatives are expected to deliver a profound impact on the Group's financials, driving both top-line growth and bottom-line efficiency. The integration of automation and robotics within the Group's operations is set to enhance the cost efficiency allowing the Group to scale its operations in a more effective manner. The investment in developing sophisticated applications and tools impacts the Group's ability to understand and anticipate customer needs, and by leveraging these technologies, the Group can deliver more tailored products and services to stimulate sales growth. Additionally, with access to sophisticated data analysis and insights, the Group can make more informed, data-driven decisions to optimize its operations and identify new opportunities for growth.

In particular, to drive customer engagement, in 2019, the Group introduced its mobile application – Żappka. In just over a year since its launch, the Żappka mobile application gained over 3 million users. As of 31 December 2023, the Żappka mobile application had more than 8.3 million yearly active users (i.e. users who made at least one interaction with the app in the last 12 months). As of 30 June 2024, the number of the yearly active users (last twelve months) was 10.2 million and it increased by 37% compared to the similar period of the last 12 months ended 30 June 2023. The Group offers personalised prices and promotions, and enables consumers to receive discounts, track and collect parcels, as well as collect loyalty points. The average basket value of an app user is approximately 20% higher compared to a non-app user, and the strategically important sales of the QMS category account for approximately 50% of app users – the highest among all categories. In the fourth quarter of 2024 the Group plans to publicly introduce an upgraded version of its leading Żappka consumer app, a core component of creating more DCO synergies. The aim of the upgraded Żappka consumer app is to serve as a centralized gateway for Group customers, providing a unified and seamless experience across all digital businesses (see "*Business of the Group—Operations of the Group—Digital businesses—Żappka mobile application*").

The Group also launched new technology solutions to simplify processes and improve the efficiency of the Group and the franchisees, including the Franchisee Relationship Management platform, which is based on the SalesForce system, storing relevant data around fixed assets, store-related metrics and information related to the franchisee. This data is essential for algorithms that perform analyses and predictions used by the Franchisee Support Team conducting in-store quality controls of standards, assets and performance. The platform is available as a mobile application – and an internet application (Cyberstore) and allows the franchisees to track logistics processes in real time, or conduct two-way communication between a given store and the Żabka Polska team. In addition, the franchisee can monitor and control its assets, get real time data regarding store performance, monitor stock availability, among others.

The Group uses big data and artificial intelligence-based algorithms to: (i) select the strong candidate locations for new stores, accounting for cannibalisation and expected return levels, which, in turn, allows it to maximise the white space potential, reduce the number of closed stores and improve the Payback Period; (ii) manage prices and promotions in order to improve margins and LFL growth through further tailoring the store to local needs; (iii) select the product offering for each location, and manage range, space and store layout in order to allow for sales volume maximisation, an optimal product mix and waste reduction; (iv) optimise marketing and CRM activities to drive the spend per customer and supplier income through personalisation and smarter digital marketing; and (v) improve the logistics process, which allows for cost optimisation. The selection of locations for new stores has been supported by the Group's innovative platform for almost ten years, for instance, with it contributing to the opening of over half of Żabka Polska's existing locations.

The Group's digital development not only creates synergies and enhances economies of scale, but also results in new and faster time-to-market solutions across the value chain, including procurement, warehousing, distribution, in-store execution and store rollout. The use of digital tools has impacted the Group's profitability and results of operations. The Group leveraged the large amount of data it collects to create a data platform for suppliers (Advanced Customer Insight Tool – ACIT), through which the Group can observe the performance of its products as well as the products of the competitors. As at December 2023, more than 50 suppliers had access to the platform. This solution allows the Group to reduce the cost of products acquired from its suppliers. The Group plans to continue its strategy by launching new use cases and further improving the tools and processes already implemented.

The Group believes that investments in technology, artificial intelligence solutions and data analysis are expected to enhance the future expansion of business operations and should continue to positively impact the Group's profitability.

Operating cost efficiency

The Group strives to improve the efficiency of its operations by using the effects of scale, the excellence of its internal processes and the leveraging of data (as described above). The Group has a strong focus on cost optimisation, which contributes to its ability to maintain its deep value proposition. The Group's high degree of automation and use of technology allows it to control costs across all levels of its organisation and to maximise cost efficiency.

The Group's operating costs are driven by a number of external factors such as inflation, energy and gas prices, minimum and average wage fluctuations as well as real estate market sentiment impacting rent rates. Furthermore, given that the Group's strategy aims to increase its competitive advantage by leveraging technology, data and AI development, the Group's costs are particularly impacted by the competitive labour market for IT and data analysis specialists.

The Group carefully manages the costs incurred in regard to Żabka stores, including mainly: (i) rent costs through the negotiation and renegotiation of the rental agreements for its stores (repayment of lease liabilities and lease interest paid related to property lease); (ii) energy costs through searching for energy-efficient store equipment; (iii) store maintenance costs through the introduction of changes in internal processes, proper selection of store equipment and negotiations with suppliers; (iv) logistics costs, through continuous optimisation of processes and efficient route planning; and (v) marketing and SG&A costs through ensuring proper cost control both at the stage of budgeting and execution.

The Group has made significant efforts to properly plan and control the logistics costs both in the short and the long-term perspectives. The Group has implemented a defined long-term logistics strategy reflecting the Group's accelerated expansion plans. Between 2021 and 2023 several new tools and enhancements have been introduced to optimize logistics processes. For example, the Group implemented a new Transport Management System for Żabka Polska that enables more precise and efficient route planning and transport. In the first quarter of 2024, Żabka Polska completed the implementation of certified e-signature in logistics, eliminating the use of paper in all settlements between distribution centres, cross-docks and franchisees. Due to the use of electronic data exchange in the supply chain, logistics processes are simplified, costs optimized and operational risks reduced. Since 2020, the Group has been developing an AI-based automated replenishment solution which facilitates the workload on the franchisee's side (92% automated replenishment), reduces product waste, and improves product availability. The solution was trailed and launched for a selected group of stores in 2021 and resulted in a high adoption rate and positive feedback from the franchisees. It was fully deployed across the entire chain in the second half of 2022. In the second quarter of 2023, a new automated distribution centre near Warsaw became fully operational, contributing to a further reduction of logistics costs, while significantly improving picking efficiency and warehouse capacity. In addition, the Group has invested in dedicated transport for chilled and frozen products, which helps in minimising the use of dry ice. Instead, it utilizes vehicles equipped with onboard refrigeration and freezing systems. This project has resulted in significant savings on dry ice costs and has reduced its environmental impact (ESG), contributing to both financial cost and decarbonisation efficiency.

The Group believes that it is also able to optimise costs as a result of a strong culture of continuous improvement of systems and processes to increase efficiency. This approach resulted in the creation of the internal Żabka Service Centre in January 2021, which is responsible for financial and non-financial processes (such as bookkeeping, procurement, contracts with franchisees, administration and HR) for the Group entities. The aim of the Service Centre is to improve back office quality and efficiency. This allows the Group to focus on business growth whilst driving strong cost control and a high degree of operating leverage.

The Group asserts that it expends every conceivable effort to optimize the expenditures incurred. Simultaneously, the Group constantly seeks new possibilities to minimise operational costs by using advanced IT solutions, data and process improvements.

Capex on stores, logistics and technological backbone

The Group has heavily invested in its stores over the past several years, and the Management believes that the Group's business is well-invested and the Group should benefit therefrom in the coming years. The Group's Capex amounted to PLN 3,872.2 million, or 6.9% of Sales to End Customers in the period of 2021-2023 and PLN 645.2 million, or 5.0% of Sales to End Customers in the six-month period ended 30 June 2024.

The Group incurred Growth Capex of PLN 3,125.8 million in the period of 2021-2023 and PLN 508.6 million in the six-month period ended 30 June 2024, which Growth Capex comprised mainly Capex related to new store openings (which amounted to PLN 252.0 million in the six-month period ended 30 June 2024, and PLN 528.7 million, PLN 484.2 million and PLN 335.7 million in 2023, 2022 and 2021, respectively, or approximately PLN 0.45 million in Capex per new store in the six-month period ended 30 June 2024 and PLN 0.45 million, PLN 0.40 million and PLN 0.30 million in Capex per new store in 2023, 2022 and 2021, respectively), Capex related to renew (which amounted to PLN 47.0 million in the six-month period ended 30 June 2024 and PLN 70.5 million, PLN 56.1 million and PLN 43.3 million in 2023, 2022 and 2021, respectively, or approximately PLN 0,34 million in Capex per new store in the six-month period ended 30 June 2024 and PLN 0.33 million, PLN 0.28 million and PLN 0.20 million, respectively, in Capex per renewed store in 2023, 2022 and 2021, respectively), Capex related to the new distribution centre opened in 2023 (PLN 57.8 million, PLN 146.4 million, PLN 271.5 million invested in 2023, 2022 and 2021, respectively), as well as Capex related to technology and the expansion of the Group's digital offer. The Group incurred Maintenance Capex in the amount of PLN 746.4 million in the years 2021-2023 and PLN

136.6 million in the six-month period ended 30 June 2024. The above-mentioned investments have impacted the Group's historical cash flow.

In 2020, the Group completed one of the largest store remodelling process in Europe in the last decade. As a result, physical Żabka stores underwent a transformation from a convenience grocery store offering selected ancillary services to an innovative, tactically designed store with approximately 2,400 SKUs offering a full-suite of ancillary services, such as quick meal solutions, parcel and postal services, medical services and bill payments to its consumers. The remodelling helped Żabka to attract new customer groups and increase the average basket size, which resulted in an increase in sales. The Group constantly develops its store concept and tests different changes in layout or additional functionalities (e.g. lotto, automatic parcel machines) in an effort to drive sales increases. The most valuable test solutions are rolled out to a bigger group of stores. Moreover, since 2022, the Group started to implement Żabka Café 2.0. which is aimed to increase the sale of QMS products (i.e. burgers, strips, churros, fries) prepared in new Merrychef oven.

The Group operates a well-invested modern logistics platform. In 2023, the Group opened an automated logistics centre near Warsaw with Capex exceeding EUR 100 million. The Group believes that the investment should provide significant capacity for the future expansion of the Group and lower payroll costs due to fewer FTEs being required. This highly automated high-bay distribution centre was developed by 7R Development Management sp. z o.o. and in October 2022 was finally sold to a special purpose company controlled by a top-tier real-estate investor – Macquarie Asset Management, while Żabka Polska remains a tenant of this logistic centre. Thanks to this model of development, Żabka Polska had a full control over the quality and structure of the building and received capital gains.

The Group's investment in IT, technology and AI has allowed for the introduction of new software improving operations across the whole organisation, as well as simplifying collaboration for franchisees. IT projects mostly include maintaining owned software and licences and the purchase/replacement of IT equipment.

Given the Group's expansion plans and investment in a digital convenience backbone (including technology), the Group believes that in the medium term, Capex should increase slower than Sales to End Customers and will mostly be targeted at financing the Group's development.

Financial costs, interest rate changes and working capital management

Between 2021 and 2023 and in the six-month period ended 30 June 2024, the Group used third-party financing, mostly credit facilities and leasing. As at 30 June 2024, loans and borrowings of the Group amounted to PLN 5,037.9 million, compared to PLN 5,218.4 million as at 31 December 2023, PLN 3,874.5 million as at 31 December 2022 and PLN 4,040.8 million as at 31 December 2021. As at 30 June 2024, lease liabilities of the Group amounted to PLN 4,499.8 million, compared to PLN 4,012.6 million as at 31 December 2023, PLN 3,598.8 million as at 31 December 2022 and PLN 3,061.7 million as at 31 December 2021.

In addition, as part of its working capital management, the Group uses a reverse factoring agreement (described in "*Business of the Group—Operations of the Group—Procurement—Suppliers*") and a factoring agreement in relation to its receivables, under which it submits sales invoices of selected franchisees for factoring (up to the limit of PLN 300 million). Receivables are subject to general assignment and an assignment of rights under the trade receivables insurance policy to the factor and are 90% financed by the factor. As at 30 June 2024, trade payables of the Group covered by reverse factoring amounted to PLN 2,622.7 million, compared to PLN 2,444.4 million as at 31 December 2023, PLN 2,429.4 million as at 31 December 2022 and PLN 2,259.0 million as at 31 December 2021.

The Group leases various properties and equipment, particularly for the financing of store equipment, cars and lift trucks. As of 30 June 2024, the lease line limit amounted to PLN 155.2 million with utilisation amounting to PLN 33.0 million.

As at 30 June 2024, trade payables and other financial liabilities of the Group with floating interest rates amounted to PLN 2,622.7 million, compared to PLN 2,444.4 million as at 31 December 2023, PLN 2,429.4 million as at 31 December 2022 and PLN 2,259.0 million as at 31 December 2021. Changes in interest rates and other factors have affected and may continue to affect the Group's operations. In the years 2021-2023 and in the six-month period ended 30 June 2024, most of the liabilities of the Group bore interest rates based on WIBOR; therefore, each change in interest rates affects the financial costs of the Group.

The following table presents the annual change in consumer price inflation rates, Żabka Internal Inflation (illustrating the impact of the increase of prices of goods on Żabka's store shelve on business growth) and, as an example, 1M WIBOR for the periods indicated.

	Year-on-year change in CPI(1)	**Żabka Internal Inflation**	**Average 1M WIBOR(2)**
		(%)	
Year ended 31 December 2021	5.1	4.0	0.4635
Year ended 31 December 2022	14.4	10.4	5.6240
Year ended 31 December 2023	11.4	10.4	6.5580
Six-month ended 30 June 2023	15.0	12.8	6.8694
Six-month ended 30 June 2024	2.7	4.3	5.8446

Source: (1) GUS, (2) NBP.

The interest cost amounted to PLN 491.4 million in the six-month period ended 30 June 2024 compared to PLN 461.0 million in the six-month period ended 30 June 2023, and amounted to PLN 950.1 million in the year ended 31 December 2023, compared to PLN 688.1 million in the year ended 31 December 2022 and PLN 345.2 million in the year ended 31 December 2021.

Interest rates are affected by many factors, including, specifically, the global and national economic and political environment as well as other factors which are beyond the control of the Group. Interest rates announced by the NBP are determined by the Polish Monetary Policy Council. The Polish Monetary Policy Council makes its decisions regarding potential changes in interest rates on the basis of numerous factors, including economic growth forecasts as well as the actual and forecast inflation for the Polish economy. The Polish Monetary Policy Council applies a strategy of defining a direct inflation target. The Polish Monetary Policy Council defines the inflation target and then adjusts the principal interest rates of the NBP in such a manner so as to ensure the highest probability of achieving such target. Since 2004, the Polish Monetary Policy Council has set the long-term inflation target at 2.5% (subject to a permitted variation of ± 1 p.p.).

Factors affecting comparability of results

During 2021-2023 and in the six-month period ended 30 June 2024, the Group's financial position and results of operations were affected by the following specific factors that the Group considers to be adjustments to EBITDA (the adjustments amounted to PLN 20.2 million in the six-month period ended 30 June 2024, PLN 94.5 million in 2023, PLN 83.9 million in 2022 and PLN 104.6 million in 2021, respectively):

- Costs related to changes in the ownership structure and obtaining financing.
- Funds spent on ensuring business continuity in the face of unforeseen events within the Group's environment, protection of employees, franchisees and society – in 2023 they represent mostly additional costs incurred in connection with the war in Ukraine and the related increase in energy prices caused by the energy crisis, in 2021-2022 incremental costs incurred by the Group related to the Covid-19 pandemic that can be separated from the costs of normal operations, mainly included support costs for various stakeholders of the Group (including employees and franchisees), sanitation costs and donation costs.
- Group reorganisation costs – costs related to the reorganisation of the Group performed in the periods under review including the development of the Group's long-term strategy and resources for business expansion, the set-up of new companies as well as implementation of the ESG commitments, in particular advisory and consulting fees. In the six-month period ended 30 June 2024 adjustments are related to the international development (Romania) and include costs relating to legal and advisory costs before the acquisition.
- Result on the disposal of property, plant, equipment and right of use – result on sale and liquidation of tangible fixed assets and right of use assets, with write-offs updating the value of these assets and inventory differences (the category does not include the result of transactions carried out as part of the Group's core business).
- Incentive schemes and additional compensation in connection with the termination of cooperation with key employees – costs related to additional remuneration for key managerial staff related to the change of shareholders, including exit bonuses, incentive schemes, share-based payments and additional remuneration of key management personnel in connection with the termination of cooperation. In the six-month period ended 30 June 2024, adjustments were connected with MIP in Lite e-Commerce.
- Transaction costs in respect of M&A – incremental costs directly related to the development of new types of business, including acquisition costs (due diligence and advisory costs).

The above-listed specific factors have been excluded from the definition of Adjusted EBITDA. Adjusted EBITDA is one of the main performance indicators of the Group's operations, which is used by the Management in the day-to-day management of the Group and decision-making. For the definition of Adjusted EBITDA and additional information concerning Adjusted EBITDA and other non-IFRS measures, see "*Selected Historical Financial Information—APMs and other operating KPIs*" and "*Presentation of Financial and Other Information—Consolidated Financial Statements and other data in the Prospectus—Non-IFRS measures*".

The Company expects Adjusted EBITDA in 2024 to exclude primarily costs related to the IPO and the anticipated repricing of the Group's existing capital structure, as well as business setup costs relating to the Group's expansion into Romania. Going forward, the Company also expects that Adjusted EBITDA will exclude expenses related to the LTIP.

The table below presents the level of specific costs from the following categories in the periods indicated therein.

	For the six-month periods ended 30 June				For the 12-month periods ended 31 December					
	2024		2023		2023		2022		2021	
	(PLN million) / (unaudited)	*(%)*	*(PLN million) / (unaudited)*	*(%)*	*(PLN million) / (audited)*	*(%)*	*(PLN million) / (audited)*	*(%)*	*(PLN million) / (audited)*	*(%)*
Costs related to changes in the ownership structure and obtaining financing..................	6.0	29.7	8.9	19.1	16.0	16.9	26.3	31.3	20.3	19.4
Funds spent on ensuring business continuity in the face of unforeseen event within the Group's environment, protection of employees, franchisees and society	-	-	31.5	67.6	32.2	34.1	13.5	16.1	28.0	26.7
Group reorganization costs........................	9.3	45.9	6.8	14.5	37.2	39.4	7.5	8.9	14.7	14.0
Result on disposal of property, plant and equipment and right of use	(3.0)	(14.9)	(1.9)	(4.2)	4.0	4.2	4.9	5.8	3.5	3.3
Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	7.8	38.6	0.4	0.8	2.7	2.8	23.7	28.2	17.8	17.1
Transaction costs in respect of M&A	0.1	0.7	1.0	2.2	2.4	2.5	8.1	9.7	20.3	19.4
Total......................	**20.2**	**100**	**46.6**	**100**	**94.5**	**100**	**83.9**	**100**	**104.6**	**100**

Seasonality

The Group's Sales to End Customers are seasonal and depend mostly on the demand for consumer goods throughout the year. The highest Sales to End Customers are generated in the summer (June-August) and the lowest in January and February. The seasonality of Sales to End Customers is mostly the result of specific patterns of consumer behaviour (e.g. higher impulse shopping in the summer is related to increased demand for beverages). Similarly, as in the case of Sales to End Customers, inventory is also subject to seasonal changes and depends primarily on Sales to End Customers in a given month. The high degree of correlation between fluctuations in the level of inventory and Sales to End Customers in consecutive months is the outcome of the characteristic features of the products offered in the Group's basket and the quick rotation of goods. The table below shows the quarter-by-quarter breakdown of the Group's Sales to End Customers for the period under review.

	Sales to End Customers	Contribution
	(PLN million) / (unaudited)	*(%)*
Q1 2021	2,934	20
Q2 2021	3,752	26
Q3 2021	4,033	28
Q4 2021	3,780	26
Q1 2022	3,826	21
Q2 2022	4,824	26
Q3 2022	5,097	28
Q4 2022	4,782	26
Q1 2023	4,679	21
Q2 2023	5,854	26
Q3 2023	6,410	28

	Sales to End Customers	Contribution
Q4 2023	5,833	26
Q1 2024	5,767	-
Q2 2024	7,126	-

The Group records its highest sales and the highest cash flows during the third quarter, as summer weather drives increased demand for beverages and impulse categories. The impact is even more pronounced at profitability level as these categories generally have higher margin, and due to fixed elements in cost base.

Recent Developments

Recent Trading

The business of the Group is developing according to plan and in line with Management's expectations as well as financial guidance presented in section "—*Outlook*" below.

In the third quarter of 2024 the Group continued to see positive Sales to End Customers and Adjusted EBITDA dynamics. As anticipated, the Group expects the third quarter of 2024 to deliver the upper end of mid-single-digit LFL growth, due to a high base effect including the positive impact of weather in the third quarter of 2023. As per near term guidance, the Group expects to deliver high single digit (7.5-9%) LFL growth for the full year.

The Group targets improvements in margin towards the top-end of its 12-13% target range in the medium-term. The Group expects accelerated pace of margin expansion in the near-term benefiting from normalisation of energy costs as well as increased efficiencies of scale.

Financial and Trading Position

There has been no significant change in the financial performance or trading or financial position of the Group since 30 June 2024.

Outlook

The Group has identified the following financial and operational targets. The targets are forward-looking statements and the Group's ability to achieve them will depend on a number of factors, many of which are outside of its control, including significant business, economic and competitive uncertainties and contingencies and risks, including those described under the headings "Presentation of Financial and Other Information—Forward-looking statements" and "Risk Factors". As a result, the Group's actual results may vary significantly from its targets, and such variations may be material. The Group does not undertake to publish updates as to its progress towards achieving any of the below-described targets or to reflect the occurrence of any unanticipated events or circumstances. The Group has not defined the term "medium term" by reference to any specific period, and unless specified otherwise, the below-described targets are not to be read as indicating that the Group is targeting or expecting such metrics in respect of any particular financial year. Such targets have not been reviewed or audited by the Group's independent statutory auditor, E&Y.

In line with the Group's business strategy, the Management has set the following medium-term targets for the Group.

Sales to End Customers

The Group aims to double the 2023 level of Sales to End Customers by 2028 through a combination of new store openings, LFL growth and contribution from Group's New Growth Engines.

The Group aims to open approximately 1,100 stores in 2024 and continue opening over 1,000 per annum in the medium term in Poland and Romania. The Group expects to reach approximately 14,500 stores in Poland by 2028 (approximately 4,500 new stores opening between 2024 and 2028 in Poland). In terms of store closures, the Group aims to reduce it to approximately 0.5% of the store base per annum in the medium term, leveraging its advanced data-enabled location selection process.

The Group is targeting high single-digit LFL growth in 2024 and mid to high single-digit LFL growth in the medium term. This is expected to be driven by both: strategic initiatives (including Żabka Café 2.0 – an extended range of quick meal solutions, warm snacks and street food), use of data, advanced analytics and AI to tailor the offering to customers' needs as well as ongoing enhanced commercial and marketing activities.

In Digital Customer Offering, the Group aims to grow the 2023 level of Sales to End Customers by 5x by 2028 and achieve positive Adjusted EBITDA in 2024.

Profitability

The Group targets gradual improvement in margins in the near term and medium term with a 12-13% target range, with the medium term approaching the top-end of the range.

The Group anticipates modest improvement in lease expense as a percentage of Sales to End Customers in the medium term as a result of increased store performance and unit economics.

The Group expects margin on financial debt to improve as it intends to reprice it to take into account all the benefits of being a public company. As at August 2024, the Group has reached an agreement in principle with members of the banks' syndicate (responsible for more than 50% of total allocation) providing the Group's debt financing to reduce the interest rate by approximately 100 bps across Group facilities and expects the re-pricing to be implemented shortly after the Offering. The Group expects interest rate on lease liabilities to remain broadly stable in the near and medium term. The Group expects costs related to reverse factoring to remain broadly flat in PLN terms in the near and medium term, as growth in reverse factoring balances is expected to be offset by lower base rates.

The Group anticipates a meaningful improvement in effective tax rate in the near-term. The Group has replaced a portion of its non-tax deductible debt facilities (as at the end of 2023, approximately PLN 2.6 billion of the Group's debt had interest that was effectively non-tax deductible), which it expects to be approximately PLN 1.7 billion at the end of 2024, resulting in an expected effective tax rate of approximately 25% for 2024. In the medium term, as the Group continues to replace non-tax deductible debt, the Group expects a gradual improvement of effective tax rate to approximately 20%.

Cash flow and balance sheet

The Group is targeting approximately PLN 470 thousand of Capex per new store in near term, which is expected to increase with inflation over the medium term, trending to 1.5% in the medium-term.

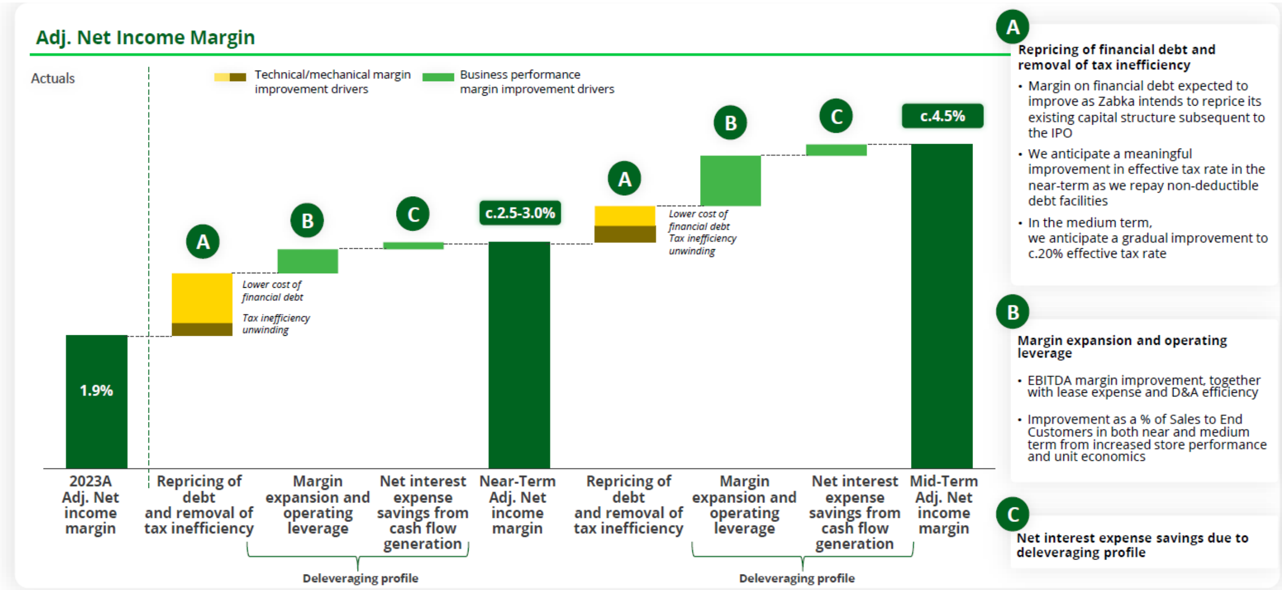
The Group is targeting its other Growth Capex within the 1.5 to 2.5% range as a percentage of Sales to End Customers in the medium term, with near term at higher end of the range due to planned store upgrades and trending to 1.5% in the medium term.

The Group anticipates relatively stable Maintenance Capex as a percentage of Sales to End Customers in near term and trending to approximately 1% in the medium term.

In terms of change in net working capital, the Group anticipates a continued positive cash flow impact as the Group grows, although reflecting increased investment in the Group suppliers in the medium term. The Group also expects Payables in days of Sales to End Customers to continue to decline in the medium term.

The Group's medium term ambition is to reach Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent) below 1x.

The Group expects improvement of Adjusted Net Income Margin in the near and medium term driven by lower interest and tax improvements.



Source: Company. Based on current estimates for WIBOR. Adj. Net Income excludes LTIP expense and is adjusted for one-off costs.

APMs and other operating KPIs

The following APMs and other operating KPIs are measured and used by the Management for an analysis of the Group's performance in the periods indicated or as at certain dates. For information regarding the calculation, see the section "*Selected Historical Financial Information—APMs and other operating KPIs*" and for definitions of the APMs and other operating KPIs, see "*Presentation of Financial and Other Information—Consolidated Financial Statements and other data in the Prospectus—Non-IFRS Measures—Alternative Performance Measures*" and "*—Other operating key performance indicators*". In the following table, APMs are indicated with an asterisk (*) and underlined.

	As at and for the six-month periods ended 30 June		As at and for the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021

	As at and for the six-month periods ended 30 June		As at and for the 12-month periods ended 31 December		
	(unaudited, unless indicated otherwise)				
Sales to End Customers (PLN million)	12,893.5	10,532.5	22,774.9	18,529.9	14,497.9
Sales to End Customers at Żabka stores (PLN million)	12,395.6	10,290.4	22,304.7	18,246.1	14,361.3
Sales to End Customers per Żabka store (PLN million)	1.2	1.1	2.4	2.2	2.0
Franchisee Margin (PLN million)	2,136.0	1,751.2	3,678.8	2,897.2	2,208.0
Franchisee Margin / Sales to End Customers at Żabka stores (%)	17.2	17.0	16.5	15.9	15.4
Franchisee Margin per average number of stores (PLN thousand)	212.6	194.1	395.6	355.4	306.8
LFL growth (%)	10.3	9.7	10.8	17.0	9.8
GMV (PLN million)	1,016.7	800.1	1537.2	1126.3	912.9
Gross profit / Sales to End Customers (%)	14.2	13.1	15.5	16.1	16.4
Adjusted EBITDA (PLN million)*	1,399.0	1,048.0	2,834.1	2,418.5	1,986.3
Adjusted EBITDA / Sales to End Customers (%)	10.9	9.9	12.4	13.1	13.7
Adjusted EBITDA / Revenue (%)*	12.5	11.4	14.3	15.1	15.9
Adjusted EBITDA (post-rent) (PLN million)*	925.6	637.4	2,009.4	1,737.0	1,423.7
4-Wall Adjusted EBITDA (PLN million)*	1,870.1	1,496.6	3,724.6	3,172.5	2,466.6
4-Wall Adjusted EBITDA per store (PLN thousand)	186.1	165.9	400.5	389.2	342.7
4-Wall Adjusted EBITDA / Sales to End Customers at Żabka stores (%)	15.1	14.5	16.7	17.4	17.2
Adjusted Net Income (PLN million)*	74.6	(39.5)	432.8	451.7	580.0
Adjusted Net Income Margin (%)*	0.6	(0.4)	1.9	2.4	4.0
Cash Conversion (%)*	85.2	76.8	84.8	85.0	87.3
Cash Conversion Cycle (# days)	(35.3)	(39.5)	(26.7)	(37.8)	(47.1)
Free Cash Flow (PLN million)*	1,259.7	382.1	460.8	721.1	613.4
Free Cash Flow Conversion (%)*	136.1	59.9	22.9	41.5	43.1
Capex (PLN million)*	645.2	605.8	1,351.0	1,432.2	1,089.0
Capex / Sales to End Customers (%)	5.0	5.8	5.9	7.7	7.5
Maintenance Capex (PLN million)*	136.6	147.6	305.6	260.6	180.2
Maintenance Capex / Sales to End Customers (%)	1.1	1.4	1.3	1.4	1.2
Growth Capex (PLN million)*	508.6	458.2	1,045.4	1,171.6	908.8
Growth Capex / Sales to End Customers (%)	3.9	4.4	4.6	6.3	6.3
Adjusted EBITDA (post-rent) minus Maintenance Capex (PLN million)*	789,0	489,8	1,703.8	1,476.4	1,243.5
Net Debt (PLN million)*	8,381.4	7,996.0	8,581.8	7,192.7	6,619.3
Leverage Ratio (%)*	91.1	94.3	90.5	92.6	96.8
Net Debt / Adjusted EBITDA*	2.6[1]	3.3[1]	3.0	3.0	3.3
Net Debt excluding lease liabilities (PLN million)*	3,881.6	4,041.6	4,569.2	3,593.8	3,557.6
Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent) (%)*	1.7[1]	2.4[1]	2.3	2.1	2.5

[1] *Adjusted EBITDA calculated for the preceding twelve months.*

Explanation of selected items of the statement of profit or loss

Revenue

The main source of the Group's revenues are contracts concluded with franchisees (ultimate convenience) under which the Group, among other things, sells goods to the franchisees and generates fees in connection with licensing and the provision of know-how. The Group identifies one performance obligation under the contracts with the franchisees based on the conducted analysis that shows a high correlation between the sale of goods and the provision of services, i.e. their mutual integration and matching. The revenue is recorded along with deliveries of goods. The revenue for services accompanying sales of goods to the franchisee is based in general on the turnover of goods sold and it is not separated from the income from goods delivery. It is estimated as a part of the variable consideration for the single combined performance obligation. The goods offered by the Group are often sold with retrospective discounts and rebates based largely on quantitative indicators, i.e. the value of the goods sold by the franchisee. The revenue is decreased by the best estimate of the rebates and discounts to be granted with respect of the corresponding deliveries.

Given the above and the fact that the Group operates as a franchisor, Sales to End Customers does not represent the Group's revenue; however, it is the main driver of such revenue. The revenue is further impacted by the margin generated by franchisees on sales of products delivered by the Group to end customers, the movements in inventory at Żabka stores (which is owned by the franchisees) and sales of regional products sourced directly by the franchisees.

Revenue from sales to franchisees is strongly linked to the number of stores (see "*—General factors affecting the operating and financial results—New store openings*") and Sales to End Customers (see "*—General factors affecting the operating and financial results—LFL growth*"), hence the key performance indicators described hereafter refer to these metrics.

Revenue of ultimate convenience channel has accounted for approximately 98% of the entire Group's sales between beginning of 2021 and 30 June 2024. The remaining 2% of sales relates to the Digital channel. Some of the initiatives in the Digital channel have recently started and as at the date of the Prospectus represent relatively small portion of the Group's revenue but their contribution is expected to increase in the next five years due to their growth potential. These initiatives include Maczfit, Dietly, eGrocery (Jush! and delio) as well as Nano.

Cost of sales

The cost of sales represents the value of goods and products sold, logistics and distribution costs (including mainly external services and salaries), and operating and maintenance costs of stores (including repair and renovation, energy and utility costs).

Gross profit on sales

The Group calculates gross profit on sales as revenue after deducting the costs of sales.

Marketing costs

Marketing costs include primarily: (i) costs of cooperation with external marketing agencies; (ii) communication and above-the line and below-the-line marketing costs; (iii) costs of digital marketing; and (iv) brand marketing, including both online and offline advertising expenses. Costs attributable to the remuneration of employees, costs of materials and external services are included in marketing costs.

General and administrative costs

General and administrative costs include the costs of managing the overall business of the Group and the Group's general costs. Such costs include, among others, administrative costs, representation costs and insurance costs.

Costs of technology, innovation and development

The costs of technology, innovation and development include: (i) costs related to new technologies and IT, including salaries and advisory services; (ii) costs of innovative projects (e.g. related to artificial intelligence), mainly including salaries and external services; and (iii) Group development costs, including costs of the introduction of new products and services and an increase in the number of stores, as well as remuneration and external services costs.

Other operating income and costs

Other operating income comprises other income that does not meet the above-mentioned definition of revenue, such as the refund of losses and contractual penalties received.

Other operating costs include impairment losses of non-financial assets and the write-down of materials presented on a net basis.

Operating profit before depreciation and amortisation (EBITDA)

EBITDA is one of the measures of the effectiveness of the conducted activity. The Group defines EBITDA as the net profit / (loss) for a given reporting period before considering the impact of income tax, effects of financial activities and depreciation and amortisation costs.

Depreciation and amortisation

The Group allocates the depreciable amounts of property, plant and equipment, right-of-use assets and intangible assets with a finite useful life on a systematic basis over the useful life of the assets and recognises the cost in this respect under the depreciation and amortisation line.

Financial income and costs

Financial income and costs are related to the financial activities conducted by the Group, which include transactions such as loans and borrowings and the sale and purchase of financial instruments.

Interest income is accrued using the effective interest method, which is the rate at which the estimated future cash inflows over the expected life of the financial instruments are discounted to the net carrying amount of the financial asset. Dividends are recognised when the shareholders' right to receive payment is established. The cost of interest payable on debt is determined based on the effective interest rate.

Income tax expense

The Group's income tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Results of operations

The following table presents selected items of the consolidated statement of profit or loss for the periods indicated.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December			Change between*		
	2024	**2023**	**2023**	**2022**	**2021**	**H1 2024 and H1 2023**	**2023 and 2022**	**2022 and 2021**
	(PLN million) / (unaudited)		*(PLN million) / (audited)*			*(%) / (unaudited)*		
Revenue..	11,148.0	9,177.1	19,805.9	16,003.4	12,493.4	21.5%	23.8%	28.1%
Cost of sales..................................	(9,318.8)	(7,792.8)	(16,272.8)	(13,014.2)	(10,119.7)	19.6%	25.0%	28.6%
Gross profit on sales................	**1,829.2**	**1,384.3**	**3,533.0**	**2,989.2**	**2,373.7**	**32.1%**	**18.2%**	**25.9%**
Marketing costs.............................	(130.2)	(116.8)	(224.9)	(211.9)	(133.6)	11.5%	6.1%	58.7%
General and administrative costs.	(175.3)	(154.9)	(329.2)	(316.8)	(222.5)	13.2%	3.9%	42.4%
Costs of technology, innovation and development..........................	(145.2)	(106.2)	(230.5)	(178.3)	(124.0)	36.8%	29.3%	43.7%
Other operating income................	16.9	5.8	30.8	88.5	24.4	189.5%	(65.2%)	262.3%
Other operating costs....................	(14.4)	(5.3)	(33.5)	(25.6)	(18.1)	169.3%	31.0%	41.8%
Expected credit losses on trade receivables.....................................	(2.0)	(5.6)	(6.0)	(10.5)	(18.2)	(64.1%)	(42.8%)	(42.7%)
Operating profit before depreciation and amortisation (EBITDA)...................................	**1,378.9**	**1,001.4**	**2,739.6**	**2,334.6**	**1,881.7**	**37.7%**	**17.3%**	**24.1%**
Depreciation and amortisation	(804.8)	(635.7)	(1,359.2)	(1,114.7)	(915.4)	26.6%	21.9%	21.8%
Operating profit	**574.1**	**365.7**	**1,380.4**	**1,219.9**	**966.3**	**57.0%**	**13.2%**	**26.2%**
Financial income...........................	32.2	93.1	141.6	41.5	66.2	(62.1%)	241.1%	(37.3%)
Interest income.........................	*25.5*	*20.6*	*47.6*	*10.1*	*65.3*	*23.8%*	*372.8%*	*(84.6%)*
Other..	*6.7*	*64.6*	*93.9*	*31.4*	*0.9*	*(89.6%)*	*198.9%*	*3520,5%*
Financial costs...............................	(516.0)	(491.8)	(1,011.8)	(712.6)	(383.3)	4.9%	42.0%	85.9%
Interest costs.............................	*(491.4)*	*(461.0)*	*(950.1)*	*(688.1)*	*(345.2)*	*6.6%*	*38.1%*	*99.3%*
Other..	*(24.6)*	*(30.7)*	*(61.7)*	*(24.5)*	*(38.1)*	*(20.0%)*	*151.9%*	*(35.6%)*
Expected credit losses on loans	(0.1)	-	(0.5)	-	-	-	-	-
Profit/(loss) before tax	**90.2**	**(40.9)**	**509.7**	**548.8**	**649.2**	**320.4%**	**(7.1%)**	**(15.5%)**
Income tax expense......................	(32.0)	(36.3)	(153.4)	(165.1)	(153.9)	(11.9%)	(7.1%)	7.3%
Net profit /(loss) from continuing operations..............	**58.2**	**(77.2)**	**356.3**	**383.7**	**495.3**	**175.4%**	**(7.1%)**	**(22.5%)**

Revenue

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Revenue increased by PLN 1,970.9 million, or 21.5%, to PLN 11,148.0 million in six-month period ended 30 June 2024 compared to PLN 9,177.1 million in six-month period ended 30 June 2023. This was mostly driven by a combination of LFL growth (related mainly to increased traffic in stores and amounting to 10.3% in the six-month period ended 30 June 2024) and expansion of the Group's store network (which increased by 714 gross store opening to 10,640 total stores as at 30 June 2024).

Year ended 31 December 2023 compared to year ended 31 December 2022

Revenue increased by PLN 3,802.4 million, or 23.8%, to PLN 19,805.9 million in 2023 compared to PLN 16,003.4 million in 2022. This was mostly driven by a combination of LFL growth (which amounted to 10.8% in 2023) and expansion of the Group's store network (which increased by 1,100 gross store openings to 10,014 total stores at the end of 2023). The increase was additionally supported by development of New Growth Engines segment, with the sales to external customers in this segment increasing by 66.2% year-on-year.

Year ended 31 December 2022 compared to year ended 31 December 2021

Revenue increased by PLN 3,510.1 million, or 28.1%, to PLN 16,003.4 million in 2022 compared to PLN 12,493.4 million in 2021. This was mostly driven by the expansion of the Group's store network (7,954 stores at the end of 2021 as compared to 9,021 at the end of 2022), as well as strong store performance (with LFL growth amounting to 17.0% in 2022) achieved on the back of an increase in traffic in stores supported by the influx of the Ukrainian refugees to Poland as well as basket development. The increase was additionally supported by development of New Growth Engines segment, with the sales to external customers in this segment increasing by 107.2%.

Cost of sales

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

The cost of sales increased by PLN 1,526.0 million, or 19.6%, to PLN 9,318.8 million in six-month period ended 30 June 2024 compared to PLN 7,792.8 million in six-month period ended 30 June 2023 compared to 21.5% increase in revenue.

The main driver of the increase was higher revenue driven by expansion and LFL growth, which translated into the increase in direct costs.

Year ended 31 December 2023 compared to year ended 31 December 2022

The cost of sales increased by PLN 3,258.6 million, or 25.0%, to PLN 16,272.8 million in 2023 compared to PLN 13,014.2 million in 2022 compared to 23.8% increase in revenue.

The main driver of the increase was higher revenue driven by expansion, which translated into the increase in direct costs. The costs were also impacted by improvements in the terms of trade with suppliers and the increased share of QMS in total sales. In addition, the costs were impacted by higher energy costs at stores (PLN 765.0 million of materials and energy used in 2023 (3.9% of total revenue) in comparison to PLN 476.2 million in 2022 (3.0% of total revenue) connected with the global situation on energy market).

Year ended 31 December 2022 compared to year ended 31 December 2021

The cost of sales increased by PLN 2,894.5 million, or 28.6%, to PLN 13,014.2 million in 2022 compared to PLN 10,119.7 million in 2021 compared to 28.1% increase in revenue.

The main driver of the increase was an increase in revenue. The costs were also impacted by improvements in the terms of trade with suppliers and positive changes in the mix of products sold to the franchisees driven by sales increases in the impulse and QMS categories. Materials and energy costs within cost of sales grew from PLN 297.6 million in 2021 (2.4% of revenue) to PLN 476.2 million in 2022 (3.0% of revenue), mainly in line with the increasing number of stores, but also due to increases in energy rates. Employee benefit costs grew from PLN 121.8 million in 2021 to PLN 185.0 million in 2022, which was mainly driven by the increasing volume of sales and new store openings, as well as wage increases driven by the labour market situation.

Gross profit on sales

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

As a consequence of a higher increase in revenue by PLN 1,970.9 million compared to the increase in the cost of sales by PLN 1,526.0 million, gross profit on sales increased by PLN 444.9 million, or 32.1%, to PLN 1,829.2 million in six-month period ended 30 June 2024 compared to PLN 1,384.3 million in six-month period ended 30 June 2023. The increase was mostly driven by increased sales, declining of energy prices as well as better performance of the New Growth Engines.

Year ended 31 December 2023 compared to year ended 31 December 2022

As a consequence of a higher increase in revenue by PLN 3,802.4 million compared to the increase in the cost of sales by PLN 3,258.6 million, gross profit on sales increased by PLN 543.8 million, or 18.2%, to PLN 3,533.0 million in 2023 compared to PLN 2,989.2 million in 2022. The increase was mostly driven by increased sales, positive direct gross profit development as well as better performance of digital channel. These positive factors were partially offset by higher energy costs driven by adverse development of market rates on electricity and franchisee costs.

Year ended 31 December 2022 compared to year ended 31 December 2021

As a consequence of a higher increase in revenue by PLN 3,510.1 million compared to the increase in the cost of sales by PLN 2,894.5 million, the gross profit on sales increased by PLN 615.5 million, or 25.9%, to PLN 2,989.2 million in 2022 compared to PLN 2,373.7 million in 2021. The increase was mostly driven by increased sales category margins development that were partially offset by costs relating to increased Franchisee Margin and higher energy costs.

Marketing costs

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Marketing costs increased by PLN 13.4 million, or 11.5%, to PLN 130.2 million in six-month period ended 30 June 2024 compared to PLN 116.8 million in six-month period ended 30 June 2023. Marketing activities were focused on new street food brand "*Prosto z pieca* / Straight from the oven". The share of marketing costs in revenue was relatively stable and reached 1.2% and 1.3% in six-month period ended 30 June 2024 and 2023, respectively.

Year ended 31 December 2023 compared to year ended 31 December 2022

Marketing costs increased by PLN 13.0 million, or 6.1%, to PLN 224.9 million in 2023 compared to PLN 211.9 million in 2022. Marketing activities were focused on strengthening brand awareness under the new communication platform “Free up your free time”. In 2023 the Group concentrated on cost efficiency and contracts renegotiations in the marketing area, as a result, the share of marketing costs in revenue decreased from 1.3% in 2022 to 1.1% in 2023.

Year ended 31 December 2022 compared to year ended 31 December 2021

Marketing costs increased by PLN 78.4 million, or 58.7%, to PLN 211.9 million in 2022 compared to PLN 133.6 million in 2021. The drivers of the increase in costs in ultimate convenience in 2022 were related to traffic-driving campaigns, including Żappka user activation via targeted marketing campaigns (e.g. samplings and multi-buys), as well as intensification of promotional activity communication in the second half of 2022, with the highest spending going towards internet and TV campaigns (introduction of new communication platform “Free up your free time”). In 2022, marketing cost in New Growth Engines also increased.

General and administrative costs

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

General and administrative costs increased by PLN 20.5 million, or 13.2%, to PLN 175.3 million in six-month period ended 30 June 2024 compared to PLN 154.9 million in six-month period ended 30 June 2023. This increase was mainly a result of payroll development due to salary increase, as well as acquisitions of business in Romania.

Year ended 31 December 2023 compared to year ended 31 December 2022

General and administrative costs increased by PLN 12.4 million, or 3.9%, to PLN 329,2 million in 2023 compared to PLN 316.8 million in 2022. This increase was mainly a result of payroll development due to salary increase and higher annual bonus attributable to higher performance than budgeted.

Year ended 31 December 2022 compared to year ended 31 December 2021

General and administrative costs increased by PLN 94.3 million, or 42.4%, to PLN 316.8 million in 2022 compared to PLN 222.5 million in 2021. This increase was mainly a result of the Group’s development (mostly costs related to the ownership structure and acquisitions of new companies, and personnel costs related to the increase in headcount).

Costs of technology, innovation and development

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Costs of technology, innovation and development increased by PLN 39.1 million, or 36.8%, to PLN 145.2 million in six-month period ended 30 June 2024 compared to PLN 106.2 million in six-month period ended 30 June 2023. This increase was mainly a result of (i) the organic growth of the network, (ii) dynamic growth of New Growth Engines, (iii) increased use of cloud computing for business process optimization and (iv) international expansion.

Year ended 31 December 2023 compared to year ended 31 December 2022

Costs of technology, innovation and development increased by PLN 52.2 million, or 29.3%, to PLN 230.5 million in 2023 compared to PLN 178.3 million in 2022. This increase was mainly a result of: (i) the continuation of an organisational strategy and the increase of the New Growth Engines, (ii) the incurrence of costs related to the organic growth of the network, and (iii) the incurrence of costs related to the growth of the Group.

Year ended 31 December 2022 compared to year ended 31 December 2021

Costs of technology, innovation and development increased by PLN 54.2 million, or 43.7%, to PLN 178.3 million in 2022 compared to PLN 124.0 million in 2021. The increase was mainly a result of: (i) the implementation of an organisational strategy and the creation of the Żabka Future business unit, (ii) the establishment and acquisition of new businesses, and (iii) the incurrence of costs related to the growth of the field force due to the organic growth of the network.

Additionally, since 2021 the Group bore the costs of changed regulations related to the treatment of the costs of Cloud products in the amount of PLN 20.3 million, PLN 22.7 million and PLN 24.8 million in the years ended 31 December 2021, 2022 and 2023, respectively.

Other operating income/costs

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Other operating income/costs, net increased by PLN 2.0 million to PLN 2.5 million in six-month period ended 30 June 2024 from PLN 0.5 million in six-month period ended 30 June 2023 as a result of revaluation of the rent lease provision as well as lower level of impairment losses.

Year ended 31 December 2023 compared to year ended 31 December 2022

Other operating income/costs, net decreased by PLN 65.6 million to PLN (2.8) million in 2023 from PLN 62.9 million in 2022 as a result of the Sale and Leaseback Transaction of an automated cross-docking facility.

Year ended 31 December 2022 compared to year ended 31 December 2021

Other operating income/costs, net increased by PLN 56.5 million to PLN 62.9 million in 2022 from PLN 6.4 million in 2021 as a result of gain on the Sales and Leaseback Transaction (PLN 64.7 million) in 2022 partially offset by donation (PLN 5.4 million) mainly consisting in humanitarian aid to Ukrainian refugees and R&D intangibles write off related to two R&D projects.

EBITDA

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

EBITDA increased by PLN 377.4 million, or 37.7%, to PLN 1,378.9 million in six-month period ended 30 June 2024 compared to PLN 1,001.4 million in six-month period ended 30 June 2023 as a result of the factors described above.

Year ended 31 December 2023 compared to year ended 31 December 2022

As a result of the factors described above, EBITDA increased by PLN 405.0 million, or 17.3%, to PLN 2,739.6 million in 2023 compared to PLN 2,334.6 million in 2022.

Year ended 31 December 2022 compared to year ended 31 December 2021

As a consequence of the factors described above, EBITDA increased by PLN 452,9 million, or 24.1%, to PLN 2,334.6 million in 2022 compared to PLN 1,881.7 million in 2021.

Depreciation and amortisation

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Depreciation and amortisation increased by PLN 169.1 million, or 26.6%, to PLN 804.8 million in six-month period ended 30 June 2024 compared to PLN 635.7 million in six-month period ended 30 June 2023. This increase was mainly driven by increased number of stores, new automatic warehouse & logistics operations, development in digital and technology channel. Depreciation of right-of-use assets was PLN 399.8 million in six-month period ended 30 June 2024, compared to PLN 345.4 million in six-month period ended 30 June 2023, reflecting growth in the number of new contracts and amendments to existing contracts for stores as well as new business development.

Year ended 31 December 2023 compared to year ended 31 December 2022

Depreciation and amortisation increased by PLN 244.5 million, or 21.9%, to PLN 1,359.2 million in 2023 compared to PLN 1,114.7 million in 2022. This increase was mainly driven by increased numbers of stores, new automatic warehouse & logistics operations, development in digital and technology channel. Depreciation of right-of-use assets was PLN 710.4 million in 2023, compared to PLN 579.0 million in 2022, reflecting growth in the number of new contracts and amendments to existing contracts for stores, logistics centres and the Group’s headquarters as well as for forklift leasing contracts.

Year ended 31 December 2022 compared to year ended 31 December 2021

Depreciation and amortisation increased by PLN 199.3 million, or 21.8%, to PLN 1,114.7 million in 2022 compared to PLN 915.4 million in 2021. This increase was mainly driven by (i) increased numbers of stores, and (ii) investment in technology and digital channel. Depreciation of right-of-use assets was PLN 579.0 million in 2022, compared to PLN 482.0 million in 2021, reflecting growth in the number of new contracts and amendments to existing contracts for stores and new business development (digital channel).

Operating profit

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

The operating profit increased by PLN 208.4 million, or 57.0 %, to PLN 574.1 million in six-month period ended 30 June 2024 compared to PLN 365.7 million in six-month period ended 30 June 2023 as a result of the factors described above.

Year ended 31 December 2023 compared to year ended 31 December 2022

As a result of the factors described above, the operating profit increased by PLN 160.5 million, or 13.2%, to PLN 1,380.4 million in 2023 compared to PLN 1,219.9 million in 2022.

Year ended 31 December 2022 compared to year ended 31 December 2021

As a consequence of the factors described above, the operating profit increased by PLN 253.5 million, or 26.2%, to PLN 1,219.9 million in 2022 compared to PLN 966.3 million in 2021.

Financial income and costs

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Financial income decreased by PLN 52.9 million, or 62.1%, to PLN 32.2 million in six-month period ended 30 June 2024 compared to PLN 85.2 million in six-month period ended 30 June 2023. This decrease was mainly driven by lower foreign exchange gains recognized during the reporting period.

Financial costs increased by PLN 24.3 million, or 4.9%, to PLN 516.0 million in six-month period ended 30 June 2024 compared to PLN 491.8 million in six-month period ended 30 June 2023. This increase was mainly a result of higher interest on lease agreements during the reporting period.

Year ended 31 December 2023 compared to year ended 31 December 2022

Financial income increased by PLN 100.1 million, or 241.1%, to PLN 141.6 million in 2023 compared to PLN 41.5 million in 2022. This increase was mainly driven by an increase in interest generated on the Group's loans, deposits and bank accounts in 2023 as well as foreign exchange gains in 2023.

Financial costs increased by PLN 299.2 million, or 42.0%, to PLN 1,011.8 million in 2023 compared to PLN 712.6 million in 2022. This increase was mainly a result of higher interest on bank loans, reverse factoring and lease agreements as well as additional bank loan-related costs and loss on valuation and settlement of derivatives.

Year ended 31 December 2022 compared to year ended 31 December 2021

Financial income decreased by PLN 24.7 million, or 37.3%, to PLN 41.5 million in 2022 compared to PLN 66.2 million in 2021. This decrease was mainly driven by lower interest from parent and related party loans, partially offset by higher foreign exchange gains and revision of estimated contractual cash flow.

Financial costs increased by PLN 329.3 million, or 85.9%, to PLN 712.6 million in 2022 compared to PLN 383.3 million in 2021. This increase was mainly a result of the higher interest on bank loans, lease agreements and reverse factoring.

Profit/(loss) before tax

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Profit/(loss) before tax increased by PLN 131.1 million to PLN 90.2 million in six-month period ended 30 June 2024 compared to a loss of PLN 40.9 million in six-month period ended 30 June 2023 as a result of the factors described above.

Year ended 31 December 2023 compared to year ended 31 December 2022

As a result of the factors described above, profit/(loss) before tax decreased by PLN 39.1 million, or 7.1%, to PLN 509.7 million in 2023 compared to PLN 548.8 million in 2022.

Year ended 31 December 2022 compared to year ended 31 December 2021

As a result of the factors described above, profit/(loss) before tax decreased by PLN 100.4 million, or 15.5%, to PLN 548.8 million in 2022 compared to PLN 649.2 million in 2021.

Income tax expense

In the six-month periods ended 30 June 2024, the effective tax rate amounted to 35.5% and in 2023, 2022 and 2021, the effective tax rate amounted to 30.1%, 30.1% and 23.7%, respectively. Permanent differences between the balance sheet and tax law relate mainly to interest and exchange rate differences on loans and borrowings received. The costs of debt financing obtained in order to acquire shares, in accordance with the CIT Act, do not constitute tax deductible costs.

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Income tax expenses decreased by PLN 4.3 million, or 11.9%, to PLN 32.0 million in six-month period ended 30 June 2024 compared to PLN 36.3 million in six-month period ended 30 June 2023 as a result of the factors described above.

Year ended 31 December 2023 compared to year ended 31 December 2022

Income tax expenses decreased by PLN 11.7 million, or 7.1%, to PLN 153.4 million in 2023 compared to PLN 165.1 million in 2022 as a result of profit before tax development on the back of factors described above as well as increased deductible part of interest offset by withholding tax payment.

Year ended 31 December 2022 compared to year ended 31 December 2021

Income tax expenses increased by PLN 11.2 million, or 7.3%, to PLN 165.1 million in 2022 compared to PLN 153.9 million in 2021. This increase was driven by increased interest cost which was partly non-deductible.

Net profit /(loss) from continuing operations

Six-month period ended 30 June 2024 compared to six-month period ended 30 June 2023

Net profit /(loss) from continuing operations increased by PLN 135.4 million to PLN 58.2 million in six-month period ended 30 June 2024 compared to a loss of PLN 77.2 million in six-month period ended 30 June 2023 as a result of the factors described above.

Year ended 31 December 2023 compared to year ended 31 December 2022

As a consequence of the factors described above, net profit /(loss) from continuing operations decreased by PLN 27.4 million, or 7.1%, to PLN 356.3 million in 2023 compared to PLN 383.7 million in 2022.

Year ended 31 December 2022 compared to year ended 31 December 2021

As a consequence of the factors described above, net profit /(loss) from continuing operations decreased by PLN 111.6 million, or 22.5%, to PLN 383.7 million in 2022 compared to PLN 495.3 million in 2021.

Liquidity and capital resources

General information

The Group's primary sources of liquidity are the cash flows generated from its operations (including working capital, reverse factoring arrangements) and its financing arrangements. (see "*—Financial liabilities*" below). On 9 January 2023, the Group concluded a new credit facility agreement with a bank syndicate for the amount of PLN 5,110 million and EUR 186.1 million and repaid its existing credit facilities. Net cash flow from operations is primarily reinvested in the Group's business to fund its capital expenditure needs (including the rollout of new stores, the purchase of equipment necessary to support the Group's operations and the further continuous development of technology and the digital convenience backbone), new business development and acquisitions, and service interest obligations. Most of the Group's Capex are fully discretional and are made to fund future growth.

The Group has a negative working capital profile. The Group generated strong operating cash flows in the past three years; net cash from operating activities amounted to PLN 2,179.3 million in 2023 and PLN 2,198.6 million in 2022 and PLN 2,069.6 million in 2021, which was driven primarily by operating results as well as an improvement in the working capital profile (supported by the use of reverse factoring). See "*—Consolidated statement of cash flows*" below. As at 30 June 2024 consolidated cash and cash equivalents amounted to PLN 1,156.3 million, and as at 31 December 2023, 2022 and 2021 consolidated cash and cash equivalents reached PLN 649.1 million, PLN 280.7 million and PLN 483.2 million, respectively.

The cash generated by the Group from its operations is used to meet the operating, investment and financing needs of the Group and its current liabilities. Funds constituting a surplus over the above-mentioned operating, investment and financing needs of the Company may be reinvested in, among others, development projects and acquisitions.

The Group expects that, going forward, its principal source of cash will be cash generated from operations together with bank borrowings, which could potentially be supplemented by bond issuances. The Group's financial strategy aims to ensure, to the greatest extent possible, that the Group has sufficient financial resources and liquidity to repay its liabilities once they become due, as well as to finance its future capital expenditure and other investments, such as acquisitions and the creation of new businesses. The Management regularly monitors and forecasts expected cash flows.

Restrictions on the utilisation of capital resources

As at the date of this Prospectus, save for the restrictions resulting from applicable law (see "*Dividend and Dividend Policy*") and facilities agreements (see "*Business of the Group—Operations of the Group—Material agreements—Material financing agreements*" below), there are no other restrictions regarding the use by the Group of its capital resources.

In addition, the corporate structure of the Group, of which the Company is the parent, affects to a certain extent the amounts that the Company may pay as dividends to its shareholders, since the Company's ability to pay dividends depends on the ability of its main Subsidiary (Żabka Polska) to pay dividends to it. Dividend payments depend on the satisfaction of certain requirements stemming from the applicable provisions of law. See "*Dividend and Dividend Policy*".

Capital management

The main objective of the Group's capital management is to maintain a safe Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent) ratio that would support the Group's operating activities and increase value for its shareholders.

The Group manages its capital structure and introduces changes to it as a result of changes in economic conditions.

The following table sets out certain information on the Group's capital position.

	As at 30 June	As at 31 December		
	2024	2023	2022	2021
	(unaudited)	*(PLN million) / (audited, unless indicated otherwise)*		
Loans and borrowings	5,037.9	5,218.4	3,874.5	4,040.8
Bank loans	*5,018.2*	*5,196.4*	*3,874.5*	*4,040.8*
Borrowings	*19.8*	*22.0*	-	-
Lease liabilities	4,499.8	4,012.6	3,598.8	3,061.7
Less cash and cash equivalents	(1,156.3)	(649.1)	(280.7)	(483.2)
Net Debt	8,381.4	8,581.8	7,192.7	6,619.3
Net Debt excluding lease liabilities (unaudited)	3,881.6	4,569.2	3,593.8	3,557.6
Equity	822.7	898.1	575.3	216.7
Net Debt / Adjusted EBITDA (unaudited)	2.6[1]	3.0[1]	3.0	3.3

	As at 30 June	As at 31 December		
Net Debt excluding lease liabilities / Adjusted EBITDA (post-rent) (%) (unaudited)	1.7[1]	2.3[1]	2.1	2.5

Note: Certain items presented in this table are APMs. For the definitions of such items and reconciliation to the nearest IFRS item, see "Selected Historical Financial Information—APMs and other operating KPIs" and "Presentation of Financial and Other Information—Consolidated Financial Statements and other data in the Prospectus—Non-IFRS Measures—Alternative Performance Measures";
[1] Adjusted EBITDA calculated for the preceding twelve months.

Consolidated statement of cash flows

The following table sets out the Group's consolidated cash flows for the periods indicated.

	For the six-month periods ended 30 June		For the 12-month periods ended 31 December		
	2024	2023	2023	2022	2021
	(PLN million) / (unaudited)		*(PLN million) / (audited)*		
Net cash flows from operating activities	2,275.7	1,055.9	2,179.3	2,198.6	2,069.6
Net cash flows from/(used in) investing activities	(700.2)	(758.5)	(1,575.2)	(1,030.2)	(1,333.3)
Net cash flows from/(used in) financing activities	(1,068.3)	290.3	(235.6)	(1,370.9)	(629.3)
Net change in cash and cash equivalents	507.2	587.7	368.4	(202.5)	107.1
Cash and cash equivalents at the beginning of the period	649.1	280.7	280.7	483.2	376.1
Cash and cash equivalents at the end of the period	1,156.3	868,4	649.1	280.7	483.2

Net cash flows from operating activities

The Group generated cash from its operating activities from both its trading activity as well as by way of improvements in net working capital between December 2021 and December 2023 (see "*—Results of operations—Profit/(loss) before tax*" above). Net cash from operating activities for the periods under review was driven primarily by operating profit before amortisation and depreciation that reflected increases in Sales to End Customers in the periods under review. Continuous Sales to End Customers growth has been driven by, among other things, rising sales per store as well as new store expansions, both of which led to an increase in the Group's share in the Polish FMCG market. For details, please see "*—General factors affecting operating and financial results—Product mix and terms of trade with suppliers*" above.

Net cash flows from/(used in) investing activities

In the six-month period ended 30 June 2024, the Group's net cash used for investing activities amounted to PLN 700.2 million and resulted mainly from: (i) investments in network development (PLN 252.0 million – adaptation of 556 new stores) as well as store refit programme (PLN 149.4 million); (ii) business digitalisation, IT systems and technology investments (PLN 47.7 million); (iii) investment in two distribution centres (PLN 42.2 million); (iv) acquisition of shares in DRIM Daniel (EUR 12.0 million); and (v) loan granted to related entity (PLN 45.1 million).

In 2023, the Group's net cash used for investing activities amounted to PLN 1,575.2 million and resulted mainly from: (i) investments in network development (PLN 528.7 million – adaptation of 1,172 new stores) as well as store refit programme (PLN 160.0 million); (ii) business digitalisation, IT systems and technology investments (PLN 92.0 million); (iii) investment in two distribution centres (PLN 106.7 million) and (iv) loan granted to related entity (PLN 201.4 million).

In 2022, the Group's net cash used for investing activities amounted to PLN 1,030.2 million and resulted mainly from: (i) investments in network development (PLN 484.2 million – adaptation of 1,218 new stores) as well as store refit programme (PLN 120 million); (ii) business digitalisation, IT systems and technology investments (PLN 113.5 million); (iii) investment in the new automated distribution centre (PLN 146.4 million); (iv) development of production facility in Maczfit (PLN 40.7 million); (v) partly offset by proceeds from Sale and Leaseback Transaction (PLN 338.7 million).

The Group's net cash used in investing activities amounted to PLN 1,333.3 million in 2021, primarily reflecting: (i) investments in network development (PLN 335.7 million – adaptation of 1,107 new stores); (ii) business digitalisation, IT systems and technology investments (PLN 128.1 million); (iii) investment in the new automated distribution centre (PLN 271.5 million); and (iv) the acquisition of two Subsidiaries – Maczfit (PLN 239.9 million) and Dietly (PLN 46.8 million).

For more information on the acquisition of property, plant, equipment and intangible assets, see also "*—Capex*" below.

Net cash flows from/(used in) financing activities

In the six-month period ended 30 June 2024, net cash used in financing activities amounted to PLN 1,068.3 million. The cash outflows mainly comprised: (i) the repayment of loans and borrowings (PLN 800.6 million); (ii) the lease interest and repayment of lease liabilities (PLN 510.3 million); and (iii) other interest (PLN 337.4 million) including mainly interests on reverse factoring lines. The above-mentioned cash outflows were partially offset by proceeds from loans and borrowings (PLN 580.0 million).

In 2023, net cash used in financing activities amounted to PLN 235.6 million. The cash outflows mainly comprised: (i) the repayment of loans and borrowings, mainly due to loan repayment (PLN 3,796.0 million) pursuant to the relevant repayment schedules; (ii) the lease interest and repayment of lease liabilities (PLN 886.0 million); and (iii) other interest (PLN 812.8 million). The above-mentioned cash outflows were significantly offset by proceeds from loans and borrowings (PLN 5,278.5 million).

In 2022, net cash used in financing activities amounted to PLN 1,370.9 million. The cash outflows mainly comprised: (i) the repayment of loans and borrowings (PLN 318.1 million) pursuant to the relevant repayment schedules; (ii) the lease interest and repayment of lease liabilities (PLN 734.1 million); and (iii) other interest (PLN 469.8 million) including mainly interests on reverse factoring lines. The above-mentioned cash outflows were partially offset by proceeds from loans and borrowings (PLN 151.1 million).

In 2021, net cash used in financing activities amounted to PLN 629.3 million. The cash outflows mainly comprised: (i) the repayment of loans and borrowings (PLN 276.8 million) pursuant to the relevant repayment schedules; (ii) the lease interest and repayment of lease liabilities (PLN 413.0 million); and (iii) other interest (PLN 159.3 million) including mainly interests on reverse factoring lines. The above-mentioned cash outflows were partially offset by proceeds from loans and borrowings (PLN 419.6 million).

Financial liabilities

The following table sets out the financial liabilities as at the indicated dates.

	As at 30 June	As at 31 December			Change between*		
	2024	**2023**	**2022**	**2021**	**H1 2024 and 31 December 2023**	**2023 and 2022**	**2022 and 2021**
	(PLN million) / (unaudited)	*(PLN million) / (audited)*			*(%) / (unaudited)*		
Financial liabilities	**15,584.6**	**14,119.7**	**12,054.8**	**10,962.0**	**10.4%**	**17.1%**	**10.0%**
Bank loans	5,018.2	5,196.4	3,874.5	4,040.8	(3.4%)	34.1%	(4.1%)
Borrowings	19.8	22.0	-	-	(10.1%)	-	-
Lease liabilities	4,499.8	4,012.6	3,598.8	3,061.7	12.1%	11.5%	17.5%
Liability for a written put option over non-controlling interest	210.0	120.7	103.7	103.1	73.9%	16.4%	0.6%
Trade payables and other financial liabilities	5,836.9	4,768.0	4,477.7	*3,756.4*	22.4%	6.5%	19.2%
Trade payables	*2,572.4*	*1,872.7*	*1,653.7*	*1,281.4*	*37.4%*	*13.2%*	*29.1%*
Trade payables covered by reverse factoring	*2,622.7*	*2,444.4*	*2,429.4*	*2,259.0*	*7.3%*	*0.6%*	*7.6%*
Contracts for difference (virtual power purchase agreements)	*91.9*	*25.3*	-	-	*263.1%*	-	-
Currency forward	-	-	*3.4*	-	-	*(100%)*	-
Other	*549.9*	*425.7*	*391.2*	*216.0*	*29.2%*	*8.8%*	*81.1%*

The table below presents the Group's financial liabilities as at the dates indicated by maturity based on contractual undiscounted payments.

	On demand	**up to 6 months**	**6-12 months**	**1-5 years**	**over 5 years**	**Total – undiscounted**	**Total – carrying amount**
	(PLN million) / (unaudited)						
As at 30 June 2024	**-**	**(6,686.6)**	**(874.8)**	**(6,454.2)**	**(5,083.3)**	**(19,098.9)**	**(15,584.6)**
Loans and borrowings	-	(349.6)	(338.7)	(3,202.3)	(3,145.5)	(7,036.1)	(5,037.9)
Bank loans	-	*(346.7)*	*(335.8)*	*(3,184.4)*	*(3,145.5)*	*(7,012.4)*	*(5,018.2)*
Borrowings	-	*(2.9)*	*(2.9)*	*(17.9)*	-	*(23.7)*	*(19.8)*
Lease liabilities	-	(547.4)	(491.6)	(3,128.6)	(1,516.8)	(5,684.4)	(4,499.8)
Liability for a written put option over a non-controlling interest	-	(83.1)	(26.9)	-	(318.8)	(428.8)	(210.0)
Trade payables and other financial liabilities	-	(5,706.5)	(17.6)	(123.3)	(102.2)	(5,949.6)	(5,836.9)
Trade payables	-	*(2,572.4)*	-	-	-	*(2,572.4)*	*(2,572.4)*

	On demand	up to 6 months	6-12 months	1-5 years	over 5 years	Total – undiscounted	Total – carrying amount
	(PLN million) / (unaudited)						
Trade payables covered by reverse factoring	-	*(2,622.7)*	-	-	-	*(2,622.7)*	*(2,622.7)*
Contracts for difference (virtual power purchase agreements)	-	*(8.8)*	*(8.7)*	*(81.4)*	*(80.4)*	*(179.3)*	*(91.9)*
Other	-	*(502.6)*	*(8.9)*	*(41.9)*	*(21.8)*	*(575.2)*	*(549.9)*
As at 31 December 2023	**-**	**(5,637.1)**	**(819.7)**	**(6,429.6)**	**(5,125.7)**	**(18,012.2)**	**(14,119.7)**
Loans and borrowings	-	(310.8)	(357.4)	(2,958.8)	(4,093.9)	(7,720.9)	(5,218.4)
Bank loans	-	*(307.9)*	*(354.5)*	*(2,937.3)*	*(4,093.9)*	*(7,693.6)*	*(5,196.4)*
Borrowings	-	*(2.9)*	*(2.9)*	*(21.6)*	-	*(27.4)*	*(22.0)*
Lease liabilities	-	(523.4)	(452.1)	(3,416.7)	(981.1)	(5,373.3)	(4,012.6)
Liability for a written put option over a non-controlling interest	-	(118.3)	(2.4)	-	-	(120.7)	(120.7)
Trade payables and other financial liabilities	-	(4,684.7)	(7.7)	(54.1)	(50.8)	(4,797.2)	(4,768.0)
Trade payables	-	*(1,872.7)*	-	-	-	*(1,872.7)*	*(1,872.7)*
Trade payables covered by reverse factoring	-	*(2,444.4)*	-	-	-	*(2,444.4)*	*(2,444.4)*
Contracts for difference (virtual power purchase agreements)	-	*(1.5)*	*2.7*	*(13.9)*	*(29.8)*	*(42.4)*	*(25.3)*
Other	-	*(366.1)*	*(10.4)*	*(40.2)*	*(21.0)*	*(437.8)*	*(425.7)*
As at 31 December 2022	**-**	**(5,453.7)**	**(610.8)**	**(6,250.4)**	**(1,519.3)**	**(13,834.2)**	**(12,054.8)**
Loans and borrowings	-	(647.7)	(192.1)	(3,517.8)	-	(4,357.6)	(3,874.5)
Bank loans	-	*(647.7)*	*(192.1)*	*(3,517.8)*	-	*(4,357.6)*	*(3,874.5)*
Borrowings	-	-	-	-	-	-	-
Lease liabilities	-	(380.0)	(406.1)	(2,560.8)	(1,501.6)	(4,848.5)	(3,598.8)
Liability for a written put option over non-controlling interest	-	-	(2.4)	(132.7)	-	(135.2)	(103.7)
Trade payables and other financial liabilities	-	(4,426.0)	(10.2)	(39.1)	(17.7)	(4,492.9)	(4,477.7)
Trade payables	-	*(1,650.7)*	*(3.2)*	-	-	*(1,653.9)*	*(1,653.7)*
Trade payables covered by reverse factoring	-	*(2,429.4)*	-	-	-	*(2,429.4)*	*(2,429.4)*
Other	-	*(345.8)*	*(7.0)*	*(39.1)*	*(17.7)*	*(409.6)*	*(394.6)*
As at 31 December 2021	**-**	**(4,298.1)**	**(591.1)**	**(6,086.7)**	**(1,071.8)**	**(12,047.8)**	**(10,962.0)**
Loans and borrowings	-	(231.6)	(258.1)	(3,941.1)	(4.0)	(4,434.8)	(4,040.8)
Bank loans	-	*(231.6)*	*(258.1)*	*(3,941.1)*	*(4.0)*	*(4,434.8)*	*(4,040.8)*
PECs	-	-	-	-	-	-	-
Lease liabilities	-	(353.7)	(323.0)	(1,999.8)	(1,053.0)	(3,729.5)	(3,061.7)
Liability for a written put option over non-controlling interest	-	-	(4.1)	(116.1)	-	(120.2)	(103.1)
Trade payables and other financial liabilities	-	(3,712.8)	(6.0)	(29.8)	(14.8)	(3,763.4)	(3,756.4)
Trade payables	-	*(1,281.4)*	-	-	-	*(1,281.4)*	*(1,281.4)*
Trade payables covered by reverse factoring	-	*(2,259.0)*	-	-	-	*(2,259.0)*	*(2,259.0)*
Other	-	*(172.4)*	*(6.0)*	*(29.8)*	*(14.8)*	*(223.0)*	*(216.0)*

Contingent liabilities and off-balance sheet liabilities

For a description of the Group's contingent liabilities and off-balance sheet arrangements, see note 6.17 (*Provisions*) and note 9.1 (*Contingent liabilities*) to the Annual Financial Statements.

Capex

The following table sets out the Group's Capex on purchases of intangible assets and property, plant and equipment. The table below does not include new lease agreements or modifications that increased the value of right-of-use assets. Capex presented below are calculated on an accrual basis and differ from the cash flow presentation in the section "—*Consolidated statement of cash flows*" above.

	As at 30 June		As at 31 December			Change between*		
	2024	2023	2023	2022	2021	H1 2024 and H1 2023	2023 and 2022	2022 and 2021
	(PLN million) / (unaudited)					(%) / (unaudited)		
Growth Capex	508.6	458.2	1,045.4	1,171.6	908.8	11.0	(10.8)	28.9
New stores	*252.0*	*272.1*	*528.7*	*484.2*	*335.7*	*(7.4)*	*9.2*	*44.2*
Remodelling & Retrofit	*81.5*	*8.8*	*41.7*	*26.8*	*13.2*	*826.1*	*55.6*	*103.0*
Number of remodelled stores	*1,646*	*473*	*1,267*	*167*	*65*	*248.0*	*658.7*	*156.9*
Capex per store	*0.05*	*0.02*	*0.03*	*0.16*	*0.20*	*150.0*	*(81.3)*	*(20.0)*
Other	*175.0*	*177.2*	*474.9*	*660.5*	*559.9*	*(1.2)*	*(28.1)*	*18.0*
Maintenance Capex	136.6	147.6	305.6	260.6	180.2	(7.5)	17.3	44.6
Total Capex	**645.2**	**605.8**	**1,351.0**	**1,432.2**	**1,089.0**	**6.5**	**(5.7)**	**31.5**

All Capex were incurred in Poland and to a lesser extent in Romania and were financed by the Group from funds from its operating activities as well as from leasing limits and loans for diversification purposes.

The Maintenance Capex incurred by the Group amounted to PLN 136.6 million and PLN 147.6 million in the six-month periods ended 30 June 2024 and 2023, respectively, and PLN 305.6 million, PLN 260.6 million and PLN 180.2 million and in the years 2023, 2022 and 2021, respectively.

The Growth Capex incurred by the Group amounted to PLN 508.6 million and PLN 458.2 million in the six-month periods ended 30 June 2024 and 2023, respectively, and PLN 1,045.4 million, PLN 1,171.6 million and PLN 908.8 million in the years 2023, 2022 and 2021, respectively. For further information on the Group's Maintenance and Growth Capex, see "—*General factors affecting the operating and financial results—Capex on stores, logistics and technological backbone*" above.

30 June 2024

In the six-month period ended 30 June 2024, the Group's Capex on purchases of intangible assets, and property and plant and equipment amounted to PLN 645.2 million and mainly comprised: (i) PLN 252.0 million capital expenditure on physical infrastructure in new ultimate convenience stores; (ii) PLN 81.5 million capital expenditure on remodeling and introduction of Merrychef ovens in existing stores; and (iii) other capital expenditure including those on logistics related projects primarily attributable to forklifts and warehouses, new distribution centres and incurred in New Growth Engines.

30 June 2023

In the six-month period ended 30 June 2023, the Group's Capex on purchases of intangible assets, and property and plant and equipment amounted to PLN 605.8 million and mainly comprised: (i) PLN 272.1 million capital expenditure on physical infrastructure in new ultimate convenience stores; (ii) PLN 8.8 million capital expenditure on remodeling and introduction of Merrychef ovens in existing stores; and (iii) other capital expenditure including those on logistics related projects primarily attributable to forklifts and warehouses, new distribution centres and incurred in New Growth Engines.

2023

In 2023, the Group's Capex on purchases of intangible assets, and property and plant and equipment amounted to PLN 1,351.0 million and mainly comprised: (i) PLN 528.7 million capital expenditure on physical infrastructure in new ultimate convenience stores; (ii) PLN 41.7 million capital expenditure on remodeling and introduction of Merrychef ovens in existing stores; and (iii) other capital expenditure including those on logistics related projects primarily attributable to forklifts and warehouses, new distribution centres and incurred in New Growth Engines.

2022

In 2022, the Group's Capex on purchases of intangible assets, and property and plant and equipment amounted to PLN 1,432.2 million and mainly comprised: (i) PLN 484.2 million capital expenditure on physical infrastructure in new ultimate convenience stores; (ii) PLN 26.8 million capital expenditure on planned remodelling in existing stores; and (iii) other capital expenditure including those on logistics related projects primarily attributable to forklifts, transport equipment and the automation of warehouses, new distribution centre and automation in existing distribution centre and incurred in New Growth Engines.

2021

In 2021, the Group's Capex on purchases of intangible assets, and property and plant and equipment amounted to PLN 1,089.0 million and mainly comprised: (i) PLN 335.7 million capital expenditure on physical infrastructure in new ultimate convenience stores; (ii) PLN 13.2 million capital expenditure on planned remodelling in existing stores; and (iii) other capital expenditure including those on logistics related projects primarily attributable to forklifts, transport equipment and the automation of warehouses, new distribution centre and automation in existing distribution centre and incurred in New Growth Engines.

Current and planned Capex

The Company is targeting a total Capex of approximately PLN 1.8 billion in 2024. This is expected to mainly comprise: (i) capital expenditure on physical infrastructure in new and remodelled stores supporting installation of MerryChef ovens in stores; (ii) further investment in technology, IT, big data and AI and (iii) investments in Digital Customer Offering and international expansion. See also "*—Outlook—Cash flow and balance sheet*" above.

The current and planned Capex for 2024 is expected to be financed by proceeds from the Company's operations supported by some dedicated external financing.

Risk management

In connection with the dynamic growth of the Group, as well as the gradual expansion of the scope of its business into new areas, the structures responsible for corporate governance were expanded in 2021. Taking into account good risk management practices, Żabka Polska implemented an ERM (*Enterprise Risk Management*) model covering the full scope of the risk management process and defining the methods and processes for managing risk in the organisation. The model considers the impact of risk on strategy and on financial and non-financial performance, and introduces tools for measuring risk. It is integrated with the organisational strategy, and business objectives, and reflects the organisation's current needs as well as management expectations. Furthermore, to complete risk management processes Żabka Polska implemented incident management procedures and business continuity management system. New processes are aimed at supporting risk identification and building resilience for unexpected events.

Quantitative and qualitative information on financial risk management

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising the potential adverse effects of the financial risks on the performance of the Group.

The Group reviews and agrees rules for managing each of these risks; these rules are briefly discussed below. The Group also monitors market price risk with respect to all of its financial instruments. For a description of the Group's management of financial risks, see note 8.2 (*Objectives and principles of financial risk management*) to the Annual Financial Statements.

Market risk

Interest rate risk

The Group's exposure to the risk of changes in interest rates results mainly from the investment of cash and the use of external financing sources.

The table below presents the sensitivity of the gross financial result to reasonably possible changes in interest rates, assuming that other factors remain unchanged, broken down into individual items exposed to interest rate risk.

		As at 31 December		
	Change of interest rate	**2023**	**2022**	**2021**
		(PLN million) / (audited)		
	+1 p.p. (+100 bp)	6.5	2.8	4.8
Cash and cash equivalents	-1 p.p. (-100 bp)	(6.5)	(2.8)	(4.8)
	+1 p.p. (+100 bp)	0.1	0.0	
Loans granted	-1 p.p. (-100 bp)	(0.1)	(0.0)	-
	+1 p.p. (+100 bp)	0.0	0.5	
Other financial assets	-1 p.p. (-100 bp)	(0.0)	(0.5)	-
	+1 p.p. (+100 bp)	(52.0)	(38.7)	(40.4)
Loans and borrowings	-1 p.p. (-100 bp)	52.0	38.7	40.4
	+1 p.p. (+100 bp)	(24.4)	(24.3)	(22.6)
Trade payables and other financial liabilities	-1 p.p. (-100 bp)	24.4	24.3	22.6
	+1 p.p. (+100 bp)	(0.9)	(0.9)	(0.7)
Lease liabilities	-1 p.p. (-100 bp)	0.9	0.9	0.7

Foreign currency risk

The Group is exposed to currency risk in connection with executed transactions. Such risk arises as a result of sales or purchases due to indebtedness and granted loans and due to lease agreements in currencies other than PLN.

The table below presents the sensitivity of the profit/(loss) before tax (in connection with the change in the fair value of monetary assets and liabilities) and other comprehensive income of the Group to reasonably possible fluctuations in the currency exchange rate, assuming that other factors remain unchanged (in the presented years, a change in the exchange rate would not affect other comprehensive income).

	2023			2022			2021		
	Exposure in foreign currency	**Change of exchange rate +1% Profit/(loss) before tax**	**Change of exchange rate -1% Profit/(loss) before tax**	**Exposure in foreign currency**	**Change of exchange rate +1% Profit/(loss) before tax**	**Change of exchange rate -1% Profit/(loss) before tax**	**Exposure in foreign currency**	**Change of exchange rate +1% Profit/(loss) before tax**	**Change of exchange rate -1% Profit/(loss) before tax**
	(PLN million) / (audited)								
EUR									
Cash and cash equivalents	1.5	0.1	(0.1)	47.4	2.2	(2.2)	0.2	0.0	(0.0)
Loans granted	46.5	2.0	(2.0)	-	-	-	334.6	14.9	(14.9)
Trade receivables	0.6	0.0	(0.0)	1.2	0.1	(0.1)	-	-	-
Other financial assets	0.1	0.0	(0.0)	40.2	1.9	(1.9)	-	-	-
Loans received	(190.8)	(8.3)	8.3	-	-	-	-	-	-
Lease liabilities	(133.6)	(5.8)	5.8	(100.5)	(4.7)	4.7	(70.2)	(3.1)	3.1
Trade payables and other financial liabilities	(10.1)	(0.4)	0.4	(4.9)	(0.2)	0.2	(1.9)	(0.1)	0.1
Total	**(285.7)**	**(12.4)**	**12.4**	**(16.6)**	**(0.8)**	**0.8**	**262.7**	**11.7**	**(11.7)**

Credit risk

The Group defines credit risk as the possibility of untimely or total failure of the Group's counterparty to meet its obligations, or the possibility of not recovering the funds invested. Credit risk mainly relates to trade receivables, loans granted and cash and cash equivalents in bank accounts.

The maximum exposure to credit risk as at the reporting dates indicated therein is presented in the table below.

	As at 31 December		
	2023	**2022**	**2021**
	(PLN million) / (audited)		
Loans granted	206.8	5.6	4.0
Other non-current financial assets	22.3	19.1	20.1
Trade receivables	2,079.5	1,663.0	1,263.1
Other current financial assets	82.2	72.2	14.5
Cash and cash equivalents	649.1	280.7	483.2
Total assets	**3,040.0**	**2,040.6**	**1,784.9**

Franchisees who wish to use trade credits are subject to initial credit verification procedures. Credit risk related to receivables is minimised due to the large number of customers. There are no significant concentrations of credit risk in the Group. In addition, the Group seeks to minimise its exposure to the risk of bad debts by monitoring its receivables on an ongoing basis and securing the majority of its receivables with inventories (owned by franchisees) located in Żabka stores. Since 2021, the Group's franchisees have also had valid insurance intended to cover unsettled debt towards the Group. For details, please see "*Business of the Group—Operations of the Group—Modern Convenience—Franchisee-centric model*".

The Group's exposure to credit risk is presented in the table below (due to the concentration of credit risk in relation to receivables from franchisees, the table below presents the analysis without division into individual categories).

	current	up to 30 days	31-90 days	91-180 days	180-360 days	over 361 days	Total
	(PLN million) / (audited)						
As at 31 December 2023							
Gross Value at Risk	2,037.5	21.1	11.6	4.8	7.1	74.6	2,156.7
Loss allowance for expected credit losses	(3.4)	(0.9)	(1.2)	(1.8)	(3.0)	(67.0)	(77.2)
Total net value	**2,034.1**	**20.2**	**10.4**	**3.0**	**4.1**	**7.5**	**2,079.5**
Expected credit loss rate (%)	**0%**	**4%**	**10%**	**37%**	**42%**	**90%**	**4%**
As at 31 December 2022							
Gross Value at Risk	1,612.4	26.9	4.5	4.6	10.9	77.6	1,737.0
Loss allowance for expected credit losses	(2.3)	(0.5)	(1.6)	(2.0)	(3.7)	(63.9)	(74.0)
Total net value	**1,610.1**	**26.4**	**2.9**	**2.7**	**7.2**	**13.7**	**1,663.0**
Expected credit loss rate (%)	**0%**	**2%**	**36%**	**43%**	**34%**	**82%**	**4%**
As at 31 December 2021							
Gross Value at Risk	1,226.7	21.0	4.1	3.4	4.8	69.3	1,329.3
Loss allowance for expected credit losses	(1.2)	(0.4)	(2.0)	(2.7)	(4.3)	(55.6)	(66.2)
Total net value	**1,225.5**	**20.6**	**2.1**	**0.7**	**0.5**	**13.7**	**1,263.1**
Expected credit loss rate (%)	**0%**	**2%**	**49%**	**79%**	**90%**	**80%**	**5%**

Credit risk related to cash in bank accounts is limited due to the fact that the parties to transactions are banks with high credit ratings issued by international rating agencies.

Liquidity risk

The Group monitors liquidity risk with the use of a periodical liquidity planning tool. This tool takes into account the maturity/maturity dates of both liabilities and financial assets (e.g. accounts receivable, other financial assets), and forecast cash flows from operating activities.

As part of its liquidity management, the Group uses reverse factoring agreements in relation to its liabilities, under which it submits for factoring invoices relating to purchases from selected suppliers as well as a factoring agreement with regard to its receivables, under which it submits sales invoices for selected franchisees for factoring.

The Group minimises the liquidity risk resulting from the use of reverse factoring agreements by selecting reliable, long-term partners who are also lenders in syndicated agreements and by diversifying them.

The Group maintains unused factoring limits, an unused overdraft limit and an unused investment loan limit,

As part of the working capital management, the Group also uses a factoring agreement for its receivables, under which it factors sales invoices for selected franchisees.

Volatile electricity prices (spot)

The Group makes physical purchases of electricity consumed for business purposes at market prices (volatile prices – spot prices). To mitigate the risk of electricity price volatility resulting from purchases made at spot prices, the Group enters into virtual Power Purchase Agreements (the "**vPPAs**"). As part of its financial risk management strategy, the Group anticipates that in the event of a rise in electricity prices in the Polish market, the exposure arising from the Group's physical purchases of electricity at market prices will be counterbalanced by increased cash payments stemming from contracts for difference under VPPAs, and vice versa. The Group uses contracts for difference exclusively for the purpose of hedging financial risks.

The sensitivity analysis carried out by the Group showed that a potential increase/decrease of 10% in electricity prices used for the measurement of derivatives hedging electricity price risk, with the other parameters of the valuation model unchanged, would result in a change in the fair value of these instruments affecting the amount of equity as at 31 December 2023 by PLN 55.6 million, in case of an increase of 10% or PLN (57.7) million, in case of a decrease of 10% and the financial result by PLN 6.3 million, in case of an increase of 10% or PLN (6.3) million, in case of a decrease of 10%.

Critical accounting policies, estimates and judgments

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Group's accounting policies. The judgments and estimates made in the preparation of the Consolidated Financial Statements are presented in individual notes to the Consolidated Financial Statements.

As a result of the uncertainties inherent in business activities, many items in the Consolidated Financial Statements cannot be measured with precision and can only be estimated. Estimation involves judgments based on the latest available reliable information. The use of reasonable estimates is an essential part of the preparation of the Consolidated Financial Statements and does not undermine their reliability. All assumptions, expectations and forecasts used as a basis for certain estimates within the Consolidated Financial Statements represent good faith assessments of the future performance of the Group for which the Board of Directors believes there is a reasonable basis. An estimate may need revision if changes occur in the circumstances on which the estimate was based or because of new information or more experience and, as a result, the Group's actual future results, performance and achievements may differ materially from those forecasted.

When the IFRS specifically applies to a transaction, other event or condition, the Group applies the accounting policy set out in the IFRS. However, where the IFRS does not specifically apply to a transaction, other event or condition, the Group uses its judgment in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and that is reliable.

A summary of the main accounting policies as well as critical judgments and estimates applied in the preparation of the Group's financial statements is presented in note 2 (Basis for the preparation and application of accounting policies) to the Annual Financial Statements.

BUSINESS OF THE GROUP

Investors should read this section in conjunction with the more detailed information contained in this Prospectus, including the financial and other information set out in the section "Operating and Financial Review". Where stated, financial information in this section has been extracted from section "Selected Historical Financial Information".

Overview

The Group serves convenience driven customers across physical and digital channels and it has continuously evolved into a unique "ultimate tech-enabled convenience ecosystem" with modern physical convenience stores, unmanned autonomous stores, a recognized customer mobile app, direct to consumer meal solutions and eGrocery services. The Group's mission is to create value by making people's lives easier and allowing them to "free up free time" while also promoting a responsible approach towards products, packaging, customers, franchisees, suppliers and the broader environment. "Free up free time" is the positioning of Żabka, which expresses in a tangible, emotional way the benefit customers have from Żabka, which helps them live sustainably, yet comfortably, by providing proximity to stores, an assortment tailored to their immediate needs, thoughtful services and a comfortable shopping experience. Addressing same-day consumer missions, i.e. shopping missions for grocery and health/beauty items for use/consumption immediately, or later that day, Żabka strives to integrate products and services to provide a unique and complete ecosystem of solutions for every part of the day, every need and every craving.

According to OC&C, Żabka is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024. To be closer to its customers Żabka constantly expands to new locations, that are inaccessible to other chains and discounters, having more than 10,500 physical locations throughout Poland, in major cities and in smaller towns, business districts and suburban housing estates, at subway stations and on seaside promenades (as at 30 June 2024). Żabka's store expansion is led by AI-powered model analysing more than 9 million Polish addresses and taking into account several hundred different KPIs to measure potential of each new location, which has resulted in a 70% reduction in location planning error. The use of these tools has enabled the Group to reduce uncertainty and contingency to a minimum when selecting new sites for the location of its stores. Based on analyses conducted by the Group in 2023, approximately 17 million Polish consumers live less than 500 metres from the nearest Żabka store.

The Management believes that the differentiation and innovation of Żabka's products and services is one of the key factors in its success to date among customers. The time constrained customers are increasingly focused on immediate and near-term shopping missions. 76% of Żabka customers shop for same day consumption (with only 33% SKU overlap with discounter channel), significantly greater than approximately 40% at Polish discounters (Source: OC&C). Żabka stores have a tailored, immediate and near-term shopping missions-oriented layout offering a complete grocery range of approximately 2,400 SKUs as well as wide range of Quick Meal Solutions products (coffee, hot dogs, healthy snacks, sandwiches, etc.). In the twelve-month period ended 30 June 2024 Żabka sold approximately 82.4 million hot dogs, 40.0 million coffees and 35.0 million sandwiches, which places it among the leading warm snacks providers in Poland. Furthermore, the stores also offer a full-suite of services, including parcel pickup and return, lottery tickets, cash withdrawals, bill payments, phone service and top-ups, reflecting the Żabka's mission aimed at addressing customers' immediate everyday needs even more effectively. Services are critical determinants of relevance to the customers that the Group targets but also help to drive traffic and increase ticket size through cross-selling.

The physical stores in Poland are operated under Żabka's tailored and scalable franchise model, which empowers local entrepreneurs, who are independent from the Group. Żabka is responsible for location-selection, store design, assortment selection, setting maximum retail resale prices (with the flexibility of the franchisees to determine final prices below the maximum retail resale prices), central sourcing and delivery, and lease ownership, while the franchisee operates the store, which includes being responsible for staff recruitment and management, in-store stock management and providing customer service.

Based on a deep-dive analysis evaluating the potential revenue, profitability and payback of future stores, and by stress testing for future store economics and cannibalization, the Group's model assumes the total white space in Poland still to be at approximately 19,500 stores, implying significant room for growth.

The Group has an advanced digital customer offering which includes D2C meal solutions (Maczfit), a SaaS-enabled D2C meal marketplace (Dietly), eGrocery businesses (delio and Jush!) and autonomous stores (Nano) ("**DCO**", "**Digital Customer Offering").** These digital offerings complement the physical store footprint and allow the Group's customers to fulfil their convenience needs at their homes or workplaces. The Group's Digital Customer Offering serves as a replicable "plug and play" launchpad for future innovation, combining the agility of a start-up with the scale of the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally (according to OC&C).

The Group has built up a first-mover advantage in the D2C meal segment by acquiring Maczfit and Dietly in 2021. Maczfit is a meal provider in Poland and delivers restaurant-quality prepared meals to consumers seeking convenient and healthy food. As of 31 December 2023 and 30 June 2024, Maczfit recorded a year-on-year growth in new customers of 39% and 17%, respectively. Dietly is a leading online D2C meal marketplace and SaaS software provider in Poland, covering approximately 60% of D2C meal providers active on the Polish market as of 30 June 2024. The Gross Merchandise Value (GMV) of these two businesses amounted to PLN 1,402.1 million in 2023 and PLN 928.6 million in the first half of 2024.

The Group is also expanding its presence in eGrocery sector with two services addressing distinctive customer missions. Jush! is the Group's rapid eGrocery offering with a range of approximately 4,000 SKUs. Delio, launched in February 2022, offers a broader variety with approximately 6,000 SKUs, offering same day delivery time using a delivery slot method and based on the existing dark store infrastructure used by Jush!.

The modern physical convenience footprint is supplemented by autonomous Żabka Nano stores with 44 locations operating in Poland and Germany as at 30 June 2024. These unmanned stores opened 24/7 leverage custom-made technology to cover locations not available to typical Żabka stores by utilising a simplified offering model with lower costs and a tailored and targeted assortment of goods. Autonomous technology is also tested in selected standard physical Żabka stores with night shift (23:00-7:00) being operated without store staff present (so called "hybrid stores"). The Group plans to open more hybrid stores in 2024.

The use of advanced technological solutions underpins the Group's dynamic growth. The Group leverages machine learning, AI and data analytics throughout its operations, including setting pricing and assortment, promotions and location planning. In addition, the Group operates a globally recognised data exchange platform for its suppliers. Please see "*Business Overview—Business Model—Technology*" for an extensive description of the Group's usage of innovative technology.

Żabka's business in Poland is supported by a well-invested logistics platform, including 8 distribution centres, 19 cross-docking facilities including automated distribution centre in Małopole near Warsaw, and dedicated dark stores and dark kitchens infrastructure for the Digital Customer Offering. The scale of the Group's operations translates into efficient procurement and competitive trade terms, and allows it to compete with a wide offer of products not available elsewhere, due to its own brands, dedicated branded ranges and tailored promotions.

In next phase of growth, the Group seeks to further expand its physical offering by expansion into Romania. The recent acquisition by the Group of DRIM in Romania grants it access to a strong logistics platform serving 13,000 physical locations, an established supplier network, and in-depth understanding of market dynamics with 25 years of experience. This offers a strong foundation for growth and expansion, via transformation of existing serviced stores, complemented with organic new openings. In May and June 2024, the Group opened its first stores in Romania under the local brand "Froo" and as of the date of the Prospectus, the Group operates more than 20 stores in the country.

The Management believes that people who work at and cooperate with the Group are one of the main drivers of its growth and success. As a result, the Group promotes a culture of learning, continuous development, performance and equality among its employees. The Group has built a truly innovative team by recruiting individuals with a disruptive mindset and global experience. This has allowed the Group to apply global best practices and knowledge to its physical and digital offerings. The Management believes that engaged employees perform better and are more committed to their work. Therefore, the Group regularly commissions a Gallup Q12 engagement survey, which enables the Group to track how its employees feel about the Group's culture and workplaces. In 2023, the 6th edition of the survey was finalized, according to which Żabka employees are five times more engaged than the average employee in Poland (72% in the Gallup global overall database), and the Group has over 14 engaged employees for every one unengaged employee, which is nearly three times more than the average result for the category of Grocery and General Merchandise Retail Chains (five engaged employees for every one unengaged employee). The employee NPS score has increased by 5 points since 2020, reaching 58 points in 2023.

The Group has a strong track record of growth and innovation expanding its footprint and amplifying its TAM (as defined by OC&C and discussed in section "*Market and Regulatory Overview—Market overview—Large and growing Total Addressable Market*"). The Group has delivered a strong historical financial profile with consistent growth and profitability, which translates into attractive Cash Conversion. Between 2000 and 2023, the Group delivered a Sales to End Customers CAGR of 23.0% due to a combination of positive LFL growth across vintages, an increase in the number of stores as well as development of Digital Customers Offering. In the six-month period ended 30 June 2024 Sales to End Customers amounted to PLN 12,893.5 million relative to PLN 10,532.5 in the first half of 2023. LFL growth amounted to 10.8%, 17.0% and 9.8% in 2023, 2022 and 2021, respectively, and reached 10.3% in the six-month period ended 30 June 2024, significantly exceeding Żabka Internal Inflation of 4.3% in the same period. This translated into strong cash generation, with the average Cash Conversion in 2021-2023 and in the first half of 2024 being above 85%.

Competitive strengths

Żabka is the leading convenience specialist in Poland, serving time-sensitive customers across physical and digital channels. The Group has continuously evolved into a true "ultimate tech-powered convenience ecosystem" with over 10,500 physical stores designed to promote immediate consumption with QMS and services at the core of its differentiated proposition, a mobile application, D2C meal solutions and eGrocery services.

The Group has a strong track record of growth and innovation over more than 25 years – expanding its footprint and amplifying its TAM by extending into new high growth adjacencies. The Group has enjoyed an exceptionally strong historical growth profile, with Sales to End Customers increasing at a CAGR of 23.0% between 2000 and 2023.

The Group believes it is well positioned to deliver future growth, leveraging a set of highly differentiated competitive strengths – best depicted in the Group's key investment highlights:

(i) Ultimate Tech-powered Convenience Ecosystem, disrupting an over PLN 580 billion Polish TAM;

(ii) Engaging time-constrained consumers through a differentiated proposition;

(iii) Operating at the intersection of three consumer megatrends: Ultimate Convenience, Digital Engagement and Responsible Choices;

(iv) Easily scalable franchise network with a proven growth model supported by natural logistics platform;

(v) Over 25 years of consistent profitable growth of >20% sustaining a leading profit margin, payback and cash conversion;

(vi) Multiple, tangible drivers of future growth in core Polish market;

(vii) Entry into highly attractive Romanian market with substantial untapped TAM;

(viii) Visionary, dynamic and highly experienced management team with strong track record of delivery.

Ultimate Tech-powered Convenience Ecosystem disrupting an over PLN 580 billion Polish TAM

According to OC&C, the Group's Total Addressable Market is worth over PLN 580 billion and consists of the following key market segments: Physical Grocery; eGrocery; Foodservice; D2C & Dietary Meals; Other Convenience Services (parcels, phone and game top-ups, bill payments, etc.) & Health & Beauty. For further details please see "*Market and Regulatory Overview—Market overview*".

The TAM has experienced growth at a CAGR of over 4% over the period of 2019-2021, followed by growth at a CAGR of 14% between 2021 and 2023 driven by historically high food inflation and impact of influx of Ukrainian refugees to Poland, and is projected to grow approximately at a CAGR of 4.6% CAGR between 2023 and 2028 reflecting improved macroeconomic growth and improved consumer confidence (Source: OC&C).

Żabka's Direct Addressable Market ("**DAM**") is directly tied to same-day consumer missions which captures Żabka's current proposition and is worth PLN 113 billion and is expected to grow at a CAGR of 8.6% between 2023 and 2028, ahead of TAM (Source: OC&C). The higher growth of DAM is underpinned by growing same-day share of grocery driven by lifestyle shifts in working patterns and family structures, demographic shifts towards affluent urban consumer segments, and preference shifts to prepared foods.

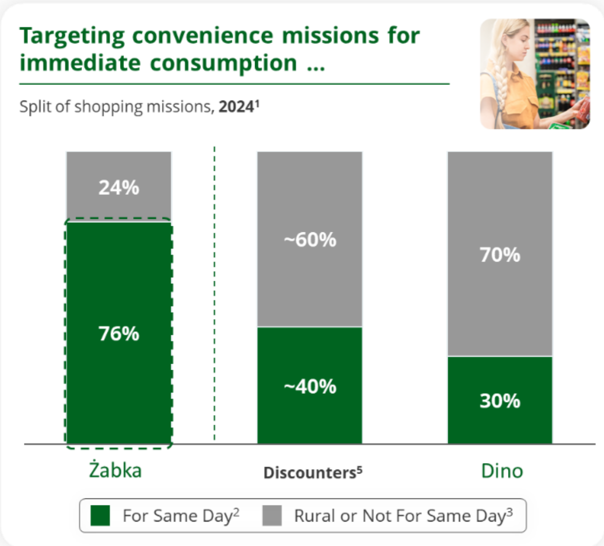
The Group is well positioned to capitalise on this shift in shopping missions as Żabka's stores and offering are designed for the immediate consumption mission.

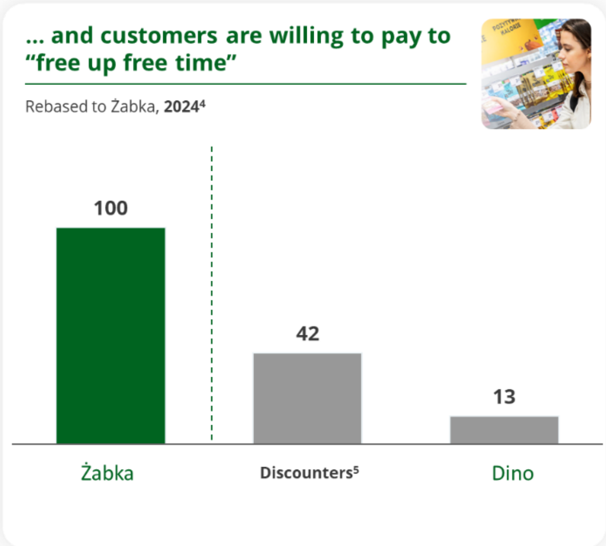
Engaging time-constrained consumers through a differentiated proposition

According to OC&C, as of 2023 Żabka caters to a time-constrained customer base, which is younger, more urban and more affluent compared to the broader Polish population:

- 55% of Żabka's customer base is below 34 years old, significantly greater than 27% for the broader market;
- 48% of Żabka's customers live in urban areas with a population greater than 100,000, greater than 43% for the broader market;
- 27% of Żabka's customers have disposable incomes of more than PLN 8,000, which is greater than 23% for the broader market.

Żabka's customers prioritize convenience and are willing to pay to "free up free time". A customer survey conducted by OC&C indicates that Żabka customers are over two times more willing to pay a premium in order to save time than customers at discounters and approximately eight times more willing than customers at Dino.





Source: Customer NPS survey, OC&C, consumer survey based on N=5,013 participants with 186 Żabka respondents. [1] Based on OC&C analysis; [2] Urban only (locations with population >20k); [3] Rural includes only villages with population <20k; [4] As of March-2024; [5] Includes Biedronka and Lidl.

Operating at the intersection of three consumer megatrends: Ultimate Convenience, Digital Engagement and Responsible Choices

Convenient store layout designed for immediate consumption

Żabka stores adopt a modular, lego-inspired design tailored to each location and its clientele. Stores are designed for quick, convenient shopping, featuring a curated selection of 2,400 items in an average 65 sqm space. The layout facilitates easy navigation, with shoppers typically spending less than 130 seconds in-store. Each store is technologically advanced and uses proprietary AI algorithms and software for in store decision-making and strategy.

QMS and everyday services are at the core of the Żabka's differentiated convenience proposition

QMS is a core focus of Żabka's offering accounting for 17% of tickets in the first half of 2024, having significantly grown from less than 3% in 2012. Currently, 90% of QMS are Żabka's own brands. Żabka is one of the leading warm snacks providers in Poland, selling approximately 82.4 million hot dogs, 40.0 million coffees and 35.0 million sandwiches in the twelve-month period ended 30 June 2024. The Group is currently focused on rolling out across the estate the second generation of Żabka's foodservice proposition, with more space and range dedicated to foodservice categories, refreshed store layout and enhanced street food offering including french fries, burgers, nuggets, churros strips, paninis and zapiekankas – Żabka Café 2.0.

Everyday services are also a core focus of Żabka's offering accounting for, respectively, 11% and 12.5% of store traffic in 2023 and in the six-month period ended 30 June 2024. Żabka currently offers a range of services including parcel and postal services (over 30 million parcels delivered and collected in 2023 and approximately 22 million in the first half of 2024), lottery services (over 83 million bets in 2023 and 49 million in the first half of 2024), ATM services (leading provider in Poland), bill payments (approximately 5 million payments in 2023 and over 2.5 million in the first half of 2024), phone packs (over 13 million sales of phone packs in 2023 and over 6.5 million in the first half of 2024) and various payment options (approximately 8 million uses of cashback service in 2023 and over 4 million in the first half of 2024). Żabka is currently rolling out urban mobility and public transportation services.

QMS offerings and everyday services provide a clear differentiation against other retail market players.

Nationwide presence with more than 10,500 points of sale

Żabka has the largest nationwide store network with more than 10,500 stores in every voivodship and city with over 20,000 residents, engaging close to 40 million consumers. The stores are relevant across a variety of catchments – from high-traffic areas in Warsaw, through to small cities and villages.

Leveraging AI, data and technology in core operating processes

Żabka has been an early adopter of AI. The Group leverages AI, data and technology to deliver significant business impact. Select use cases include:

- Setting hyper local pricing and assortments, where the Group saw a 10% EBITDA uplift in the first full month of implementation of data analytics solutions (August 2018) (based on Snowflake case study);

- Reducing error in store roll-out, where the Group has seen a 70% reduction in errors due to location planning data models;
- Proprietary automated replenishment models helping franchisees determine the most optimal product order for their stores, based on analysis of historical sales data;
- Data-driven targeted marketing and personalised promotions.

Unique "Right to Win" across all Digital Customer Offering businesses

Over the past two years, the Group has built a leading food-focused Digital Customer Offering in Poland predominantly with a view to targeting younger customers through digital sales channels:

- The Group has seen growth in the Sales to End Customers of its New Growth Engines from PLN 283 million in 2022 to PLN 470 million in 2023; in the six-month period ended 30 June 2024, the Sales to End Customers from the Group's New Growth Engines reached PLN 498 million;
- Maczfit is a market-leading D2C meal provider offering personalized diets with a huge scale, producing and delivering 28 million meals in 2023 and approximately 19 million in the six-month period ended 30 June 2024;
- Dietly is a leading D2C meal marketplace where 3rd party companies offer their catering services, with GMV of more than PLN 970 million in 2023 and approximately PLN 630 million in the six-month period ended 30 June 2024;
- Jush! and delio are leading eGrocery solutions, representing both rapid eGrocery delivery as well as same-day full basket eGrocery;
- Nano stores are the largest chain of autonomous stores in Europe, that are available 24/7.

Source: Company. 1 Based on DCO revenue growth in the six month-period ended 30 June 2024 vs the six month-period ended 30 June 2023; 2 Yearly active digital users across DCO businesses in the twelve month-period ended on 30 June 2024; 3 In June 2024; 4 Sum of DCO businesses Group Contribution EBITDA in June 2024 (Nano, Lite e-Commerce, Maczfit and Dietly); 5 Achieved in 2.5 years from launch (Sales of Lite e-Commerce in first 4 months of 2024 vs. 2023).

ESG is embedded in operations and is at the heart of everything that Żabka does

The responsibility (ESG) strategy is based on four pillars: (i) a sustainable lifestyle; (ii) a mindful business impact; (iii) a responsible organisation; and (iv) a green planet. The ESG strategy expresses the Group commitment to create conditions for sustainable living for everyone, every day and to empower its customers to make more responsible and conscious choices. For each of these pillars, the Group has clearly defined commitments and has already delivered key initiatives.

Easily scalable franchise network with a proven growth model supported by natural logistics platform

Easily scalable fully franchised operating model

The Group has a tailored franchise model, with a clear split of responsibilities between Żabka and its franchisees who are local entrepreneurs independent from the Company. Within the model, the franchisees can benefit from the Group's scale and consistency, which contribute to market advantage in certain areas. These areas include: store location selection, lease of premises, store design, assortment strategy and supply chain which fall under the Group's responsibility. The franchisees can concentrate their efforts on key areas such as store self-management, customer service, management of their own staff employees and inventory management. Furthermore, the Group provides the franchisees with digital tools and applications to facilitate running their business on a daily basis.

The Group's franchisee model has been tailored to meet the needs of its franchisees. The franchisee model is designed to provide attractive compensation in comparison to local benchmarks. The average Franchisee Margin per average number of stores increased by a CAGR of 13.5% between 2021 and 2023.

As evidence of the strength of the franchise model, Żabka has been able to successfully recruit significant numbers of franchisees for its stores, adding more than 2,200 franchisees in 2023 and more than 1,100 in the first half of 2024. The Group recorded that an average franchisee operates one store while the highest number of shops operated by a single franchisee is 8.

Proven store expansion model

The Group employs a successful growth strategy, launching around 1,000 stores annually in 2021-2023. The store launch strategy utilizes a proven AI-based approval system that leverages predictive algorithms for precise location analysis, factoring in projected profitability and potential overlap with existing stores. This is complemented by a dedicated team of more than 130 individuals focused on identifying prime locations. As at 30 June 2024, the Group has secured over 1,100 lease agreements for year 2024 and 365 for year 2025, marking its largest pipeline to date and demonstrating its robust expansion potential.

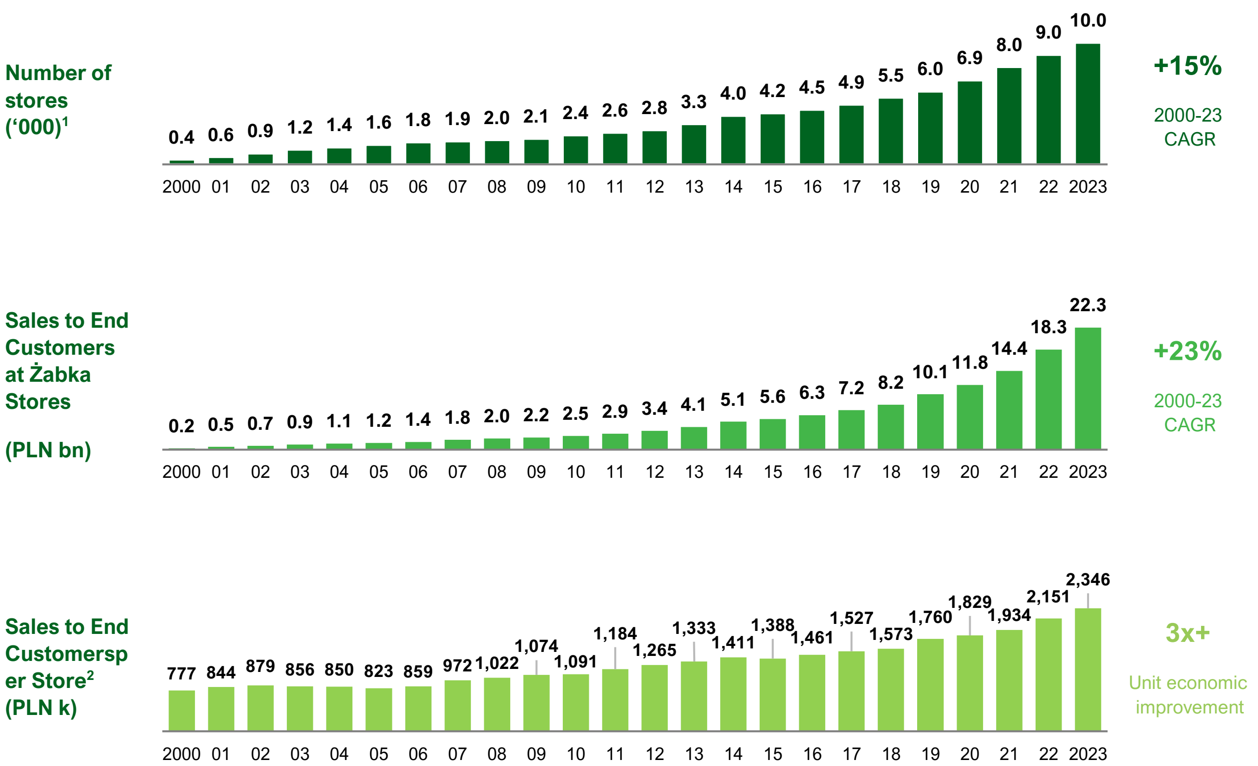
Nationwide logistics platform

The Group has a well invested and fully digitized logistics platform, complemented with a dedicated centralized procurement function. It operates 8 distribution centres, including a recently opened automated distribution centre near Warsaw, as well as 19 cross-docking facilities, which has enabled it to achieve 99% store service level. The Group is virtually self-sufficient with 98% own delivery.

Over 25 years of consistent profitable growth of more than 20% sustaining a leading profit margin, payback and cash conversion

The Group has over 25 years of track record of uninterrupted strong, positive growth in all major areas of its operations: sales, stores efficiency, overall profitability and cash conversion.

Between 2000 and 2023, the Group delivered a CAGR of 23% in Sales to End Customers. This has been driven through a combination of (i) rapid store roll-out and (ii) strong performance of the existing store network, evidenced by a more than three times improvement in Sales to End Customers per store. In the six-month period ended 30 June 2024 Sales to End Customers increased by 22.4% as compared to the six-month period ended 30 June 2023.

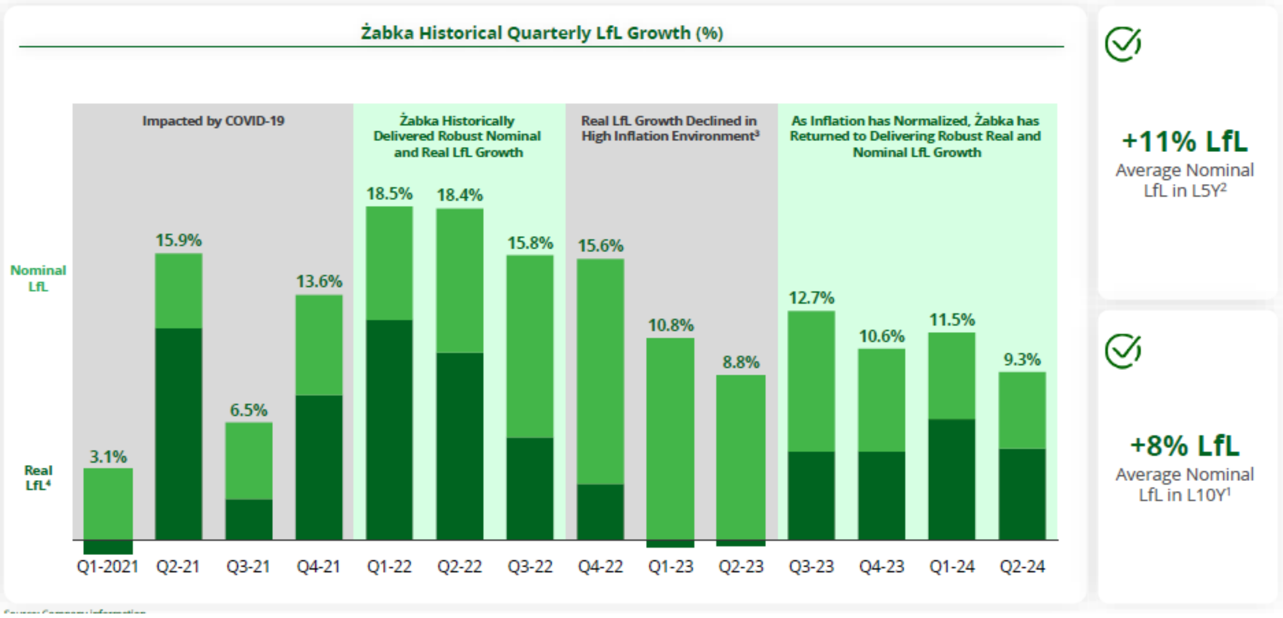


Source: Company. [1] Number of stores as of year-end (including Nano stores); [2] Calculated using average number of stores for the period.

Strong, positive LFL growth performance contributed to top-line growth across all store vintages

The Group has a consistent long-term track record of positive LFL growth performance, with its average LFL growth for the last ten years (2013 – 2023) and the last five years (2018 – 2023) standing at 8% and 11%, respectively. Over the past five years, LFL growth has consistently been above inflation and has contributed approximately 50% of the Group's overall growth in Sales to End Customers. The Group's quarterly year-over-year real LFL growth has consistently outperformed its reference market since the first quarter of 2022, even throughout period of elevated inflation (Source: OC&C). Moreover, the Group's outperformance has been re-accelerating as the inflation environment began to normalize (Source: OC&C). The Group's LFL growth was at 10.3% in the six-month period ended 30 June 2024 as compared to 9.7% in the six-month period ended 30 June 2023.

The strong LFL growth has been a product of (i) higher traffic driven by increasing number of customers, their loyalty and frequency of visits due to expansion of services, QMS, own brand offerings; and (ii) growing basket values driven by improvement of products and services assortment (premiumisation, new product launches, co-purchasing initiatives) leveraging AI and data analytics as well as engagement with Żappka mobile application.



Source: Company. [1] L10Y refers to 2013 – 2023 period. [2] L5Y refers to 2018 – 2023 period. [3] Defined as period when food inflation was above 18%. [4] Adjusted for actual weighted price inflation data from Żabka shelf-inflation.

On the back of the strong 11.5% and 9.3% LFL growth the Group achieved in the first and second quarter of 2024, respectively, and consistent with its historical record, the Group targets high single digit growth in 2024 and mid-to-high single digit growth in the medium term. The Group expects to continue to generate LFL growth from a balanced mix of volume and price.

Outstanding financial profitability and strong cash flow generation

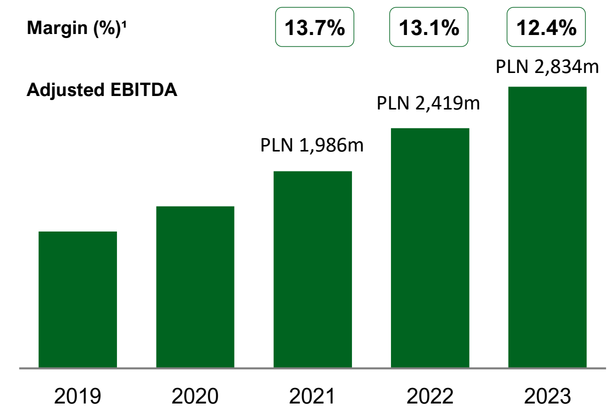
The Group enjoys a strong financial profitability profile, translating into attractive cash conversion.

Between 2021 and 2023, the Group increased its Adjusted EBITDA at a CAGR of 19%. Adjusted EBITDA as a percentage of Sales of End Customers was 12.4% in 2023 despite the more challenging macroeconomic backdrop and 10.9% in the six-month period ended 30 June 2024 (growing from 9.9% in the same period of 2023) driven by improvements in efficiency, category mix and improved contribution from the New Growth Engines.

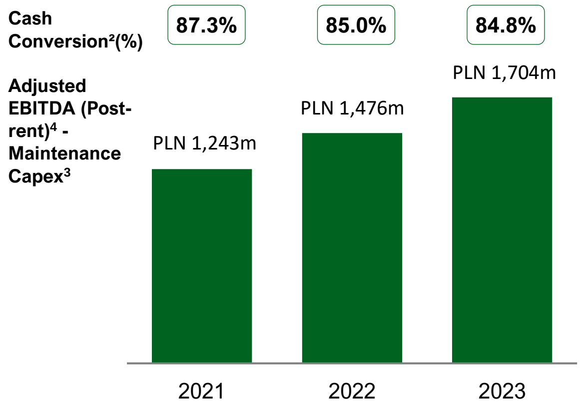
The Group's profitability reflects a consistent focus to achieve excellence, leveraging its scale to improve the terms of trade with its suppliers and driving efficiency using AI and data analytics.

The Group enjoys strong cash generation. Adjusted EBITDA (post-rent) minus Maintenance Capex amounted to PLN 1,243 million, PLN 1,476 million and PLN 1,704 million, in 2021, 2022 and 2023 respectively. Cash Conversion, defined as Adjusted EBITDA (post-rent) minus Maintenance Capex divided by Adjusted EBITDA, reached 87.3%, 85.0% and 84.8% in these years.

Strong Adjusted EBITDA growth and resilient margin trajectory over the Last 5 years



Strong cash generation at ~85% cash conversion



Source: Company. [1] Margin calculated based on Sales to End Customers. [2] Calculated as (Adj. EBITDA (post-rent) – Maintenance Capex) / Adj. EBITDA (post-rent). [3] Maintenance capex defined as Maintenance, IT, Technology, Cars, Logistics, Franchisee acquisitions and HQ. [4] Adjusted EBITDA reduced by rent (real estate rent cost as incurred).

The following tables present Adjusted EBITDA development for the periods indicated.

2021	2022						
Adjusted EBITDA	Sales	Category Mix & Margin	Costs of sale[1]	Franchise Margin	Opex[2]	New Growth Engines	**Adjusted EBITDA**
1,986.3	648	216	(131)	(75)	(114)	(111)	**2,418.5**

Source: Company. [1] Costs of Sale incl. Logistics, Field Force, Store Costs and Other Variables; [2] Opex (Operating Costs) incl. G&A, Tech, Marketing and Other Op. Items and are shown at the bridge as the absolute difference.

2022	2023						
Adjusted EBITDA	Sales	Category Mix & Margin	Costs of sale[1]	Franchise Margin	Opex[2]	New Growth Engines	**Adjusted EBITDA**
2,418.5	709	73	(142)	(105)	(148)	29	**2,834.1**

Source: Company. [1] Costs of Sale incl. Logistics, Field Force, Store Costs and Other Variables; [2] Opex (Operating Costs) incl. G&A, Tech, Marketing and Other Op. Items and are shown at the bridge as the absolute difference.

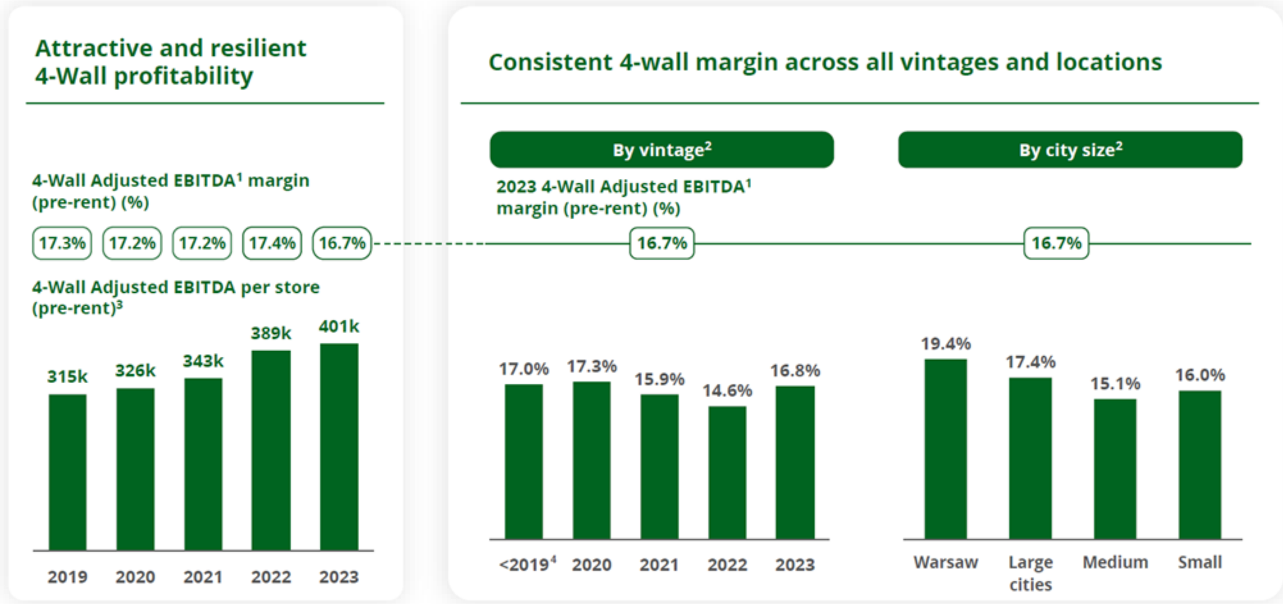
In the six-months period ended 30 June 2024 the Group Adjusted EBITDA amounted to PLN 1,399.0 million and recorded approximately 33% growth in comparison to PLN 1,048.0 million in the six-months period ended 30 June 2023. In the same period Adjusted EBITDA (post-rent) minus Maintenance Capex amounted to PLN 789.0 million, and Cash Conversion reached 85.2%.

H1 2023	H2 2023 – H1 2024							
Adjusted EBITDA	Sales	Category Mix & Margin	Costs of sales[1]	Franchise Margin	Opex[2]	New Growth Engines	Consolidation Eliminations	**Adjusted EBITDA**
1,048.0	286	17	111	(42)	(49)	36	(7)	**1,399.0**

Source: Company. [1] Costs of Sale incl. Logistics, Field Force, Store Costs and Other Variables; [2] Opex (Operating Costs) incl. G&A, Tech, Marketing and Other Op. Items (Central Costs are calculated as the absolute difference).

Highly compelling, consistent store economics

The Group has seen a substantial increase in stores profitability, with the 4-Wall Adjusted EBITDA growing from PLN 315.4 thousand per store (or 4-Wall Adjusted EBITDA / Sales to End Customers of 17.3%) in 2019 to PLN 400.5 thousand per store (or 4-Wall Adjusted EBITDA / Sales to End Customers of 16.7%) in 2023. In the six-month period ended 30 June 2024, 4-Wall Adjusted EBITDA amounted to PLN 186.1 thousand per store (or 4-Wall Adjusted EBITDA / Sales to End Customers of 15.1%) relative to PLN 165.9 thousand in the six-month period ended 30 June 2023 (or 4-Wall Adjusted EBITDA / Sales to End Customers of 14.5%). This margin is consistent across store vintages and city sizes. The Group's stores generally reach 90% to 95% of their sales potential within approximately 17 months.



Source: Company. [1] Defined as Company Net Sales less COGS, customer app, commercial write-offs, other sales, logistics, store costs (without rent) and franchisee costs and 4-Wall Adjusted EBITDA / Sales to end Customer respectively. [2] Proportionally allocates provision for maintenance, energy etc. that are not allocated on store basis. [3] Calculated as 4-Wall Adjusted EBITDA per stores average. [4] Calculated as average since 1998.

Relentless focus on driving payback

The Group's relentless focus on driving store performance has, alongside improvements in net working capital, resulted in improved Payback Period of newly opened stores from 20 months for stores opened in 2017 to 11 months for stores open in 2021 and 12 months for stores opened in 2022. The Group anticipates that the Payback Period for 2023 will not materially differ from the Payback Periods for 2021 and 2022.

The Payback Period is calculated by the Group based on cumulative store contribution post-rent and franchise cost and includes estimated net working capital impact.

The Group has experienced highly consistent Payback Period across various city types ranging from 9 months for large cities to 11 months for small and 14 months for medium-sized cities (based on stores opened in 2021).

Multiple, tangible drivers of future growth in core Polish market

The Group aims to more than double its 2023 levels of Sales to End Customers by 2028 through a combination of: (i) new store openings: (ii) LFL growth; and (iii) prudent profitable growth in the New Growth Engines. All the while, the Group intends to grow responsibly by achieving specific targets relating to its products and packaging, customers, franchisees, its suppliers, and the broader environment. For further details regarding the strategy, please see "—*Strategy*" below.

Entry into highly attractive Romanian market with subsequent untapped TAM

The Group recently entered the highly attractive Romanian market via acquisition of DRIM – a local distribution platform being among top 10 distribution companies in Romania. Through the acquisition, the Group gained access to a strong logistics platform serving 13,000 physical locations and an established supplier network. While having a customer base throughout Romania due to its presence at petrol stations spread across the country, DRIM's biggest presence is in the south. On top of that, with the DRIM acquisition, the Group acquired 11 warehouses and over 200 delivery trucks delivering approximately 2,500 deliveries a day. DRIM has more than 25 years of industry experience in the Romanian market, same-day delivery capacity, approximately 800 employees (of whom 380 are dedicated to sales), an established business model (with a revenue of PLN 573 million and an EBITDA of PLN 22 million in 2023), and an extensive relationship with various local suppliers, which the Group can leverage with the planned roll-out. The Group intends to further invest into DRIM's chilled and frozen delivery capacities.

The Group views Romania as a sizeable, fast growing and significantly underserved market with a TAM of PLN 179 billion and DAM of PLN 43 billion and approximately 4,000 white space potential for stores (Source: OC&C). As of the date of the Prospectus, the Group operates more than 20 stores in Romania and had more than 50 locations targeted in Bucharest – the country's largest city and its capital, with an intention to open more than 500 stores by 2028 across Romania. The Group expects the rate of store openings in Romania to gradually increase as it continues to refine the proposition in Romania. The Group has developed a tailored store design and assortment catered to local customer preferences and has put in place a management / support structure to drive expansion of the Froo stores.

Visionary, dynamic and highly experienced management team with a strong track record of delivery

The Group's strong operating and financial performance has been delivered by its experienced senior management team, who enjoy a strong track record of delivery.

The Group's Management Committee, consisting of Tomasz Suchański (Group Chief Executive Officer, Executive Director, President of the Management Committee); Adam Manikowski (Managing Director, Żabka Polska); Anna Grabowska (Managing Director, Zabka International); Tomasz Blicharski (Group Chief Strategy & Development Officer); Marta Wrochna-Łastowska (Group Chief Financial Officer); Jolanta Bańczerowska (Group Chief People Officer); and Wojciech Krok (Managing Director, Żabka Future) have a combined professional experience of 147 years. Prior to joining the Group, the Management Committee members have gained experience in leading international firms. The Group has a deep bench of future leaders, maintaining a significant focus on their training and development through internal and external providers.

The Group believes that engaged employees perform better and are more committed to their work. Therefore, the Group regularly commissions a Gallup Q12 engagement survey, which enables the Group to track how its employees feel about the Group's culture and workplaces. According to the 2023 survey, Żabka employees are five times more engaged than the average employee in Poland.

Strategy

The Group has a well-defined strategy for unlocking future value with a target to double the 2023 level of Sales to End Customers by 2028. This strategy is focused on three key pillars: (i) new store openings in Poland and Romania: (ii) LFL growth, traffic and basket growth and (iii) further growth of the Digital Customer Offering.

New store openings

The Group sees an overall market opportunity for approximately 19,500 Żabka stores in Poland and approximately 4,000 in Romania, implying significant headroom across both markets. The Group aims to open over 1,000 stores per annum in the medium term in these markets.

The Group has a proven store expansion capability with approximately 130 dedicated expansion team members, an AI-driven approval process including a revenue estimation model covering over 9.1 million addresses with detailed P&L and store payback estimates. The Group has significant pipeline visibility with over 1,100 lease agreements signed for year 2024, 365 for year 2025 and approximately 90 for years 2026-28 as at 30 June 2024, translating into 35 % of 2024-2028 expansion plans already secured.

In Romania, the Group has developed a tailored store design and assortment catered to local customer preferences and has put in place a management / support structure to drive expansion of the Froo stores.

LFL, traffic and basket growth

The Group is targeting high single digit LFL growth in 2024 and mid-to-high single digit LFL growth in the medium term underpinned by initiatives driving traffic and basket size. The Group intends to achieve this through a combination of activities, including:

- rolling out the latest layout including Żabka Café 2.0 with street food offering across the estate;
- expanding the range of everyday services;
- continued innovation in products including expanding the private label offering;
- traffic and basket initiatives (e.g. multi-buy offers, returnable bottles); and
- further development and upgrade of the Żappka consumer app to serve as a centralized gateway for Group customers, providing a unified and seamless experience across all digital businesses of the Group, while continuing to support sales of the physical retail channel thus maintaining a functionality recognized by Żabka Polska's customers.

Further growth of the Digital Customer Offering

The Group aims to increase its annual 2023 Sales to End Customers from its Digital Customer Offering five-fold in the next 5 years in a prudent and profitable manner (targeting positive Adjusted EBITDA in 2024).

The Group has a clear strategy in place for further growth of the Digital Customer Offering focused on:

- further development and upgrade of the leading Żappka consumer app that should leverage ecosystem synergies, enhance customer loyalty and drive traffic and basket size;
- Expanding Maczfit's brand, also into Żabka stores, and solidify its position as leading Polish D2C meal provider, launching white label production for Dietly and creating technology synergies between Maczfit and Dietly;
- Strengthening end-consumer and merchant relationships for Dietly, development and improvement of B2C and B2B apps, while scaling own label diets;
- Expanding rapid eGrocery delivery (Jush! and delio) dark store footprint and assortment range;
- Using Nano stores to enable Żabka to reach into previously unavailable micro-catchments while targeting higher margins, lower operating costs and attractive Payback Periods. Higher focus on hybrid store development, while increasing efficiency of core convenience network.

History of the Group

Since its establishment, the Group has demonstrated consistent growth. Its history may be divided into two periods, prior to and after 2016, the year in which the Group began its store format and digital transformation.

The Group was founded in 1998 and opened its first stores in Poznań and Swarzędz (Poland) that year. In the first period of its growth, the Group developed as a chain of local small stores offering mainly groceries and beverages. At that time, development was focused on a gradual increase in the number of stores.

In 2000, the Group entered into an agreement with AIG New Europe and obtained financing for further development and opened its first logistics centre in Plewiska near Poznań. In subsequent years, further stores were opened, primarily in the core region of Wielkopolska. In 2007, the Group was acquired by Penta Investments, the Central European investment group. Under Penta Investment's ownership, the Group developed its business focusing on growing Żabka format in Poland. Strong investments in IT development were recognised by the "IT Leader in retail and services" award in 2009. In 2011, the Group was acquired by Mid Europa Partners, which supported the continued dynamic expansion, acquisitions and tests of the proximity supermarket store format under the Freshmarket brand. The Group's business continued to expand reaching close to 4,200 stores by 2015.

The Group noted that consumers in Poland were increasingly busy and expected local "one-stop shops" to cater many of their needs, e.g. drinks and snacks, food-to-go and everyday services such as the payment of utility bills and parcel pick-up. At the end of 2015, the Group launched its first "Little Great Store" campaign underlining its broad assortment and a strong relationship with local franchisees.

In order to respond to changing customer needs, in 2016, the Group developed a new concept of a modern convenience store and started to redesign, rebrand and thoroughly remodel its store portfolio by launching in-store food courts featuring freshly ground coffee, hot dogs and paninis, expanded its offer of convenience products for instant consumption as well as established a portfolio of services. The communication platform was strengthened to support the remodelling and to leverage digital communication channels.

In 2017, CVC Capital Partners acquired a controlling interest in the Group. Żabka and its shareholders then worked together to prepare a development plan for the coming years driven by further strong transformation towards an ultra-modern convenience format and the dynamic digitalisation of the business model. After conducting the remodelling pilots in 2016, between the years 2017 and 2020, the Group focused on the convenience format and remodelled the entire store network, accelerated expansion and diversified the locations of its stores (they now also can be found in subway stations, next to hotels, inside office buildings and by the seaside), further expanded its logistics centres, created and launched multiple innovative own-brand product ranges of QMS, implemented the Integrated Management System (IMS) (adding ISO 50001 and ISO 45001 on top of ISO 22000 and 14001 certificates) and defined its responsibility strategy (ESG). Furthermore, the Group commenced the development of big data-based technology supporting operational and commercial activities and decision-making (e.g. price and store assortment segmentation) and technology-based tools (e.g. Żabka Nano autonomous stores, Żappka mobile application for its customers and the Frappka/Cyberstore application for its franchisees and the field force, dedicated apps for employees, etc.).

The Group has also implemented multiple new services based on digital solutions, including Żabka Post, and has tested "Żabka to Home". Leveraging this experience, the Group initiated its own eGrocery services, Jush! and delio. Then it has also made acquisitions in the D2C ready meals area (Maczfit and Dietly), thus expanding its food convenience ecosystem.

This strategy allowed the Group to achieve and, in some cases, exceed its objectives. Between 2000 and 31 December 2023, the number of physical stores operated by the Group increased from 444 to 10,014 and the Sales to End Customers at Żabka Stores increased from PLN 192 million to PLN 22,304.7 million as of 31 December 2023, representing growth at a CAGR of, respectively, 14.5% and 23.0%.

In February 2024, the Group acquired DRIM Daniel Distributie FMCG S.R.L., one of the largest distribution networks of FMCG products in the Romanian market, employing approximately 800 people (of whom 380 are dedicated to sales) and serving 13,000 physical locations through a strong logistics platform. As of the date of the Prospectus, the Group operates more than 20 stores in Romania under the local brand "Froo". The Group's entry into the Romanian market is the result of the consistent development of a convenience concept and ecosystem with a potential for expansion into European markets. International expansion aligns with the comprehensive growth strategy adopted by the Group in 2021.

Business model

Value proposition

The Group operates at the intersection of three industry-shaping megatrends – ultimate convenience, digital engagement and responsible choices – serving time-sensitive consumers across physical and digital channels.

Poles are among the populations with the highest number of working hours in the European Union (Source: Eurostat). With 40.4 hours on average spent at work per week (as of 2022), they work on average 10% longer than their Western European counterparts, 14% more than in Germany, and 8% more than the average across the EU (Source: Eurostat). Polish consumers value their time, and the modern convenience concept allows them to accomplish a number of tasks efficiently and without hassle, making their life easier. Additionally, according to the Digital Poland 2023 report, approximately 88.4% of Polish population uses the internet and 66.3% is considered an active social media user. Management believes this will drive an increase in the use of technological and digital solutions by the Poles. This openness to technological innovation is expected to constitute a foundation of further important growth of the e-commerce and eGrocery markets.

Moreover, an increasing number of consumers in Poland pay special attention to responsible consumer choices. 80% of Poles are concerned about the state of the Earth, and 83% intend to change their shopping habits to be more sustainable; Poles are also trying to conserve water (93%) (Source: EY Future Consumer Index – study for Poland: March 2023).

The Group's mission is to create value by simplifying people's everyday lives and allowing them to "free up free time" while also promoting a sustainable lifestyle and making responsible choices possible (please see "*—Environmental, social and corporate governance (ESG)*" below). The Group's focus on customer missions (occasions), values and needs instead of products and services means that Żabka goes beyond the traditional model of a corner grocery store.

The Group's value proposition is based on a customer-centric approach. As a result, it has created an ecosystem that offers a variety of tailored convenience solutions focused on satisfying customer needs. This ecosystem is built around high-quality food that is convenient, fresh, healthy and available across the whole network. This aims to increase customer satisfaction by offering solutions for a full range of customer needs "here and now" throughout the whole day.

The Group is focused on providing a seamless shopping experience addressing consumers' everyday needs (such as breakfast, lunch, dinner, thirst, snacks), tasks and routines (such as money withdrawals, bill payments and parcel pick-up), all while promoting responsibility towards the planet. The Group carefully selects products and services that may be of the greatest interest to customers to create a well-suited offer so that they do not need to spend time looking for solutions elsewhere. Leveraging easy-to-use physical stores, a digital ecosystem and a ready meal offering, the Group is able to comprehensively address a full range of nutritional needs of its customers, maximise time efficiency and free up highly sought free time.

The consumer-centric strategy is supported by a large amount of collected consumer and transactional data, advanced AI capabilities and a tailored organisational structure (e.g. specialised units, including a foresight team, all fully dedicated to consumer strategies). All unique product concepts before development are tested with the target customer segments with Group's proprietary tool Innoskaner that provides benchmarks that help to evaluate concepts and choose the best one for implementation. This allows the Group to recognise customer needs and provide them with a tailor-made and flexible product and service range that also features own-brand products. These products, according own quantitative customer research conducted by the Group in 2023, best fit the target customers' needs, address impulse shopping missions (occasions) and create favourable customer behaviour.

To further support its customer-centric approach enabling ultimate convenience, the Group accelerated its digital transformation by combining the advantages of modern physical convenience stores with a customer mobile application, D2C meal solutions, e-commerce and q -commerce solutions, and autonomous Żabka Nano stores (opened 24/7). This undertaking is intended to promote the Group as a top-of-mind customer choice whenever they might feel hungry or thirsty. For further details, please see "*—Operations of the Group—Digital businesses—E-commerce*".

Ultimately, in response to a strong customer shift towards responsibility, the Group has made a strategic commitment, expressed in its environment, social and governance ESG framework, to promote sustainable living for everyone, every day, and to empower its customers to make responsible choices. The ESG strategy is based on four pillars: (i) a sustainable lifestyle; (ii) a mindful business impact; (iii) a responsible organisation; and (iv) a green planet. To deliver these commitments, the Group designs and deploys its business activities by integrating ESG-related factors into its decision-making processes, all of which are supported by its governance framework. For further details with respect to the responsibility strategy (ESG), please see "*—Business model—Environmental, social and corporate governance (ESG)*".

Business model

The Group operates the leading, ultimate tech-powered convenience ecosystem combining physical retail stores, autonomous unmanned stores, eGrocery, ready meal production and distribution supported by a mobile application for digital customers and custom-made technology backbone.

According to OC&C, the Group is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024. Based on analyses conducted by the Group in 2023, approximately 17 million Polish consumers live less than 500 metres from the nearest Żabka store. The convenient layout and format of the Group's stores contributes to a seamless and efficient shopping experience.

The Group's physical convenience stores are operated by independent franchisees who are local entrepreneurs. While the primary store lease is owned by the Group, franchisees cooperate with the Group based on franchise contracts and are given the opportunity to create their business community with the Group's help. As the franchisees have direct contact with customers, the Group provides them with a wide array of assistance and support so that they are well suited to satisfy the needs of customers (for further details with respect to the franchise model, please refer to "*—Operations of the Group—Modern Convenience—Franchisee-centric model*" and "*—Operations of the Group—Modern Convenience—Franchisee-centric model—Terms of cooperation*").

The physical store chain operated by franchisees is supplemented by a network of unmanned autonomous stores. They are operated under a dedicated sub brand, Żabka Nano. To support operation of these stores, the Group uses custom-made technology developed in cooperation with external partners (e.g. AiFi). When locating such stores, the Group focuses on specific places including offices, factories, universities or places with limited space, limited traffic or legal restrictions.

The assortment is tailored to the location, leveraging standard range. Furthermore, the Group is running a pilot of so-called hybrid and semi-hybrid stores, operating 24/7, which combine regular physical store with unmanned autonomous stores. The Group plans to open more hybrid stores in 2024.

To benefit from the growing eGrocery trend, the Group runs two businesses providing eGrocery services: Jush!, offering rapid delivery, and delio, offering same day delivery using a delivery slot method and targeting 2-3 hours delivery time, integrated in a single, unified app. Jush! offers a selected assortment focused on emergency consumption needs, while delio's offer addresses a broader range of products and focuses on high quality, fresh, mainly local products and fast-growing attractive subcategories (e.g. local fresh, eco, etc.). Both units are operated by a dedicated company established in the style of an agile start-up, which is run by an experienced team. The units are emerging leaders in the same day grocery delivery as evidenced by daily order numbers of approximately 6,000-7,000 per day in June 2024, while being present only in two cities contrary to other operators.

The existing modern convenience retail offering has been expanded by entering the food production area. The Group owns ready meals manufacturer and direct to consumer distributor Maczfit (D2C meal solutions). Maczfit uses two production sites near Warsaw, which as of June 2024 had capacity to produce approximately 165,000 meals per day, maintains a refrigeration line and is currently enhancing its production capacity. The Group offers subscription-based custom made, ready meals and dietary plans that address the specific health and nutrition requirements of its customers. It operates through a full value chain starting from product sourcing, through production, distribution, marketing and sales, including home delivery as well as customer service and support functions, also leveraging synergies with other units of the Group.

The Group also owns Dietly, which is a market-leading SaaS-enabled marketplace for ready meals providing access to approximately 60% of the D2C meal suppliers active on the Polish market. Dietly also provides value-added services and SaaS software to third-party ready meal producers, which in many cases are also merchants on the dietly.pl marketplace.

The Group has a highly diversified supplier base from which it directly sources its products. The scale of the Group's operations translates into efficient procurement and competitive trade terms, and allows it to compete with a wide offer of products not available elsewhere, its own brands, dedicated branded ranges and tailored promotions. The Group maintains strong and long-standing relationships with many major brands; while suppliers vary considerably in terms of volumes – the Group's top ten largest suppliers accounted for approximately 57% of the Group's total value of purchases of goods in 2023. The Group leverages machine learning, AI and data analytics throughout its operations, including in setting pricing and assortment, promotions, and location planning. Furthermore, the Group also operates a globally recognised advanced data exchange platform (ACIT) for its suppliers. As a result, the Group is able to collaborate with suppliers long term: the Group cooperates with 360 suppliers with a turnover of more than PLN 1 million per year each, of which 237 cooperate with the Group for more than five years. The Group has received the "Retailer of the year" award in the "Small-format stores" category for six consecutive years since 2019 in a survey conducted by NielsenIQ and in 2023 the Group was selected as the number one retail chain in Poland in the annual Advantage Mirror Group research conducted among FMCG suppliers. The suppliers also benefit from the growing volume of purchases made by the Group as they can introduce new products to the Group's offering, which enables them to test such products in a representative number of stores.

Approximately 98% of the Group's deliveries are served by its own nationwide logistics network. This ensures regular, timely deliveries of products to all stores. The centrally managed system consists of 8 distribution centres (including a large, automated distribution centre opened in the second quarter of 2023), 19 cross-docking facilities, additional dedicated storage locations (including dark stores and dark kitchens infrastructure) and a network of independent third-party transportation providers. The Group's distribution network performs 3-6 deliveries per store per week and 3.0 million deliveries per year.

Organisational structure

The Group sees itself as a highly efficient organisation with a tailored structure consisting of three core business units: Żabka Polska, Zabka International and Żabka Future, which are supported by the Strategic Leadership and Central Functions area consisting of the Strategy and Development, People Strategy and Financial Strategy and the Central Functions. Tomasz Suchański, the CEO, oversees the whole business activity of the Group and plays a key role in determining the strategic direction for the Group's operations and development.

Żabka Polska, managed by Adam Manikowski (Managing Director of Żabka Polska), focuses on the growth of the modern convenience area and is mainly responsible for the commercial and operational aspects of the Group's activities, including the running and development of the modern physical convenience store network and the Group's nationwide logistics network (physical channel). Żabka Polska drives the expansion process as well as covers trade and marketing activities and is responsible for store operations including cooperation with franchisees.

Zabka International, managed by Anna Grabowska (Managing Director of Zabka International), focuses on developing new markets and implementing strategy of international expansion.

Żabka Future, managed by Wojciech Krok (Managing Director, Żabka Future), is responsible for running the Group's eGrocery and D2C meals solutions business, the development of the Żabka Nano network, as well as developing AI driven technology tools that support the operations of Żabka Polska and all other processes within the Group.

The Group's Strategic Leadership and Central Functions oversee the entire business activity of the Group and play a key role in determining the strategic direction of the Group and provide group functions in the area of Strategy and Development, People Strategy and Financial Strategy and other key roles as corporate and legal areas. Strategy &

Development unit run by Tomasz Blicharski is responsible for developing and implementing Group's strategy in every area of its operations, including identifying and creating new business opportunities, developing new concepts and making acquisitions both domestically and internationally, the Unit is also responsible for the Group's activities in terms of consumers and the transformation of responsibility – driven by the responsibility strategy (ESG).

The people unit run by Jolanta Bańczerowska is responsible for people strategy as well as corporate culture, performance systems, recruitment and development, and central HR functions.

The finance unit run by Marta Wrochna-Łastowska is responsible for finance, controlling and the internal audit of the Group.

The corporate functions reporting directly to the CEO include legal and compliance, and Group PR. This structure allows a strong focus on performance and enables the Group to easily add on new businesses and units, both start-ups and more developed companies.

The Management believes that people who work at and cooperate with the Group are one of the main drivers of its growth and success. As a result, the Group promotes a culture of learning, continuous development, performance and equality among its employees. The Group has built a truly innovative team by recruiting individuals with a disruptive mindset and global experience. This has allowed the Group to apply global best practices and knowledge to its physical and digital offerings. The Management believes that engaged employees perform better and are more committed to their work. Therefore, the Group regularly commissions a Gallup Q12 engagement survey, which enables the Group to track how its employees feel about the Group's culture and workplaces. In 2023, the 6th edition of the survey was finalised. according to which Żabka employees are five times more engaged than the average employee in Poland (72% in the Gallup global overall database compared with 49% in the global grocery sector and 14% in an average Polish company). According to the survey, the Group has over 14 engaged employees for every one unengaged employee, which is nearly three times more than the average result for the category of Grocery and General Merchandise Retail Chains (five engaged employees for every one unengaged employee). The employee NPS score has increased by 5 points since 2020, reaching 58 points in 2023, putting the Group in the top 10% of Workday's Peakon Employee Voice benchmark.

The Management believes that the Group is well positioned to capitalise on the growth opportunities on the retail market in Poland and has a competitive advantage when compared to various competitors across the entire value chain, including retailers, restaurants, cafeterias, coffee shops and other service providers. For further details, please see "*Market and Regulatory Overview—Market overview*".

Ultimate convenience ecosystem

The Group operates the ultimate tech-powered convenience ecosystem in Poland with solutions serving time-constrained consumers, addressing the diverse needs of customers and which is available every waking hour, through both physical and digital channels. This strategy seeks to continuously develop and refine solutions supporting a modern lifestyle and the development of services reflecting the needs of customers who want to have everything in one place, close to their place of residence or work, or online using mobile devices.

The Group combines the status of the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally according to OC&C, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024 with a high quality of services and a broad range of everyday solutions that make a consumer's life easier. The Group focuses on digital transformation, which enables it to leverage the benefits of the combination of physical stores, eGrocery solutions, a D2C offering and digital solutions (apps, web services, etc.). The Group's technology is designed to make shopping and store management easier for customers and franchisees, respectively.

The Group offers a seamless shopping experience (both products and services) to address the everyday needs and challenges of customers driven by convenient store formats and layouts tactically designed to support immediate consumption and provide solutions rather than just a product offer. With its franchise operating model, a highly-tailored store format and its experienced expansion team of approximately 130 dedicated members supported by other teams throughout the whole organisation, the Group is able to scale its business and open new stores efficiently and in response to identified local demand.

The Group aims to provide quick and convenient solutions by further expanding its assortment by "ready-to-eat" or "ready-to-heat" products available to customers throughout the whole day. The Group has introduced a wide range of its own brands addressing customer needs (which can easily be tailored and refined in response to changing customer needs) and providing innovative solutions that are not available elsewhere on the market. For more details regarding own brands, please see "*—Business model—Own brands*". The introduction of own brands creates an opportunity to increase traffic in stores, increase customer satisfaction (measured by the Customer Net Promoter Score (NPS)) with positive surprises and innovation, and drives incremental sales and loyalty.

The ultimate modern convenience ecosystem (both physical and digital channels) is supported by the combined purchasing platform, logistics capabilities, shared sourcing, integrated data and analytics capabilities, as well as expansion algorithms, across the entire value chain.

The Group is able to actively leverage consumer data and insight as well as an integrated product portfolio to drive cross-selling and up-sell to its combined customer base. Leveraging its long-lasting presence on the market, the Group is also able to deliver synergies in the areas of marketing, including branding, creative works and media buying.

In terms of incurred costs, the Group leverages multiple synergies, including combined product sourcing, an integrated supply chain, a combined product portfolio, cross-unit production of selected dedicated lines, marketing activities, non-trade purchases, back office shared services, an IT backbone and services, as well as lower financing costs.

The data collected within the ecosystem gives the Group the opportunity to develop a deep understanding of the needs of customers, which enables the Group to act quickly and effectively.

As a result, the Group is able to create a single customer experience and cross-selling opportunities, to increase its profitability, achieve pricing and assortment optimisation, and accelerate roll-out across all business units. All of these elements enable the Group to quickly integrate new products and services in a replicable ‘plug & play’ fashion.

Customer base and profile

Managing customer relationships is key to attracting new customers and developing their loyalty. Creating a deep understanding of their needs enables the Group to offer the most necessary products and services in the most convenient way. As a consequence, the Group is able to “free up free time” of its customers, which is an ultimate customer benefit. The main ways the Group develops and manages its customer relationships include:

- comprehensive 365-day customer communication through traditional and digital channels;
- loyalty rewards through programmes entitling customers to special offers;
- personalised content through the Żappka mobile application;
- a tailored offer that suits customer needs in the best way; and
- the layout of Żabka stores being designed to facilitate a convenient shopping experience.

In order to ensure a comprehensive understanding of consumer needs, a dedicated division was established within the Group. The Department of Customer and Brand Strategy takes care of customer fundamentals in connection with all key strategies, from own brands and the marketing calendar in Żabka Polska, through innovative retail entities, to non-commercial Group activities like the Employer Branding strategy.

As a result of its endeavours related to managing customer relations, the Management believes the Group has established a large base of loyal customers and has a clear path to attract new ones. In 2023, the Group catered to approximately 14 million monthly users (45% of Polish adult population), and had over 4 million customers visiting the Group’s stores more than 9 times a month (heavy users), 5.1 million customers visiting between 3-8 times a month (medium users) and 4.6 million customers visiting between 1-2 times a month (light users). The Group is focused on building further customer loyalty to transform light and medium users to high users. At the same time the Group attracts new customers by further expansion.

The Group seeks to understand the needs of its customer through: (i) detailed analyses of current and future trends in social and customer behaviour, including healthy living, customers having limited time, customer lifestyles, and the digitalisation and premiumisation of services (for further details regarding such trends, please see “*Market and Regulatory Overview—Market overview—Favourable consumer trends resulting in a distinctive customer profile*”); as well as (ii) constant detailed analyses of the purchasing habits of the Group’s customers. Such analyses depend on the data collected by the Group from a variety of sources, including the Żappka mobile application and cash registers, as well as market analyses and customer research prepared by third-party advisors. As a result, the Group is perfectly positioned to understand the behaviours and needs of its customers.

The Group collects and uses a variety of customer data and analyses it to enhance its offers, sales and marketing actions in order to increase the effectiveness of customer acquisition, retention and satisfaction. The Group uses advanced data analysis and data mining with the aim of continuously improving its business processes, such as communication campaigns, the selection of product assortment and recommendations encouraging the use of services offered by the Group, as well as its operational processes and cost effectiveness.

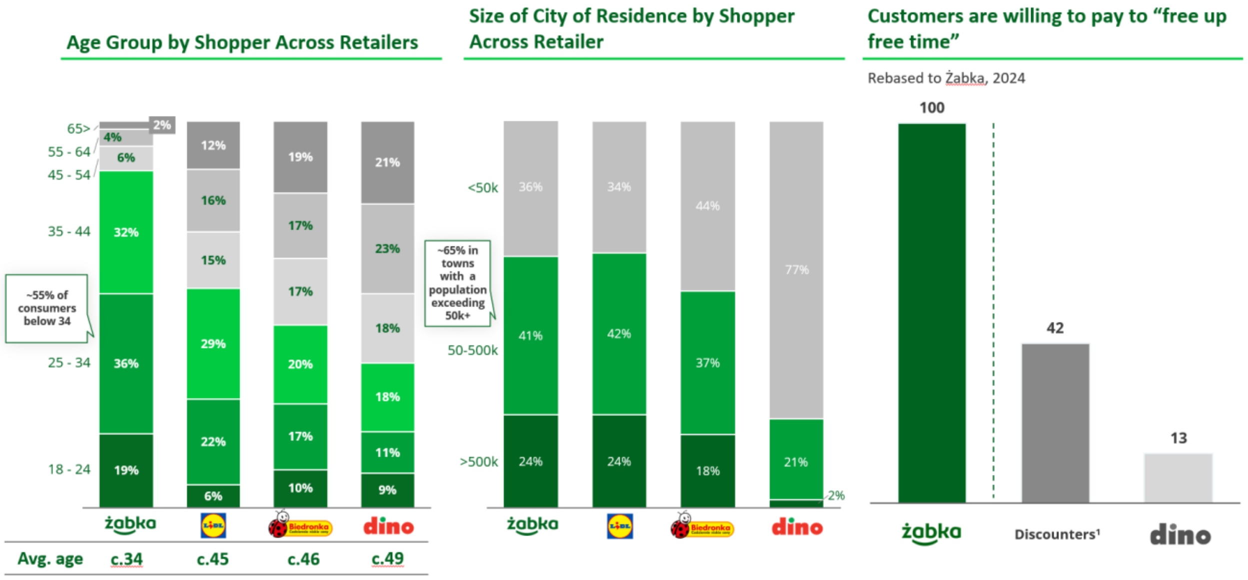
The Management believes that the Group’s detailed and extensive database of customer preferences and activities is a strong foundation for additional opportunities in terms of service personalisation, assortment and offer recommendations.

Customer characteristic

The Group’s business is conducted, for the most part, in Poland. The Polish economy is among the fastest-growing economies in the EU, with its Real GDP per capita growing by a CAGR of 2.6% between 2018 and 2023 (the sixth highest in the EU and second highest in Western Europe) (Source: Oxford Economics). For further details regarding Poland’s macroeconomic data, please see “*Market and Regulatory Overview—Market overview*”.

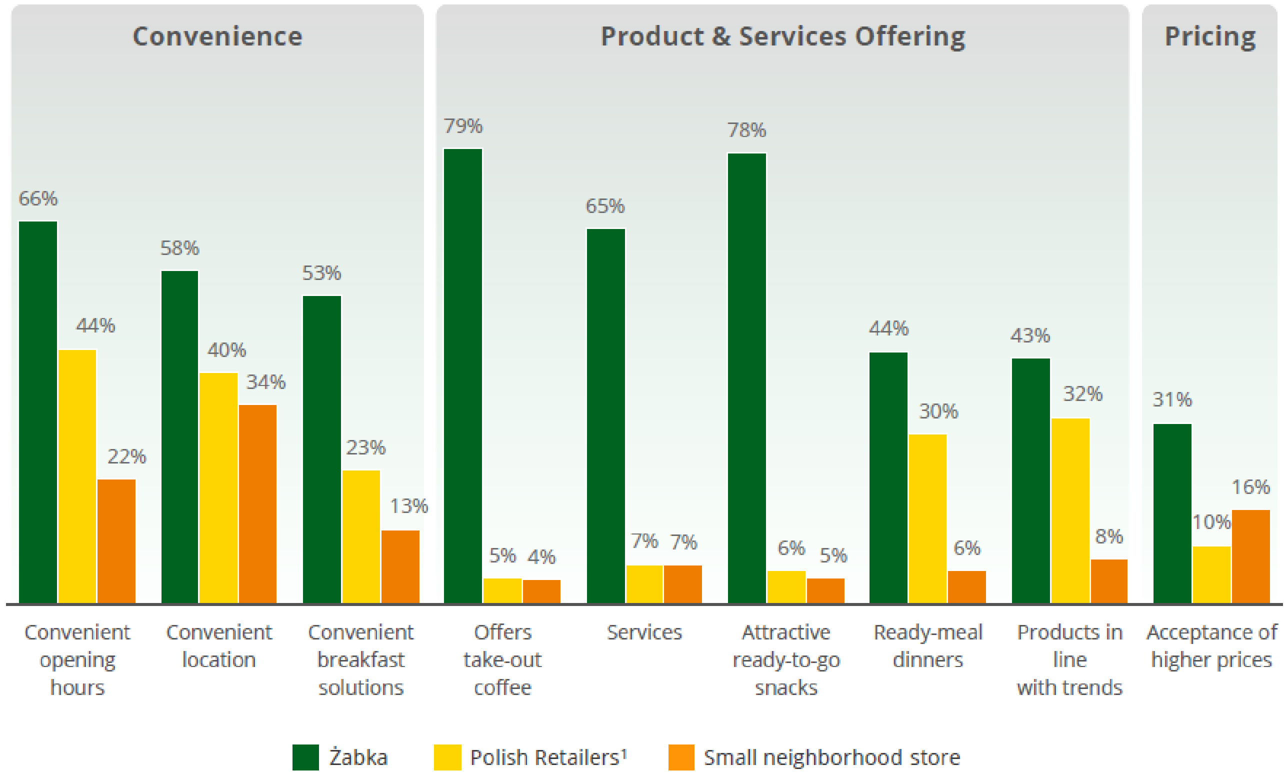
Żabka Polska is a widely recognised brand regularly visited by all demographic groups. The “core customer” of Żabka Polska is slightly skewed towards younger and more affluent people living in bigger cities. According to OC&C, as of 2023, 75% of people in Poland aged 18 to 24 are heavy or medium Żabka customers, above 60% of people aged 25 to 44 are heavy or medium customers, whilst only 30% of those above 65 years old are heavy or medium Żabka customers. Approximately 27% of households with monthly income more than PLN 8,000 per month are Żabka customers. Moreover, approximately 64% of inhabitants of cities with a population exceeding 200,000 are heavy or medium Żabka users, compared to 58% in cities with a population of between 20,000 and 50,000 and 57% in cities with population between

50,000 and 200,000. The chart below presents detailed characterization of the Group's customer profile in comparison to other retailers, as of March 2024.



Source: OC&C. [1] Includes Biedronka and Lidl.

Żabka customers prioritize convenience with 76% of the customers focused on immediate consumption (for same day or later that day). These customers value convenience over price and are more resilient to price hikes. According to OC&C Żabka customers are approximately eight times more willing to pay more in order to save time in comparison to customers of Dino and over two times more likely in comparison to customers for Polish discounters. The below chart presents the Group's recognition in comparison to Polish retailers and small neighbourhood stores.



Source: OC&C Market Report, Kantar (Kantar research based on representative sample on a population scale).[1] Average of Dino, Biedronka and Lidl.

As part of the customer acquisition strategy, Żabka conducts an analysis of customer segments located in the network's catchment area. Deep big data analysis highlights three key segmentation dimensions: (i) lifestyle & time-sensitivity; (ii) value consciousness; and (iii) product usage / needs. Based on this, the Company has identified a set of eight key segments defined by a combination of time-sensitivity, value/promo sensitivity and buying behaviors, out of which five are the core target for convenience. The Group has a deep understanding of key user groups with distinct segment characteristic including triggers, barriers, Żabka penetration and share, DAM share, core categories. Customer Acquisition Strategy is being implemented in all areas of the Group activities that need a better understanding of business development potential: marketing, commercial, NPD, expansion, store segmentation and ESG.

Based on the analysis conducted by Research Collective in February 2022, Żabka a well-known brand for wide variety of consumers, irrespective of age and social status, who all have one thing in common that is a need for some specific purchase, quick shopping, quick snack or drink. The research also indicated that customers value carefully curated assortment, large selection of ready meals, snacks, promotions, as well as store cleanliness.

The Group believes it has a highly differentiated value proposition, not directly competing with other grocery retailers, as only 33% of SKUs available at Żabka stores overlap with those of discounter's channel, due to a different shopping mission served by Żabka. Moreover, consumers who visit Żabka stores also visit other retailers – 81%, 54% and 24% of Żabka customers also shop at Biedronka, Lidl and Dino, respectively. However, due to significantly different reasons to come, these shopping missions only compete to a limited extent.

In 2023, Żabka was available to approximately 17 million Polish adult population, of whom approximately 80% have shopped in Żabka in the last month. The Company believes there is an opportunity to gain market share by further network expansion, thus accessing new customer base, as well as converting low and medium Żabka users into high users.

The Group's customers tend to spread their shopping throughout the day, with approximately 45% out of all purchases being made between 1:00 p.m. and 6:00 p.m., approximately 30% being made between 6:00 a.m. and 12:00 p.m., and approximately 25% being made after 6:00 p.m. (as of 30 June 2024).

Technology

The Management believes that the Group is a leader in digital technology among retailers in Poland. The Group is an innovative technology and data-driven entity focused on creating the ultimate consumer experience. The Group's digital development creates synergies and scale benefits, and also results in development of new, faster time-to-market solutions (across the entire value chain: procurement, warehousing, distribution, in-store execution and store roll-out).

According to OC&C, the Group is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024. The Management believes that such rapid development has been possible thanks to the Group's highly profitable model, its investment in capabilities to support new store roll-out, and its investment in new formats and digital technologies, as well as tools and analytics, to support the growth.

The Group relies on technology to process large amounts of data, and its systems are capable of analysing any potential location in Poland, taking into account several hundred different parameters. The algorithms used by the Group are capable of studying customer traffic, generating revenue estimates for each store (revenue estimation model available for 9.1 million addresses), analysing sales potential, providing cannibalisation estimates, analysing competition levels and analysing a customer's preference for a given shop. This analysis enables the Group to optimise its store location selection process (which led to 70% reduction of location planning error) and increase its success rate and revenue forecast accuracy for chosen locations. This analysis also enables the Group to minimise cannibalisation even when new stores are located at relatively small distances from one another or existing stores. As a result, the Group is able to serve approximately 17 million Poles with a Żabka store within a distance of no more than 500 metres from their homes. The stores are tailored to satisfy specific needs and demands in the particular areas where they are located; as a result, the stores cater to different customers and do not oversaturate the market.

Technology also supports the management of the stores and their segmentation (21 unique AI-generated store segments). Artificial intelligence-based analyses also help to select the product offering and optimum price list for each location (with approximately 4,000 SKUs ranked by relevance and price elasticity), and even determine the manner in which the products should be displayed in the store. The assortment is assigned to each store according to advanced algorithms that take into account the individual features of each store. As a result, Żabka applies more than 330,000 variants of planograms to determine the best assortment and merchandising for each store.

Digitalisation has also enhanced the manner in which the Group communicates with its customers. As of 30 June 2024, the Żappka mobile application had more than 10.2 million yearly active users (i.e. users who made at least one interaction with the app in the last 12 months an increase of 37% in comparison to the last 12 months ended on 30 June 2023) and had more than 8.7 million active shoppers (an increase of 39% in comparison to the last 12 months ended on 30 June 2023) – and highlights promotional campaigns tailored to the current needs of customers. The data collected through the Żappka mobile application allows the Group to develop an in-depth understanding of the needs of its customers, in order to better address them, with up to 2% targeted LFL growth upside from AI-driven personalization. Żabka is also able to offer over one thousand personalized combination of offers, track 305 million monthly product interactions and process approximately 2.3 million automated operations every month.

The Group has also implemented planning and business forecasting based on machine learning, optimisation systems and warehouse automation technology. Moreover, in 2018, the Group implemented a new Transport Monitoring System, which enables more precise and efficient route planning and logistics, improving the Group's delivery accuracy to above 93% as at 30 June 2024. The introduction of a highly efficient, centrally managed platform managing the distribution and logistics processes of the Group has decreased the Group's overall logistics costs as a percentage of sales.

In August 2020, the Group implemented an advanced customer insight tool ("**ACIT**") in order to further develop its knowledge of customer behaviour and to develop a more dedicated set of solutions satisfying customer needs. ACIT enables the Group to collect up-to-date data and various metrics from all of the Żabka stores, to filter the data by time period and by different categories, products, regions or store segments, and to prepare a wide range of efficiency reports. By using ACIT, the Group is able to measure the effectiveness of marketing campaigns and compare the performance of various categories of products.

The Group also incorporates generative AI technology. In May 2023, it deployed ŻabkaGPT, an internal ChatGPT solution for the Group's employees. More than 740 employees use it, with 150 of them using it regularly. GenAI has also been applied in more than 10 use cases to improve efficiency, e.g., by replacing repetitive tasks. This includes automatically finding insights from surveys, multiple AI assistants used by employees and franchisees, and semantically recognizing product labels.

In relation to the development of data-collection intensive applications, the Group cooperates with Snowflake (a leading global cloud-based warehousing data management system) in relation to: (i) machine learning that optimises pricing and assortment (the Group's data scientists can develop machine learning models to better understand how stores are performing and what can be done to optimise their performance); (ii) improved customer experience data modelling, which allows the Group to automate product assortment per store in order to match the needs of a given area; and (iii) data sharing with external parties such as suppliers, who can rely on data received from the Group to gain additional insight into the market. Based on Snowflake case study, data analytics solutions implemented by the Group (AI-driven pricing, franchisee app ecosystem, and AI-driven segmentation, assortment & optimisation) resulted in 10% EBITDA uplift in the first full month of implementation (August 2018).

The Group has also developed a Franchisee Relationship Management platform. This platform is based on the SalesForce system, storing all relevant data around fixed assets, store-related metrics and information related to the franchisee – data essential for algorithms that perform analyses and predictions used by the field force conducting in-store quality controls of standards, assets and performance. The platform is available as a mobile application and desktop application (Cyberstore) and allows the franchisees to track logistics processes in real-time, manage their employees or conduct two-way communication between a given store and the Żabka Polska team. In addition, the franchisee can monitor and control its assets, get real time data regarding store performance, monitor stock availability, etc.

Additionally, the Group cooperates with Synerise in relation to the Żappka mobile application and AiFi, Inc. in relation to the Nano technology and the development of Żabka Nano stores.

The Group is also exploring various initiatives and collaborations to use its sales data and to create end-to-end solutions for brands, including services such as marketing mix modelling, consumer data analysis and product testing.

Żabka Nano is a fully automated, small-sized, checkout-free store. The technological stack, partner software and solutions used have been selected to secure the economic relevance of autonomous technology in the modern convenience business. Żabka Nano stores present an innovative, highly convenient solution that is complementary to traditional stores, enhancing the array of possible catchments and offering extended operating hours (24/7). In order to make purchases in a Żabka Nano, a customer needs the Żappka mobile application with a special Żappka Pay service activated (digital wallet functionality) or just a credit or debit card as the first step. This solution allows the customer to shop as quickly as possible without the need to perform a physical payment process at the end of their shopping and enables direct interaction with a customer pre-shopping and post-shopping. In order to enter a Żabka Nano, the customer has to identify him/herself through a special, one-time QR code in the Żappka mobile application or through a credit or debit card, which must be presented to the reader at the door of the store. After collecting all of the required products, the customer can simply leave the store and the payment will automatically be deducted from the customer's account synchronised with Żappka Pay or their bank card. Further communication and shopping history is available in the Żappka mobile application or in SMS messages from Żabka.

Customers enter a Żabka Nano by authenticating a method of payment such as Żappka Pay or a mobile payment on their smartphones, pick up items that they want to purchase, and then exit the store without going through any kind of checkout counter. Such stores can be placed in catchment areas in which regular Żabka store operations would be impossible or difficult, such as offices, hospitals, factories, schools or even inside other big-box stores ("store in store" format). On 12 June 2021, the Group launched the first autonomous store in Poznań serving fresh coffee and snacks to commuters, with 50 stores operating as at December 2023 and 44 as at June 2024 in Poland and Germany.

The Group manages its services in a hybrid environment and in physical data centres. Part of the Group's infrastructure is located and co-located in the Microsoft Azure and Google Cloud platform, to enable real time transactions, faster recovery and business continuity processes.

Żabka stores have undergone a significant IT infrastructure upgrade thanks to the implementation of Software-Defined Wide Area Network (SD-WAN) technology. This technology offers increased security, flexibility, reliability, and network performance, which is crucial for a network as extensive as Żabka's. SD-WAN allows Żabka to utilize multiple internet connections simultaneously, including dedicated, public, and mobile connections. This makes the network less susceptible to outages on a single link. In case of problems, SD-WAN automatically reroutes traffic to another available connection.

The SD-WAN implementation at Żabka is recognized as the world's largest such solution on a single technological platform. It allows Żabka Polska to easily and quickly connect new stores to the network, as well as centrally manage the IT infrastructure of all locations.

For additional information on the Group's IT systems, see "—*Information technology infrastructure*" below.

Own brands

The Group aims to provide quick and convenient solutions offering "ready-to-eat-and-drink" products available to customers throughout the whole day. In the field of the most "modern convenience" customer missions (occasions) such as breakfast, lunch, dinner, snacks and drinks to go, the Group creates own brands to give its customers a fully controlled shopping, product and brand experience. Additionally, to attract customers that are open to innovations, the Group uses its own brands to deliver innovative and surprising product solutions.

From a business point of view, the introduction of own brands creates an opportunity to increase traffic in stores, basket size and value, customer satisfaction, loyalty, brand perception and margins. The Group introduces around 150 own brand products per year and more than 500 branded products exclusive to the Group. Between 2023 and 2028, the Management is seeking to double the sales volume of healthy own-brand products.

To develop its own-brand portfolio in a consistent manner and cater to immediate consumption, the Group uses an innovative 'CREDIT' framework (i.e. C – convenient, R – ready, E – everyday, D – differentiating, I – innovative and T – tasty) with which all own-brand products need to comply. In addition to the CREDIT product offering, the Group offers first-price own brands based on the 'TAPE' framework (i.e. T – tasty, A – amount, P – price and E – everyday) that help to build price perception in selected categories. Own brands accounted for approximately 21.7% and 22.3% of tickets as at 31 December 2023 and 30 June 2024, respectively. As its QMS business grows, the Group expects an increase in the share of own-brand products in total tickets.

By 2026, the Group aims at multiplying the sales value of own brand products promoting a sustainable lifestyle compared to the 2020. As at June 2024, the Group increased the share of products promoting a sustainable lifestyle within its own brands to 61.2%.

The Group's own-brand offer is mainly focused on the QMS category – Maczfit for tasty and healthy meals throughout the whole day, Szamamm for lunch and dinner, Haps! for snacks, Dobra Karma for light and healthy lunches, Foodini for liquid snacks made from 100% fruits and vegetables, Wycisk for juices and lemonades, Tomcio Paluch for sandwiches, S! functional shots and the Żabka Café stand from which you can buy a variety of ready-to-eat hot snacks identified as the most popular street food in Poland such as hot dogs, paninis, burgers, French or loaded fries, chicken strips, pizza and hot and ice coffee to go, etc. The plastic bottles in which the own-brand products are sold – Foodini, Wycisk, S!, OD NOWA water – are made from 100% recycled materials (rPET).

As at June 2024, the Group offered the following own-brand products (selection only):

Maczfit Maczfit®	Under the Maczfit brand, the Group offers a full range of tasty restaurant-quality, ready-made meals to cater towards all-day needs of health and convenience-oriented customers. Maczfit offers a variety of balanced meal subscriptions tailored to different dietary needs and food preferences.
Dobra Karma dobra karma	Under the Dobra Karma brand, the Group offers minimally processed (clean label) ready-to-eat products made from high quality ingredients without unnecessary additives, in line with pro-health nutritional trends, based on both well-known and new tastes. This brand is targeted at customers with an intensive lifestyle who are busy and live in big or average size cities. The product line includes salads (lunch boxes and dinner boxes), vegetable juices, savoury snacks, antipasti and sliced fruits.
Foodini FOODINI	Under the Foodini brand, the Group offers plant-based smoothies comprising tasty, diversified mixes of fruits and vegetables (e.g. passion fruit-banana-cocoa, pineapple-banana-cocoa-mango, strawberry-raspberry-kiwi-chia, etc.). This brand of liquid snacks is designed for customers over 25 years of age who are willing to pay a premium for healthier food options.
Szamamm Szam amm	Under this brand, the Group offers a wide variety of ready-to-heat high quality meals from different cuisines both with and without meat, including dedicated meals for children. This brand is targeting mainly customers who have limited time, including families and students.

Tomcio Paluch	Under this brand, the Group offers a range of ready-to-eat sandwiches, bagels and wraps. This brand is targeting a wide variety of customers, mainly living in cities or towns and who spend a lot of time outside their home.
Plant Hunter	A "100% plant" brand aimed at people who want to reduce meat and dairy in their everyday diet, but who do not want to sacrifice taste for health. Through Plant Hunter, the Group offers ready-to-eat meals and snacks covering most food purchase missions (occasions) throughout the day (breakfast, dinner, lunch, snacks) with plant-based meat and dairy substitutes.
S!	100% natural functional shots dedicated for those who want to strengthen their immunity, metabolism and increase everyday energy. S! Shots are intense in taste and composed to support the daily activity of the body.
Prosto z pieca	Hot food and drinks on the go, including hot dogs, burgers, chicken strips and nuggets, french fries.

The Group has several internationalized own brands in its portfolio, i.e. Tommy Bites, Foodini, Good Soul, Barefruit, Haps! and Yammee, available in Romania.

Environmental, social and corporate governance (ESG)

The Group designs and executes its business activities by integrating ESG-related factors into its decision-making processes and daily operations. The Group's mission is to create value by simplifying people's everyday lives by promoting a sustainable lifestyle, making a positive impact on the social and natural environment, and by implementing responsible business practices. The aim of the Group is to create conditions to support its further development and minimise negative environmental impact throughout its entire value chain in order to create integrated and sustainable value for its key stakeholders (i.e. consumers, business partners and employees).

In 2021, Żabka adopted its responsibility strategy, which is integrated into the Group's business strategy and defines its objectives and identifies the directions that the organisation intends to follow in connection to its corporate responsibility and sustainability agenda.

The ESG strategy is based on four pillars: (i) a sustainable lifestyle; (ii) a mindful business impact; (iii) a responsible organisation; and (iv) a green planet. The Group's ESG framework expresses its commitment to create conditions for sustainable living for everyone, every day, and to empower its customers to make more responsible choices. The ESG strategy refers to those ESG-related areas that are important for the organisation, but also its key stakeholders, and that which has an impact on the operations and results.

Pillar					
Sustainable Lifestyle	2026 Commitment	Multiply the sales value of own brand good nutrition products	Reduce food waste in own operations by 25%	Increase in customers' NPS by 2 points each year	'DobreGO' nutrition programme launched with **170** own brand products marked with A&B Nutri-Score label
	2023 Result	PLN1.4 bn	(17.6)%	41 points	Achieved **60%** of share of own brand products that promote a sustainable lifestyle
Mindful Business Impact	2026 Commitment	Increase in franchisees' NPS	100% of business partners familiarized with the Code of Conduct	Involve business partners responsible for 75% of purchasing expenditures in GHG target setting	Initiatives such as **'Innovation Station'** or **'Guardians of Franchise-centricity'** boosting franchisee satisfaction[2]
	2023 Result	+10 Points	61%	61%	**44%** of franchisees rated the cooperation as **9 or 10**
Responsible Organisation	2026 Commitment	Get to top 25% of the best employers[1]	100% of employees trained on business ethics principles	100% of employees trained on cyber security related issues	Over **5x** more engaged than average Polish company
	2023 Result	74th percentile (top 26%)	100%	99%	**Re-certification** of **EQUAL-SALARY** scheme
Green Planet	2026 Commitment	Reduce share of virgin plastic in own brand products packaging by 25% (vs. 2019)	Reduce total scope 1 and 2 greenhouse gas emissions by 25% (vs. 2020)	Reduce franchisee greenhouse gas emissions intensity by 70% (vs. 2020)	**100** tons of plastic saved from own brand packaging transformations
	2023 Result	30%	(28.8)% 17,282 tCO_2e	(60)% 11.1 tCO_2 e/m PLN	**900** full-hybrid & **300** hybrids in own fleet drive cost efficiencies a lower emissions & **46%** RES electricity at stores

2023 expectations met   2023 expectations partially met   Further progress to be made

Source: Company. [1] Measured by the Gallup Institute engagement survey. [2] These initiatives resulted in highest level of franchisee satisfaction (fNPS) since tracking of these measurements.

The Group continues to report on the ESG strategic performance results, trends and cases studies promotes transparency and enhances its credibility. The Group's 2021 responsibility report was awarded a prestigious Hallbars Award, as one of the five best ESG reports in Central and Eastern Europe. In addition, the Group has been preparing its climate disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since the report for the year ended 2020 and report non-financial data based on the most recognised international standards such as GRI or SASB. The ESG reports also undergoes independent limited assurance provided by the Group's auditor.

The first pillar – sustainable lifestyle – is aimed at offering more sustainable and conscious choices to make it easier for customers to change everyday habits to ensure that those habits are better for them and for the planet. This pillar focuses mainly on promoting healthy nutrition, limiting food waste and offering services for a sustainable lifestyle. The objectives of this pillar include:

- multiplying the sales of own-brand food products that promote a sustainable lifestyle (measured by sales value vs. base year);
- reducing food waste intensity in own operations by 25% (in 2023 the results was recorded as 17.6% reduction); and
- increasing the level of satisfaction of the Group's customers by 2 points each year (in terms of the customer NPS score).

The Group was active on many fronts in helping the customers enjoy a sustainable lifestyle and make informed buying decisions. It all starts with good nutrition. Using Nutri-Score labelling system (one of Europe's most popular front-of-pack food nutrition labelling system, which grades food from A to F over how healthy it is) covering 100% of Żabka's own-brand food products helps the customers to make more informed nutrition choices. "Porcja DobreGO!" (portion of good food) programme aimed at showing people that good nutrition does not need to be expensive, time-consuming or complicated. With products characterised by high fibre, protein, fruit and vegetable content, it enables customers to choose from 170 of own-brand products with a high Nutri-Score of A or B. The Group also catered for customers such as vegans or diabetics who have special dietary needs, with Maczfit catering service brand making it easy for everybody to order the food that suits them best. Moreover, the Group actively promotes healthy eating among young people, e.g. via an educational game on the Roblox platform.

In 2023, Żabka managed to redistribute internally approximately 67% of unsold food, exceeding its 50% target.

A healthy food ecosystem extends beyond nutrition alone. The organisation aims to reduce waste by enabling its customers to buy only the amount of food they need at the time. Moreover, the AI has been used to match the goods delivered to each store with local shopping habits, making it easy for people to find what they want and need and so reducing any unnecessary environmental impact.

Furthermore, enabling the customers to maximise the benefit of visiting the stores is addressed e.g. with a particular focus on making the shopping an unique convenience experience e.g. through Kawonament – coffee-subscription mechanism and circular WoshWosh shoe-cleaning and repair service.

The Group also applies a holistic approach to drive customer satisfaction measured by NPS by pulling key levers such as improved customer service or launching innovative and differentiated ranges. Żabka measures NPS on a representative sample of customers and additionally track it after key events, which allows to more easily identify areas for improvement in customer experience. Additionally, Żabka has developed and started tracking the NPS convenience index, which is better suited to the specifics of the convenience channel, which intersects several categories such as grocery, foodservice and other services.

The second pillar – mindful business impact – is aimed at impacting business partners including entrepreneurs and local communities to drive positive change and sustainable business development. The objectives of this pillar include:

- raising the level of franchisees' satisfaction in regard to cooperating with the Group, measured with the use of an NPS score;
- retain the total franchisees' churn rate at the same level; and
- ensuring that 100% of business partners are familiarised with the code of conduct dedicated to this group.

The Group exercises its best efforts to increase the level of satisfaction among the franchisees, provides conditions facilitating long-term collaboration and fosters entrepreneurship. New franchisees can expect comprehensive support, including a fully equipped store, training, innovative solutions such as the Optiplan program, the Cyberstore app and the opportunity to operate stores in various modern formats. The results of the Franchise Satisfaction Survey, conducted in December 2023, demonstrated the highest level of franchisee satisfaction since the beginning of these measurements. The investment in the Group's franchisees has successfully increased satisfaction among franchisees confirmed by the decreasing value of voluntary churn in years 2021, 2022, 2023 which amounted to 10.5%, 7.7%, 7.3%, respectively. The Group believes its voluntary churn rate positively stands out in the industry and the Group has not faced any major challenges in recruiting of franchisees to support the growth of its business.

To strengthen collaboration with business partners the Group introduced the "Fair business" platform aiming at increased engagement with suppliers and exchange of information. It also accelerated its activities to further deploy code of conduct for business partners and enhance collaboration dedicated to non-financial requirements across the supply chain. Żabka Polska obtained first place in the nationwide satisfaction study (NFS), ahead of the 20 retail chains participating. Innovation and experience-sharing with scientific institutions, business incubators and business partners were enhanced through ŻabkaFutureLab, i.e., accelerator program for start-ups.

Finally, it also supports community engagement programs such as its "Safe Internship" initiative, which is intended to prevent the social exclusion of young people residing in childcare institutions and living with foster families by offering internships – also at Żabka stores – that prepare them for an independent life and offer them their first contact with the labour market.

The third pillar – responsible organisation – focuses on shaping a purpose-led trusted organisation of empowered people, promoting equity, diversity and inclusion and fostering responsible management practices. The selected commitments and objectives of this pillar include:

- increasing the engagement of employees to achieve a ranking among the top 25% of employers in terms of the engagement of employees according to the Gallup Institute study and building the position of an employer that creates equal opportunities for all;
- increasing employee satisfaction with the Company's activities for their development; and
- ensuring 100% of employees are trained on business ethics principles and cyber security related issues.

In 2023 Gallup Institute ranked the Company among the top 26% of the world's most engaged organisations and has given it the Gallup Exceptional Workplace Award for 2023 and 2024, making it the first organization in Poland to receive such title twice. The commitment to equal pay regardless of gender makes the Company the first Polish company with EQUAL-SALARY certification. The Company is one of Europe's most inclusive companies according to the Diversity Leaders 2024 ranking by the Financial Times and Statista, which involved a survey of more than 100,000 employees across 16 European countries. Furthermore, of the 19 Polish companies that made the list, the Group is ranked fourth – comfortably inside the top 25%. Diversity and an inclusion are key strategic areas in the 3rd strategy pillar.

The Group further enhances its comprehensive system of ethics, in which all employees and franchisees comply with the law, international standards and adopted regulations, including that related to anti-corruption. Following the launch of the code of conduct and ethics for employees, all the Company's people have received training. Moreover, there was added cybersecurity to the curriculum of compulsory training programmes in 2023, and nearly 99% of the employees received training.

The Company retained the EcoVadis Platinum medal yet another consecutive year (2024), placing it among the top 1% of companies in the world for ESG integration. Responsibility (ESG) Report was published in 2024, which was externally assured and discloses information on the implications of climate-related risks and opportunities under the TCFD framework.

The last pillar – green planet – aims to minimize the environmental impact of the Group across its entire value chain with a special focus on circularity and decarbonisation.

In the circularity area the objectives are threefold: (i) to reduce share of virgin plastic in the weight of own brand plastic packaging by 25% (as compared to 2019) which has already been achieved in 2023 with a result of 30%; (ii) to achieve packaging neutrality for own brand products; and (iii) to ensure that 100% of own brand products packaging is suitable for recycling processes. The circularity efforts, such as using 100% rPET bottles and recycled packaging in its own-brand products and helping franchisees recycle more materials, reduce waste by maximising recycling. This has cut the amount of virgin plastic entering the market, achieving plastic neutrality in Żabka's operations for the fourth year in a row. Pilot deposit system in Zielona Góra and Bydgoszcz encourages customers to return collection of plastic and aluminium cans, rewarding them with the żapps points or a discount on the next drink. It also introduced a reusable and paper bags for sale helps reduce plastic waste in the form of single-use plastic bags. We implemented an attached cap i.e., in the own-brand mineral water OD NOWA. The cap permanently attached to the bottle helps increase the share of valuable plastic in the recycling processes. Close to 3 million PET bottles and more than 1.5 million aluminium cans were collected in EKOmats (special vending machines for selective collection of materials) and through a manual selective collection of waste.

Żabka is the first CEE retail food chain and the first in Poland, which GHG emissions reduction targets have been independently verified by the Science Based Targets initiative (SBTi). The long-term ambition of Żabka is consistent with the 1.5C degree goal of the Paris Agreement, which is a highly respected commitment in the business domain.

According to the decarbonisation plan, which applies only to the business units with full operational control, Żabka aims to reduce its absolute scope 1 and 2 GHG emissions by 25% by 2026 compared to the base year 2020. In 2023 it reduced emissions by 28.8% compared to the base year of 2020, with a 60% reduction in emission intensity in its stores. The most impactful initiatives aimed at reducing direct emissions include (i) decarbonization of the own vehicle fleet by replacing regular cars with hybrid and electric vehicles, (ii) reduction of dry ice usage by implementing refrigerated transport, and (iii) commitment to buy renewable energy under a 15-year corporate Power Purchase Agreement (cPPA).

The strategy also aims to reduce the intensity of scope 3 GHG emissions from franchise stores by 70% over the same period. In 2023, Żabka came closer to the aforementioned target by reducing emissions by 60% (11.1 tCO_2e/million PLN). In order to achieve this, closed-air refrigeration systems and zero-heating doors are being implemented in stores, and photovoltaic panels are installed wherever possible. Refrigerants in cooling installations are also being replaced with alternatives with a lower GWP. As for Scope 3 upstream emissions, the Company works closely with its business partners to analyse the carbon footprint of their supply chain under different categories and is continuously reviewing a database to calculate their levels of engagement with decarbonisation. The Company's strategy aims for 75% of its suppliers by expenditure, covering purchased goods and services, to have science-based targets by 2026 while, in 2023, the proportion stood at 61.3%.

The decarbonisation program is directly managed by the Steering Committee, which includes members of the Management Board. The person responsible for the area of decarbonization, along with the team, implements the strategy in all operations, while managing associated projects and stakeholder relations. The Operational Committee carries out decarbonization projects, providing monthly feedback. Decisions are based on reliable data, hence a monthly system for monitoring, reporting and validating emission data has been introduced. This system is in line with the GHG Protocol and is managed by the ESG Reporting responsible person and a team of ESG controllers. The Operational Committee and the ESG Reporting team work together to ensure transparency regarding emissions.

The responsibility strategy (ESG) is designed to address key identified material ESG-related risks and build on opportunities stemming from the responsibility and sustainability agenda, and its implementation is supervised by the management and coordinated on a daily basis by a dedicated ESG teams – ESG Centre of Excellence that covers both strategic and reporting duties across the company. The ESG strategy consists of defined objectives, KPIs and respective targets, all of which are managed and monitored by the Group. ESG performance is closely monitored and reported with use of developed tools by a dedicated ESG reporting team which leader reports directly to the CFO. The respective information feeds into the ESG strategy governance system covering strategic leadership, strategy management and operational levels, which ensures day-to-day ESG strategy deployment across the whole organisation and value chain with the engagement of internal and external stakeholders.

The Group's ESG efforts have been recognized by leading global experts and are reflected in the awards received by the Group:

- EQUAL-SALARY Certification indicating equal pay in the organization, obtained in 2022 and re-certified in 2023 and 2024;
- 2nd Most Loved Workplace, 2024;
- Gallup Exceptional Workplace Award, 2023 and 2024;
- Responsible Employer HR Leadership, 2024;
- Ethical Company Award, 2023;
- ESG Leader Gold Award, 2023;
- EcoVadis Platinum medal, 2022, 2023 and 2024;
- Golden POLITYKA CSR (ESG) Leaves, 2022 and 2023;
- Retailer of the Year & Sustainable Retailer of the Year, 2023.

The Group companies have also concluded several debt instruments for which cost of fees or level of interest margin is related to ESG targets achievement.

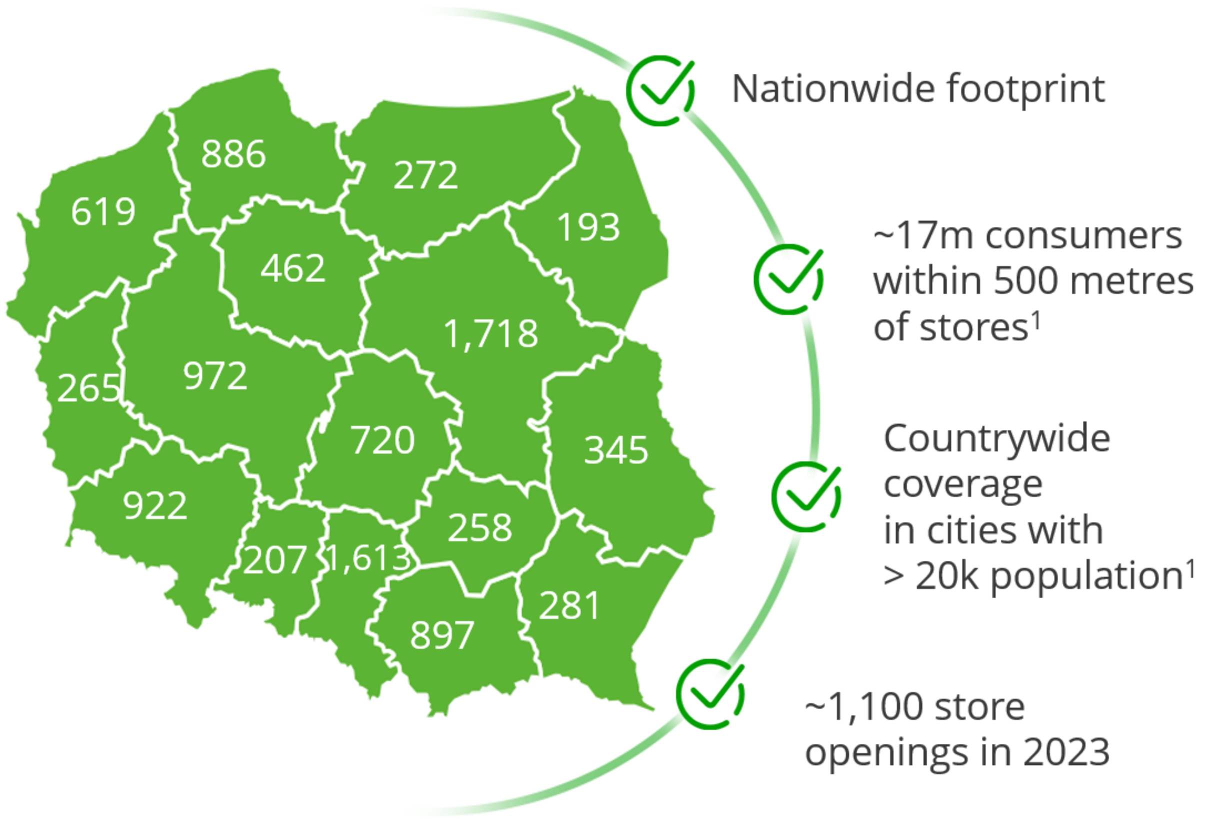
Operations of the Group

Modern Convenience

Chain of modern convenience stores

According to OC&C, the Group is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024. Based on analyses conducted by the Group in 2023, approximately 17 million Polish consumers live less than 500 metres from the nearest Żabka store, which is the key element enabling a quick shopping experience within close proximity to a customer. In 2023, Żabka handled approximately 3.6 million daily transactions on average. According to internal research conducted during the period of July-December 2023 and OC&C analysis, the Group had strong brand recognition, with approximately 90% of Poles knowing the "Żabka" brand, which exceeded the average brand awareness for retail companies in Poland by almost 15 p.p.

The following map shows the geographic distribution of the Group's stores in Poland as of 30 June 2024.



Source: Company. [1] *Based on the Company analysis.*

Żabka stores are located in towns and cities of different sizes across Poland (the stores are present in every city with more than 25,000 residents and in every town with more than 10,000 residence except one).

The table below presents the catchment area of the stores by city size in Poland.

	As at 30 June 2024		**As at 31 December 2023**	
City population (in thousands)	**Number of stores**	**(% of all stores)**	**Number of stores**	**(% of all stores)**
Warsaw	988	9%	957	10%
>500 (excluding Warsaw)	1,588	15%	1,522	15%
100-500	2,714	26%	2,609	26%
25-100	2,403	23%	2,287	23%
up to 25	2,937	28%	2,639	26%
Total	**10,630**	**100%**	**10,014**	**100%**

The table below presents the catchment area of the stores by store format in Poland.

Store format	As at 30 June 2024 Number of stores	(% of all stores)	As at 31 December 2023 Number of stores	(% of all stores)
Small cities	3,467	33%	3,167	32%
Grocery	2,352	22%	2,255	22%
Residential areas	2,075	20%	2,004	20%
Large city suburbs	1,534	14%	1,430	14%
Traffic	1,021	10%	969	10%
Seasonal	113	1%	125	1%
New formats (including Nano stores)	68	1%	64	1%
Total	**10,630**	**100%**	**10,014**	**100%**

The table below presents the catchment area of the stores by store size in Poland.

Store size clusters	As at 30 June 2024 (% of all stores)	As at 31 December 2023 (% of all stores)
<50 sqm	20%	19%
50-60 sqm	30%	30%
60-70 sqm	22%	23%
70-100 sqm	22%	23%
>100 sqm	6%	5%
Total	100.0%	100.0%

The table below presents the catchment area of the stores by vintages groups in Poland (as at 30 June 2024).

Vintage groups	(% of all stores)
1998-2003	7%
2004-2008	7%
2009-2012	8%
2013-2016	16%
2017-2018	10%
2019-2021	25%
2022-30 June 2024	27%
Total	100%

As indicated by the breakdown of its stores by vintage groups, the Group has accelerated its store expansion in the last three years. The table below presents the quarterly number of stores from 2021 to 30 June 2024.

Quarter	Number of stores
Q1 2021	7,103
Q2 2021	7,361
Q3 2021	7,595
Q4 2021	7,954
Q1 2022	8,246
Q2 2022	8,508
Q3 2022	8,784
Q4 2022	9,021
Q1 2023	9,362
Q2 2023	9,666
Q3 2023	9,907
Q4 2023	10,014
Q1 2024	10,369
Q2 2024	10,640

The Żabka stores offer a flexible range of solutions, convenient and modern store formats and layouts enabling practical and fast shopping, as well as favourable locations and opening hours – according to internal research conducted in 2022, the average shopping time at a Żabka store is 130 seconds and the majority of stores are open seven days a week, usually from 6:00 a.m. to 11:00 p.m. (other than on bank holidays and Sundays, when stores usually close earlier).

In its stores, the Group offers approximately 2,400 SKUs, including a wide range of food and beverage products, services to cover immediate consumption needs, focusing on impulse missions (occasions), and ready-to-eat food that is convenient and fresh. The Group's product offering also includes own-brand products, mainly of the QMS (Quick Meal Solutions) category, including "Tomcio Paluch" (sandwiches), "Szamamm" (ready meals), "Dobra Karma" (clean label meals), "Plant Hunter" (vegan meals), "Haps!" (snacks), "Foodini" (smoothies), "Wycisk" (cold pressed juices), and "S!" (functional shots), as well as hot food and drinks on the go, including hot dogs, burgers, chicken strips and nuggets, french fries (most marketed under new street food brand "*Prosto z Pieca* / Straight from the Oven"), coffee and other Żabka Café products (for more details regarding own-brand products, please see "*—Business model—Own brands*").

In the stores, the Group's customers can, in particular, deposit and withdraw money, pay bills, top up their mobile phone, register a SIM card, buy Paysafecards and Paysafecash, game codes, national Lotto lottery tickets and gift cards, and send and collect parcels. Żabka accepts cash, payment cards and mobile phone payments (through Żabka Pay, Google Pay, Apple Pay and BLIK), as well as Sodexo and Pluxee coupons. For more details regarding the services offered in the stores, please see "*—Operations of the Group—Modern Convenience—Store layout—Services*".

<u>*Standards management*</u>

The Group conducts regular audits at its Żabka stores. The store audits focus on four main aspects of running a store: (i) customer service quality standards; (ii) store management; (iii) store inventory; and (iv) store quality system.

These elements are verified by the following types of audits. The first is carried out by an internal standards verification team. This audit is conducted in each store twice a quarter on average. For the year ended 31 December 2023, the average result of the store chain network amounted to approximately 86.3% which was higher by 0.25 pp than previous year. If a given store scores below 60%, remedy actions are undertaken by the Group. The second independent audit is a independent survey conducted by mystery shoppers playing a role of regular customers, to check how products and services are being offered and the quality of the services provided. For the year ended 31 December 2023, the average result of the store chain network amounted to approximately 89.38% which is 1.15 pp better than previous year. The third type of audits is client experience survey "Your opinion" ("*Twoje zdanie*"), which started in the first quarter of 2024 providing client feedback directly after stores visit with basic information about cleanliness, product availability, service and brand recommendation. The results of all audits are taken into account as part of the payment settlement system between the Group and its franchisees. As a result, franchisees are highly motivated to ensure the highest quality of service offered in the stores. The third most important area of such audits are the inventory inspections conducted at the stores, which are also taken into account as part of the settlement and business safety system between the Group and its franchisees. The final most important element of the store quality system is the safety and hygiene audit, which ends with a store's certification, which proves that required standards are maintained at the store.

In addition to these four areas, additional audits are conducted at the stores, including, in particular, audits of the quality of the employee training process, the quality of the store opening and the quality of deliveries, food and business safety.

Store layout

The total area of most stores is no larger than 80 square metres, with locations below 40 square metres gaining in popularity, primarily in the most frequently visited places located in the towns and cities (the smallest store is only 9 square metres in size and is located at a train station, while the largest store is 150 square metres). The total space of Żabka stores at the end of 2021, 2022 and 2023 was, respectively, 492,389, 559,487 and 624,381 sqm, while the average sale area of a typical store is approximately 65 square metres. As of 30 June 2024, the total space of Żabka stores increased to 673,223 sqm.

The Group utilises internal and external analyses as well as AI-driven support tools in order to improve the layout of the stores, which translates into an improved customer experience. The layout of the stores is strictly determined by the Group depending on the type of location and the selling area of the store. The layout fully corresponds with the expected shopping habits of the customers, contributing to a seamless and fast shopping experience. Due to the fact that store layout is consistent throughout the whole Żabka store chain, customers can easily find what they are looking for while visiting different Żabka stores. The Group is adjusting the layout of the stores on an ongoing basis as a result of analyses of customer trends and habits. The Management believes that one of the strengths of the store format is related to its flexible modular layout. The following diagrams illustrate the typical layouts of the Group's stores in Poland and Romania, respectively.

Source: Company, OC&C. [1] Based on OC&C, accounting for customers purchasing "For Now" and "For Later That Day". [2] As of December 2023.

Source: Company.

Froo stores are offering a unique assortment of well-known Romanian products and exclusive Polish brands (approximately 370 SKUs). The Group's goal is for customers to be able to manage all their daily needs in one place – brand positioning based on multifunctionality, originality and ability to surprise.

In October 2020, the Group completed a process of the remodelling of its physical store network, which was one of the largest remodelling operations of this type in Europe in the last decade, resulting in all of the Group's stores operating in the most recent Galaxy format. The remodelling included a thorough transformation of the store format from a corner grocery store to a modern convenience one. The remodelling also included new contemporary in-store and out-of-store design and rebranding, entire fixture, equipment and layout changes, as well as the introduction of a new selected assortment catering to impulse needs and the expansion of the offering of products for instant consumption. During the remodelling process, the refrigerants in refrigerators and freezers as well as the lighting was replaced with more efficient, environmentally-friendly ones. The Galaxy format stores was well received by the customers, as evidenced by the significant growth of customer NPS by 23 points between April 2017 and January 2018 (according to regular internal Group surveys conducted in this frame).

At the end of 2021, Żabka Polska ran pilots of new refreshed store layout to better address evolving consumer needs with a mission-oriented layout and enhanced Żabka Café 2.0 offering. The pilot has continued through 2022 and has been finetuned to its current version in 2023 when wider implementation has started. Żabka Polska is currently in the process of introducing its latest store features across the chain, including latest mission-oriented layout and Żabka Café 2.0. The latest mission-oriented store layout is designed to provide more space for key convenience categories and services, while de-emphasising hard groceries. Żabka Café 2.0 introduces new digital signage, an updated display, a new dedicated street-food assortment and a new equipment (e.g. Merrychef ovens). In the first half of 2024, more than 5,500 stores were equipped with the new Żabka Café 2.0 offering including Merrychef.

Location planning and roll-out

The Group has demonstrated a strong capability of delivering and rolling out new, physical Żabka stores, having opened 1,100, 1,131 and 1,100 new stores in Poland in the years ended 31 December 2023, 2022 and 2021, respectively. As a consequence, according to OC&C, the Group is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with almost 6,397 new stores opened between 1 January 2018 and 30 June 2024 (approximately 3 new stores opened per day) and approximately 6 franchisees recruited daily in 2023. The Group also has a pipeline for future store openings, with over 1,100 lease agreements signed for year 2024, 365 for year 2025 and approximately 90 for years 2026-28 as at 30 June 2024, translating into 35 % of 2024-2028 expansion plans already secured.

The Group continues to expand its reach and strong market penetration by developing new formats and looking for locations that will allow it to be closer to customers, such as ultra-high traffic locations (i.e. metro and train stations), locations with restricted access (e.g. private dormitories), seasonal locations (e.g. stores at the Polish seaside), locations at cultural or business events (mobile stores), transit location (service stations (MOP), petrol stations and drive through) and even locations within protected areas (such as the UNESCO-registered Main Square in Cracow, Poland). The Group strives to ensure that its stores are always "on the way" of a consumer.

The Management is seeking to take advantage of the Group's efficiencies of scale, AI-driven technology tools, highly efficient teams, the current market conditions and the availability of attractive locations for stores to sustain its dynamic pace of development. The Group's ability to roll out stores is enhanced by key factors such as the development of AI and AI algorithms supporting the decision-making process when choosing the location of new outlets (AI-powered model used by the Group is capable of analysing 9.1 million Polish addresses). According to the Company's study, by using the AI driven technology support tools, the Group has managed to double the speed of its location planning and has reduced the chance of making a planning error by 70%.

The graphic below outlines the main steps in the process of selecting new locations for the Group's stores.

Source: Company.

The Group identified a total potential in Poland that could serve approximately 19,500 physical Żabka stores (excluding Żabka Nano), taking into account the Group's existing network of 10,630 stores in Poland, including 39 Żabka Nano operating in Poland and 10,591 physical Żabka stores (as of 30 June 2024), available white space of approximately 8,200 stores. The Group aims to open more than 1,100 new stores in 2024 and continue opening over 1,000 per annum in the medium term in Poland and Romania to reach approximately 14,500 stores in Poland by 2028. The Group anticipates the new store openings mix in Poland in the next five years to remain similar to the stores opened in the last three years. Of the 4,500 new stores planned to be located by 2028, 28% are to be by conversion of small-format independent stores and 42% by white space model (excluding acquisitions), with only 24% and 6% by new builds and new formats, respectively. Such growth is supported by a growing number of vacated real estate locations after different businesses moved from offline to online sales (e.g., banking and non-food retail) as well as a higher supply of new residential buildings and over 50,000 existing small traditional stores. The Management believes that this expansion plan, concentrating on continued store roll-out supported by eGrocery initiatives, combined with the current and anticipated market trends and changes in customer behaviour, can lead to the sustainable long-term growth of the Group and its business activities. For further details regarding new store openings, please see "*Operating and Financial Review—General factors affecting the operating and financial results—New store openings*".

The Group's store network grew from 7,954 physical Żabka stores as at 31 December 2021 to 10,640 (including stores outside of Poland and Żabka Nano) as at 30 June 2024, servicing approximately 122 million customers per month across the Group's store network in the six-month period ended 30 June 2024.

The following table presents the total store numbers, the number of stores added, the number of stores closed and the net increase in the period under review.

	As at and for the six-month period ended 30 June	**As at and for the 12-month periods ended 31 December**		
	2024	**2023**	**2022**	**2021**
Total store numbers (as at 1 January)	10,014	9,021	7,954	6,899
Number of stores added	714	1,100	1,131	1,100
Number of stores closed	88	78[1]	64	45
Number of stores closed / total stores as at year end (in %)	0.8	0.8[1]	0.7	0.6
Total store numbers (end of period)	10,640	10,014	9,021	7,954
Net increase (y/y)	974	1,022[1]	1,067	1,055
Net increase (y/y in %)	(15.9)	11.3[1]	13.4	15.3
Total growth of the Sales to End Customers (PLN million)	2,361.0	4,245.0	4,032.0	2,696.3
Of which contribution of new stores to the growth of the Sales to End Customers (PLN million)[2]	**1,072.8**	**2,142.7**	**1,513.9**	**1,456.7**

[1] *Excludes one-off Nano store re-locations and closures in 2023, amounting to 29 Nano stores (relocation of 13 and closing of 16 locations).*
[2] *Includes impact of store openings and utilisation.*

An efficient store opening and adaptation process as well as the high degree of flexibility of the store format due to its tailored concept is a key element for fast roll-out. This efficiency and flexibility, as well as an experienced expansion team of approximately 130 dedicated members, enables the Group to scale its business and open new stores efficiently, improve the Payback Period and respond to identified demand.

Between the beginning of 2021 and 30 June 2024, the number of Żabka stores in Poland increased by 54.2%, with 714 new stores opened in the six-month period ended 30 June 2024 (achieving 626 net openings in the given period, including first 5 stores in Romania), and 1,100, 1,131 and 1,100 in the years ended 31 December 2023, 2022 and 2021, respectively, and 88 closed in the six-month period ended 30 June 2024 and 107 (78 excluding Nano), 64 and 45 stores in the years ended 31 December 2023, 2022 and 2021, respectively. The Group's store closures ratio in 2023 was affected by a review of the Group's Nano stores network which resulted in the relocation of 13 and closing of 16 locations. If adjusted for these 29 Nano stores, the Group's store closure ratio was less than 1% in 2021-2023 period.

Store Payback Periods

The Payback Period of the new stores is one of the KPIs that is monitored by the Group on a regular basis. The Group has improved the Payback Period of new stores from 20 months for stores opened in 2017 to 11 months for stores opened in 2021 and 12 months for those opened in 2022, which it achieved through the use of technology, leveraging data to select new high-quality locations, improving the working capital profile (supported by the use of reverse factoring), as well as very efficient internal processes and the high performance of its teams. For further details regarding store Payback Period, please see "*Operating and Financial Review—General factors affecting the operating and financial results—New store openings*".

The Payback Period of new stores is highly consistent across different city sizes ranging from 9 months for large cities to 11 months for small and 14 months for medium-sized cities (based on stores opened in 2021). The performance of new stores is impacted by various factors such as location, the local competitive environment, the time of year of a particular opening, rent level, the store opening costs and other elements.

Assortment

The assortment strategy of the Group is customer-centric. This strategy aims to offer products and services to address customer needs primarily in relation to immediate consumption and immediate use, mostly driven by impulse and maximising the number of impulse products in the assortment. A selected range of products and services are offered for when a customer feels hungry across the entire day (e.g. ready-to-eat meals, hot food-to-go, salads, sushi, sandwiches), thirsty (different types of non-alcoholic beverages, HPP juices, smoothies and lemonades, dairy drinks), tired (e.g. coffee, energy drinks, chocolate bars) or needs a snack (e.g. salty snacks, sweets, ice creams, fruit and nut mixes, fresh fruits, sweet pastries, bakery products) or other goods for immediate use (e.g. tobacco products, a cup of ice, OTC drugs, cold beer and alcoholic drinks). 76% of Żabka customers shop for same day consumption, with 33% SKU overlap with discounter channel (significantly greater than approximately 40% at Polish discounters and 30% at Dino) (Source: OC&C).

The Group uses advanced AI-driven data analysis and data mining technologies with the aim of continuously improving the selection of product assortment and tailoring the assortment to the specific needs of a given store and the customers visiting such store.

In its stores, the Group offers approximately 2,400 SKUs, operationally divided into seven major assortment categories: (i) QMS (Quick Meal Solutions) products including quick ready-to-eat snacks (e.g. sandwiches, fresh juices, smoothies, fresh salads and sushi), ready-to-heat meals and Żabka Café (including hot food-to-go products, coffee and sweet pastries) (11% of transactions in 2023); (ii) snacking (e.g. ice cream, sweets, salty snacks, chips, candy bars etc.) (15% of transactions in 2023); (iii) beverages (non-alcoholic drinks and beer) (32% of transactions in 2023); (iv) everyday services (please see "—*Services*" below) (2% of ticket receipt transactions, accounting for approximately 11% of traffic in 2023); (v) top-up food (e.g. dairy products, bread, fruits, vegetables and hams) (16% of transactions in 2023); (vi) essential food and products, including household items, cosmetics, non-food essentials, pet food, newspapers and OTC drugs (5% of transactions in 2023); and (vii) spirits, wine and tobacco products (20% of transactions in 2023) (including strong alcohols and wine).

The assortment is built based on carefully determined rules related to the products selection within given category. Firstly, the Group focuses on the width (variety of needs) and not the depth (different brands in the same product type) of the assortment in order to maximise the coverage of customer needs. Secondly, the Group maximises the number of impulse products in its assortment (smaller sizes, easy-open packaging) in order to respond to the needs for immediate in-one-go consumption for a small household customers. Thirdly, the Group introduces innovative approaches to its assortment by creating its own-brand products (mainly ultra-fresh and other products within QMS) that are exclusively offered by the Group. Additionally, the assortment includes a selection of innovative branded products which differ the offering from the offering available in other chains and provide an additional reason for customers to visit Żabka stores. The assortment is specifically tailored to satisfy the local needs of its customers by offering products typical for a given region or of high demand in a specific area.

The assortment varies depending on the format of the store, which is divided into nine main segments (office buildings, tourist, affluent neighbourhood, suburban agglomeration, residential stores, small town, transit, specialized and traffic stores) and 21 sub-segments. The stores are assigned to segments based on models with 3 main types of variables:

- geospatial like – e.g. type of buildings within a 300-meter radius, competitor stores, customer income, population around the store;
- shopping missions – e.g. everyday relax, drink to go, for share, ready to eat meal, ready to heat meal; and
- store price sensitivity – based on the share of promotions and multibuys, the share of economic products and average product price flexibility.

The assortment is assigned for each store according to advanced planograms, which use approximately 330,000 variants to determine the best assortment for each store considering the individual features of each store. Each store has its own individual planogram for each product category, which takes into account its scope, the layout of the store, seasonality as well as data on the assortment rotation and the margins generated by a given store. The planograms are adjusted on a regular basis, in the case of QMS products, adjustments are made 9 times per year and with respect to other product categories, four times a year on average.

The Group's product offering includes leading producers' brands and own-brand products, mainly of the QMS (Quick Meal Solutions) category, including "Tomcio Paluch" (sandwiches), "Szamamm" (ready meals), "Dobra Karma" (clean label meals), "Plant Hunter" (vegan meals), "Haps!" (snacks), "Foodini" (smoothies), "Wycisk" (cold pressed juices), and "S!" (functional shots) as well as "*Prosto z pieca*" (hot food and drinks on the go, including hot dogs, burgers, chicken strips and nuggets, french fries), coffee and other Żabka Café products (for more details regarding own-brand products, please see "*—Business model—Own brands*").

The Group's assortment is supported by engaging marketing campaigns, for instance: (i) Tomcio x Sanah exclusive 360 marketing campaign with leading Polish singer, which included innovative communication with showroom in Żabka store in Warsaw (more than 700,000 products sold during campaign); (ii) Pizza Kizo innovative digital campaign with Polish rap star which first launched new frozen pizza category (more than 250,000 products sold since launch, and a 161% LFL growth in the Frozen Pizza category over a 14 day period); and (iii) Doze x Budda launch of energy drinks in collaboration with famous Polish influencer which were top sellers for Żabka stores (approximately 360,000 products sold in first day of promotion and total of 1.7 million products sold during promotion cycle).

The Group focuses also on continuous innovation within its "better-for-you" brands like: (i) Plant Hunter, which is 100% plant based and addresses health-oriented and natural trends (increase of LFL growth at 19% as of May 2024); and (ii) DobreGo! – first 360 QMS marketing campaign in Poland focused on Nutri-score A o B, which resulted in 10 p.p. increase in perception of Żabka as a place with healthy options.

Services

To make Żabka's stores part of the daily routine of consumers and to support further growth in the future, the Group has made a strategic decision to expand the range of services that may be useful in the daily life of consumers and to complement consumer shopping habits as well as to encourage the cross selling of products and services. The stores offer a full-suite of services (20 services offered across Żabka stores), including parcel pickup and drop off, lottery tickets, bill payments and phone top-ups. Services are critical determinants of relevance to the customers and help to drive traffic and increase ticket size through cross-selling. Based on internal Żabka Polska analysis, the average cross-selling rate for services amounted to 48.1% in 2023. In 2023, approximately 11.5% of all of the transactions in Żabka stores were related to the services offered by the Group and the Group recorded approximately 31% year-on-year growth in number of services transactions. In the future, the Group also plans to launch new services i.e., urban mobility, public transportation and money transfer.

The offer includes, in particular, the following services:

Parcel delivery services (PUDO: pick-up/drop-off)

Żabka stores serve as a pickup and drop-off point for parcels during the working hours of Żabka stores (i.e. from 6:00 a.m. to 11:00 p.m. on most days) to benefit from the growth of e-commerce. Customers can also drop-off packages for direct collection.

The Group cooperates with DHL, DPD and Poczta Polska S.A., one of the largest courier companies in Poland, as well as with e-commerce stores such as Allegro, Vinted, Zalando, Mango, H&M, Sinsey, Empik, DOZ, Smyk or eObuwie.

The parcels delivered to a Żabka store can be collected within 3 days from their delivery to a store, which gives significantly more time in comparison to common courier services or other collection points available on the market. The whole process is seamless and can easily be completed using the Żappka app, including the tracking of the parcel. Given the opening hours and proximity of Żabka stores to customers, this service provides great comfort and flexibility to customers in terms of parcel delivery services.

In the six-month period ended on 30 June 2024 the Group has served (delivered and collected) 22.3 million parcels, in comparison to 30.2 million served the twelve-month period ended on 31 December 2023, and in terms of number of stores remains the biggest parcel pick-up / drop-off (PUDO) point in the entire PUDO point market in Poland (including PUDO point of InPost, Poczta Polska, DPD, DHL, Orlen&Ruch).

Lottery services

According to the integrated report of Totalizator Sportowy for 2022 (Source: Raport Zrównoważonego Rozwoju Totalizatora Sportowego prepared by Totalizator Sportowy), Polish consumers spent PLN 39.4 billion in 2022 on lottery games, including PLN 27 billion spent in online casinos according to information from Polska Agencja Prasowa. The "LOTTO" lottery is among the most popular lotteries in Poland. The Group offers "LOTTO" lottery points at its Żabka stores, where customers can buy scratch cards and lottery tickets for ten different lotteries, including Lotto, Euro Jackpot, Mini Lotto, Multi Multi, Ekstra Pensja, Keno, Kaskada and Szybkie 600. Żabka, in July 2024, had 2,095 "LOTTO" points with traditional machines and approximately 7,852 points with new, tailor-made machines, which are fully integrated with the lottery system and Żabka's cashier system, and is planning further roll-out in the coming years. The Group plans to reach 11,000 "LOTTO" points by the end of 2024. The Group offers the largest network of LOTTO lottery points outside of Totalizator Sportowy, which runs the lottery. According to data from the Totalizator Sportowy website the Group's share in the entire lottery point network, including Totalizator Sportowy's own chain, reached approximately 40% in 2023 and the Group accepted approximately 83 million lotto bets in 2023. In the six-month period ended on 30 June 2024 the Group accepted approximately 49 million bets.

The Management aims to introduce Lotto services across all Żabka stores with the expectation to introduce such full coverage by the beginning of the second quarter of 2025.

Cashback service

The Group offers its customers the possibility to withdraw cash in every Żabka store. Service provides similar functionality as ATM. Żabka is number one provider of such services among retail chains in Poland (approximately 8 million cashback transactions in 2023 and 4.3 million in the six-month period ended 30 June 2024).

Utility bill payment services

The Group offers its customers the possibility to pay bills for various services in each of Żabka's stores, including utilities and telecommunication services. The Group cooperates with BillBird S.A., Payland, Kar-tel the biggest providers of this service in Poland (excluding Poczta Polska). In 2023 the number of transactions made in the Group stores reached 5 million and 2.7 million in the six-month period ended 30 June 2024.

Phone card services

Customers can register their pre-paid mobile SIM cards and top up their mobile phones in each of Żabka's stores without visiting their mobile operator's office. The Group cooperates with a wide variety of mobile operators available on the market, including Orange, T-Mobile, P4 (Play) and Plus. In 2023 there were approximately 13.4 million phone packs sold in Group stores, whereas in the six-month period ended 30 June 2024 the Group recorded 6.6 million phone packs sold.

Franchisee-centric model

The Group has a tailored franchise model, with a clear split of responsibilities between Żabka and its franchisees who are local entrepreneurs independent from the Company. Within the model, the franchisees can benefit from the Group's scale and consistency, which contribute to market advantage in certain areas. These areas include: store location selection, lease of premises, store design, assortment strategy and supply chain which fall under the Group's responsibility. The franchisees can concentrate their efforts on key areas such as store self-management, customer service, management of their own staff employees and inventory management. Furthermore, the Group provides the franchisees with digital tools and applications to facilitate running their business on a daily basis. The franchisees need to make an initial investment of approximately PLN 5,000 for the cash register and initial formalities.

With the exception of approximately 60 Żabka physical stores and Żabka Nano stores, the physical Żabka stores are operated by franchisees who are business owners and who cooperate with the Group based on franchise contracts (please see "—*Terms of cooperation*" below), As the franchisees have direct contact with customers, the Group provides them with a wide array of assistance and support so that they are well suited to satisfy the needs of customers (e.g. training, digital, legal, security and sales Partner support).

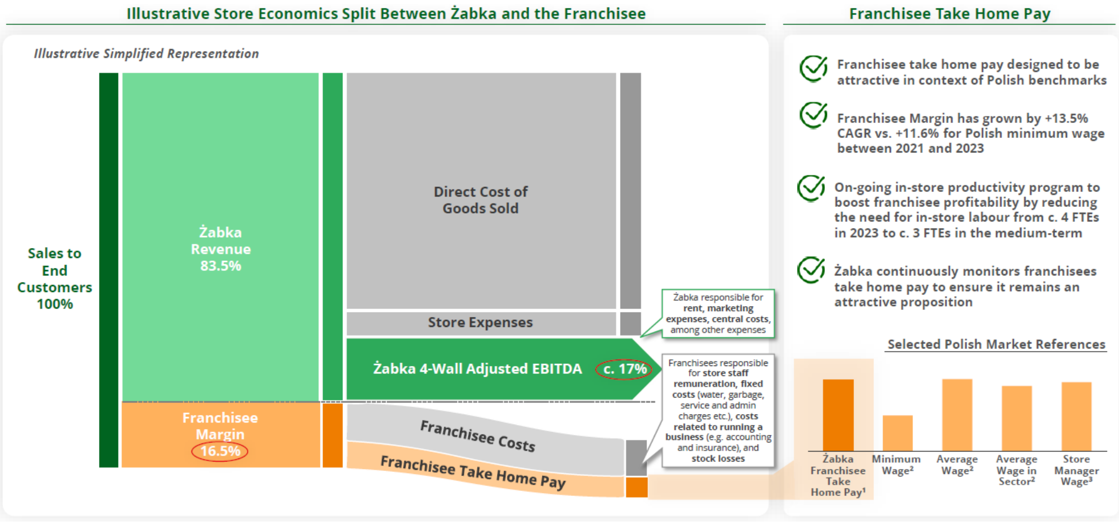
Supporting franchisees is key to the Group's organisation and corporate culture, and its success in doing so has resulted in a reduced churn rate, which represents the number of terminated contracts compared to the number of franchisees. The franchisee churn indicator has been decreasing significantly over the last five years. The level of success of the franchisee-oriented concept is measured by a net promoter score (NPS) used in periodic surveys of franchisee satisfaction conducted by Żabka Polska. The results of the survey conducted regularly since 2018 showed a visible NPS score progress by 43 points between 2018 and 2023, with the best result in history of the Group recorded in the fourth quarter of 2023 (the improvement over time was primarily thanks to the implementation by the Group of several initiatives aimed at improving the franchisees' experience in the areas of billing, logistics, assortment and cooperation with operational staff, as well as the support provided by the Group during the COVID pandemic. The Management believes that the Group's franchisee business model has significantly lower churn than others on the Polish market, with the voluntary churn rate (i.e. illness, other employment) among Group's franchisees of 7.3% in 2023, a decrease from 10.5% in 2021 and 7.7% in 2022. Franchisees with less than a year of experience in the Group's network accounted for 30% of the voluntary churns in 2022 and 29% in 2023. The Group's total franchisees churn rate stood at 15.7.% in 2023, of which 8.4 % was the involuntary churn rate (i.e. financial reasons, low quality results).

The franchisee-centric organisation is one of the key strategic initiatives of Żabka Polska. The franchisee-oriented strategy is implemented by a separate dedicated department formed at Żabka Polska (the Department for Franchisee Development and Support). In 2023, the Group implemented over 40 initiatives dedicated to franchisees, including (i) Opti Plan 2.0 (related to store productivity) with Zabka Assistant novelties (allowing to save approximately 36 hours on store task per month), (ii) Razem online – franchisees' intranet to get information, share best practices and conduct basic trainings, (iii) self-audit tool for better operational excellence preparation, (iv) two new settlement program elements – higher basic discount, changes in quality discount boosting store performance and customer experience, (v) the full implementation of a new electronic document circulation system E-logistic, (vi) the launch of a wide-ranging benefits package, (vii) the refreshing of a referral program; and (viii) changes in fresh sales discount, boosting QMS categories. The Group believes that the ongoing in-store productivity program will boost franchisees' profitability by reducing the need for in-store labour from around four full-time employees in 2023 to around three full-time employees in the medium term. The franchisee support centre within Żabka Polska deals with the daily support of franchisees and strategic planning in areas where cooperation can be improved, as well as creates development plans for the franchisees.

The franchisee community is represented by the Board of Franchisees, an advisory and opinion-making body comprising representatives of all of the franchisees of the Group. The Board of Franchisees is responsible for improving communication and cooperation between the franchisee community and Żabka Polska's management, strengthening strong mutual relations between franchisees and supporting the chain in introducing changes and innovations, among other things. The Group closely cooperates with the franchisees in relation to the development of tools that may be helpful for them and support their business operations.

The Board of Franchisees comprises of maximum 25 members elected for two-year terms. 20 members are elected by all of the franchisees in an open vote, and maximum 5 members, as the standing advisor committee of the Board of Franchisees, are appointed by the Franchisee Development and Support director of Żabka Polska from among members of the Board of Franchisees who sat on the Board of Franchisees in the previous term. This guarantees the continuity and consistency of work.

As part of its franchisee-oriented strategy, the Group implemented a transparent payment settlement system based on three pillars: safety, motivation and partnership. A franchisee does not need a substantial amount of capital to open a store as most of the costs are covered by the Group or pre-funded by it. The payment settlement system is structured in such a way that it ensures the coverage of fixed costs incurred by the franchisee (the safety pillar). The rest of the franchisee's income is based on a performance-based model – the amount of income from sales activities at a given store depends on the level of sales and the number and value of agreements for ancillary services conducted in each Żabka store (the motivation pillar). In order to build long-term cooperation, the franchisee is granted a bonus depending on the number of years of cooperation (the partnership pillar). As a result of the activities undertaken by the Group, the Franchisee Margin per average number of stores increased by a CAGR of 13.5% between 2021-2023, from PLN 0.31 million in 2021 to PLN 0.40 million in 2023 (it reached PLN 0.2 million in the first half of 2024 and 2023). The Group constantly works on the improvement of the settlement system with the franchisees with a clear aim to incentivise strategic priorities. Between the years 2021 and 2023, the Franchisee Margin increased from PLN 2,208.0 million to PLN 3,678.8 million, in the first half of 2024 the Franchisee Margin was PLN 2,136.0 million as compared to PLN 1,751.2 million in the first half of 2023 (for further details please see "*Operating and Financial Review—General factors affecting the operating and financial results—Cooperation with the franchisees*").



Source: Company. [1] As of 2023. [2] Based on data from GUS. [3] The Company's estimate based on job postings for competitors.

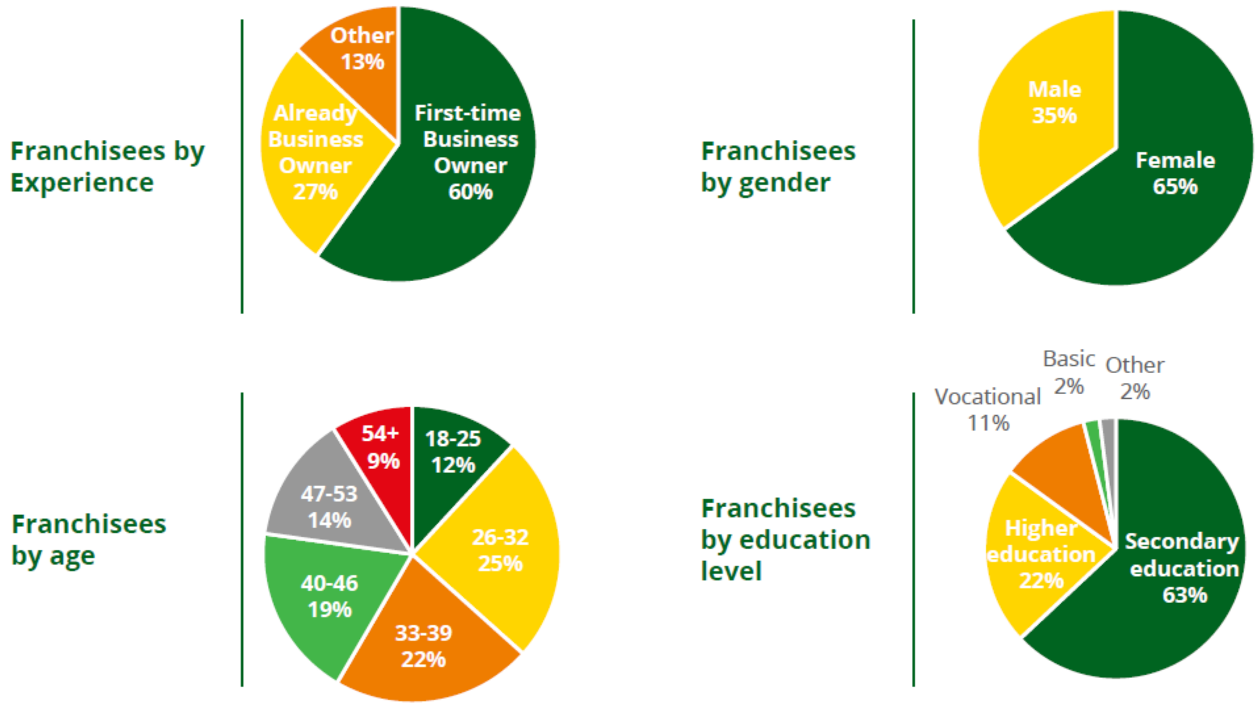
The Management believes the arrangements with its franchisees ensure a consistent and predictable revenue stream, whilst also ensuring a consistent and high-quality customer experience across the store network delivered by franchisees who are embedded in their local communities and incentivised to drive sales growth. The cooperation terms proposed by the Group appeal to a growing number of potential franchisees. In the last 3 years, the Group secured more than 2,200 franchise agreements on average. Out of the new franchisees who executed the agreement in year 2023, 2,171 already opened their Żabka store. The increasing flow of franchisees supports the Group's roll-out plan.

Given the significant flow of new franchisees, the average duration of cooperation between a franchisee and the Group's network is around 4 years. The table below presents the number of franchisees cooperating with the Group as at 31 December of the years 2019-2023 and as at 30 June 2024.

Date	No. of franchisees
31 December 2019	4,362
31 December 2020	5,518
31 December 2021	6,651
31 December 2022	7,830
31 December 2023	8,598
30 June 2024	9,132

Between 2021 and 2023, the Group recorded a decrease from 13% to 10% in the share of multi-franchisees, i.e. entrepreneurs operating more than one store. Among franchisees cooperating with the Group and the average number of stores per franchisee dropped from 1.35 in December 2019 to 1.15 in June 2024.

The graphic below presents percentage breakdown of franchisees according to (i) prior business experience; (ii) gender; (iii) age; and (iv) education level. Among other things, the Group prides itself on its high share of younger franchisees under the age of 39 – 47% – and women – 65%.



Source: Company.

<u>*Terms of cooperation*</u>

Under the franchise contract, the franchisee undertakes to operate the Żabka store on its own behalf and on its own account in accordance with the provisions of the franchise contract.

The Group provides its franchisees with a licence to use the Żabka brand, a fully furnished and equipped store (as described below), the delivery of goods ordered by the franchisee carried out from the Group's own logistics centres directly to the store, ancillary services and service settlement systems, marketing support in the form of countrywide advertising and promotional campaigns, IT systems and technological tools, training, know-how and experience in managing retail businesses, including a dedicated sales supervisor who helps the store owner in matters related to the management of the store. The Group also provides the franchisees with premises to run the store through sub-leasing arrangements (for further details regarding the lease agreements regarding stores executed by Żabka Polska please see "*—Operations of the Group—Material tangible and intangible assets—Material real estate of the Group—Lease agreements regarding shops*").

<u>*The rights and the obligations of the franchisee*</u>

Under the franchise contract, the franchisee has the right to operate the Żabka store using the provided know-how, the reputation of the Group and its business experience, as well as to benefit financially from the retail activity conducted in the store. The franchisee also has the right to organise independent promotions not conflicting with the strategies organised by Żabka Polska.

The obligations of the franchisee include: (i) operating the Żabka store in accordance with the franchise contract, including in-store inventory management; (ii) purchasing goods only from Żabka Polska or the entities designated by it (except for certain specific regional goods); (iii) offering all of the ancillary services authorised by Żabka Polska (please see "*—Store layout—Services*") as well as refraining from offering any other services; (iv) selling goods approved by Żabka Polska (including goods from an individualised list of goods for each Żabka store); (v) ensuring the availability of all promotions organised by Żabka Polska in the store; and (vi) strictly complying with the payment terms for goods and services purchased. The franchisee is also required to implement the layout of the store and the arrangement of the goods provided by the Group.

The franchisee is required to carry out retail activity in their Żabka store throughout Monday-Saturday, from 6:00 a.m. to 11:00 p.m., however, always in the manner and to the extent permitted by the relevant regulations. Opening the store on Sundays is an option for the franchisee. The franchisee is entitled to additional payment if they open their store on non-trading Sundays. For more details regarding conditions enabling the opening of stores on non-trading Sundays, please see "*Market and Regulatory Overview—Regulatory Overview—Regulations related to the commercial activity of the Group and governing the sale of certain products by the Group—The Sunday Trading Ban Act*". The franchise contract provides for the penalties for not conducting retail activity on a trading day. A separate set of instructions regulates the possibility of changing a particular store's opening hours and provides for the rules of imposing penalties for not conducting retail activity on a trading day.

The franchisee employs store staff. The franchisee is also responsible for training the store staff, the store's cleanliness, in-store customer service as well as for compliance with Żabka Polska's standards (e.g. proper uniform, no smoking in and around the shop). The franchisee and its employees are also required to comply with the terms and obligations of licences and permits obtained in relation to the Żabka store (in particular with respect to the sale of alcoholic beverages).

The rights and obligations of Żabka Polska

According to the franchise contract, after the handover of an equipped Żabka store, Żabka Polska as the franchisor undertakes to: (i) support the franchisee during its retail activity; (ii) grant a non-exclusive and non-transferable licence to use the intellectual property of Żabka Polska, including know-how, trademarks and software, as well as to update the same; (iii) determine the layout of the shop and the arrangement of the goods sold therein; (iv) create an individualised list of goods for each Żabka store; (v) provide a list of the ancillary services for each Żabka store together with the necessary documentation and instructions; (vi) provide logistics for the franchisee's Żabka store (the Group does not manage in-store inventory); (vii) provide devices for each Żabka store, e.g. phones, lottery machines and ATMs; and (viii) conduct marketing campaigns, maintaining the company's website and responding to market conditions are also the responsibility of Żabka Polska.

Żabka Polska is entitled to inspect a Żabka store at any time (including carrying out unannounced or undisclosed inspections). During such inspections, the following, are checked: the stock replenishment, the layout of products, the implementation of promotions in the store and the level of cleanliness, as well as the store's staff compliance with current instructions. Żabka Polska provides ongoing maintenance and IT support for each Żabka store. Żabka Polska uses dedicated software to provide the franchisee with all other material instructions and guidelines.

Financial settlements of the parties

The franchisee's income is dependent on the turnover and sales volume of goods and ancillary services and consists in particular of: the margin of the sale of goods, basic discounts, loyalty discounts, intensification discounts, commissions on ancillary services, and certain other discounts, bonuses or refunds.

The franchisee is entitled to independently determine the margin of the sale of goods, as long as the sale price is not higher than the maximum retail resale price set by Żabka Polska for each product. The maximum retail resale price is the maximum price at which the franchisee is allowed to sell goods. The margin varies between product categories. The entire margin is due to the franchisee.

Żabka Polska grants the franchisee various discounts and bonuses that impact the payment due to the franchisee at the end of the month. These discounts and bonuses include an intensification discount (granted to franchisees who maintain the standards of Żabka Polska at a high level), a start-up discount, an additional amount discount, an additional percentage discount (depending on the turnover generated by the franchisee in a particular Żabka store open on non-trading (Sundays and other holidays) and a loyalty discount, as well as other bonuses and discounts provided for in the instructions. All discounts, bonuses, commissions and refunds are settled at the end of each calendar month.

The intensification amount discount is granted to franchisees in order to support them with maintaining their stores at the level provided for in the instructions. The additional amount discount is granted to franchisees for the purposes of the development of a particular store and its amount depends on the turnover of the store, margin achieved, as well as the store's location. The franchisee is granted a loyalty discount at the beginning of the third year of affiliation with the Group. Additionally, the Group can provide temporary financial support in the form of an additional quota discount for its franchisees if a particular store's turnover is below the benchmark provided by the Group due to external reasons.

Any references in the Prospectus to margin realised by the franchisees include all settlements between Żabka Polska and its franchisees.

Costs and charges

The franchisee must pay the following fees and costs to Żabka Polska: the initial base fee, the initial deposit, the franchise fee, the franchise licence fee, the equipment fee and other fees and costs.

Initial deposit is required to be paid by the franchisee as collateral for Żabka Polska's claims in connection with the performance of the franchise contract. In consideration for the support provided by Żabka Polska in the form of know-how, software and training, the franchisee is required to pay a franchise fee and the franchise licensee fee for the use of trademarks.

The franchisee must pay Żabka Polska a real estate store rent fee for subletting the Żabka store and an equipment fee for the Żabka store's equipment. The real estate store rent fee includes, among other things, IT services.

The franchisee is required to bear directly or through an intermediary of Żabka Polska, on a reinvoicing basis, all other costs, including, fixed costs and costs related to running a business. The cost of employing store staff and the cost of training the staff are also borne by the franchisee.

The franchisee is required to incur fees for insurance of the store inventory and cash, as well as insurance against civil liability in connection to the operation of their store. Moreover, the franchisee incurs all of the costs involved in obtaining permits for the sale of alcoholic beverages.

Financial arrangements of the parties

Żabka Polska sells goods to the franchisee by granting the franchisee trade credit (deferred payment sales). The franchisee pays for purchased goods and transfers the cash received as per the agreements on the provision of ancillary services for each business day. After the end of each calendar month, a partial settlement of mutual current financial obligations takes place. In the case of cashless payments, the settlement between Żabka Polska and the franchisee is executed by way of Żabka Polska deducting the cost of the goods purchased by the franchisee and then transferring the amount due to the franchisee.

Other material provisions

The goods ordered by the franchisee may be returned to Żabka Polska only in certain specified instances. The goods may also be transferred between individual franchisees with the permission and knowledge of Żabka Polska.

The commencement of retail activity is conditional upon the franchisee providing collateral in the form of a blank promissory note, a mortgage, a security deposit or a guarantee of the agreed person(s). Żabka Polska is entitled to demand a modification or the provision of additional collateral. Any possible disputes arising between the franchisee and Żabka Polska should be resolved amicably through negotiations or mediation. If any of the aforementioned solutions fail, each party may bring the dispute before a competent court.

In order to secure the potential debt that a franchisee may have towards the Group following the termination of a franchise agreement in relation to the settlement of a franchise contract, payments for delivered supplies, contractual damages, etc. the franchisees are required to maintain insurance that is intended to cover unsettled debt towards the Group.

Non-competition and non-disclosure

During the term of the franchise contract, the franchisee undertakes not to carry out, directly or indirectly, any activities in competition with Żabka Polska (e.g. conducting a competing business, providing work or services to an entity engaged in a competing business, advising close relatives on the conduct of a competing business or soliciting Żabka Polska's customers or suppliers). Know-how as well as the contents of the franchise contract, including instructions and accompanying documents, may not be disclosed by the franchisee. Żabka Polska may charge the franchisee a penalty of PLN 50,000 for each breach of the non-compete provisions or for each disclosure of confidential information.

Term and penalties

A franchise contract is concluded for an unspecified period and may be terminated by both parties with 90 days' notice (if the cooperation has lasted one year or longer) or 30 days' notice (if the cooperation has lasted less than one year). In the event of a flagrant or persistent violation of the terms of the franchise contract by the franchisee provided for in the franchise contract, including: (i) a failure to fulfil sales targets; (ii) non-compliance with the trading or marketing policy; (iii) a violation of the days or hours of trading in the Żabka store; (iv) a failure to communicate with the franchisee (or a person designated by him) for more than 24 hours; (v) the loss of a permit for the sale of alcoholic beverages; or (vi) the sale of expired products, Żabka Polska may terminate the franchise contract with immediate effect. Żabka Polska may also impose a penalty on the franchisee in the amount of up to PLN 10,000 for occurrence of events set forth in the preceding sentence, that does not preclude Żabka Polska from terminating the franchise agreement or applying for supplementary compensation over the amount of penalty, as allowed under applicable laws.

Digital businesses

Given the increased adoption of digital technologies and changing consumer trends and habits, the Group has focused on digital transformation in order to offer convenience solutions in the form of digital businesses. These businesses together with Romania collectively referred to as New Growth Engines represent the Group's investment into innovative, digital-first businesses that have significant synergies with the core of the Group's operations and strengthen its business from the perspective of customer and market trends.

The Group's digital businesses, including its D2C meal offering and eGrocery business (Jush! and delio) and its fully autonomous format stores (Żabka Nano), enable customers to "free up their free time" with respect to their everyday needs. These digital businesses are complementary to the physical stores. If a customer has a need for certain products but does not want to go to a traditional store, the customer can order a product and have it delivered using Jush! or delio, or can go to an autonomous format store, Żabka Nano, which is open 24 hours, seven days a week. Capitalizing on the benefits of Nano stores solutions, the Group is planning to implement this technology in part of its traditional stores, developing a 24/7 hybrid store that increases opening time of core convenience footprint.

In hybrid stores customers can shop outside standard opening hours by entering the store using a credit card or application. After entering the store, the customer can grab the product from the shelf and leave the store. The store will recognize what purchases the customer has made using the camera system and the payment will be automatically debited from the customer's account.

The digital businesses have a common support system (backbone) that the Group provides. The support system is made up of physical elements, such as the logistics network that serves all of the entities within the ecosystem, as well as new product development capabilities that can be used to deliver the Group's proposition to customers across all of the businesses. There are also intangible elements of the support system, such as data and information exchanges between such entities that allow for the optimisation of both internal operations available 24/7 and customer propositions.

From the Group's perspective DCO offers significant strategic benefits:

- Revenue Diversification. DCO offers the Group presence in high-growth retail related sectors and minimizes reliance on core convenience. It offers the Group participation in emerging retail market trends that may have potential to re-define the retail landscape.
- Scalability. Each of the DCO components is ready for rapid scaling if the underlying trend accelerates (e.g. eGrocery penetration in Poland or unmanned retail as a response to growing labour costs).
- Technology Leadership and Innovation. With DCO, the Group shows commitment to technology leadership and innovation that may increasingly benefit not only DCO companies, but also the core convenience business (e.g. development of a 24/7 hybrid store that increases opening time of core convenience footprint).
- Access to younger demographic. DCO businesses have an overproportionate representation of younger customer groups in Polish society (e.g. 60% of Lite e-Commerce customers are below the age of 29 as of June 2024). DCO allows the Group to stay current with the younger customer demographic.
- Positive financial contribution. In Digital Customer Offering, the Group aims to grow the 2023 level of Sales to End Customers by 5x by 2028, and DCO might become one of the Group's important engines of future growth and profitability (targeting positive Adjusted EBITDA in 2024).
- Competitive Advantage and Brand Differentiation. DCO positions the Group as a unique player in the retail market. The innovative approach, integration of technology, and diverse offerings create a competitive advantage difficult to copy by other players.

The Group has the understanding that integration and collaboration between the digital businesses can create an even more robust and efficient overall business model. Therefore, numerous initiatives (described below) have been undertaken to optimize technology, create commonalities and synergies between the DCO components as well as with the core convenience business.

The Group has seen growth in the Sales to End Customers of its New Growth Engines from PLN 136 million 2021 to PLN 283 million in 2022 and PLN 470 million in 2023 as well as from PLN 242 million in the six-month period ended 30 June 2023 to PLN 498 million in the six-month period ended 30 June 2024.

For the period from 30 June 2023 to 30 June 2024 the Group recorded: (i) approximately 11 million DCO user base; (ii) approximately 9.2 million active shoppers choosing Group's D2C offering; and (iii) approximately 38% DCO active shoppers' growth.

Żappka mobile application

The Group is focused on a digital transformation to enable the Group to combine the advantages of physical stores and digital solutions. The Management believes that the Group is a leader in the realm of digital technology in retail in Poland, providing new solutions to its customers. As a part of this digital transformation, in May 2019, the Group introduced its mobile application – Żappka. The Żappka mobile application is the gateway to the Group's convenience ecosystem. The application offers personalised prices and promotions, enables consumers to receive discounts, track, collect and return parcels, purchase a freshly brewed coffee subscription plan (first such offering in Poland), as well as collect loyalty points. Customers may also use a QR code generated by Żappka mobile application to enter autonomous Nano stores and seamlessly pay for the products using app-based payment. Based on the data from December 2023, the Group observed that the average basket value of an app user is approximately 20% higher compared to a non-app user. The decision to develop its own application was impacted by the positive prospects of the dynamic development of the e-commerce market, the growing importance of digital communication channels and modern convenience trends aimed at better understanding customers' needs.

In the twelve-month period ended 30 June 2024, the Żappka mobile application was used by more than 8.7 million active shoppers (an increase of approximately 39% in comparison to the twelve-month period ended 30 June 2023). In 2023, the Żappka mobile application was used by more than 7.1 million active shoppers (an increase of approximately 31% in comparison to the year 2022). In 2023 the Group recorded the highest number of daily shoppers of over 1 million in the Żappka mobile application.

The table below presents information regarding the users of the Żappka mobile application for the periods indicated below.

Twelve-month period ended	**Downloads**		**Yearly active users***	
	('000)	*(y/y growth in %)*	*('000)*	*(y/y growth in %)*
31 December 2021..........	4,377	80.7%	6,112	101.1%
31 December 2022..........	4,487	2.5%	6,756	10.5%
31 December 2023..........	5,569	24.1%	8,307	23.0%
30 June 2023	4,353	(6.3%)[1]	7,468	37.0%
30 June 2024	6,171	41.7%	10,230	26.3%

** Users who made at least one interaction with the app in the last 12 months; [1] The decline is the result of a Coca-Cola sampling campaign a year earlier that brought approximately 1.5 million registrations.*

The Żappka mobile application is a tool that gives access to a variety of services offered by the Group while providing a seamless shopping experience. Żappka offers its customers the following opportunities:

- personalised content and the creation of offers that best suit the needs of the customer;
- communication with the customer during their day-to-day routine;
- tracking, collection and return of parcels;
- participation in loyalty programmes entitling customers to special offers in exchange for Żapps (loyalty points);
- promotions available and tailored for users;
- an ability to convert loyalty points for good cause initiatives; and
- the use of a wide range of services offered by the Group, including access to Żabka Nano.

The data collected through the Żappka mobile application gives the Group the opportunity to develop a deep understanding of the needs of customers, which enables the Group to offer the most necessary products in order to create customer satisfaction, “free up free time” and create a gateway to the ecosystem. In the first half of 2024 more than a third (33.4%) of in-store transactions were performed through the Żappka mobile application and approximately 1.2 million daily transactions were recorded. In June 2024, the Group gained 21% of new registered users compared to the same period in 2023.

In the fourth quarter of 2024 the Group plans to publicly introduce an upgraded version of its leading Żappka consumer app, a core component of creating more DCO synergies. The aim of the upgraded version of Żappka consumer app is to serve as a centralized gateway for Group customers, providing a unified and seamless experience across all digital businesses, at the same time continuing to support sales of the physical retail channel of more than 10,500 stores, therefore maintaining a functionality recognized by Żabka Polska’s customers. It is expected that customers will be able to access Maczfit, Dietly, Jush! and delio as well as Żabka Nano through a single platform, simplifying their interactions with the diverse offerings of the Group. The Management believes that such bridge between the physical and digital offering will stimulate the 3.6 million daily customers to expand their interest in the digital offerings of the Group.

Behind the further development of Żappka consumer app lays a unified technological platform built out of four key components that bring the ecosystem together:

- SuperAccount – allows users to seamlessly log-in to every app using same secure credentials. Such a solution allows the Group to have a 100% identifiable customer view across all businesses;
- Customer data platform, consolidating customer data from various services. This centralized data hub should enable more effective personalization of services, promotions, and recommendations, leading to a more tailored and satisfying customer experience;
- Based on the unified SuperAccount and customer data platform, the Group should be able to launch a joint loyalty program that is expected to become a catalyst for cross-service engagement;
- SuperAccount is expected to be extended by a joint payment gateway. This should enable the Group customers to benefit from a “ready-to-use” on-boarding processes between various services. Furthermore, it will likely enable the Group to accelerate the customer journey e.g., by simplifying the payments processes (one-click payments, in-store auto-payments).

Based on the solutions listed above, the Management believes that the upgraded version of the Żappka consumer app should be well suited to foster cross-marketing initiatives. Targeted offerings and promotion communication, coupon discounts, and loyalty programs across different DCO components can be strategically positioned within the app, driving cross-business awareness and engagement. The Management believes that there are numerous benefits and synergies for the Group in the further development of the Żappka consumer app in particular: (i) higher customer engagement; (ii) increased share of wallet and higher CLTV (Customer Lifetime Value); (iii) user base growth; (iv) higher margin from 3rd party services; and (v) data monetization.

D2C ready meal solutions (direct to customer)

In light of changes in consumer eating, shopping and lifestyle habits, and in order to enable the Group to effectively respond to the needs of millions of potential customers “here and now” throughout the whole day, the Group acquired two D2C businesses in the ready meal segment, Maczfit and Dietly, in March 2021 and May 2021, respectively.

With two D2C businesses within the group structure, the Group believes that it benefits from synergies between them and the remaining businesses of the Group including:

- Group procurement synergies;
- leveraging Group logistics capability;
- Maczfit listed and marketed on Dietly marketplace;

- the upgraded Żappka consumer app expected to grow user base;
- Dietly own label products planned to be produced by Maczfit by end of 2024;
- ongoing migration of Maczfit to Dietly tech stack.

Maczfit

Maczfit is the market leader in direct-to-consumer (D2C) healthy and ready to eat meal delivery services in Poland, with a share of GMV in the overall market of 15%, compared with the 12%, 10% and 10% shares of Kuchnia Vikinga, Diety od Brokuła and NTFY, respectively as of 2023 (Source: OC&C). It is also the Group's answer to consumers' demand for convenience and responsible choices in terms of their daily diet.

The company operates through an online platform where customers can browse through the menu options, choose their desired meals or meal plans, and place orders. The daily delivery is directly to the customer's doorstep, which eliminates the need for customers to cook or plan their meals, offering a convenient solution for individuals with busy lifestyles with lack of time to go to a store, specific dietary requirements, nutrition needs and fitness goals. Additionally, Maczfit as one of the very few D2C meal providers on the market, features special health diets as part of its offering. In order to meet the expectations of the Group's customers and to ensure their convenience, Maczfit allows customers to manage their meals and diet plans entirely from a mobile app.

The business model of Maczfit fits perfectly with the convenience mission of the Group.

As a part of the ultimate convenience ecosystem, Maczfit is the centre of excellence for the development and production of the ready meals which are also offered by the Group through different distribution channels.

As of 30 June 2024, Maczfit recorded new customer growth of almost 200,000 since its acquisition by the Group in March 2021 (and almost 125,000 have made at least one transaction in period of 12 month ended 30 June 2024) and 26% increase in comparison to the period of 12 months ended 30 June 2023. In June 2024 its website was visited by approximately 190,000 visitors and the mobile application by approximately 60,000 visitors.

In six-months ended 30 June 2024, Maczfit delivered, on average, 21,900 ready meal sets per day, with highs in March reaching 36,200 meal sets per day, which represent a growth of approximately 23% in comparison to six-months ended 30 June 2023. Maczfit achieves approximately 3x of the CLTV/CAC.

In 2023 Maczfit had approximately 112,000 active buyers (an increase of over 32% in comparison to 2022). In 2023 it was producing and delivering approximately 28 million of ready meal sets to over 3,000 towns and cities across Poland. Meals are prepared in two dedicated production plants owned by Maczfit, a main plant in Szymanów and an auxiliary one in Józefosław. The main plant in Szymanów has an area of 3,800 sqm and approximately 180,000 meals per day capacity, with a total current capacity of 190,000 packages per week or approximately 1 million meals per week. The auxiliary plant in Józefosław produces semi-finished goods such as fruit and vegetable for further processing in Szymanów and does not provide additional capacity. Maczfit's production facilities are currently operating at 100% capacity as business grows ahead of expectations. Cool Logistics, the Group's company, is a logistics company that operates a fleet of approximately 275 refrigerated vehicles and is one of the market leaders in delivery of D2C ready meals in Poland. The company serves Maczfit as its main logistics provider, as well as other players in the market.

Strategically, the presence of Maczfit in the Group represents several benefits and opportunities:

- As core Żabka retail develops, a higher share of food-to-go and ready to eat propositions can be observed. In the future, Maczfit can develop its food production capabilities to provide meals to Żabka convenience stores;
- Maczfit caters to changing consumer habits related to meal preferences, time constraints, and health awareness. As consumer behaviors evolve, Maczfit's New Product Development function specializing in ready to eat meals allows the Group to adapt faster and remain relevant in the dynamic retail landscape;
- Maczfit and DCO companies capitalize on logistics synergies (e.g. Cool Logistics cars are used by Lite e-Commerce for eGrocery deliveries) and there are multiple other synergy areas identified with other DCO companies;
- Integrating Maczfit into Żabka's digital ecosystem allows for synergies in data collection and analysis. Shared customer data insights between the convenience stores and the meal delivery service can lead to more effective targeted marketing strategies.

Dietly

Dietly is a market leading SaaS-enabled marketplace for D2C ready meal services enabling access to approximately 60% of the D2C ready meal producers available on the Polish market and delivered to over 4,500 towns and cities. Dietly also provides value-added services and SaaS software to D2C ready meal producers, which in many cases are also merchants on the dietly.pl marketplace. In 2023, Dietly had approximately 350,000 active buyers (based on unique email addresses that made a purchase in 2023) which translated into an increase of over 11% in comparison to 2022. Dietly had approximately 380,000 active buyers in the twelve-month period ended 30 June 2024 (an increase of approximately 15% in comparison to the twelve-month period ended 30 June 2023). In 2023 Dietly recorded GMV of more than 970 million constituting a 24% increase in comparison to 2022. According to the analysis conducted by OC&C, in 2023 Dietly GMV amounted to 9% of the Polish D2C meal solutions segment.

Dietly delivered more than 80 million meals in 2023 and more than 50 million meals in the six-month period ended 30 June 2024.

As of June 2024, Dietly cooperated with more than 280 D2C ready meal producers offering their ready meal sets through the dietly.pl website and mobile application. In June 2024, the marketplace dietly.pl and Dietly app were visited by over 650,000 visitors which means over 65% more traffic than in June 2023. In the period of 12 months ended 30 June 2024, Dietly recorded approximately 5.5 million annual visitors, whereas in 2023, it recorded approximately 4.4 million annual visitors.

Dietly is well positioned to provide value both to: (i) end users – through a wide range of meal sets available in one place, an ability to easily compare offers and review the feedback of other consumers (almost 34 million meals rated and over 615,000 reviews of orders available on Dietly as of June 2024), an ability to easily switch between providers and extra rebates; and (ii) D2C merchants – through lead generation and the attraction of new customers to the platform, the outsourcing of services like marketing, data analytics, photo production etc., and customer and order management through the CRM system provided in the SaaS model.

E-commerce

In order to capitalise on one of the industry-shaping megatrends related to digital engagement and to extend its igital customer proposition, the Group is expanding into e-commerce distribution channels enabling same day eGrocery delivery. The Group's eGrocery business is operated by Lite e-Commerce subsidiary through two brands: Jush! and delio.

The Group's approach to building up same day eGrocery operations is to strongly utilize its existing infrastructure. The ability to leverage strong competencies in distribution and fulfillment, procurement, technology and data, make Lite e-Commerce's service cost-effective and competitive in the market. Lite e-Commerce operates in both sub-segments of the market: eGrocery (rapid delivery with selected range of SKUs) and same day eGrocery (broader assortment range with competitive pricing). This approach has allowed the company to build strong business foundations and Lite e-Commerce has tripled revenues and achieved operational break-even in its eGrocery service in Warsaw in 2023. On 21 October 2021, the Group launched its eGrocery service – Jush! – offering a rapid delivery of approximately 4,000 SKUs with access to 2.4 million people. Deliveries are performed from 21 dark stores operated by the Group as of 30 June 2024 located in Warsaw and Cracow. Since the launch of the service, the Group recorded positive customer feedback reflected in high repeat purchase with approximately 94% orders in the fourth quarter of 2023 coming from repeat customers and the average customer purchasing 3.5 times throughout a month.

Another offering of e-commerce, delio, launched in February 2022, with approximately 6,000 SKUs (currently expanding to a broader variety of approximately 10,000 SKUs) targets 2-3 hours home delivery time using a delivery slot method. Lite e-Commerce claims number one status in Poland when it comes to the number of same day e-Grocery deliveries. The deliveries are executed in-house by the Group and are performed from the same network of dark stores as for the Jush! service.

Jush! and delio recorded 3x sales growth in 2023 in comparison to 2022, with Jush! becoming operationally profitable in Warsaw since the fourth quarter of 2023. Jush! and delio grew their active users to more than 110,000 as of June 2024.

The dark stores for Jush! and delio are larger than those typically operated by other eGrocery entities and range from 120 to 480 square metres. With the help of the Group's logistics support system (enabling daily replenishment), 13 of 21 dark stores are able to serve both the rapid eGrocery as well as the same-day eGrocery propositions. Utilising the same space for both propositions allows the Group to be more cost efficient and also serves consumers in respect of two different shopping missions (occasions).

Besides the aforementioned synergy, the Group also identifies the following synergies between Jush!, delio and the Group: Group purchasing power; darkstore replenishment with Group logistics; AI-driven darkstore location selection; single, unified app; common technology and physical infrastructure; and the upgraded Żabka consumer app expected to grow user base.

As part of its commitments related to minimising its carbon emissions, the Group uses e-bikes, and electric and combustion scooters to deliver its products to customers.

Żabka Nano

On 14 June 2021, the Group opened the first innovative automated autonomous store supported by deep learning-based image recognition technology. The Group is a leader in the number of autonomous stores in Europe (Source: OC&C), operating 44 Żabka Nano stores as of June 2024 in Poland and Germany (50 as of December 2023), visited by approximately 400,000 shoppers in 2023. The number of Żabka Nano stores decreased over the six-month period ended 30 June 2024 as a consequence of a review of the Group's Nano stores network, which also affected the Group's store closures ratio in 2023, resulting in the process of relocating stores to specialist locations which show higher performance than street stores. The stores are operated based on technology that is co-created with AiFi, Inc. (please see "*—Business model—Technology*"). According to the analysis conducted by the Group, in the mid-term, operating a Żabka Nano should generate significantly lower labour costs in comparison to a physical Żabka store (approximately 70-80% less labour costs), and the Group aims to utilise only approximately 0.6 full-time employee on average to support a Żabka Nano store.

Żabka Nano presents an innovative, highly convenient solution that is complementary to traditional stores, enhancing the number of possible catchments and offering extended operating hours (24/7). Such stores can be placed in catchment areas in which regular Żabka store operations would be impossible or difficult, such as offices, hospitals, factories, schools or even inside other big-box stores ("store in store" format). Autonomous Żabka Nanos offer products that are adjusted to the customers' missions/occasions (on-the-go and impulse customer missions/occasions offering between 300-800 SKUs), they are open 24 hours, seven days a week in areas where the opening of traditional stores may be impossible for various reasons (e.g. lack of construction or alcohol sales permit), enabling customers to satisfy their needs whenever needed. In 2023, Żabka Nano recorded a customer NPS of 82 points.

In order to make purchases in a Żabka Nano, a customer needs the Żappka mobile application with a special Żappka Pay service activated (digital wallet functionality) or just a credit or debit card as the first step. This solution allows the customer to shop as quickly as possible without the need to perform a physical payment process at the end of their shopping and enables direct interaction with a customer whose identity is known pre-shopping and post-shopping.

Conclusions from operating a network of autonomous convenience stores can be transferred to the Group's traditional convenience retail footprint of more than 10,500 stores and provide significant opportunities in terms of increased store efficiency. In 2024 the Group aims to develop, pilot and implement (in a limited number of stores) a range of solutions for traditional convenience based on computer vision technology, including among others, out-of-stock verification, fraud and theft detection, and in store operations performance measurement.

The Group identifies the following synergies between Żabka Nano and the Group: (i) Group logistics enabling efficient replenishment; (ii) leveraging Group procurement; (iii) AI-powered pricing and assortment; (iv) roll-out of technology into core modern convenience network through hybrid formats; and (v) the upgraded Żabka consumer app expected to grow user base.

Procurement

The scale of the Group's operations translates into efficient procurement and competitive trade terms, and allows it to compete with a wide offer of products not available elsewhere, due to its own brands, dedicated branded ranges and tailored promotions. The Management believes that the scale and expansion of the Group's operations make it one of the largest and fastest-growing customers for many suppliers of FMCG products in Poland. The Group's operations are supported by a developed procurement infrastructure, which is centrally controlled and managed by Żabka Polska and uses technology to create advanced solutions which support a steadily improving gross margin. The scale of the Group's operations combined with considerable entry barriers for other market participants also leverage the Group's procurement capabilities to drive profitable digital growth (i.e. mainly for Jush! and delio and, to some extent, also for Dietly). Although due to specific logistics requirements, i.e. frequent, small deliveries of fresh ingredients, Maczfit has its own procurement function. In 2022, the Group established a new entity, Cool-Logistics, with the primary objective of enhancing the logistics process related to the D2C offerings.

Suppliers

The Group has a highly diversified base of approximately 527 suppliers, which consists of both local entrepreneurs and well-established international brands, with approximately 95% based in Poland as at 31 December 2023. The Group maintains strong and long-standing relationships with many major brands; however, the Group's suppliers vary considerably in terms of supply volumes – the top ten largest suppliers accounted for a 57% share in the value of purchases of goods in 2023 and included large international suppliers. The Group is able to cooperate with suppliers in the long term: relationships with more than 237 suppliers have been ongoing for more than five years. In 2023 the Group was selected as the number one retail chain in Poland in the annual Advantage Mirror Group research conducted among FMCG suppliers. As a result of good relations with its suppliers, the Group can be seen as a preferred partner for its suppliers which is open to introducing their new products.

The group believes it has conducted the first such large-scale implementation of paperless solutions in logistics in Poland (ranging from digitalizing documents to the use of a qualified signature and seal in the logistics process).

The Group has leveraged its strong and long-standing relationships with its suppliers to develop its own-brand products. The Group has full control over the ingredients used for its own-brand products, it can anticipate and pre-empt customer needs, and it can create innovative solutions that are not yet available on the market, thus providing a positive customer purchasing experience (for details regarding own-brand products, please see "*—Business model—Own brands*").

In order to improve its procurement management, the Group has developed the ACIT (Advanced Customer Insight Tools) data exchange platform with suppliers allowing for the enhancement of the decision-making processes of suppliers by delivering sales and promotional data on an ongoing basis, improving management, analysing consumer trends in real time and the optimisation of costs.

The Group has developed a set of internal procedures, applicable to its supply chain, which includes supplier qualification, qualification or intervention audits, the withdrawal from the market of a non-compliant product, maintenance and monitoring of the quality processes, e.g. cold chain, product acceptance checks, tests, transport verification and recall management. Procedures or instructions are part of the food safety system certified in accordance with the international ISO 22000 standard. As a result, the Group is able to effectively manage its operations across each stage of the supply process: from providing supplies to stores, the loading of goods, the unloading and delivery of goods, managing billing systems in relation to the provision of goods and also the rules regarding returns to the logistics centres.

The Group has key strategic objectives to reduce its impact on the environment across the value chain. The Group is actively engaging with its key suppliers to ensure that their products are responsibly and sustainably sourced, to e.g., increase the use of recycled material in packaging and to reduce unnecessary product packaging. The Group is working with its suppliers to identify sustainable production techniques and is optimising its supply chain and logistics to eliminate air freight, use alternative fuels and more efficiently use road transportation. In the Żabka stores, offices and warehouses, the Group has introduced initiatives to minimise its negative environmental footprint through i.e., reduction of energy, water and paper usage. The overarching strategy is built upon analysing the value chain, developing policies that include various non-financial expectations towards suppliers and deploying activities aiming at strengthening resilient supply chain.

The Group develops measures to help suppliers obey and comply with ethical standards across the value chain. In 2020, the Group joined the United Nations Global Compact, which supports the promotion of 10 universal rules concerning human rights, labour standards, environmental protection, combating corruption and the implementation of the UN's overarching objectives, including the 17 sustainable development goals (SDG). In 2022 and 2023 Żabka Polska developed key tools that support maintaining a responsible and sustainable value chain. Business partners must respect Żabka's code of conduct for business partners and human rights policy for business partners. Both documents are based on internationally recognised law rules and ethical standards, including the Universal Declaration of Human Rights, International Labour Organization Conventions, and other relevant international agreements. As a part of deployment of the above-mentioned documents portfolio of suppliers was reviewed to understand risk profiles and subsequent trails of actions and requirements were defined, and since 2024 have been initially deployed. In, addition to these two documents, the Group distinguishes other tools that reinforce its responsible and sustainable value chain, such as legal clauses in contracts with suppliers obligating them to obey i.e. number of publicly available policies that set the Group's ambitions in terms of sourcing raw materials affecting the environment in the Group value chain. The water resources policy, waste management policy, biodiversity policy, sustainable palm oil policy, animal welfare policy, policy on sustainable sourcing of plant raw materials and sustainable fishing of fish and seafood, plastic circularity policy, ecodesign policy, and food waste policy contain time-bound goals related to various groups covered.

In 2020, a passporting process was implemented that automated the process of concluding contracts and verifying business partners. Business partners are now assessed on the basis of business intelligence, tax transparency and compliance. This process helps the Group to exercise "know your vendor" processes when establishing cooperation with new suppliers. The Group also performed more than 115 supplier audits in 2023. Contracts with suppliers also contain anti-corruption and compliance clauses.

As part of its working capital management, the Group uses reverse factoring agreements linked to WIBOR, under which it submits sales invoices for selected suppliers for factoring. As at 30 June 2024, Żabka Polska had concluded 12 reverse factoring agreements regarding the financing of Żabka Polska's liabilities towards its suppliers (the financing limits in these agreements range from PLN 50 million up to PLN 675 million).

As at 30 June 2024, the trade payables covered by the reverse factoring agreements amount to PLN 2.622,7 million.

Contracts with suppliers

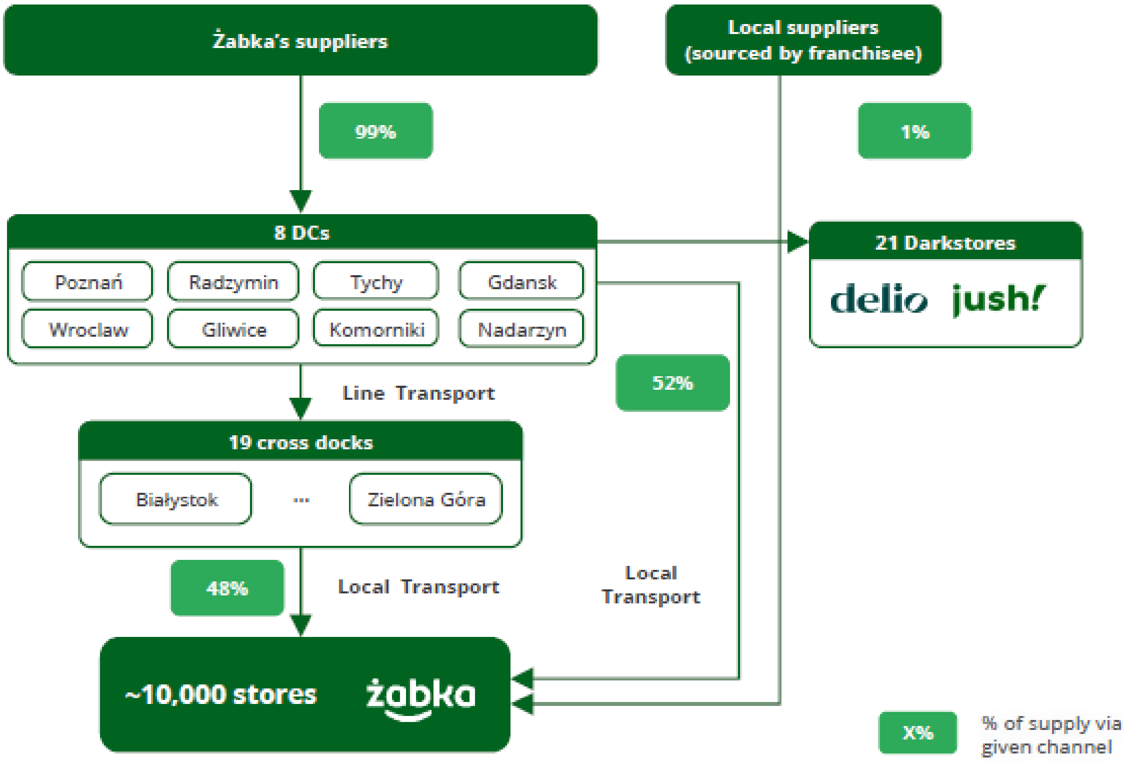
Żabka Polska does not generally enter into long-term purchase contracts with suppliers and instead enters into framework agreements with suppliers. Such framework contracts are typically concluded for undefined periods and the terms of trade are typically for one year and are prolonged by Żabka Polska on an as needed basis. Żabka Polska conducts annual revisions of the terms of trade with all of its suppliers. Żabka Polska is often able to obtain increasingly attractive commercial terms as a result of the scale and breadth of its operations.

Żabka Polska conducts an annual revision of the terms of trade with all of its suppliers. The set of documents consists of main contracts (e.g. SKUs range list, price per SKU, payment terms, delivery terms, quality commitments) and a marketing contract (list of promotional activations provided by Żabka Polska and relevant promotional investments provided by the supplier). The main contract is signed for an undefined period and can be annexed annually, while the marketing contract is signed for a defined period according to the Żabka Polska's annual marketing trade plan.

Warehousing and logistics

The Group operates a logistics platform capable of supporting its modern convenience and digital businesses.

The operations of Żabka Polska (main business unit of the Group) are supported by an efficient centralised warehouse and distribution system, which is centrally managed from 8 distribution centres, 19 cross-docking facilities (most of which are outsourced) and a network of carriers capable of performing 3 million deliveries per year, thus enabling Żabka Polska to handle the delivery of 98% of its orders.



Source: Company.

More than 99% of the Żabka Polska's product offerings are sourced by the Group and the Group records a 99% order fulfilment level to franchisees with 95% on-shelf availability. Only certain local products are sourced directly by franchisees in agreement with Żabka Polska in order to satisfy specific local demand.

To further optimise its distribution network, the Group has implemented planning and forecasting based on machine learning, optimisation systems and warehouse robotics. In 2019, the Group implemented a new Transport Management System for Żabka Polska that enables more precise and efficient route planning and transport. In the first quarter of 2024, Żabka Polska was the first in Europe to complete the implementation of certified e-signature in logistics, eliminating the use of paper in all settlements between distribution centres, cross-docks and franchisees. Due to the use of electronic data exchange in the supply chain, logistics processes are simplified, costs optimized and operational risks reduced.

Distribution centres

The products offered in Żabka stores are distributed by 8 distribution centres. The Group selects the locations of its distribution centres and cross-docking facilities so that they can primarily serve stores of Żabka Polska located within a radius of approximately 120 kilometres (40 kilometres on average). The Group believes that the distribution centres it now has in place are fully ready to support the Group's mid-term expansion.

The tables below present basic information regarding the utilisation of the distribution centres in the high season of 2023 and 2024, respectively.

	fresh	ambient grocery	frozen
Distribution centres	*% of max utilisation*		
Pruszcz Gdański (near Gdańsk)	93	78	73
Gliwice	67	83	80
Komorniki	87	n/a	78
Małopole (near Warsaw)	31	11	52
Nadarzyn (near Warsaw)	99	95	n/a
Plewiska	n/a	78	n/a
Tychy	89	87	73
Wrocław	n/a	51	n/a
Total	**73**	**65**	**66**

Distribution centres	fresh	ambient grocery	frozen
	% of max utilisation		
Pruszcz Gdański (near Gdańsk)	83	83	87
Gliwice	93	85	95
Komorniki	67	n/a	94
Małopole (near Warsaw)	87	71	65
Nadarzyn (near Warsaw)	n/a	80	n/a
Plewiska	77	87	84
Tychy	n/a	86	n/a
Wrocław	n/a	80	n/a
Total	**80**	**81**	**81**

The Group is able to secure the storage of its products in all three temperature regimes (i.e. ambient grocery, frozen and fresh).

In June 2023, the Group opened a new automated distribution centre near Warsaw, Poland to support Żabka's expansion over the next years. In new distribution centre, all operational processes are supported by advanced warehouse technologies that allow employees to achieve very high efficiency and ensure the quality of packaging & handling processes, in particular ergonomic picking stations, storage solutions such as high-bay-warehouse and shuttle systems. The functionalities of the distribution centre also allow the storage of products that require lower temperatures because of an extended cooling area. The distribution centre services more than 3,300 stores, with option to expand the capability up to 5,000 stores (subject to possible expansion). The opening of the advanced automated centre allowed the Group to achieve benefits in terms of, inter alia: (i) ESG (decarbonisation) commitments – increased environmental efficiency through e.g., installed equipment and increased number of dedicated transport delivery to stores; (iii) material savings – 30% cost reduction when considering chilled zones; (iv) reduced manhours – more than 40 full-time positions.

One of the most important pillars of the Group strategy are Company's ambitious ESG goals. During the implementation of the project, the priorities included both the technological advancement of the warehouse and ensuring reduction of negative environmental footprint, as well as improving the ergonomics of work. As a result, already at the design stage, as part of the sustainability assessment, the warehouse was covered by Post-construction Stage BREEAM International New Construction certification at the Excellent level.

The Group has been granted and expects to continue to benefit from public aid in the form of income tax relief pursuant to the Polish act of 10 May 2018 on the support of new investments for the purpose of constructing its new logistics centre supporting ongoing business of Żabka Polska. The aid was granted on the basis of a support decision dated 5 November 2020 and concerns the purchase and installation of industrial automation equipment to operate the new logistics centre. The support decision was issued for a 12-year period and provides for specific quantitative and qualitative commitments on the part of the relevant Group company (in relation to minimum employment, R&D activities and career development support). The initial timeframe declared for the completion of such investment was 31 December 2023. However, based on the decision dated 31 October 2023 amending the support decision dated 5 November 2020, the deadline for the completion was extended until 30 June 2024. The investment was completed within the time specified in the amending decision. Therefore, the investment maintenance period began on 1 July 2024. The amending decision extends also certain other time periods stipulated in the initial support decision. The amount of income tax relief expected by the Group varies from PLN 63.0 million to PLN 81.0 million and depends on the amount of eligible costs incurred by the Group and on the profitability of the logistic centre. The decision may be repealed (and as a result, the aid may be subject to recovery) in the following circumstances: (i) if the business activity in the area indicated in the decision ceases; (ii) a gross violation of the conditions set out in the decision; and (iii) failure to remedy any violation(s) identified during an inspection within the required time limit.

Cross-docking facilities

The distribution capacity of the Group is supported by cross-docking facilities where products are delivered from the distribution centre and then transported to selected Żabka stores. As at the date of this Prospectus, the Group operates 19 cross-docking facilities providing infrastructure for Żabka Polska. The cross-docking facilities help the Group to achieve additional logistics efficiency.

Dark stores

In order to secure efficient deliveries made using Jush! or delio, the Group has developed 21 dark stores located in Warsaw and Cracow. 13 dark stores serving both Jush! and delio and 8 dark stores serving only Jush! enabling cost efficient coverage of two biggest markets in Poland (cost synergies between the two services). Assuming strong results of the dark store and product range expansion, the Group will gradually switch to larger dark stores providing same-day eGrocery service with up to 10,000 SKUs offer across the footprint. Lite e-Commerce has been actively monitoring situation on the market to define the right moment for further geographical expansion.

Logistics

Most products are delivered to the distribution centres by suppliers and then distributed to individual Żabka stores based on daily demand forecasts for each store generated with the help of the Group's IT system. The products are picked and packed in the distribution centres to match the order made by a dedicated store. Shipments are prepared according to distribution plans and then delivered to the stores either directly from a distribution centre or through cross-docking facilities delivering the goods within approximately 24 hours of an order being placed. The products are delivered to the stores according to delivery cycles tailored to the needs of the stores, with an on-time delivery rate of approximately 93% (based on a delivery notification accuracy with a two-hour range) on average in the first half of 2024. The end-to-end logistics process is managed by the Group.

The Group outsources the transportation of products from distribution centres and cross-docking facilities to a wide group of third-party independent contractors operating trucks and trailers. In 2022 the Group started the implementation of dedicated transport for chilled and frozen products. As at 30 June 204, 66% of stores were served by dedicated transport vehicles, while the remaining 37% of them had combined deliveries for products of all 3 temperature groups. The roll-out of the project is planned to be continued in the future.

Due to very specific logistics requirements, i.e. frequent small deliveries of fresh ingredients, Maczfit has its own procurement function. Goods are supplied on a daily basis by individual wholesalers or suppliers directly to Maczfit's warehouse at its production plant. Deliveries of packages manufactured by Maczfit are carried out via Cool Logistics. Cool Logistics uses eight hubs in the main Polish cities and ten reloading points and delivers Maczfit ready meal sets to over 3,000 towns across Poland on a daily basis. The middle mile deliveries are made by its own refrigerated fleet as well as third-party subcontractors who are serving approximately for 20% of total volume. The last mile deliveries are made mainly by own fleet with the use of small, chilled distribution vehicles. Subcontractors are serving approximately 10% of total last mile volume.

The e-commerce businesses (Jush! and delio) leverage the benefits generated by the Group's logistics network. Lite e-Commerce uses a mix of Żabka Polska (generating the majority of sales) and direct suppliers. Goods flow from both groups of suppliers to Żabka's warehouses and they are distributed to Lite's dark stores leveraging Żabka's transportation. Selected suppliers (e.g. fresh bakery) deliver directly to Lite's darkstores. Lite's IT systems are connected to Żabka Polska's systems leading to efficient stock planning. Furthermore, synergies with Żabka's logistics enable daily replenishment and optimization of stock levels in dark stores (and availability of products to customers).

The Group has also implemented a policy aimed at eliminating paperwork between the Group and its franchisees by introducing a dedicated internally developed application (CyberStore) and amending its internal procedures to enable the paperless use of documents. The application gives franchisees access to live delivery tracking, product delivery confirmation and return initiation, and also allows for the efficient reporting of any complaints or issues.

Inventory management

One of the key elements of the Group's offer is the availability of a wide range of fresh food products. The Group has been developing an automated stock replenishment system dedicated to franchisees that enables it to monitor, manage and forecast changes in customer demand and to adjust inventory levels efficiently. The Group manages its inventory using a centralised inventory management system.

Quality control

IMS

The Group has implemented the Integrated Management System (IMS) in Żabka Polska to manage the storage and distribution of processed and unprocessed food products of animal and plant origin under strictly controlled conditions, as well as the introduction and development of private label products. All systems are certified by TÜV NORD, the external certifying body. The IMS is based on four international standards:

- ISO 22000 (since 2015) – this standard relates to food safety management. In order to comply with this standard, the Group ensures specified parameters of products and processes from the moment of manufacture, through storage and their transport to stores (including the temperature at which the products are stored and transported). The Group conducts audits of suppliers, logistics centres, cross-docking facilities and stores. The Group is able to control the products from their manufacturing process until their sale in a store. The Group also supervises the products at the franchisees' premises and has a well-built complaint process enabling it to monitor and manage the quality of products from production to the sale of the products at its store. Once a year, the Group tests its implemented crisis procedures, e.g. related to recalls from the market;

- ISO 14001 (since 2018) – this standard relates to environmental management systems. In relation to this standard, the Group undertakes measures to reduce the consumption of natural resources, reduce pollution and protect biodiversity. The Group pays special attention to waste segregation and the elimination of palm oil used for the production of its own-brand products or obtains it from certified sources, which prevents the deforestation of tropical forests. The Group reduces emissions by using more environmentally friendly fridges and freezers and has a fully automated transport management system that allows for better fleet management, the more effective use of the means of transport and the shortening of distribution routes, thus reducing the amount of fuel consumed and, accordingly, emissions. The Group has also implemented the "Naturally Together" ("*Naturalnie Razem*") programme, in relation to which the Group collects secondary raw materials, i.e. foil and waste paper. As part of this programme, in 2023, the Group collected 14,967.60 tons of wastepaper and 2,220.80 tons of foil, which have been recycled and reused. The Group places great emphasis on environmental-related education, including conducting training sessions aimed at increasing the environmental awareness of its employees and customers;

- ISO 45001 (since 2019) – this standard relates to the occupational health and safety management system. This standard relates to providing employees with safe working conditions and reduces the risk of the occurrence of occupational diseases. The Group has improved work safety in warehouses by designating communication routes for pedestrians and trolleys, has installed systems to prevent pallets from falling off high storage racks, has implemented a safe loading system and has installed lighting systems on trolleys as a warning measure aimed at reducing the possibility of an accident involving a trolley; and

- ISO 50001 (since 2019) – this standard relates to efficient energy management. This standard covers the ongoing monitoring of energy performance indicators, which translates into increasing awareness of consumed utilities. This has resulted in the reduction of energy consumption in 2023 by 2% (10,825,635.79 kWh).

The Group has also taken appropriate measures to ensure that the IMS and all of the above-mentioned certificates are extended to the Group's new distribution centre located near Warsaw (please see "*—Material tangible and intangible assets—Material real estate of the Group—Other material real properties*"). The equipment and software used at the new distribution centre are tailored in order to comply with the IMS and the quality standards implemented by the Group. Specially dedicated members of the Group's quality department are supervising the implementation of the IMS at the new distribution centre.

In addition, in 2022 Żabka Polska implemented Information Security Management System based on the ISO 27001, which relates to the security of information. Żabka Polska conducted the classification of information and a risk analysis concerning information security, availability and integrity. ISO 27001 certificate proofs that Żabka Polska implemented the Information Security Management System according to the highest standards. Maintenance of that System reduced the risk related to information security and data leakage.

In order to take care of its customers, employees, subcontractors and franchisees, the Group, as one of the first store networks in Poland to do so, introduced the Safety and hygiene+ programme created in cooperation with an independent, accredited certification unit of TÜV Nord Polska. The activities covered by the programme go beyond the generally accepted sanitary and hygiene requirements. The programme covers all of the stages of the supply chain, from own-brand production, storage and distribution, to sales in retail units. In 2023, audits were conducted at all of the stores, in logistics centres and own-brand terminals, and at selected own-brand suppliers. The positive results of the audits are mainly the result of the work of franchisees, operating staff, employees of logistics centres and the headquarters of Żabka Polska and the Group's business partners (suppliers) testifying to the high level of awareness and commitment to the issues of hygiene, safety, food safety and quality culture. The Group has also extended the safety and hygiene+ programme to other Group's entities, i.e. Maczfit or Żabka Nano.

To assure the highest quality and safety level of products from fresh fruits and vegetables, the Group introduced the "*Pewne Owoce i Warzywa*" program created in cooperation with TÜV Nord Polska. It covers audits of every supplier of products form this category based on requirements of quality standards such as ISO 22000, IFS, BRC as well as Global G.A.P standard. The samples of products from this category (from every supplier) are subjected to laboratory tests for the presence of, among others, pesticides.

Quality control of own-brand products

All processes related to the supervision and quality control of the Group's own-brand products are subject to the ISO 22000 international standard referred to above. Before starting cooperation with a given supplier of own-brand products, each supplier must undergo an audit concerning its compliance with the ISO 22000 requirements as well as additional quality standards set by the Group.

Starting from the development process, each product is tested in accredited laboratories with respect to compliance with microbiological, physicochemical and sensory requirements. Subsequently, before introducing a product to the market, the products undergo a sensory assessment process where the sensory compliance is confirmed in accordance with the tender requirements. All own brands have food frameworks that regulate, e.g. a higher content of nutrients or the elimination of additional substances such as preservatives, colourants, sweeteners and glucose-fructose syrup. In addition, all own brand packaged food product are marked with Nutri-Score label that help customers to make more informed purchasing choices. Simultaneous, a reformulation program is underway to improve products recipes and in turn nutrition profile.

The products are subject to strict quality control during their entire life cycle until their expiry date. Own-brand products are tested in accredited laboratories at least twice a year in order to confirm their compliance with the requirements specified in the quality documentation. The products are also regularly sensory tested (blind tests, benchmark scanning).

Additionally, each supplier of own-brand products is audited annually to confirm their compliance with the ISO 22000 standard and additional requirements developed by Żabka Polska and in the case of strategic products or as part of preventive measures, supervision of the production process is also carried out. The Group's food suppliers are required to implement quality management systems and to hold certifications from accredited bodies, including BRC, IFS, FSSC 22000. The entire quality control process ends with the control of each group of products (every new batch) in warehouses. The

Group also conducts cyclical analyses of product-related complaints and identified non-conformities and eliminates non-conformities as part of the complaint process.

Quality control of non-own brands

The Group only works with qualified suppliers that meet external regulatory food safety requirements. The Group controls both the suppliers themselves as well as the quality and standards of the products they deliver. The Group's food suppliers are required to implement quality management systems and to hold certifications from accredited bodies, including BRC, IFS, FSSC 22000 or Global G.A.P. In individual cases of suppliers not in possession of the above-mentioned certificates, such suppliers must go through an independent audit based on ISO 22000 food safety norms. All of the products delivered to stores are subject to verification. All of them must comply with the Group's quality standards. Cyclical analyses of complaints and identified non-conformities as part of the supervised complaint process completes the system of controlling the work with the supplier over the quality of the product and processes.

In-store quality control

A quality control system at the Żabka stores has been implemented and is operated based on the HACCP system. The quality control system is based on various procedures and instructions detailing the legal requirements in the field of good production, hygiene practices, food safety and other requirements developed by Żabka Polska. Each franchisee receives training on the quality control requirements at the recruitment stage and is required to attend a 12-day training course to ensure the franchisees and store employees know what their obligations are in terms of personal and environmental hygiene, how to handle waste, how to control food safety, and how to proceed in the event of customer complaints or a need to recall products that are hazardous to human health and life. Each Żabka store is required to keep records, which include, among others, records concerning delivery control, temperature control in refrigeration and freezing equipment, defrost control and the preparation of products for hot dogs.

The Żabka stores have also implemented the BIH+ (Safety and hygiene +) programme, which aims to raise the standards of hygiene safety and increase trust in the organisation, stores and products on offer. The entire process undergoes an annual compliance assessment.

The implementation of the HACCP system and the requirements of the BIH + programme are assessed by a qualified team of auditors from the standard verification department. In 2023, 8,884 audits under the "Safety and hygiene +" programme, and 83,992 standards verification audits were carried out. Additionally, mystery shopper visits are carried out. In 2023, the Group received a "Superman of Quality" in the Safety Category of Large-size entities ("*Supermeni Jakości*") award granted by TÜV NORD.

Quality control in the international expansion

The Group has decided on the international expansion in 2022. After over a year of preparation for the expansion the Group announced its readiness to expand the convenient stores in Romania in December 2023. All above mentioned best practices and processes covering the quality domain developed by Żabka Polska, as well as international quality standards certifications are the know-how and pattern for the implementation of the Integrated Management System (IMS) in the market: to manage the storage and distribution of processed and unprocessed food products of animal and plant origin under strictly controlled conditions, as well as the introduction and development of private label products.

Marketing

The main purpose of the Group's marketing communications is to convey the message of the Group's leading position as the ultimate convenience ecosystem with a mission to create value by simplifying people's everyday lives.

This is achieved by offering a variety of carefully selected products and services focused on addressing a full range of customer needs "here and now" throughout the whole day, promoting a sustainable lifestyle, making a positive impact on the social and natural environment, implementing responsible business practices and minimising the environmental impact across the whole value chain.

Marketing activities concentrate on building awareness of Żabka's benefits among consumers that fit the customer profile targeted by Żabka Polska, increase the perceived quality of the products offered by Żabka Polska, strengthen loyalty, decrease acquisition costs and increase the basket size through the most strategic (i.e. modern convenience) categories: QMS, food-to-go, ready meals, etc.

To deliver its message to the targeted customers, Żabka Polska uses dedicated consumer segmentation, selects groups that are most suited to selected purchase solutions offered by the Group (willing to pay more for having the burden of everyday inconveniences taken off their hands here and now, and that "free up free time" as the ultimate benefit) and concentrates its activities on them.

As part of consumer and message segmentation, the Group uses media matching to make marketing activities as effective as possible. Due to the growing role of digitalisation for key target groups, the Group is continually increasing the digital share in the media mix in all communicational fields (from the "traditional" internet through social media to influencers).

The Group also heavily invests in marketing activities through the Żappka mobile application, which gives the Group the opportunity to prepare individually targeted marketing communications aimed at each user of the Żappka mobile application based on an individual customer's purchasing habits.

Information technology infrastructure

Information technology is essential in driving the Group's efficiency and development. The information technology department is organised in a similar way to leading global tech companies. The team focuses on delivering tangible business value in an expeditious manner and ensures that all IT efforts contribute to the Group's operations and help to achieve all business-related targets.

The Group utilises a hybrid development model, relying on recognised and proven vendors and/or service providers as well as internal resources to achieve its goals.

Key digital components of the IT system are built upon scalable platforms, utilising public and private cloud services, virtualisation technologies and distributed systems principles. This approach provides operational efficiency, reusability opportunities and resilience. Data and logistics centres and warehouses are equipped with redundancy systems designed to provide back-up for key aspects of back-end, network and connectivity architecture.

The Group's technological landscape is continuously improving, with over 80 major product updates and upgrades published every month across the whole IT system. An internally developed "Digital Product Development Lifecycle" helps to minimise delivery time for new tools and features and optimise the process of designing, developing and testing with the use of top commercial and internally developed tools.

Cooperation with key global vendors such as Snowflake (more than over 1 million Snowflake queries each month), Microsoft, SalesForce and SAP helps the Group to constantly develop its technological landscape. In particular, in June 2024 Żabka Polska expanded its cooperation with Microsoft in the field of innovation, focusing on dynamic acceleration and growth based on artificial intelligence. The strategic partnership agreement aims to strengthen the development of the chain using AI in four key areas: store efficiency, international growth, internal transformation, and data analytics responding to customer needs, and involves cooperation in the area of using AI to automate processes, optimize logistics and assortment, and better understand and meet customer needs. Żabka, will be the first retail organization in the CEE to work together with Microsoft, among others, on the use of an intelligent assistant to support the work of as many as 2,500 employees. The Group also cooperates with major suppliers of equipment for stores and logistics, among others: HP, Dell and Cisco (one of World's largest SD-WAN deployments in stores).

The Group is also developing digital products and services internally. Tools such as FRM (Franchisee Relationship Management), Cyberstore, Żappka, Automated Replenishment, ACIT, SmartLogistics and zMarket are developed by in-house teams based on internal knowledge and needs. OpenSource technologies and software are used where possible to maintain efficiency and cost-effective digital product development.

As a result of its dynamic technological development, the Group has been recognised by Forbes with an Award for Most innovative AI company in Poland (2023), Snowflake with a Data Sharing Leader EMEA Award (2021), Esri with a SAG Award (2023, non-US), SAP with Innovation Award (2022) and Salesforce with a Crystal Award (2022).

aSAP technology covers the vast majority of processes in the Group. Mostly for core business processes e.g. for retail, sales or logistics and back-office processes like purchasing, HR, finance, group reporting. Business generates e.g. 2,000 million database queries daily, 3,500 million items of accounting documents yearly.

The technology hardware infrastructure that comprises over 400 physical components, approximately 3,000 virtual/cloud components and two public cloud vendors possessed by the Group is based on top-tier equipment, which is supported (where possible) by premium engagement contracts. Moreover, "end of life" and "end of support" metrics are both taken into account when replacing or upgrading both physical and software components so as to mitigate and minimise risks as regards security, maintenance, legal and regulatory, financial, and reliability factors.

The Group's priority is to protect its employees, customers, data and operations from security breaches. Regular tests are carried out by either internal or external teams in respect of areas such as, but not limited to, application security, network security, data and cloud services, endpoint security, and identity and access management technologies. Tests and reviews are conducted in accordance with world recognised standards and frameworks such as OWASP, NIST and PCI DSS. Additionally, the Group has successfully completed ISO 27001 certification process for information security management system. In relation to the certification process, the Group conducted the classification of information and a risk analysis concerning information security. The implementation of the ISO 27001 standard should further reduce the risk related to information security, data leakage and financial penalties related to a breach of personal data protection.

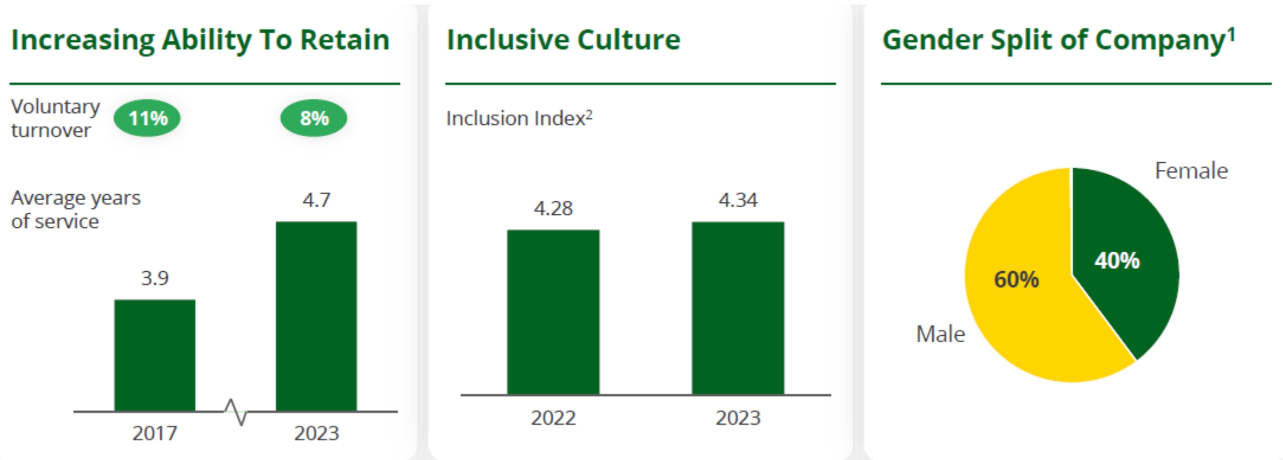
The Group's Cyber Security strategy involves implementing comprehensive measures to safeguard sensitive data, protect customer information, and mitigate cyber threats across the organization's diverse operations. The Group's long-term Security Program includes number of key initiatives to guarantee a continuous improvement of the Group's security processes and bolster its security postures. The Group continues to strengthen its ability to prevent, identify and respond to potential cyberattacks, implementing the most innovative security solutions and constantly improving and automating its response processes. Through the Group level security operation center (SOC) the Group can monitor potential security events and responds to threats on 24/7 basis. Several other initiatives have been successfully implemented or are underway including such security areas like security awareness, vulnerability management, application security, endpoint protection and many others.

Employees and other personnel

The Management believes that people who work at and cooperate with the Group are one of the main drivers of its growth and success. As a result, the Group promotes a culture of learning, continuous development, performance and equality among its employees. The Group has built a truly innovative team by recruiting individuals with a disruptive mindset and global experience. This has allowed the Group to apply global best practices and knowledge to its physical and digital offerings. The Management believes that engaged employees perform better and are more committed to their work. Therefore, the Group regularly commissions a Gallup Q12 engagement survey, which enables the Group to track how its employees feel about the Group's culture and workplaces. In 2023, the 6th edition of the survey was finalised. According to the 2023 survey, Żabka employees are five times more engaged than the average employee in Poland (72% in the Gallup global overall database compared with 49% in the global grocery sector and 14% in an average Polish company). According to the survey, the Group has over 14 engaged employees for every one unengaged employee, which is nearly three times more than the average result for the category of "Grocery" and "General Merchandise Retail Chains" (five engaged employees for every one unengaged employee). The employee NPS score is relatively stable, reaching 58 points in 2023, putting the Group in the top 10% of Workday's Peakon Employee Voice benchmark.

The Group has implemented a performance system to align the responsibilities of employees with the Group's business objectives. The performance system is monitored monthly, quarterly or on an annual basis, depending on the type of work performed, and all of the Group's employees are assessed based on their achievement of the performance objectives assigned thereto. This process contributes to creating and sustaining the improved performance of the employees, leading to an increase in the effectiveness of their work. The annual bonus system implemented in Żabka Polska is partly based on achieving goals related to its responsibility strategy, with a particular focus on ESG (Environmental, Social, and Governance) objectives.

The Group believes its success comes from people, so it undertakes measures to retain them. The average length of employment in Żabka Polska reached 4.7 years in 2023, an increase of 0.8 in comparison to 2017. Inclusion Index, which is a measurement method that allows to check the level of equality, inclusiveness and sense of belonging and consists of several questions that allow to assess each person's individual experiences and their perception of equality and inclusion in the organization, increased by 0.06 in 2023 as compared to 2022.



Source: Company. [1] Represents 2023 data; [2] The Inclusion Index survey is a measurement method that allows to check the level of equality, inclusiveness and sense of belonging. It consists of several questions that allow to assess each person's individual experiences and their perception of equality and inclusion in the organization. In the Inclusion Index, the perspective of the person answering is important as well. Therefore, when analysing the answers, the following factors are taken into account: age, gender, nationality, family situation, length of service, position, level of fitness.

The Group also has the ability to attract top quality new employees to join the organization as evidenced by the approximately 67,000 applications received for more than 375 job openings in 12-month period ended in the first quarter of 2024.

The Group employs employees on the basis of employment contracts and engages individuals based on civil law agreements (such as internship agreements, mandate agreements and cooperation agreements with individuals that are sole traders). Please see "*Risk Factors—Risks relating to legal, tax and regulatory matters—The Group is, from time to time, subject to inspections of the tax, social security, labour or other governmental authorities, including in respect of compliance with applicable tax and environmental regulations, the related-party transactions executed by the Group or verification of individuals engagement and social security remittance obligations*".

The following table sets out information regarding the number of Group employees (calculated as full-time employees, FTE) employed on the basis of employment contracts as at the dates stated.

	As at 30 June	As at 31 December		
	2024	2023	2022	2021
Żabka Polska	2,486	2,483	2,436	2,108

	As at 30 June	As at 31 December		
	2024	2023	2022	2021
Maczfit	204	195	178	162
Other Group companies	1,124	197	223	51
Group overall:	**3,814**	**2,875**	**2,837**	**2,321**

Most of the employees employed by the Group perform work based on employment contracts concluded for an unspecified period of time. The number of employees employed by the Group based on employment contracts for a specified period of time was as follows: as at 30 June 2024 – 643 FTEs; as at 31 December 2023 – 639 FTEs, as at 31 December 2022– 911 FTEs and as at 31 December 2021 – 656 FTEs.

The number of persons who permanently cooperate with the Group on the basis of civil law agreements (such as internship agreements, mandate agreements and cooperation agreements with persons that are sole traders) were as follows: as at 30 June 2024 – 1,623 individuals; as at 31 December 2023 – 1,488 individuals, as at 31 December 2022 – 1,539 individuals and as at 31 December 2021 – 1,216 individuals.

The table below presents information regarding the distribution of individuals who perform services for the Group based on civil law agreements by type of services.

	As at 30 June	As at 31 December		
	2024	2023	2022	2021
Sales	926	865	905	743
Adaptation	63	60	56	49
Expansion.	101	102	112	106
Sales support & development	100	99	103	25
Back office	144	120	169	124
Technology	326	242	194	169
Group overall:	**1,660**	**1,488**	**1,539**	**1,216**

In 2023, the Group used approximately 896 temporary employees on average per month and in the period between 1 January 2024 and 30 June 2024, approximately 1,329 temporary employees on average per month. The Group used the work of temporary employees mainly for meals production, e-commerce and q-commerce delivery.

Please see "*Risk Factors—Risks relating to legal, tax and regulatory matters—The Group is, from time to time, subject to inspections of the tax, social security, labour or other governmental authorities, including in respect of compliance with applicable tax and environmental regulations, the related-party transactions executed by the Group or verification of individuals engagement and social security remittance obligations*".

At the Group, in the period of 2021-2023, there were 68 accidents at work, and only one accident that was classified as serious. In the period between 1 January 2024 and 30 June 2024, there were 17 accidents at work, none of which was classified as serious.

As at 31 December 2023, the provisions for retirement, disability and posthumous benefits amounted to PLN 2.8 million.

The Group has introduced both an employee retirement programme (*Pracowniczy Program Emerytalny*, "*PPE*") as well as employee capital plans (*Pracownicze Plany Kapitałowe*, "*PPK*") in which the employees of the Group may voluntarily participate. The cost of the Group related to PPE as at 30 June 2024 amounted to PLN 2.8 million and the cost of the Group related to PPK as at 30 June 2024 amounted to PLN 125.2 thousand.

There is a social benefit fund (*Zakładowy Fundusz Świadczeń Socjalnych*, "*ZFŚS*") established in the Group in which the employees are entitled to certain financial and non-financial allowances and benefits taking into account their social welfare status. The liability related to ZFŚS as at 30 June 2024 amounted to PLN 250.9 thousand.

As at the date of this Prospectus, there were no trade unions or employee councils operating in the Group.

As at the date of this Prospectus, there are programmes providing for participation in the share capital of the Company; the details of such programmes are described in "*Management and Corporate Governance—Incentive Plans*".

As at the date of this Prospectus, the Group is a party to a limited number of proceedings concerning employee claims and proceedings related to terminations of employment contracts and the payment of holiday allowances; however, none of such proceedings is regarded as material for the Group's operations or financial position.

Material agreements

The following agreements have been entered into by a member of the Group within the two years immediately preceding the date of this Prospectus and are, or may be, material to a member of the Group; or contain provisions under which a member of the Group has an obligation or entitlement that is, or may be, material to such member of the Group as at the date of this Prospectus.

As at the date of this Prospectus, the Group does not depend on any industry, trade or financial agreements.

Agreements regarding acquisitions of other entities

Agreement regarding the acquisition of DRIM

On 20 December 2023, Froo Romania Holding S.A. (formerly Castle Romanian Holdco S.R.L.) (as the buyer), the owners of the shares in the share capital of DRIM (as the sellers) and Żabka Polska (as the investor), entered into a preliminary contribution and share purchase agreement (the "**DRIM PSPA**") relating to the acquisition of 100% of the shares in the share capital of DRIM (the "**DRIM Shares**"). On 15 February 2024 all rights and obligations of Żabka Polska under the DRIM PSPA were assigned to Zabka International.

The DRIM PSPA was subject to customary conditions precedent, all of which were satisfied (including the obtainment of competition clearance – a decision of the Romanian Competition Council on granting consent to concentration of undertakings dated 14 February 2024).

On 29 February 2024, in performance of the DRIM PSPA, the buyer (Froo Romania Holding S.A.) acquired from the sellers 36% of shares in the share capital of DRIM. The final purchase price for 36% of shares in DRIM amounted to approximately EUR 11.8 million. The remaining 64% of the DRIM Shares were contributed by the sellers in form of an in-kind contribution in exchange for the newly issued shares in Froo Romania Holding S.A.. Following the contribution of 64% of DRIM Shares to Froo Romania Holding S.A., Zabka International holds approximately 60% of shares of Froo Romania Holding S.A. and the sellers jointly hold approximately 40% of shares of Froo Romania Holding S.A. In consequence of the transaction, Froo Romania Holding S.A. became the sole shareholder of DRIM.

In addition to the DRIM PSPA, the parties executed an indemnity agreement for the benefit of Froo Romania Holding S.A., pursuant to which in case any of the risks specified in the indemnity agreement materialize then the sellers are to indemnify Froo Romania Holding S.A. or DRIM for all losses related to such an indemnity event.

In connection with the DRIM PSPA, on 29 February 2024 Zabka International and the sellers entered into a shareholders' agreement setting out the principles of their cooperation as shareholders of Froo Romania Holding S.A. (including, in particular, the corporate governance rules) (the "**Froo SHA**").

Under the Froo SHA, Zabka International was granted a call option to acquire all the shares of the sellers held in Froo Romania Holding S.A. in case of an uncured breach by any of the sellers of the non-compete provisions set forth in the Froo SHA as well as in case of fraud committed by any of the sellers with respect to entities controlled by Froo Romania Holding S.A. The Froo SHA provides also for a put option for the sellers to require Zabka International to purchase all the shares of the sellers held in the Froo Romania Holding S.A. that can be exercised at any time after the anniversary of 6.5 years from 29 February 2024 and for a call option for Zabka International to require the sellers to sell all the shares of the sellers held in Froo Romania Holding S.A. that can be exercised at any time after the anniversary of 6.5 years from 29 February 2024. Additionally, the Froo SHA provides for customary right of first offer, tag along and drag along rights in case of future transfers of shares in Froo Romania Holding S.A. Regardless of the aforementioned call and put options, the Group intends to fund the expansion in Romania by deploying additional capital thereby increasing its stake in the business over time.

The Group has started consolidating DRIM as of 1 March 2024.

The above-mentioned agreements were executed outside of the ordinary course of business of the Group and their execution has, among other things, broadened the scope of the activities of the Group in the retail segment.

WPC RE Investment Agreements

On 7 April 2021, Żabka Development, Żabka Polska and WPC Pan-European Holding Coöperatief U.A. (an affiliate of W. P. Carey Inc., a real estate investor – "**WPC Investor**") entered into an investment agreement (the "**2021 WPC RE Investment Agreement**"), that was subsequently amended by an annex of 20 April 2022.

Under the 2021 WPC RE Investment Agreement, Żabka Development was required to acquire and subsequently transfer, in exchange for consideration, certain investment premises designated for commercial activity, i.e. operating Żabka stores, to WPC Investor. Prior to any such transfer, Żabka Development was to purchase certain investment properties in its own name and for its own behalf. Immediately before each transfer of the investment properties to WPC Investor, Żabka Polska, acting as a tenant, and WPC Investor, acting as a landlord, were to execute long-term lease agreements with respect to such investment properties transferred to WPC Investor, which agreements would enter into force and the lease terms of which will commence upon the transfer of the investment properties to WPC Investor. The long-term lease agreements with respect to such investment properties transferred to WPC Investor were to be executed for a period of 20 years (subject to the right of Żabka Polska (as the tenant) to extend the lease term for an additional period of ten years, which right may be exercised up to two times) and could be terminated by the landlord in the event of, for example, a default on any rent and service charge payments, the liquidation or dissolution of the tenant, a breach of the material terms of the lease by the tenant, and the lack of the required collateral. Such transactions were to be carried out in five tranches of investment properties, each tranche with a variable value.

Upon the completion of both the acquisition of the investment properties and the execution of the aforementioned lease agreements, WPC Investor would hold the full legal title to the investment properties and would be the landlord under the lease agreements, Żabka Development would receive consideration for transferring the investment properties to WPC Investor, and Żabka Polska would be a tenant under the lease agreements.

On 1 May 2023 the 2021 WPC RE Investment Agreement expired automatically pursuant to its terms due to the non-occurrence of certain conditions stipulated in the agreement (i.e. non-acquisition by Żabka Development of the required number of premises). Until the expiry of the 2021 WPC RE Investment Agreement no investment properties have been transferred to WPC Investor and no long-term lease agreements have been executed under the 2021 WPC RE Investment Agreement. Due to the non-occurrence of the conditions stipulated in the agreement, Żabka Development was required to pay to WPC Investor a guarantee payment of EUR 500,000 and cover the investment costs incurred by WPC Investor up to the amount of EUR 750,000.

Following discussions to enter into a new agreement with a similar scope, on 19 June 2024 Żabka Development, Żabka Polska, WPC Investor, Digalves sp. z o.o. and Darnekusa sp. z o.o. (both affiliates of WPC Investor, each shall be further referred to as the "**PropCo**" and jointly referred to as the "**PropCos**") entered into an investment agreement (the "**2024 WPC RE Investment Agreement**").

Similarly to the 2021 WPC RE Investment Agreement, under the 2024 WPC RE Investment Agreement Żabka Development is required transfer, in exchange for consideration, certain investment premises designated for commercial activity, i.e. operating Żabka stores, to the PropCos. Immediately before each transfer of the investment properties to the PropCos, Żabka Polska, acting as a tenant, and respective PropCo, acting as a landlord, will execute long-term lease agreements with respect to such investment properties transferred to the relevant PropCo, which agreements will enter into force and the lease terms of which will commence upon the transfer of the investment properties to the relevant PropCo. The long-term lease agreements with respect to such investment properties transferred to the PropCos will be executed for a period of 20 years (subject to the right of Żabka Polska (as the tenant) to extend the lease term for an additional period of ten years, which right may be exercised up to two times) and can be terminated by the landlord in the event of, for example, a default on any rent and service charge payments, the liquidation or dissolution of the tenant, a breach of the material terms of the lease by the tenant, and the lack of the required collateral. Under said lease agreements, most of the obligations relating to the premises are imposed on the tenant, such as the necessity to maintain and conduct all (including structural) repairs or the obligation to restore the premises to a usable condition if damage occurs (other than caused by the landlord). The tenant's right to terminate the lease is significantly limited and is in most cases reduced to exercising substitution right described under the 2024 WPC RE Investment Agreement. Under this right, if certain conditions are met (relating to the closure of the store, its unprofitability, or the occurrence of total damage), either party may request that the premises in question be replaced with other premises that meet the profitability criteria. Such right is available to both parties, with Żabka Polska only being able to exercise it once per year.

Closing of the transaction contemplated under the 2024 WPC RE Investment Agreement was conditional upon receipt of a positive tax rulings that were issued by the relevant tax authority on 21 June 2024.

In performance of the 2024 WPC RE Investment Agreement, on 25 July 2024, Żabka Development and the relevant PropCos executed definite ownership transfer agreements relating to 114 properties and preliminary ownership transfer agreements relating to 9 properties (where such 9 properties are subject to pre-emption right and for which the definite ownership transfer will be effected following the non-exercise of the pre-emption right by the entitled entity, i.e. relevant municipality). The purchase price for the properties subject to the definite ownership transfer agreements payable to Żabka Development amounted to approximately EUR 26.5 million. Additionally, on 25 July 2024 the relevant PropCos and Żabka Polska executed lease agreements pursuant to which Żabka Polska is the tenant of the properties subject to the definite ownership agreement. On 18 September 2024, in performance of the preliminary ownership transfer agreements, Żabka Development and the relevant PropCos executed definite ownership transfer agreements relating to 9 properties (that were subject to pre-emption right), with the purchase price payable to Żabka Development in the amount of approximately EUR 1.87 million net. Additionally, on 18 September 2024 Żabka Polska and the relevant PropCos executed lease agreements for the properties that were acquired by the relevant PropCos in performance of the preliminary ownership transfer agreements. The annual net lease payable by Żabka Polska under lease agreements regarding the total number of premises transferred under the 2024 WPC Re Investment Agreement (i.e. 123 premises) amounts to EUR 2.13 million and will be subject to indexation in the following years.

In addition, 2024 WPC RE Investment Agreement regulates Żabka Development's rights of first offer with respect to investment premises in case of their sale by PropCos within the period of 20 years following the execution of the last lease agreement, as well as provides for the right for Żabka Development to re-purchase the investment properties in case of a change of control over the PropCos, under the terms and conditions stipulated in the agreement, as well as the right of first offer addressed to PropCos in case Żabka Development decides to sell to a third party other investment premises not covered by 2024 WPC RE Investment Agreement (where such right for PropCos applies only in case of fourth and subsequent investment premises planned for sale by Żabka Development in a given year).

Under 2024 WPC RE Investment Agreement, WPC Investor and Żabka Development waived all claims towards each other in connection with 2021 WPC RE Investment Agreement.

Material financing agreements

<u>*Senior Facilities Agreement*</u>

On 9 January 2023, an English-law senior facilities agreement (as subsequently amended by the amendment agreement dated 8 May 2023) (the "**SFA**") was entered into by, *inter alia*, Żabka Polska, as original borrower and original guarantor the Company and Żabka Automatic Logistics sp. z o.o. ("**ŻAL**"), as original guarantors with ING Bank N.V., London Branch,

as agent and security agent (the "**Agent**") and certain other financial institutions, to which Lite e-Commerce has acceded subsequently as an additional guarantor. The SFA is ESG-linked.

The following loan facilities have been made available under the SFA:

(a) a term loan facility in the aggregate amount equal to PLN 1,200 million ("PLN **Facility A**");

(b) a term loan facility in the aggregate amount equal to EUR 55.8 million ("EUR **Facility A**");

(c) a term loan facility in the aggregate amount equal to PLN 1,500 million ("PLN **Facility B1**");

(d) a term loan facility in the aggregate amount equal to EUR 130.2 million ("EUR **Facility B1**");

(e) a term loan facility in the aggregate amount equal to PLN 1,300 million ("**Facility B2**");

(f) a term loan facility in the aggregate amount equal to PLN 610 million (the "**Capex Line**"); and

(g) a revolving credit facility in the aggregate amount equal to PLN 500,000,000 (the "**Revolving Facility**").

As of 31 December 2023, the outstanding amounts under the relevant SFA facilities were as follows: EUR 186,063,828 and PLN 4,000,000,000.

PLN Facility A, EUR Facility A, PLN Facility B1 and EUR Facility B1 were made available in order to finance the following:

(a) financing or refinancing of certain distributions to, among others, shareholders and employees of the Group;

(b) the refinancing of the existing debt of Żabka Polska under the English-law senior facilities agreement, dated 12 April 2017, as subsequently amended and/or restated, in particular by the amendment and restatement agreement, dated 19 July 2019 (the "**Previous SFA**") with UniCredit Bank AG, London Branch, as agent and security agent and certain other financial institutions; on 23 January 2023 the indebtedness under the Previous SFA has been repaid in full with proceeds extended under the SFA; and

(c) the financing or refinancing of the working capital requirements and/or the general corporate purposes of the Group.

The amounts borrowed under Facility B2 were permitted to be applied towards financing or refinancing of the capital expenditures of the Group since 31 December 2019.

The amounts borrowed under the Capex Line financing or refinancing of the capital expenditures of the Group and/or acquisitions.

The amounts borrowed under the Revolving Facility were permitted to be applied towards refinancing of the existing debt of Żabka Polska under the Previous SFA (including costs related thereto), the financing of the working capital and for general corporate purposes of the Group. The available commitment under the Revolving Facility can be utilised by means of ancillary facilities extended directly by the lenders under the SFA. Such ancillary facilities have been extended to Żabka Polska by the following lenders under the SFA: (i) Bank Polska Kasa Opieki S.A. which extended a multipurpose credit limit of up to PLN 97.5 million to be utilized by way of an overdraft facility, a guarantee line and a letter of credit line; (ii) Powszechna Kasa Oszczędności Bank Polski S.A. which extended an overdraft facility with a limit of up to PLN 127.5 million.

PLN Facility A, EUR Facility A and the Capex Line shall be repaid in instalments by repaying on each of the repayment dates indicated in the SFA the percentage of the aggregate amount of PLN Facility A, EUR Facility A and the Capex Line outstanding as at the end of the availability period of PLN Facility A, EUR Facility A and the respective Capex Line repayment dates. The final repayment date for PLN Facility A, EUR Facility A, the Capex Line and the Revolving Facility is 23 January 2029.

PLN Facility B1, EUR Facility B1 and Facility B2 shall be repaid in full on their final repayment date scheduled for 23 July 2029.

The Company may increase or establish new commitments under the SFA by means of incremental facilities.

Under incremental facility notice, dated 9 February 2023, incremental term loan capex facility in the amount of PLN 140 million was established by Bank Gospodarstwa Krajowego to be utilised for the financing (including refinancing) of the capital expenditure requirements of the Group and all related fees, costs and expenses. Incremental term loan capex facility should be repaid in instalments by repaying on each of the repayment dates indicated in the incremental facility notice the percentage of incremental term loan capex facility outstanding as at the respective incremental term loan capex facility repayment dates. The final repayment date of incremental term loan capex facility is 23 January 2029.

Additionally, under incremental facility notice, dated 24 March 2024, incremental term loan capex facility up to the amount of PLN 1,500 million was established by the respective lenders to be utilised for the refinancing of the capital expenditure requirements of the Group and all related fees, costs and expenses. Incremental term loan capex facility should be repaid in full on the final repayment date being 23 July 2029.

Each term loan and the Revolving Facility under the SFA are capable of voluntary prepayment and cancellation, subject to certain notice periods and minimum prepayment amounts.

The SFA contains a mandatory prepayment clause based on which the lenders will not be obliged to fund a utilisation and may request the repayment of all or part of the debt resulting from the SFA together with accrued interest and other costs, *inter alia*, in the following situations (the "**SFA Mandatory Prepayment Triggers**"):

(a) if the senior leverage ratio is above 4.00:1 – repayment from disposal, insurance and recovery proceeds to the extent required for bringing the senior leverage ratio to 4.00:1;

(b) SFA Change of Control (as defined below);

(c) Sale (as defined below);

(d) Listing (as defined below) which results in an SFA Change of Control (as defined below);

(e) Listing (as defined below) which does not result in an SFA Change of Control (as defined below).

"**Listing**" means the listing or the admission to trading of all or any part of the share capital of the Company or any company in respect of which the Company is a subsidiary (other than the Initial Investors (as defined below)) on any recognised investment exchange or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or public offering or any equivalent circumstances in relation to the Company or any company in respect of which the Company is a subsidiary (other than the Initial Investors) in any jurisdiction or country.

"**Qualifying Listing**" means a Listing (which does not result in an SFA Change of Control (as defined below)) where, immediately after admission to trading of the listed shares, and (if any such application is made) the application of an amount of the IPO proceeds of that Listing in prepayment of the SFA facilities, the Senior leverage ratio is 3.00:1 (or below) (adjusted to take account of any prepayment from such IPO proceeds).

"**Sale**" means a sale of all or substantially all of the business and assets of the Group to persons who are not members of the Group (whether in a single transaction or a series of related transactions).

"**SFA Change of Control**" means:

(a) at any time prior to a Listing:

(i) at any time prior to the Listing the Relevant Holders (as defined below) cease to have the power to appoint directors or other equivalent officers of the Company that control the majority of the votes that may be cast at the meeting of the board of directors of the Company. Relevant Holders should be substantially understood as 1) entities defined as the 'CVC Entities' under the SFA and any funds or vehicles managed or advised by such CVC Entities or any investors or limited partners in such funds or vehicles, investing directly or indirectly in the Company (the "**Initial Investors**") or 2) the management of the Group investing in the Company (including any subsequent members of the management team of the Group who invest directly or indirectly in the Company) or 3) such entity as may hold shares transferred by departing members of the management team (the entities indicated in points 2) and 3) are hereinafter jointly referred to as the "**Management Investors**") (the Initial Investors and Management Investors are hereinafter jointly referred to as the "**Relevant Holders**");

(ii) the Relevant Holders cease to beneficially own and control more than 50% of the issued voting share capital of the Company;

(b) upon and at any time after a Listing, any person (other than the Relevant Holders) or group of persons acting in concert (other than with the Relevant Holders and any person directly or indirectly controlled by any of them) owns and controls prior to a Qualifying Listing, more than 50% of the issued voting share capital of the Company and after a Qualifying Listing more than 50% of the issued voting share capital of the Qualifying Listing;

(c) the Company ceases to control or ceases to own legally and beneficially (directly) 100% of the issued share capital and voting rights and economic rights of Żabka Polska or the Company ceases to have the ability to determine the composition of the majority of the board of directors (or other equivalent management body) of Żabka Polska.

The SFA Mandatory Prepayment Trigger described under letter (f) above provides that upon the occurrence of such Listing (not resulting in an SFA Change of Control) the Company will ensure that:

(a) If, on a pro forma basis, the ratio of consolidated senior net debt on the quarter date prior to the Listing for which financial statements are available to consolidated pro forma EBITDA for the relevant period ending on such date is greater than 3.50:1, 50% of the IPO proceeds shall be applied in prepayment of the SFA facilities to the extent required to reduce the pro forma senior leverage ratio to 3.50:1;

(b) to the extent that, on a pro forma basis, the ratio of consolidated senior net debt on the quarter date prior to the Listing for which financial statements are available to consolidated pro forma EBITDA for the relevant period ending on such date is (or becomes, taking into account the application of any prepayment required under paragraph (a) above) greater than 3.00:1, but less than or equal to 3.50:1, 25% of the remaining IPO proceeds shall be applied in prepayment of the SFA facilities, to the extent required to reduce the pro forma senior leverage ratio to 3.00:1; and

(c) thereafter if, on a pro forma basis (taking into account prepayments made and cash received by the Group from the IPO proceeds), the ratio of consolidated senior net debt on the quarter date prior to the Listing for which financial statements are available to consolidated pro forma EBITDA for the relevant period ending on such date is (or becomes, taking into account the application of any prepayment required and deducting such amounts as the Company is entitled to retain, in each case, under paragraphs (a) and (b) above) less than or equal to 3.00:1, no prepayment of the remaining IPO proceeds shall be required to be made and such IPO proceeds may be retained by the Group for any purpose not prohibited by the finance documents.

The senior leverage ratio under the SFA as at 30 June 2024 was 1.52x.

Additionally, the SFA includes excess cash flow provisions mandating the mandatory prepayment of the SFA facilities from the excess cash flow in a percentage dependent on the current level of the senior leverage ratio (50% if senior leverage ratio is greater than 3.50:1; 25% if senior leverage ratio is equal to or less than 3.50:1 but greater than 3.00:1 and 0% if the senior leverage ratio is equal to or less than 3.00:1).

Each of the loans under the SFA bears interest at a rate equal to the percentage rate per annum which is the aggregate amount of the applicable margin and WIBOR or EURIBOR, as applicable.

The SFA contains restrictions on distributions and similar payments. However, dividend payments are permitted to the extent (i) no default under the SFA has occurred and is continuing or would result from such payment, (ii) the total leverage ratio under the SFA as at the immediately preceding end of the calendar quarter (or such other dates which correspond to the quarter end dates within the group's financial year) (pro forma taking into account such payment) is equal to or less than 3.00:1 and (iii) such payment is funded from retained excess cash.

The SFA contains representations, warranties, undertakings and provisions on events of default customary for financing agreements of a similar type.

The undertakings are customary for financing agreements of a similar type and include limitations on the disposal and encumbrance of assets, subject to certain specified types of permitted disposals, transactions or security.

The provisions concerning events of default include standard provisions related to non-payment, insolvency, insolvency proceedings, the non-satisfaction of the financial covenants specified in the SFA and non-compliance with other terms.

The obligations of each obligor under the SFA and related finance documents are guaranteed by, inter alia, the Company. The Company established security by means of registered and financial pledges over 100% of shares in Żabka Polska to the benefit of the Agent. The security granted by Żabka Polska includes:

(a) a registered pledge over Żabka Polska's enterprise;

(b) registered and financial pledges over Żabka Polska's material bank accounts, together with powers of attorney to such bank accounts;

(c) an assignment of any material loans and insurance policies;

(d) a registered pledge over material trademarks owned by Żabka Polska and registered with a Polish patent office; and

(e) a statement on voluntary submission to enforcement.

The financial covenants under the SFA include covenants concerning the senior leverage ratio and the interest cover ratio.

The SFA and any non-contractual obligations arising out of or in connection with it are governed by English law.

On 9 January 2023, an English law intercreditor agreement (the "**ICA**") was entered into in connection with the SFA, concluded by, inter alia, the financial institutions being party to the SFA, setting out, inter alia, rules governing the ranking and priority of claims, common transaction security and enforcement procedure in relation to the financing arrangements falling under its scope, including the SFA, the ECA (as defined below) and the EBRD Facilities Agreement (as defined below).

Export Credit Facility Agreement

On 14 July 2021, ŻAL, as the borrower, entered with Banco Santander, S.A. as the mandated lead arranger, agent and ECA agent (the "**ECA Agent**"), and certain other financial institutions set out therein, into an export credit facility agreement governed by English law (as subsequently amended and/or restated, in particular by the amendment and restatement agreement dated 13 January 2023) (the "**ECA**"). The ECA is ESG-linked.

The ECA is treated under the SFA as an additional senior facility, consequently ranking *pari passu* with the SFA facilities and benefiting from the same transaction security as the lenders under the SFA through the provisions of the ICA.

Pursuant to the ECA, a term loan facility in the aggregate amount not exceeding PLN 184,600,000 was made available to ŻAL (the "**Facility**").

As of 30 June 2024, the outstanding amounts under the Export Credit Facility Agreement was PLN 104,595,613.51.

The amount borrowed under the ECA was permitted to be applied towards:

(a) the financing of 100% of the premium and fees payable to the Federal Republic of Germany represented by Euler Hermes Aktiengesellschaft (the "**Export Credit Agency**") at any time in consideration for making available an export credit guarantee and related documents issued by the Export Credit Agency, which provides comprehensive commercial and political risk coverage in favour of the lenders in the amount of 95% of the amounts outstanding from time to time under the Facility and accrued interest thereunder (the "**ECA Cover Document**"), as set out in the relevant invoice(s) issued by the Export Credit Agency (premium loan);

(b) the reimbursement of payments made by ŻAL to Dematic GmbH (the "**Exporter**") under a contract dated 23 December 2020 originally entered into between ŻAL and the Exporter for, the execution of logistics installations and IT systems in a logistics centre in Małopole, Poland (the "**Export Contract**") in respect of the delivery of goods and services which are: (i) supplied or rendered or to be supplied or rendered by the Exporter to ŻAL in relation to imported goods and services pursuant to the Export Contract; and (ii) approved by the Export Credit Agency for financing under the ECA (the "**Eligible Goods and Services**") and any expenditure approved by the Export Credit Agency: (i) for goods and/or services procured by the Exporter from persons that are ordinarily residents, and/or carrying on business, in Poland; (ii) that is necessary for executing the Export Contract; or (iii) that has been approved by the Export Credit Agency under the ECA (the "**Local Costs**") (reimbursement loans); and

(c) financing for the delivery of Eligible Goods and Services and Local Costs to be delivered by the Exporter under the Export Contract (disbursement loans),

and provided that the sum of b) and c) above shall not be more than 85% of the total price payable by ŻAL to the Exporter under the Export Contract, which shall not exceed an equivalent amount in PLN of EUR 36.6 million.

Any amounts borrowed under the Facility should be repaid by ŻAL in semi-annual instalments.

ŻAL is not allowed to re-borrow any part of the Facility that has been repaid.

The Facility under the ECA is capable of voluntary prepayment and cancellation, subject to certain notice periods and minimum prepayment amounts.

The ECA contains a mandatory prepayment clause based on which the lenders will not be obliged to fund a utilisation and may request the repayment of all or part of the debt resulting from the ECA together with accrued interest and other costs, including upon the occurrence of a change of control on terms and conditions which are substantially similar to the SFA Change of Control (set out in the SFA section above).

The loans under the Facility bear interest at a rate equal to the percentage rate per annum which is the aggregate amount of the applicable margin and WIBOR.

The ECA contains restrictions on distributions and similar payments by ŻAL. The permitted payment definition is linked to the provisions of the SFA, thus generally allowing dividend payments to the extent on the same grounds as described above under the SFA section.

The ECA contains representations, warranties, undertakings and provisions on events of default customary for financing agreements of a similar type. The undertakings include limitations on the disposal and encumbrance of assets, subject to certain specified types of permitted disposals, transactions or security.

The provisions concerning events of default include standard provisions related to non-payment, insolvency, insolvency proceedings, the non-satisfaction of the financial covenants specified in the ECA and non-compliance with other terms.

The financial covenants under the ECA mirror the financial covenants included in the SFA (senior leverage ratio and interest cover ratio).

The obligations of ŻAL under the ECA are guaranteed by the Company and Żabka Polska. The ECA (falling under the SFA within the category of additional senior debt) also benefits from the security package established in relation to the SFA and the ICA, while co-securing the same.

The claims of the finance parties under the ECA are secured with registered and financial pledges over 100% of shares in ŻAL and transaction security established substantially within the same scope as Żabka Polska's under the SFA.

The ECA and any non-contractual obligations arising out of or in connection with it are governed by English law.

EBRD Facilities Agreement

On 24 May 2023, Żabka Polska as borrower and the Company and ŻAL as guarantors entered with EBRD as lender into a term loan facilities agreement governed by English law (the "**EBRD Facilities Agreement**"), to which Lite e-Commerce has acceded subsequently as an additional guarantor. The EBRD Facilities Agreement is also ESG-linked.

The EBRD Facilities Agreement is treated under the SFA as an additional senior facility, consequently ranking *pari passu* with the SFA facilities and benefiting from the same transaction security as the lenders under the SFA through the provisions of the ICA.

The term loan facilities made available thereunder to Żabka Polska amount to up PLN 309,993,750 and EUR 7,500,000 (the latter constituting a tranche from the Special Fund for the High Impact Partnership for Climate Action, established and administered by EBRD; together, the "**EBRD Facilities**").

As of 30 June 2024, the outstanding amounts under the relevant EBRD Facilities were as follows: PLN 302,243,906.26 and EUR 7,312,500.00.

The purpose of such financing is financing and/or refinancing of the borrower's capital expenditures programme for the financial years 2021 – 2026, consisting of amounts used for (i) the construction of an automated distribution centre near Warsaw, Poland with a total area of approximately sqm 60,000 and (ii) new equipment in new stores (including energy efficient equipment), as well as other green investments.

The EBRD Facilities shall be repaid in instalments by repaying on each of the repayment dates indicated in the EBRD Facilities Agreement the percentage of the aggregate amount of EBRD Facilities outstanding as at the end of the availability period of the EBRD Facilities. The final repayment date for the EBRD facilities is 24 May 2029.

The EBRD Facilities are capable of voluntary prepayment and cancellation, subject to certain notice periods and minimum prepayment amounts.

The EBRD Facilities Agreement contains a mandatory prepayment clause based on which the lenders will not be obliged to fund a utilisation and may request the repayment of all or part of the debt resulting from the EBRD Facilities Agreement together with accrued interest and other costs, including upon the occurrence of a change of control on terms and conditions which are substantially similar to the SFA Change of Control (set out in the SFA section above).

The loans under the EBRD Facilities Agreement bear interest at a rate equal to the percentage rate per annum which is the aggregate amount of the applicable margin and WIBOR or EURIBOR, as applicable.

The EBRD Facilities Agreement contains restrictions on distributions and similar payments. However, dividend payments are permitted to the extent (i) no default under the EBRD Facilities Agreement has occurred and is continuing or would result from such payment, (ii) the total leverage ratio under the EBRD Facilities Agreement as at the immediately preceding end of the calendar quarter (or such other dates which correspond to the quarter end dates within the group's financial year) (pro forma taking into account such payment) is equal to or less than 3.00:1 and (iii) such payment is funded from retained excess cash.

The EBRD Facilities Agreement contains representations, warranties, undertakings and provisions on events of default customary for financing agreements of a similar type.

The undertakings include limitations on the disposal and encumbrance of assets, subject to certain specified types of permitted disposals, transactions or security.

The provisions concerning events of default include standard provisions related to non-payment, insolvency, insolvency proceedings, the non-satisfaction of the financial covenants and non-compliance with other terms.

The financial covenants under the EBRD Facilities Agreement include covenants concerning the senior leverage ratio and the interest cover ratio.

The obligations of Żabka Polska under the EBRD Facilities Agreement are guaranteed by the Company, ŻAL and Lite e-Commerce. The EBRD Facilities Agreement (being subject to the ICA and linked to the SFA) also benefits from the common security package established in relation to the SFA and the ICA.

The EBRD Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Governmental, legal and arbitration proceedings

The Group, as part of its ongoing business operations, is from time to time involved in legal proceedings, however, based on the Management's knowledge, as at the date of this Prospectus and during the 12-month period preceding such date, there are no and there were no governmental, legal and arbitration proceedings (including any such proceedings which are pending or threatened of which the Company or the Group is aware) which may have, or have had in the past, a significant impact on the financial position or profitability of the Company and/or the Group.

Intellectual property

As at the date of this Prospectus, the Group is not dependent on any patents, licence agreements or other intangible assets provided by third parties. Further, the Group controls access to, the use and distribution of its own intellectual property to third parties under relevant licence agreements, confidentiality procedures and non-disclosure agreements.

Trademarks

As at the date of this Prospectus, the Group held protection rights to and/or has applied for the registration of approximately 220 trademarks, both in Poland and internationally. The trademarks include the Group's business names and logotypes, as well as the names and logotypes of the Group's products and/or services.

The material trademarks of the Group are presented in the table below:

Trademark (type)	Application date	Application number	Protection right No.	Territory	Right holder	Product/service classes
ŻABKA GROUP (*word*)	22.10.2021 24.03.2022	018584433 1692793	018584433 1692793	EU BA, AL, CH, ME, NO, MD, MK, RS, UK, LI, UA	Żabka Polska	9, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45
żabka group (*figurative*)	22.10.2021 24.03.2022	018584436 1688755	018584436 1688755	EU BA, AL, CH, ME, NO, MD, MK, RS, UK, LI, UA	Żabka Polska	9, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45

Trademark (type)	Application date	Application number	Protection right No.	Territory	Right holder	Product/service classes
(*figurative*)	02.06.1998 16.11.2009	Z.187757 008689168	R.137902 008689168	Poland EU	Żabka Polska	35, 41, 42, 43 35, 36, 39, 40, 41, 42, 43, 45
FRESHMARKET (*word*)	19.12.2008 04.02.2009 30.01.2009	Z.350222 465563 5068-2009	R.230396 309626 226145	Poland	Żabka Polska	35, 36, 38, 39, 40, 41, 43
(*figurative*)	05.11.2009	Z.362516	R.232903	Poland	Żabka Polska	35, 36, 38, 39, 40, 41, 43
ŻABKA (*word*)	09.12.2020 09.01.2023	Z.521999 1738222	R.371988 1738222	Poland AL, CH, EU, UK, LI, MD, ME, MK, NO, RS, UA, BA	Żabka Polska	9, 29, 30, 31, 32, 33, 35, 36, 38, 41, 42, 43, 45
(*figurative*)	02.11.2016 09.01.2017 09.01.2017	Z.463428 UK008013780 15 IR1378015	R.298922 UK0080137 8015 IR1378015	Poland UK EU, BY,UA	Żabka Polska	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13. 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45
(*figurative*)	02.11.2016 09.01.2017 09.01.2017	Z.463427 UK008013781 40 IR1378140	R.298921 UK0080137 8140 IR1378140	Poland UK EU, BY, UA	Żabka Polska	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45
(*figurative*)	02.11.2016 09.01.2017 09.01.2017	Z.463429 UK008013780 14 IR1378014	R.298923 UK0080137 8014 IR1378014	Poland UK EU, BY, UA	Żabka Polska	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45
ŻABKA CAFÉ (*word*)	24.01.2013	Z.409568	R.265072	Poland	Żabka Polska	30, 43
(*figurative*)	09.12.2020	Z.522001	R.342681	Poland	Żabka Polska	30, 43
(*figurative*)	07.01.2019	Z.494531	R.321787	Poland	Żabka Polska	9, 28, 35, 36, 38, 39, 41
ŻAPPKA (*word*)	05.01.2018	Z.480846	R.313390	Poland	Żabka Polska	9, 35, 36, 38, 39, 41, 42, 43, 45
ŻAPPSY (*word*)	29.11.2019	Z. 493260	R.319690	Poland	Żabka Polska	9, 35, 36, 38, 39, 41, 42, 43, 45
FROO (*word*)	17.06.2023	018889646	018889646	EU	Zabka International	9, 35, 36, 37, 39, 41, 42, 43, 44, 45

Trademark (type)	Application date	Application number	Protection right No.	Territory	Right holder	Product/service classes
froo bistro (*figurative*)	12.02.2024	018985675	018985675	EU	Zabka International	29, 30
TOMCIO PALUCH (*word*)	31.08.2017	Z.476018	R.306626	Poland	Żabka Polska	30
TOMMY BITES (*word*)	17.06.2023	018889754	018889754	EU	Zabka International	30
HAPS (*word*)	05.06.2018 17.06.2023	Z.486775 018889647	R.314018 018889647	Poland EU	Żabka Polska	29 29, 30
SZAMAMM (*word*)	18.07.2019	Z. 502469	R.327240	Poland	Żabka Polska	29, 30
YAMMEE (*word*)	17.06.2023	018889666	018889666	EU	Zabka International	29, 30
FOODINI (*word*)	24.09.2020 17.05.2023	Z.518675 018876430	R.339998 018876430	Poland EU	Żabka Polska	32
WYCISK (*word*)	24.05.2019	Z.500226	R.325284	Poland	Żabka Polska	32
BAREFRUIT (*word*)	17.06.2023	018889667	018889667	EU	Zabka International	32
S! WHAT A SHOT! (*word*)	18.02.2020 17.05.2023	Z.510296 018876431	R.331997 018876431	Poland EU	Żabka Polska	32
PLANT HUNTER (*word*)	24.03.2021 17.05.2023	Z.526600 018876363	R.348014 018876363	Poland EU	Żabka Polska	29, 30, 31, 32
DOBRA KARMA (*word*)	04.09.2020	Z.517862	R.338601	Poland	Żabka Polska	29, 30
GOOD SOUL (*word*)	13.06.2023	018887671	Not registered yet	EU	Zabka International	29, 30, 32
LEVEL UP (*figurative*)	09.11.2020	Z.520586	R.341241	Poland	Żabka Polska	32
MAŁY WIELKI SKLEP (*word*)	09.12.2020	Z.522002	R.356109	Poland	Żabka Polska	9, 29, 30, 31, 32, 33, 35, 36, 38, 41, 42, 43, 45
FREE UP YOUR FREE TIME (*word*)	27.05.2021 04.11.2021	018480059 1659625	018480059 1659625	EU MD, ME, MK, BA, UK, RS, AL	Żabka Polska	9, 29, 30, 31, 32, 33, 35, 36, 38, 41, 42, 43, 45
Nano (*figurative*)	10.03.2023 16.05.2023 05.09.2023	Z.553451 018875623 1774805	R.367136 018875623 1774805	Poland EU AL, BA, CH, UK, LI, ME, MD, MK, NO, RS, UA, US	Żabka Polska	9, 35, 36, 38, 41, 42, 43, 45
delio (*figurative*)	18.02.2022	Z.540024	R.374448	Poland	Lite e-Commerce	9, 35, 36, 39, 42, 43, 45

Trademark (type)	Application date	Application number	Protection right No.	Territory	Right holder	Product/service classes
DELIO (*word*)	18.02.2022	Z.540023	R.374001	Poland	Lite e-Commerce	9, 35, 36, 39, 42, 43, 45
JUSH (*word*)	17.09.2020	Z.518372	R.339012	Poland	Żabka Polska	9, 35, 36, 38, 39, 41, 42, 43, 45
ŻABKA JUSH (*word*)	17.09.2020	Z.518373	R.339013	Poland	Żabka Polska	9, 35, 36, 38, 39, 41, 42, 43, 45
(*figurative*)	06.07.2023	Z.557899	R.369359	Poland	Dietly	42
(*figurative*)	24.02.2015	Z.439416	R.281825	Poland	Maczfit Foods	43, 44
(*figurative*)	18.07.2016	015542459; UK00915542459	015542459; UK00915542459	EU UK	Maczfit Foods	43, 44
MACZFIT (*word*)	15.06.2018	Z.487164	R.324196	Poland	Maczfit Foods	5, 29, 30, 31, 32, 43, 44

Internet domains

As at the date of this Prospectus, the Group maintains approximately 480 domain names. The main domain names of the Group are: (i) "zabkagroup.com" – maintained by Żabka, which houses webpages with corporate data on Zabka Group; (ii) "zabka.pl" – maintained by Żabka, which houses webpages with information about the Żabka store network and the business conducted thereby; (iii) "jush.pl" – maintained by Żabka, which houses webpages with information on the eGrocery service – Jush! – offering 15-minute "anywhere" delivery; (iv) "zappka.pl" – maintained by Żabka, which houses webpages for internal communications; (v) "maczfit.pl" – maintained by Maczfit Foods, which houses webpages with information about the dietary catering offered by Maczfit Foods and the online store; and (vi) "dietly.pl" – maintained by Dietly, which houses webpages with information about the dietary catering offered by Dietly and the online store.

Material tangible and intangible assets

Material tangible assets

The following table sets out information on the net carrying amount of the tangible assets of the Group as at 30 June 2024.

	As at 30 June 2024
	(PLN million)/(unaudited)
Land*	52.2
Buildings and structures**	766.2
Machines, devices and other***	2,286.1
Assets under construction****	423.2
Total	**3,527.7**

** Land mainly includes the Małopole real property (for details, please see "—Material real estate of the Group—Agreements in relation to Małopole real property"), ** Buildings and structures mainly include the leasehold improvement of stores and distribution centres, *** Machines, devices and other mainly include fixtures and fittings at stores, IT and logistic equipment and cars and ****Assets under construction mainly include stores under construction, a new automated distribution centre (for details, please see "—Material real estate of the Group—Other material real properties") and IT development programmes.*

As at the date of this Prospectus, the material tangible assets of the Group only include the material real estate of the Group described below.

Please see "*—Material agreements—Material financing agreements—Senior Facilities Agreement*" for information regarding the encumbrances established by the Group on its tangible assets and its intangible assets in order to secure the repayment of liabilities, credit or loans.

Material real estate of the Group

Most of the Group's retail premises, distribution centres and headquarters facilities are held on a leasehold basis. As of 30 June 2024, the right of use related to the lease real properties amounted to PLN 4,071.9 million.

Lease agreements regarding shops

The Group also provides the franchisees with premises to run the stores through sub-leasing arrangements. Żabka Polska leases 100% of its stores from various entities and most of the lease agreements are executed by the Group based on its own templates; however, the final form of the lease agreement is subject to negotiation with the landlord. The lease agreements are concluded for a specified period, with more than 90% of them being ten years. The standard lease contracts are linked to the previous year's CPI index, with the landlord holding the responsibility of requesting a change in the lease fees. In case of early termination, the standard procedure is a payout of the cumulative fees for the rest of the contract's duration; however, Żabka Polska has also implemented a "safe exit" procedure in numerous locations that provides it with an option of resigning from a location without having to pay for these exit fees. Żabka Polska also has an ongoing renegotiation process of lease fees; in 2023, it renegotiated nearly 600 contracts, which maintained the year-on-year increase of rental costs below the CPI index.

After the signing of the lease agreements, Żabka Polska executes sublease agreements with the franchisees. The sublease agreements are concluded for unspecified terms. The template of the franchise agreement between Żabka Polska and its franchisees provides that the franchise agreement constitutes an integral part of the sublease agreement and, as such, also sets out the obligations of the franchisee under the sublease agreement.

Headquarters

As at the date of this Prospectus, Żabka Polska is the tenant under a lease agreement for its headquarters located in the "*Nowy Rynek*" office building at ul. Stanisława Matyi 8 in Poznań, Poland (the "**HQ Lease**"). The HQ Lease was entered into on 9 November 2018. The HQ Lease is executed for a specified term until 31 December 2033. Payments (rent and service charges) under the HQ Lease are secured by way of an irrevocable, unconditional, payable on first demand and freely transferable bank guarantee issued on 18 January 2019 by PKO BP S.A. up to the amount of PLN 4,483,135.85 and which is valid until 31 January 2025. The subject of the lease consists of office premises with an area of 9,818.52 sqm, office and office-service premises with an area of 667.48 sqm, storage area of 177.70 sqm, 115 parking spaces and 431 sqm of the roof surface for installation of photovoltaic panels. Żabka Polska is required to pay rent, service charges and other costs related to use of the premises, roof surface and common areas and the rent amount is indexed annually on the basis of the Harmonised Index of Consumer Prices (HICP) published by Eurostat. Żabka Polska is not entitled to transfer its rights and obligations under the HQ Lease to any third party without the prior written consent of the landlord (save for a merger, division or transformation of Żabka Polska). Żabka Polska may sublease the premises to companies from the Group, subject to prior written notification to the landlord. The landlord may terminate the HQ Lease with immediate effect (subject to a 14-day remedy period indicated in a prior notification to Żabka Polska) in the event of: (i) the lack of performance or improper performance of certain obligations of the tenant; (ii) arrears in service charge or payments for individual utilities / services (a 45-day delay in payment or a 20-day delay in payment at least four times during a period of 12 months); or (iii) the continuous violation of the rights of other users of the building to undisturbed peace. The landlord may also terminate the HQ Lease with immediate effect if Żabka Polska is in arrears with rent payments for at least two months, subject to a prior one-month remedy period notification. In the case of such termination events, Żabka Polska will be required to pay a contractual penalty equal to the amount of rent and service charge payments due from the termination date until the end of the originally envisaged lease term, subject to certain limitations.

Agreements in relation to Małopole real property

On 14 August 2020 Żabka Polska and LPI as the owner of a real property located near Warsaw in Małopole, Dąbrówka Municipality, Wołomiński District, Mazowieckie Voivodeship, concluded a lease agreement (as further amended) under which the property was leased to Żabka Polska (the "**Małopole Lease**").

On 19 November 2021, LPI entered into a preliminary sale agreement with respect to the Małopole real property with Furmint spółka z ograniczoną odpowiedzialnością (being an affiliate of Macquarie European Logistics Real Estate Fund SCSp, a real estate investor) ("**Małopole PSPA**"), the intention of which was for the buyer to acquire the Małopole real property along with the other transferred assets as part of the transaction, subject to certain conditions precedent (the completion of the built-to-suit logistics facility development and obtaining a tax ruling), with Żabka Polska remaining as the tenant of the property.

The property was developed with a highly automated high-bay distribution centre by 7R Development Management sp. z o.o. and LPI handed over the property to Żabka Polska on 14 September 2022.

The Małopole Lease is executed for a specified term of 15 years from the handover date. The subject of lease includes: (i) warehouse premises 1 – 39,522.48 sqm; (ii) warehouse premises 2 (foundation slab) – 4,349.14 sqm; (iii) warehouse premises 3 – 12,276.64 sqm (including cold storage); and (iv) office premises – 3,807.64 sqm. Żabka Polska is required to pay rent, service charges and other costs related to the use of the premises and common areas and the rent amount is indexed annually on the basis of the Harmonised Index of Consumer Prices (HICP) published by Eurostat.

On 13 October 2022, in performance of the Małopole PSPA, the buyer acquired the property from the LPI. In consequence, it became the landlord under the Małopole Lease by virtue of Article 678 § 1 of the Polish Civil Code. The parties to the agreement agreed on an aggregate price for the property and assets in the amount of approximately EUR 77.4 million ("**Sale and Leaseback Transaction**").

Kąty Wrocławskie real property

Under the assignment agreement and final sale agreement concluded on 13 December 2023, Kalestico Investments entered into the rights and obligations of the buyer under three preliminary sale agreements of 7 October 2021 (with amendments) with respect to plots of land located in Kąty Wrocławskie, Dolnoślaskie Voivodeship, and acquired the plots from their former owners. The parties to the agreement agreed on an aggregate price for the property in the amount of approximately EUR 4 million.

On 21 December 2023 Kalestico Investments concluded the construction contract with "Atlas Ward Polska" sp. z o.o. for development of the logistics facility. The parties to the contract agreed on an aggregate remuneration for the general contractor in the amount of approximately EUR 31 million. The contractor is entitled to receive, monthly, a part of the remuneration corresponding to the material advancement of the works in relation to the works schedule, based on a separate work progress report. 5 percent of the remuneration will be retained and paid to the contractor after signing the final acceptance protocol. Completion of the investment is planned for the first quarter of 2025. The correct and timely performance of the contractor's obligations is secured by numerous contractual penalties in line with the market standard. Proper performance of the contract by the contactor is also secured by an irrevocable, unconditional, payable on first demand and freely transferable bank guarantee issued on 2 January 2024 by PKO BP S.A. up to the amount of PLN 3,115,700.00 and which is valid until 31 January 2025.

Żabka Development

In 2021, the Group established Żabka Development and Żabka Construction as entities that will acquire certain real properties for the purpose of building a portfolio of convenience stores and their subsequent transfer to WPC Investor and its affiliates in accordance with the provisions of the WPC RE Investment Agreements. For further information regarding the investment agreements, please see *"—Material agreements—Agreements regarding acquisitions of other entities—WPC RE Investment Agreements*" section above.

Other material real properties

Aside from the headquarters in Poland leased by Żabka Polska under the HQ Lease, the material real properties used by the Group include: (i) a logistics centre in Plewiska (Oriolus Investments); (ii) a logistics centre in Tychy (Galtic Investment); (iii) a logistics centre in Nadarzyn (Nadarzyn Industrial Park); (iv) a logistics centre in Będzieszyn/Pruszcz Gdański (DP Gdańsk); (v) a logistics centre Szałsza/Gliwice (MLP Gliwice); (vi) a logistics centre in Tyniec Mały (Follonica); (vii) a cold storage in Komorniki (2PM3); (viii) a cross-docking facility in Szczecin (KIL Poland); (ix) a cross-docking facility in Łódź (Prologis Poland CXVII(C)); (x) a cross-docking facility in Wrocław (Durhy Investment); and (xi) an automated logistics centre in Małopole/Warszawa (Furmint). Please note that the Group uses other cross-docking facilities which have not been indicated as material real properties of the Group. For further information regarding the logistics centres and the cross-docking facilities, please see "*—Warehousing and logistics*" above.

Additionally, in September 2024 Food Property Investments sp. z o.o. finalized the acquisition of plots of land located in Szymanów, Mazowieckie Voivodeship for the total transaction amount of approximately PLN 17.4 million. Food Property Investments sp. z o.o. intends to develop the land with a production facility that will be serving Maczfit's needs and will be leased to Maczfit thereafter.

Material intangible assets

The following table sets out information on the net carrying amount of the intangible assets of the Group as at 30 June 2024.

	As at 30 June 2024
	(PLN million)/(unaudited)
Software, Copyrights and Other Licences*	404.7
Trademarks**	335.9
Relationships with franchisees***	3.0
Relationships with customers ****	39.1
Costs of obtaining franchise agreements*****	31.1
Other intangible assets under construction	218.1
Total	**1,031.9**

** Patents and licences mainly include software and technological projects, ** Trademarks mainly include Żabka, Maczfit and Dietly as well as own brands, *** Relationships with franchisees relate to a base of franchisees acquired in the acquisition of Żabka Polska S.A. in 2017, **** Relationships with customers relate to a base of customers acquired in the acquisition of Maczfit and Dietly in 2021, and ***** Costs of obtaining franchise agreements mainly include success fee paid for signing an agreement with a new franchisee.*

As at the date of this Prospectus, the material intangible assets of the Group include trademarks used by the Group (please see *"—Intellectual property—Trademarks*" above).

Information on current and future investments in material intangible assets is provided in "*Operating and Financial Review—Capex—Current and planned Capex*".

Insurance

The Group works with leading insurance companies in Poland. As at the date of this Prospectus, the principal insurance providers for the Group are Colonnade Insurance S.A. Branch in Poland, TUiR Allianz Polska S.A., Generali T.U. S.A., UNIQA, Ergo Hestia S.A., TUiR Warta S.A., PZU S.A., Amplico, Tokio Marine and Chubb European Group SE Branch in Poland.

In connection with its operations, as at the date of this Prospectus, the Group's insurance coverage includes, in particular, all risk property insurance against random events (such as fire, lightning, storms, hail, floods, explosions, theft, robbery, defrosting of stock), electronic equipment all risk insurance, machinery breakdown insurance, third-party liability insurance, including product liability insurance in connection with any held assets or conducted business, cyber and crime insurance. The sum insured for third-party liability insurance is above PLN 100,000,000, including sub-limits for specific types of risk covered by the insurance.

In general, insurance agreements are concluded for a period of up to two years.

Furthermore, the members of the Board of Directors and the Management Committee are generally covered by civil law liability insurance related to the functions performed thereby in the Group based on the Group's insurance policies (D&O policy). Current D&O insurance policy remains valid until 11 May 2025 with the limit of liability in the amount of EUR 20,000,000.00.

The Management believes that the Group has adequate insurance protection that complies with the insurance practice and policies of other entities conducting similar business activities in Poland and intends to maintain the current scope of insurance coverage for the foreseeable future, subject to adjustments in light of any change in the scale of operations or the business profile of the Group, as appropriate.

Żabka Polska tax capital group

On 14 November 2023 Żabka Polska, Lite e-Commerce, Żabka Nano, Retail Technology Investments sp. z o.o. and Żabka BS sp. z o.o. concluded an agreement on formation of tax capital group "PGK ZABKA POLSKA". The parties had agreed that first tax year of the PGK ZABKA POLSKA commenced on 1 January 2024. The agreement was concluded for a period of 3 years. Żabka Polska sp. z o.o. was designated as parent company of PGK ZABKA POLSKA.

The agreement was registered by the tax authorities with a decision dated 22 December 2023.

The CIT Act treats TCG as a separate income tax payer. This means that companies within TCG are not treated as separate entities for corporate income tax purposes (CIT), with TCG being treated as one whole company instead.

TCG's tax base will constitute the group's aggregate income, calculated as the excess of the income of the companies that make up the group over their losses. TCG is considered to be a separate company only for the purposes of corporate income tax. This should not be equated with a separate legal company.

TCG is also not applicable to other taxes, in particular each of the companies within TCG continue to be a separate payer of VAT, tax on civil-law transactions, as well as withholding agent with respect to personal income tax. According to the concluded agreements, in case when a company belonging to TCG achieves a tax income, it transfers appropriate amount of income tax to Żabka Polska Sp. z o.o. which settles payables with tax office as the representing company. On the other hand, in case when a company belonging to TCG generates a tax loss, then tax benefit resulting from it falls on the representing company, i.e. Żabka Polska. The final settlement between companies belonging to TCG is performed after submission of the annual declaration by the representing company.

A TCG is a taxpayer if all the following conditions are jointly satisfied:

(a) a TCG may only be formed by limited liability companies, simple joint-stock companies or joint-stock companies established in the territory of the Republic of Poland, provided:
    (i) the average share capital held by each company is not lower than PLN 250,000,
    (ii) one of the companies, hereinafter referred to as the "parent company", directly holds 75% shares in the share capital of the other companies, hereinafter referred to as "subsidiaries", or in that portion of their share capital that was not acquired gratuitously or on preferential terms by employees, farmers or fishermen pursuant to the provisions on commercialisation and privatisation and that does not constitute a reserve of the State Treasury for the purposes of reprivatisation,
    (iii) the companies do not have outstanding tax liabilities that constitute national budget income,
(b) an agreement on the establishment of a TCG:
    (i) has been concluded by a parent company and subsidiaries, in writing, for a period of at least 3 tax years,
    (ii) has been registered by the head of a tax office;
(c) upon formation of a TCG, the member companies of that group satisfy the conditions:

(i) do not take advantage of tax exemptions set out in Article 17 sec. 1 point 34 or Article 17 sec. 1 point 34 of the CIT Act and of income tax exemptions based on other statutory acts;

(ii) in the case of the conclusion of a controlled transaction within the meaning of Article 11a section 1 point 6 of the CIT Act with affiliated entities within the meaning of Article 11a section 1 point 4 of the CIT Act, not being part of the TCG, do not agree upon or impose terms different from the terms that would be agreed upon between non-affiliated entities within the meaning of Article 11a sec. 1 point 3 of the CIT Act.

If any changes in the factual or legal status resulting in a violation of the conditions for classifying the TCG as CIT taxpayer occur during the term of an agreement, the day on which the TCG loses its taxpayer status and the TCG's tax year ends shall be the day preceding the day of occurrence of the said changes. The date of occurrence of the changes referred to in the first sentence shall be the first day of the tax year of the companies that formed the TCG before that day. The companies that previously formed the TCG shall be obliged to settle, within 3 months from the date on which the TCG lost the taxpayer status, the income tax for the period from the second fiscal year preceding the date on which the TCG lost the taxpayer status, counted from the beginning of the fiscal year in which that event occurred, and for the period from the beginning of the year in which the TCG lost the taxpayer status, up to the day on which the TCG lost the taxpayer status – with the assumption that the TCG did not exist in those periods. Income tax settlements shall be made separately by each of those companies by calculating the income tax advances due and the tax due for particular fiscal years on income determined in accordance with general rules, for particular months and years in which the tax was settled by the parent company.

In the case of an obligation to make the settlement referred above:

(a) the amounts of the advances and the tax for particular settlement periods, paid by the TCG for the period referred above, shall be credited, proportionally to the incomes of particular companies, towards the advances and the tax due from those companies;

(b) if the advances due or the income tax due from particular companies, calculated in accordance with point (a) above, are higher that the advances or the tax for a given company paid by the TCG, the resulting difference shall constitute tax arrears on which interest for late payment shall be charged, calculated from the date by which the advance or the tax for particular settlement periods should have been paid.

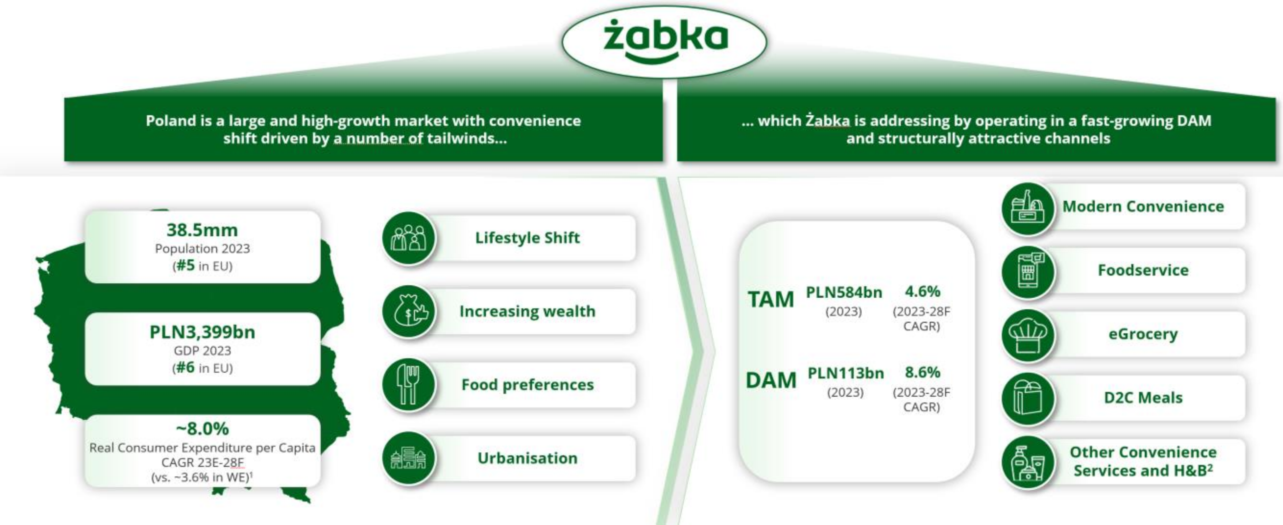
MARKET AND REGULATORY OVERVIEW

Information presented in this section has been extracted from, amongst other sources, publicly available third-party publications that the Company deems reliable, including, but not limited to, official data published by GUS, Eurostat, the NBP, the Polish Ministry of Finance, the International Monetary Fund or data derived from the OC&C Report. In addition, certain industry and market data, as well as information on the competitive position presented in this section, has been derived from the Group's internal analyses and estimates based on its knowledge of and experience on the markets where it operates. Although the Management has grounds to believe that such analyses and estimates are reasonable and reliable, their fairness and completeness, the methodology used and assumptions made therein have not been independently verified, and they may change. The projections and forward-looking statements contained in this section do not guarantee that actual results will be the same in the future. Actual events and circumstances may significantly differ from the current assumptions. Therefore, investors should not rely only on the industry and market data or information on the market position presented in the section "Market and Regulatory Overview".

Before reading this section, investors should read "Presentation of Financial and Other Information—Market, economic and industry data", where sources of third-party data are indicated. In addition, information presented in this section should be read in conjunction with the information in "Abbreviations and Definitions".

Market overview

Żabka operates in a sizeable fast-growing market with favourable consumer and channel trends



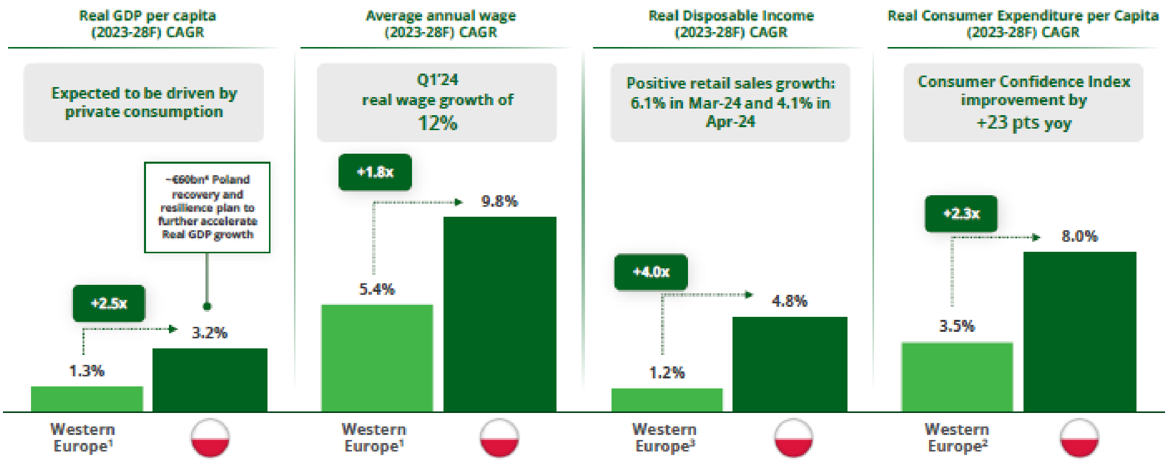
Source: OC&C, Eurostat, GUS, World Bank. [1] Average for Germany, UK, France, Italy, Spain, Netherlands and Belgium, Source: Euromonitor International, Passport 2024 edition, expenditure in current prices. [2] Health & Beauty.

The Group operates in an attractive Polish market with the backdrop of favourable consumer megatrends and is disrupting a large, growing Total Addressable Market of PLN 584 billion (Source: OC&C). The Group believes that it has been successful in responding to changing customer needs and market trends and has translated them into the Group's value proposition, which has supported the increase of Sales to End Customers. The Group's tech-powered convenience ecosystem is uniquely positioned to capture the fastest growing parts of the market through both its physical and digital channels. Moreover, the Group offers customers a large range of own brands which follow the latest trends in the market. The Group's own brands are innovative, exclusive, differentiated and available through both the Group's physical and digital channels.

Poland, a member of the European Union since 2004, represents the fifth largest EU market by population (38.5 million people in 2023) and the sixth largest EU market by 2023 GDP (PLN 3,399 billion) (Source: Oxford Economics) and by 2023 consumer expenditure (above PLN 1,920 billion) (Source: Euromonitor International, Passport 2024 edition, expenditure in current prices).

The Polish economy is among the fastest-growing economies in the EU, with its Real GDP per capita growing by a CAGR of 2.6% between 2018 and 2023 (the sixth highest in the EU and second highest in Western Europe) (Source: Oxford Economics). Macroeconomic outlook for Poland is strong with Real GDP per capita projected to grow at a CAGR of 3.2% between 2023 and 2028 (1.9 percentage points above the growth rates forecast for Western Europe) (Source: Oxford Economics, OC&C). Additionally, in the shorter term, Poland's Real GDP growth is forecasted to accelerate to 3.8% in the second half of 2024 compared to 2.9% in the first half of 2023 (Source: S&P).

The chart below presents overview of key Poland's macroeconomic growth benchmarks as compared to Western Europe.



Source: OC&C, Oxford Economics, Euromonitor International, Passport 2024 edition, and OC&C data. Data for Poland based on local currency, data on Western Europe calculated based on EUR, using fixed 2023 exchange rates (Real Consumer Expediture per Capita (2023-2028F) CAGR). [1] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom; [2] Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom; [3] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK; [4] Includes EUR 34.5 billion RRF loans and EUR 25.3 billion RRF grants.

Apart from strong macro fundamentals, the country is also the largest net recipient of EU funds at EUR 11.1 billion, two times more than Romania, the next largest beneficiary at EUR 5.5 billion (Source: European Commission). The inflow of EU funds is expected to continue in the future with EUR 137 billion allocated to Poland until 2027, including EUR 23 billion in 2024, providing further support to economic growth.

The table below presents an overview of key Poland's macroeconomic indicators as compared to Western Europe.

	Poland			Western Europe		
	2018-21	2021-23	2023-28F	2018-21	2021-23	2023-28F
	%			%		
Real GDP CAGR	3.0	2.8	2.7	0.3	2.0	1.5
Real GDP per capita CAGR	3.2	1.7	3.2	0.1	1.5	1.3
Real disposable income per capita CAGR	2.4	(1.0)	4.8	0.9	0.0	1.2
Consumer expenditure per capita CAGR	5.8	14.0	8.0	0.5	8.1	3.6
Retail market CAGR	2.5	(0.9)	3.1	2.1	(2.7)	1.3

Source: Oxford Economics (Real GDP CAGR, Real GDP per capita CAGR, and Real disposable income per capita CAGR), Euromonitor International, Passport 2024 edition, and OC&C data. Data for Poland based on local currency, data on Western Europe calculated based on EUR, using fixed 2023 exchange rates (Consumer expenditure per capita CAGR and Retail market CAGR).

Poland's unemployment rate was 3.0% in 2023 (the second lowest in the EU and the lowest in Western Europe) (Source: Oxford Economics). Due to the low unemployment rate, the country is continuously leveraging its strong inflow of foreign workers, especially from the east, namely Ukraine, to support its labour market. The low unemployment rate is expected to remain stable in the coming years, with a 2023-25E forecast average of 3.2% (Source: OC&C). Poland's average hourly wage CAGR was growing at CAGR of 3.6% between 2018 and 2021, in comparison to CAGR at 0.6% of Western Europe for the same period, before a temporary period of decline during the high inflationary period – decline by CAGR of 0.5% between 2021 and 2023 (Source: Oxford Economics).

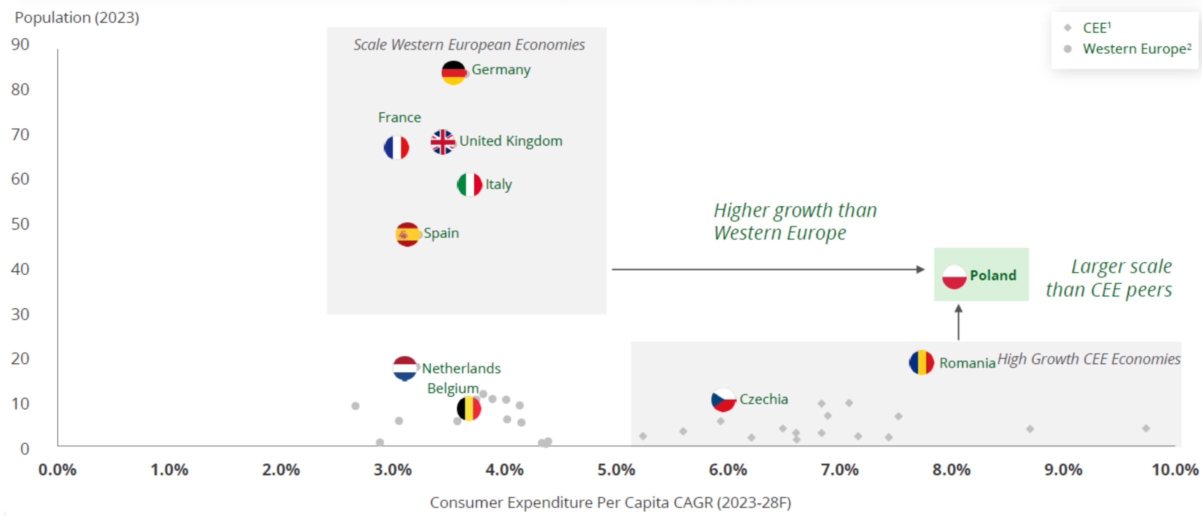
Real disposable incomes of the Polish population were growing at CAGR of 2.4% between 2018 and 2021, before a temporary period of decline during the high inflationary period (decline by CAGR of 1.0% between 2021 and 2023) (Source: Oxford Economics). Resumption of real disposable income growth is now expected as elevated inflation subsides, with outlook at CAGR of 4.8% between 2023 and 2028, +3.6 percentage points above the growth rates to be experienced by Western Europe (Source: Oxford Economics, OC&C). At the same time, wages grew at a CAGR of 6.9% between 2018-2021 and declined slightly between 2021 and 2023 at -2.8% p.a. (Source: Euromonitor International, Passport 2024; Wage per Hour in USD, Fixed 2023 ex rates, Constant 2023 Prices). As a result, Poles are spending more every year on goods and services – outlook of per capita annual real consumer expenditure is at CAGR of 8.0% between 2023 and 2028 in comparison to 3.6% in Western Europe (Source: Euromonitor International, Passport 2024 edition, CAGR in value terms, based on current prices data).

Annual consumer expenditure per capita is growing faster than in Western Europe. It grew at a CAGR of 14.0% between 2021 and 2023, reaching around EUR 11 thousand per capita, and according to forecasts, the annual consumer expenditure trend is seeing a recovery throughout Europe, with Poland continuously outperforming (further underpinned by double-digit real wage growth year-to-date (Source: Oxford Economics) and favourable fiscal developments), with a projected CAGR of 8.0% for per capita annual real consumer expenditure between 2023 and 2028, in comparison to 3.6% in Western Europe (Source: Euromonitor International, Passport 2024 edition, and OC&C data. Consumer expenditure calculated in EUR, using fixed 2023 ex rates, current prices). According to S&P real private consumption increased by 4.0% and 3.9%, year-on-year, in the first and second quarters of 2024, respectively, and is expected to increase by 3.8% year-on-year in the second half of 2024.

The increase in consumer expenditure is reflected in the Polish retail market. Between 2018 and 2021, the overall retail market CAGR was 2.5% in Poland, as compared to 2.1% in Western Europe in real terms (Source: Euromonitor International, Passport 2024 edition, and OC&C data. Data for Poland based on local currency, data on Western Europe calculated based on EUR, using fixed 2023 exchange rates). The Polish market was impacted by increases in inflation and the consumer squeeze between 2021-23 driving a mild decline of 0.9% p.a. between 2021-23, and this was significantly less than the impact felt in Western Europe, which saw 2.7% p.a. decline 2021-23 (Source: Euromonitor International, Passport 2024 edition, and OC&C data. CAGR in value terms, based on current prices data). Going forward, the Polish market is expected to accelerate, growing at a CAGR of 3.1% between 2023 and 2028, representing one of the faster growth rates in Europe (Source: Euromonitor International, Passport 2024 edition, and OC&C data).

All the above factors result in Poland's consumer market having a unique combination of size and growth and is the only market in Europe sharing those sets of characteristics.

Population (2023, millions) vs. Real Consumer Expenditure Per Capita CAGR by Geography (2023-28F, %)



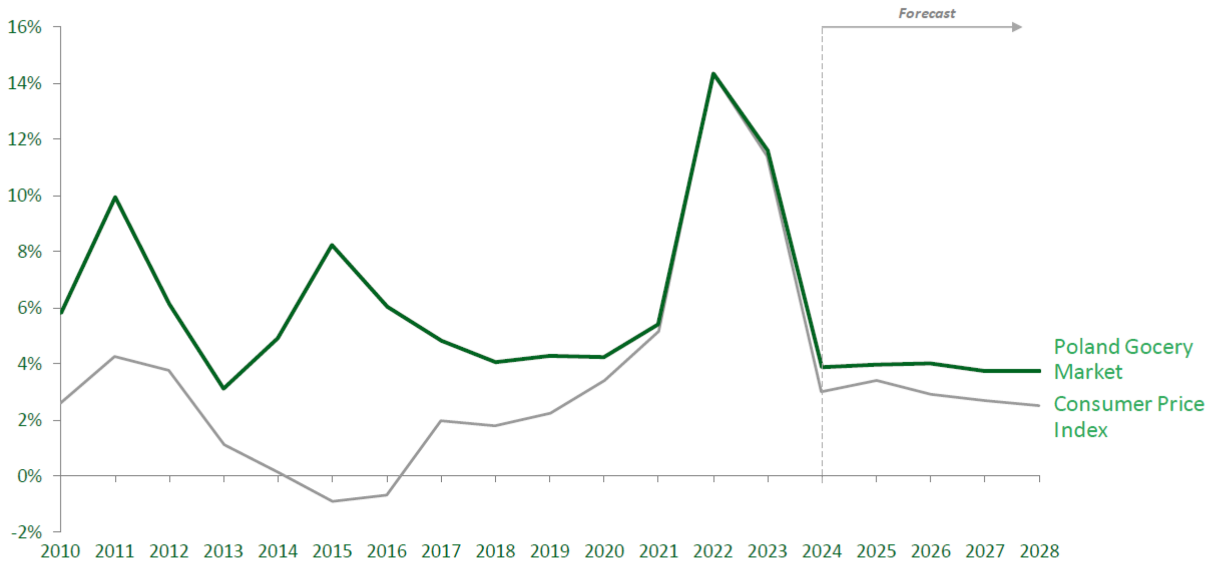
Source: Oxford Economics (population), Euromonitor International, Passport 2024 edition, CAGR in value terms, based on current prices data (real consumer expenditure). [1] CEE: Albania, Belarus, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Moldova, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia; [2] Western Europe: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK.

Inflation in Poland has been oscillating around 2% on average since joining the EU in 2004, with some fluctuations along the way. Historically, the Polish grocery market has broadly benefited from inflation, usually showing positive correlation and typically outperforming CPI growth considerably. According to GUS, the consumer price index in Poland increased year-on-year by 5.1%, 14.4% and 11.4% in 2021, 2022 and 2023, respectively, and the consumer price index for food and non-alcoholic beverages in Poland increased year-on-year by 3.2%, 15.4% and 15.1% in 2021, 2022 and 2023, respectively. Elevated levels of inflation in Poland have been driven by, inter alia, high energy prices as a result of the Ukraine war, in line with the global trend, as well as record low interest rates and government stimulus packages during the COVID-19 pandemic. Inflation remained elevated in 2023, but there appears to be some renormalisation underway, with inflation returning towards historical long term trend levels, with the consumer price index in Poland in the six-month period ended 30 June 2024 amounting to 2.7% year-on-year (Source: GUS). The CPI is expected to healthily increase to 5.0% (Source: S&P) in the second half of 2024 and edge to 4.3% for the full year 2024 (Source: European Commission).

In addition to inflation that has picked up healthily towards end of 2024, other strong macroeconomic fundamentals have continued supporting Polish consumers. In particular, real GDP growth in Poland has gown year-on-year at 2.0% and 2.9% in the first and second quarters of 2024, respectively, and is forecasted to accelerate to 3.8% in the second half on 2024 (Source: GUS, S&P).

Throughout the high inflationary period Polish government introduced both fiscal and monetary policies to ease pressure on consumers, including a reduction of VAT on natural gas, the abolition of excise duty and a reduction of VAT from 23% to 5% (from Jan-Mar 2022) on electricity, a reduction of VAT on system heating and in fuel prices as well as reduction of VAT on selected food items from 5% to 0%. The measures were generally in effect until 31 December 2022, and with respect to selected food items, until the end of March 2024, which is anticipated to drive a temporary uptick in inflation, before a return to long term trends at 2-3%. (Source: Narodowy Bank Polski, Ministry of Finance). As of the date of the Prospectus, no VAT increases are expected in the second half of 2024 in Poland and the energy price cap will be extended until end of 2024.

Historically, Polish grocery market growth has outperformed the CPI and is expected to continue so, the chart below presents Poland grocery market growth as compared to Consumer Price Index (CPI) (% year-on-year Growth).

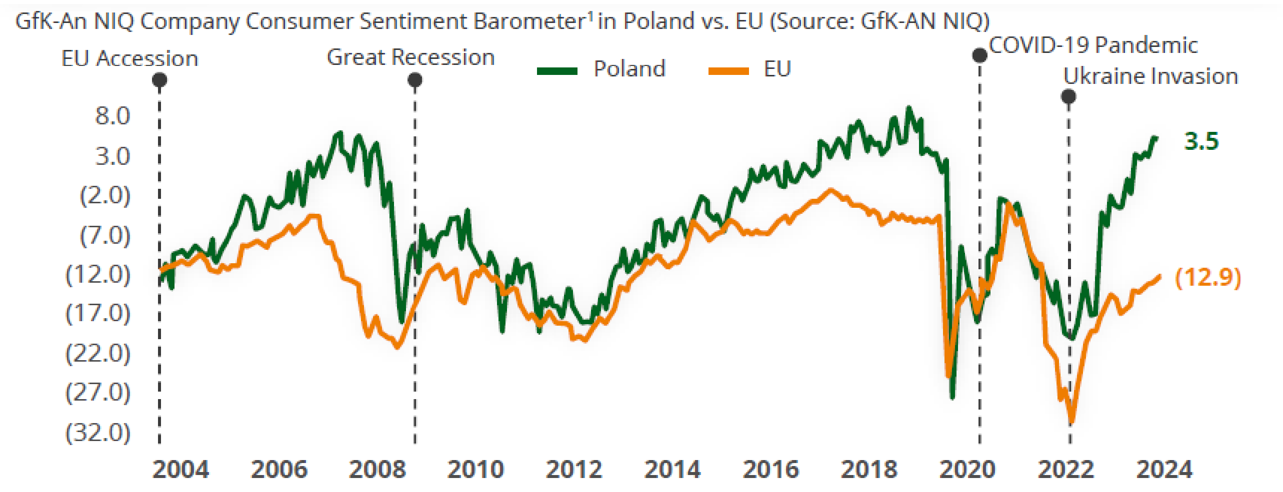


Source: OC&C Market Model, OC&C Analysis.

The Polish Consumer Confidence Index has been consistently increasing since January 2023 (+24.1 points) resulting from strong economic fundamentals, stabilization of the labour market and strong reduction of inflation translating into a greater sense of financial security among Polish consumers (Source: GUS). A better sense of confidence among Polish consumers is also positively influenced by the extension of the electricity price freeze for residential households until the end of 2024.

As of June 2024, Polish consumer sentiment index has reached its highest level since Covid-19 and for approximately the last 15 years, standing at +3.5 and consistently widening the gap in its favour against the EU average (Source: NielsenIQ). The highest level of the Polish consumer sentiment index (+20) is reached among the 15-29 age group, where the Group over-indexes in penetration, as approximately 55% of the Group's customers are aged 18-34. Polish consumer confidence has also been in continuous upward trajectory since January 2023, with an increase of 24.1 points between January 2023 and July 2024. Poles are also more optimistic on their future disposable income and on discretionary items spending.

The chart below shows indications of the consumer sentiment index in Poland compared to the EU.



Source: NielsenIQ. [1] A synthetic indicator illustrating the current mood of Poles in terms of consumer attitudes (the barometer can range from -100 to +100, this is the balance between positive and negative opinions).

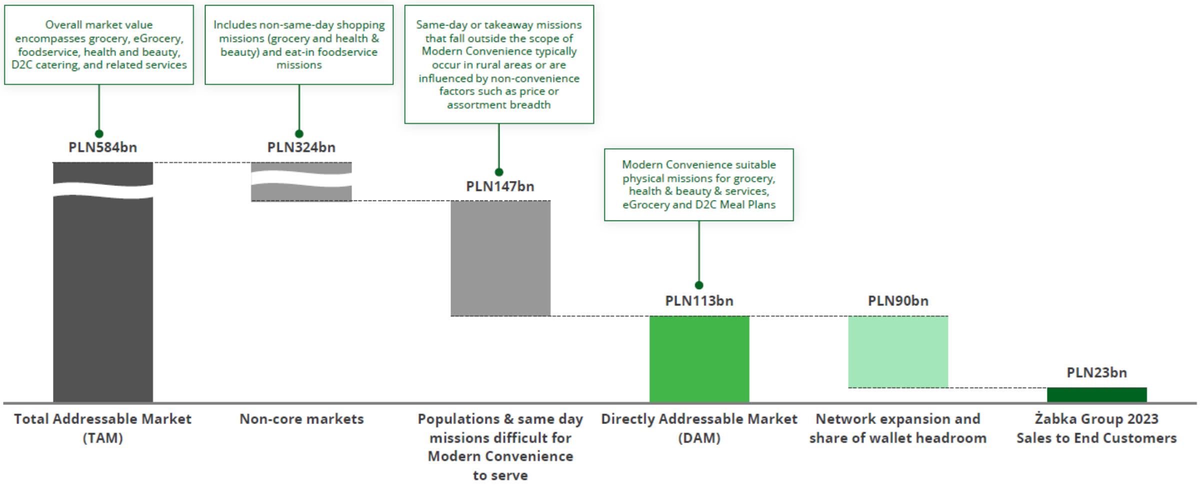
Large and growing Total Addressable Market

The Group operates a tech-powered convenience ecosystem across Poland through its modern physical convenience stores, D2C meal solutions, eGrocery, autonomous Żabka Nano stores as well as Żappka consumer app, which together serve a TAM valued at over PLN 584 billion (2023) (Source: OC&C).

The TAM comprises physical stores and eGrocery, foodservice, D2C meal plans, health & beauty and selected convenience services.

For the Group, the market is divided into the wider Total Addressable Market (TAM) and the narrower segment of the Direct Addressable Market (DAM), where the Group is the market leader with approximately 20% market share. The TAM assumes all segments in which the Group operates, while in the DAM, only the consumer missions addressable by a modern convenience proposition, i.e consumer proposition stores focusing on serving same day missions with specific categories and services (e.g. quick meal solutions and food to go, beverages, snacks), are included. For offline markets, these are immediate and same-day consumption occasions in non-rural locations, where price and breadth of assortment are not the key purchase criteria. The Group's TAM in 2023 was PLN 584 billion and the DAM in 2023 amounted to PLN 113 billion (Source: OC&C).

Żabka's Sales to End Customers are currently approximately 20% of its DAM, leaving ample headroom for growth.



Source: OC&C. [1]Health & Beauty; [2] Presence in rural or driven by non-convenience key purchase criteria (price led or assortment led).

Historically, the overall TAM has been growing at 7.7% in 2016-2023 (Source: OC&C), which has been driven primarily by strong underlying macroeconomic trends (i.e. growing GDP, low unemployment and increasing disposable income) and has been additionally fuelled by smaller, quickly growing subsegments, especially eCommerce and D2C and Dietary Meals. The Group's DAM has been growing even faster, at a CAGR of 17.8% between 2016 and 2023 (Source: OC&C).

The Polish Grocery market has been growing sustainably and the structural shift to same-day missions is expected to re-accelerate as the high inflationary period subsides, and real growth in household incomes resumes. eGrocery has been one of the fastest growing sub-categories under eCommerce and is expected to be driven by increased digitisation and penetration potential in comparison to Western Europe. D2C remains a high growth proposition within the Polish market and is expected to continue growing quickly as a result of increasing affluence, busier lifestyles and penetration headroom as compared to D2C meals in Western Europe. Foodservice is growing faster than the grocery market, and there is significant headroom in comparison to Western Europe for growth of both expenditure and outlets of QSR/cafes, which are adjacent propositions to the Group.

Overview of the Total Addressable Market and Core Addressable Market segments

The table below presents growth of the Total Addressable Market of the Group

	CAGR 2016-19	**CAGR 2019-23**	**CAGR 2023-2028F**	**Market size 2016**	**Market size 2019**	**Market size 2023**	**Market size 2028F**
	(%)	*(%)*	*(%)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*
Grocery Physical	4.3	8.7	3.8	300	341	476	574
eGrocery	12.2	25.3	7.9	1	2	4	6
Food Service.................	15.9	10.5	7.9	27	42	63	92
D2C and Dietary Meals	38.2	18.3	13.5	0.5	1.2	2.4	4.5
Health & Beauty............	5.0	5.9	5.8	16	19	24	32
Other Convenience Services........................	44.3	10.4	8.3	3	10	15	23

	CAGR 2016-19	CAGR 2019-23	CAGR 2023-2028F	Market size 2016	Market size 2019	Market size 2023	Market size 2028F
	(%)	*(%)*	*(%)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*
Total Addressable Market	**6.0**	**8.9%**	**4.6**	**349**	**415**	**584**	**730**

Source: OC&C.

The table below presents growth of the Direct Addressable Market of the Group.

	CAGR 2016-19	CAGR 2019-23	CAGR 2023-2028F	Market size 2016	Market size 2019	Market size 2023	Market size 2028F
	(%)	*(%)*	*(%)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*
Grocery Physical	18.9	15.4	8.2	31	52	92	136
eGrocery	12.2	25.3	7.9	1	2	4	6
Food Service.................	20.2	20.6	10.0	1	2	5	8
D2C and Dietary Meals	38.2	25.0	23.5	1	1	2	5
Health & Beauty............	19.6	12.4	10.2	2	3	5	8
Other Convenience Services.........................	64.7	14.4	10.9	1	3	6	10
Direct Addressable Market	**20.4%**	**15.7%**	**8.6%**	**36**	**63**	**113**	**171**

Source: OC&C.

The table below presents Direct as compared to Adjacent Addressable Market of the Group.

	CAGR 2016 – 23	CAGR 2023-2028	Market size 2016	Market size 2023	Market size 2028F
	(%)	*(%)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*
Direct Addressable Market	17.8	8.6	36	113	171
Adjacent Addressable Market.........	6.0	3.5	312	471	560
Total Addressable Market	**7.7**	**4.6**	**349**	**584**	**730**

Source: OC&C.

The total grocery market is defined as all sales of grocery retailers, including food & beverage, tobacco & alcohol, selected non-food (health & beauty, pet care & home care sold in grocery stores), and the sale of food outside grocery retailers (e.g. marketplaces, drugstores).

The size of the Polish offline grocery market showed robust growth with a CAGR of 4.5% between 2016 and 2021, expanding from PLN 300 billion to PLN 373 billion (Source: OC&C). COVID-19 and high inflation temporarily accelerated grocery market growth up to PLN 476 billion in 2023 (with a CAGR of 12.9% between 2021 and 2023), with a resumption of historical growth trajectory now expected to continue with a CAGR of 3.8% between 2023 and 2028, reaching PLN 574 billion in 2028 (Source: OC&C).

eGrocery includes all products included in the physical grocery market, but delivered through eCommerce or eGrocery channels. The impact of COVID-19 accelerated penetration gains and market growth (with a CAGR of 12.2% between 2016 and 2019 and a CAGR of 25.3% between 2019 and 2023) of eGrocery, and the growth profile has now normalised to its structural trajectory of growth at a CAGR of 7.9% between 2023 and 2028, reaching PLN 5.5 billion in 2028 (Source: OC&C). Growth outlook will be underpinned by further digitisation of the Polish population and retail market, and substantial penetration headroom compared to Western European markets.

Consumer foodservice includes cafés/bars, full-service restaurants, limited-service restaurants, self-service cafeterias and street stalls/kiosks. The market subcategories are defined as: (i) eat-in – food and drink consumed on premises; (ii) home delivery; and (iii) takeaway. Foodservice is part of Group’s TAM due to the QMS offered in Group’s premises (such as coffee, hot dogs, paninis, etc.), making it an alternative source of traditional prepared food formats such as QSR. The Group is the largest warm snacks provider in Poland, as well as widely known for its to-go coffee.

D2C & Dietary Meal solutions are defined as pre-prepared meal plans, delivered to the customer at their doorstep.

With a CAGR of 25% between 2019 and 2023, D2C & Dietary Meal solutions is the fastest growing category of the TAM, and rose from PLN 1.2 billion in 2019 to PLN 2.4 billion in 2023 (Source: OC&C). It is expected to further grow at a CAGR of 14% between 2023 and 2028, reaching PLN 4.5 billion by 2028, underpinned by growing affluence of the population and enabled by up to 7-8x penetration opportunity (% of population) in comparison to meal kits in the U.S. and the U.K. markets (Source: OC&C).

Health & beauty is divided into two subcategories:

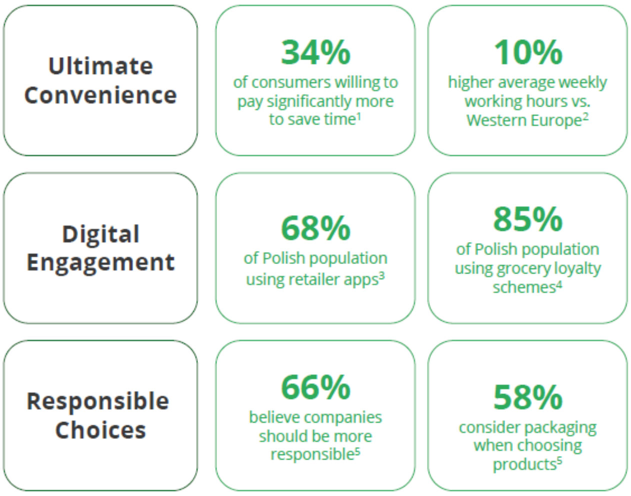
- consumer health, which experienced growth from PLN 8 billion in 2016 to PLN 12 billion in 2023, and is expected to reach PLN 17 billion in 2028, growing at a CAGR of 6.0% between 2023 and 2028 (Source: OC&C). This contains sub-categories including OTC, vitamins, dietary supplements (VDS), sports nutrition, and weight management and well-being; and
- personal care, which grew from PLN 8 billion to PLN 11 billion, and is expected to reach PLN 15 billion in 2028, growing at a CAGR of 5.5% between 2023 and 2028 (Source: OC&C). The category includes baby and child specific products, bath & shower, deodorants, hair care, cosmetics, men's grooming, oral hygiene, fragrances, skin care, depilators and sun care.

Convenience services include six main segments: parcel services, lotto services, bill and utility payments, car insurance, international money transfers and employee vouchers.

Convenience services have displayed a healthy growth, starting at PLN 3 billion in 2016 and growing to PLN 15 billion in 2023 (Source: OC&C). It is expected to further grow at a CAGR of 8.3% between 2023 and 2028 and reach PLN 23 billion by 2028 (Source: OC&C). These are both an addressable market for the Group, and a traffic driver to its store estate.

Favourable consumer trends resulting in a distinctive customer profile

The Group believes that creating a deep understanding of the needs and habits of its current and potential consumers is key to its success. The Group seeks to understand the needs of customers through detailed analysis of current and future trends in social and customer behaviour as well as purchasing habits based on internal and external data. The Group has identified three consumer megatrends: Ultimate Convenience, Digital Engagement and Responsible Choices.



[1] Based on OC&C analysis. [2] Based on OECD, average of France, UK, Germany for 2022. [3] Based on GfK. [4] Based on PMR. [5] Strongly agree and agree; OC&C Survey, OC&C analysis 2023-204 on Żabka Consumer Segments (CAS).

The Group addresses all three of these consumer megatrends with its consumer proposition, and by targeting channels strongly benefiting from these trends. In order to address the ultimate convenience megatrend, it targets the Physical Grocery channel, offering both groceries and a broad range of other convenience services via Żabka stores. It also offers takeaway food and coffee via Żabka Café, addressing the foodservice consumer set. It addresses Digital Engagement through its emerging Żappka super-app, and its eGrocery offering of Jush! and delio. It helps Poles to make Responsible Choices via its D2C Meal Plans businesses Maczfit and Dietly, and via offering Health & Beauty products within modern convenience stores. Within these channels, the Group focuses on a Directly Addressable Market (DAM) comprising mostly same-day consumer missions.

Ultimate convenience megatrend

The Polish market is characterised by the following major social shifts driving consumers' need of convenience: long working hours, higher female propensity to work, a growing number of smaller (single person) households and growing disposable income.

Poles are among the populations with the highest number of working hours in the European Union (Source: Eurostat). With 40.4 hours on average spent at work per week (as of 2022), they work on average 10% longer than their Western European counterparts, 14% more than in Germany, and 8% more than the average across the EU (Source: Eurostat). This is partially driven by low levels of unemployment, over 2.5 million sole proprietorships with reduced security and stability, a cultural tendency to prioritise hard work, a still relatively lower level of disposable income compared to Western Europe, and social ambitions to earn and spend more.

Moreover, there is a visible trend of rising affluence of adult population in Poland. According to OC&C analysis, population with monthly income of more than PLN 8,000 increased from 10% in 2016 to approximately 15% in 2023, while population with income of less than PLN 4,000 decreased from approximately 26% to approximately 19%, accordingly. Additionally, as of 1 July 2024, Poland has an increased minimum wage rate, with another 7.6% increase from the beginning of 2025 already approved, well in excess of inflation.

In 2028, population with monthly income of more than PLN 8,000 is further expected to increase to 23% (Source: OC&C). There is also a trend of an increasing number of women employed or looking for work. Working age women employed or looking for work increased from around 60% in 2013 to around 67% in 2022 in Poland (Source: Eurostat), which further put downward pressure on unemployment levels. The real wage recorded a strong year-on-year growth of 10.7% in the first quarter of 2024 with a projected year-on-year growth of 10.5% and 7.4% in the second quarter and second half of 2024, respectively (Source: NBP, S&P).

Additionally, there is a visible trend of a growing number of smaller households in Poland, with average household size declining steadily at 1.4% p.a. (approximately 2.9 in 2010, 2.7 in 2015 as compared to 2.4 in 2022) (Source: Eurostat). According to Eurostat, the number of one-person households in Poland increased by around 47% to 4.73 million between 2015 and 2023. This makes the lifestyles of a growing share of consumers less predictable and fuels a smaller basket of products for near term consumption driving shopping frequency. In addition, declining size of households supports convenience shopping.

In 2023, 87% of urban population shopped at least several times a week in comparison to 78% of rural population (Source: OC&C). Between 2020 and 2028 it is expected that urban population will increase by 200,000, which will further affect shopping frequency (Source: OC&C).

Having less free time, a growing number of people are looking for convenience while also doing grocery shopping. 82% of Poles say they are always on the lookout for solutions that make their life easier, 71% believe that lack of time is something that limits their life, 53% whenever they can use ready to eat or partially prepared meals as it saves a lot of time and 60% feel that the main reason for not cooking at home is a lack of time (according to a study conducted by the Group in 2021).

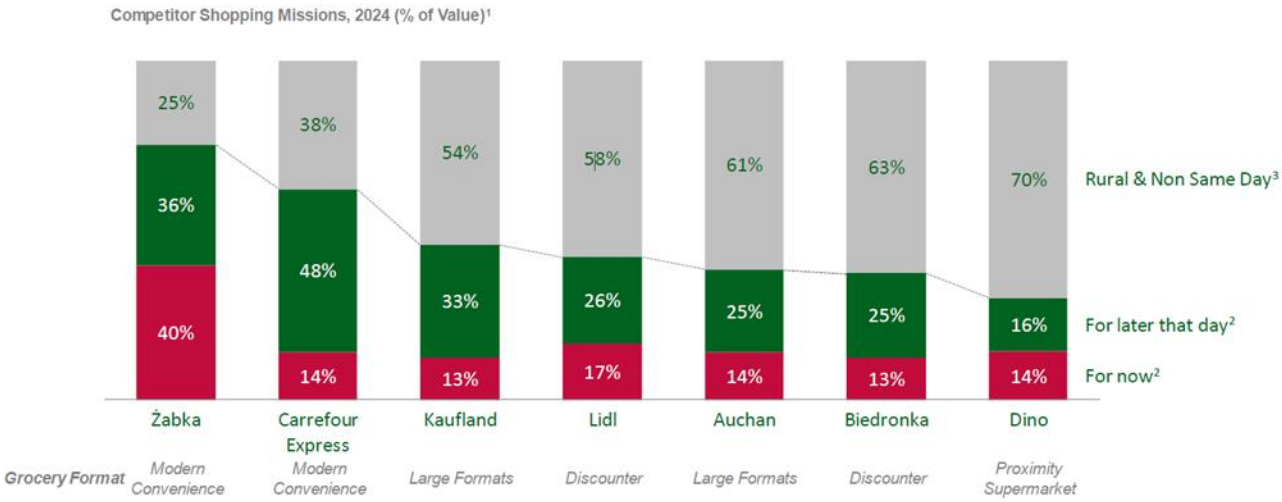
As a consequence, consumers in Poland are changing their habits and are increasingly preferring to do shopping that is both time-saving and convenient for them. This choice involves shopping that focuses on same-day missions, including purchase for consumption now and for later that day. These missions in Poland increased by 12 percentage points, from 32% in 2016 to 44% in 2023 at a CAGR of 11.8% between 2016 and 2023 (Source: OC&C). It is expected that in 2023-2028 these missions will further increase up to the 48% in 2028 at a CAGR of 5.4% between 2023 and 2028 (Source: OC&C).

The table below presents shopping missions of grocery shoppers, as % of grocery spend.

Consumption missions	2016	2021	2023	2028F
	(%)			
To consume same day	32	45	44	48
To consume later	68	55	56	52

Source: OC&C.

The Group is also uniquely well placed on the Polish grocery market to take advantage of the above described tailwinds as the majority of its customers focus on same-day missions. 76% of shopping missions are for non-rural same day at Żabka, as compared to 30% at Dino, 38% at Biedronka and 43% at Lidl (Source: OC&C).



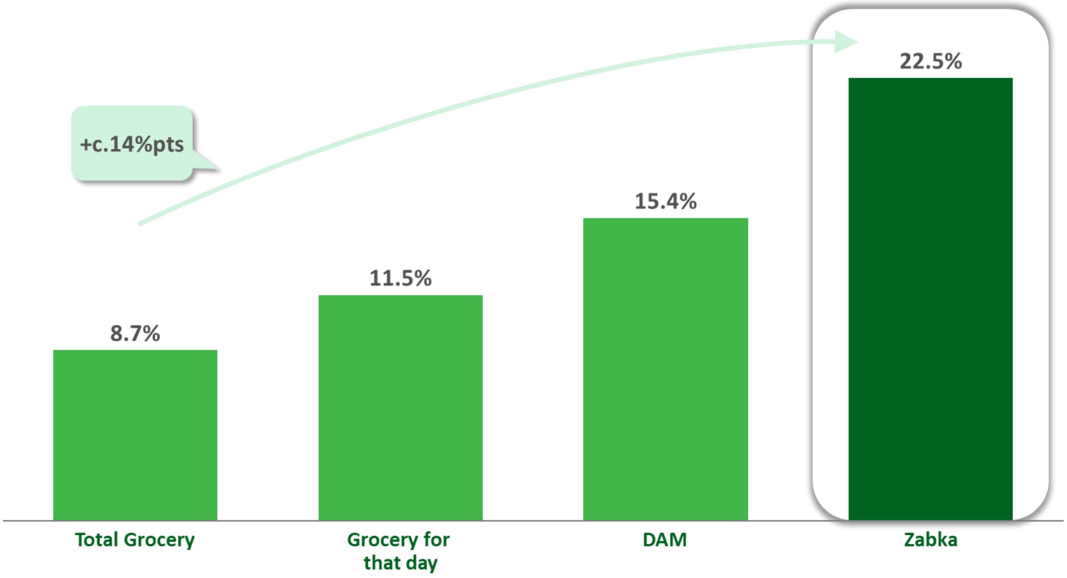
Source: OC&C Consumer Survey, OC&C analysis. [1] Which of the following stores did you last visit to buy groceries (food, alcohol, tobacco) – offline i.e. non including online shopping? & Which of the following best describes the purpose of your last visit to the store? (N=3,866); [2] Urban only (locations with population >20k); [3] Rural = villages with population <20k.

As of the end of 2023, the Group had the highest sales per sqm of PLN 38,475, compared to Biedronka's PLN 38,103 and Dino's PLN 28,621 and the highest profitability per sqm across different store types with PLN 3,394 EBITDA per sqm, compared to Biedronka's PLN 2,639 and Dino's 2,486 (Source: OC&C, IGD).

Physical grocery market

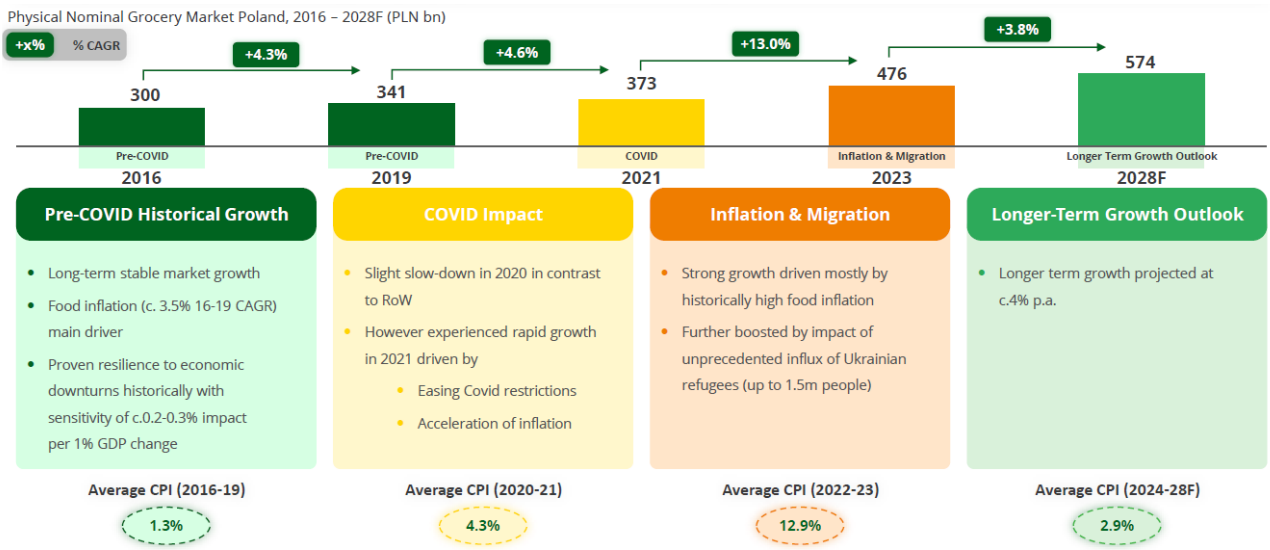
The above-described convenience trend has historically resulted in grocery channels focusing on same-day missions to strongly outperform the wider grocery market. During the period of 2019-23, the overall Polish physical grocery market expanded with a CAGR of 8.7%, while grocery for same day grew at a CAGR of approximately 11.5%, and the DAM at an even faster pace at a CAGR of 15.4% (Source: OC&C). At the same time, the modern convenience channel (Żabka, Carrefour Express and Spar) has grown even faster at CAGR of approximately 20% outperforming not only Polish physical grocery market but also the "same day" segment and the DAM (Source: OC&C). The Group has grown the fastest of the modern convenience players with a CAGR of 22.5% between 2019 and 2023 (Source: OC&C).

2019-23 market growth and Żabka CAGR



Source: OC&C.

In terms of dynamics within physical grocery, after a period of the COVID-19 pandemic and inflationary pressures, physical grocery market is projected to return to historical growth rate at CAGR of approximately 4% between 2023 and 2028 (Source: OC&C).

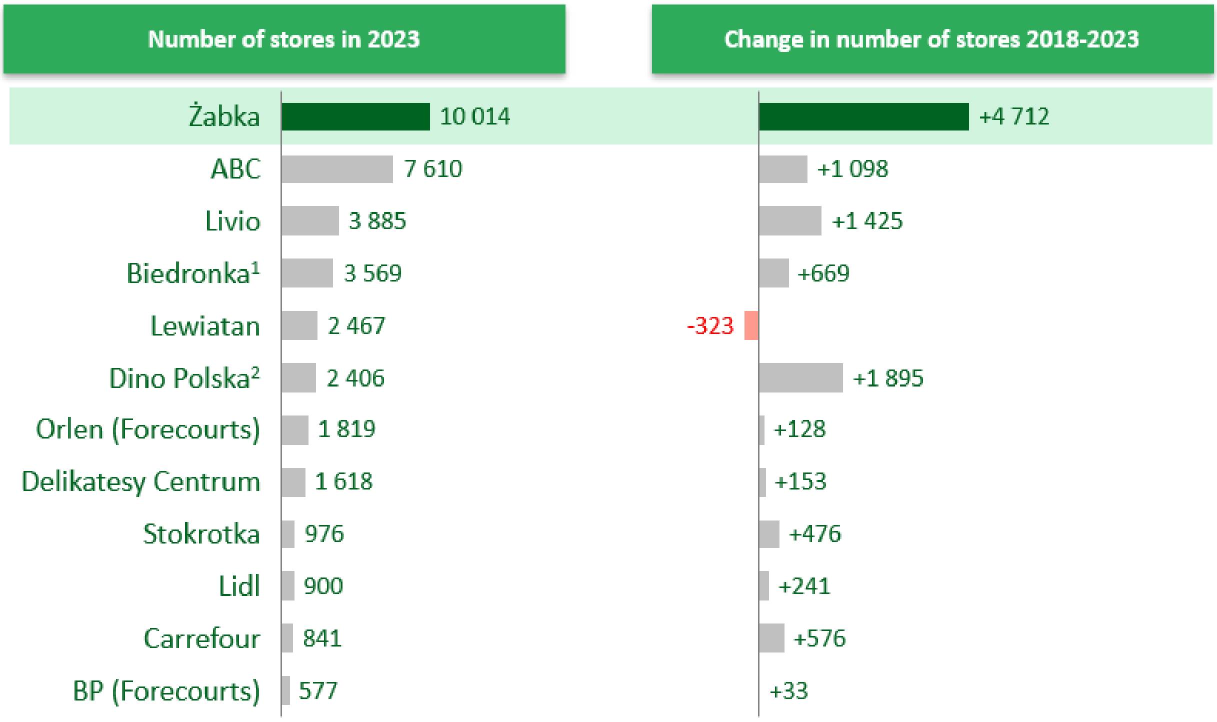


Source: OC&C analysis.

In the first half of 2024 the physical grocery market has continued returning to structural mid-single digit growth (5.8% year-over-year), balanced across price and volume, which, compared to the first six months of 2023, increased by 2.5% and 3.3% year-over-year, respectively (Source: NielsenIQ). According to Proxi.cloud data, physical grocery traffic as a whole grew 5.5% year-on-year in the first half of 2024 with convenience format growing at approximately 9.0% and all formats apart from discounters grew in terms of number of unique customers (Source: Proxi.cloud analysis of behaviour of more than 1.5 million consumers in more than 38 thousand commercial establishments across formats). Moreover, according to PMR, traffic in Polish QSR outlets increased by 4.7% in the first quarter of 2024, with QSR outlets selling sandwiches and chicken dishes recording an increase of 5.8%. In the same period of 2024, Żabka has outperformed other physical formats in both price and volume, recording price growth of 6.4% (year-over-year) and volume growth of 13.6% (year-over-year), resulting in a 1.2 p.p. increase in Żabka's physical grocery market share, among the other physical grocery formats in the first half of 2024 discounters and supermarkets grew by 7.5% (year-over-year) and 11.0% (year-over-year), respectively, and increased their market share by 0.6 p.p. each (Source: NielsenIQ). With inflation normalizing since second half of 2023 and real consumer incomes rising, Polish consumers have returned to their usual shopping behaviours choosing immediate consumption more often, which has increased the pace of modern convenience share gains.

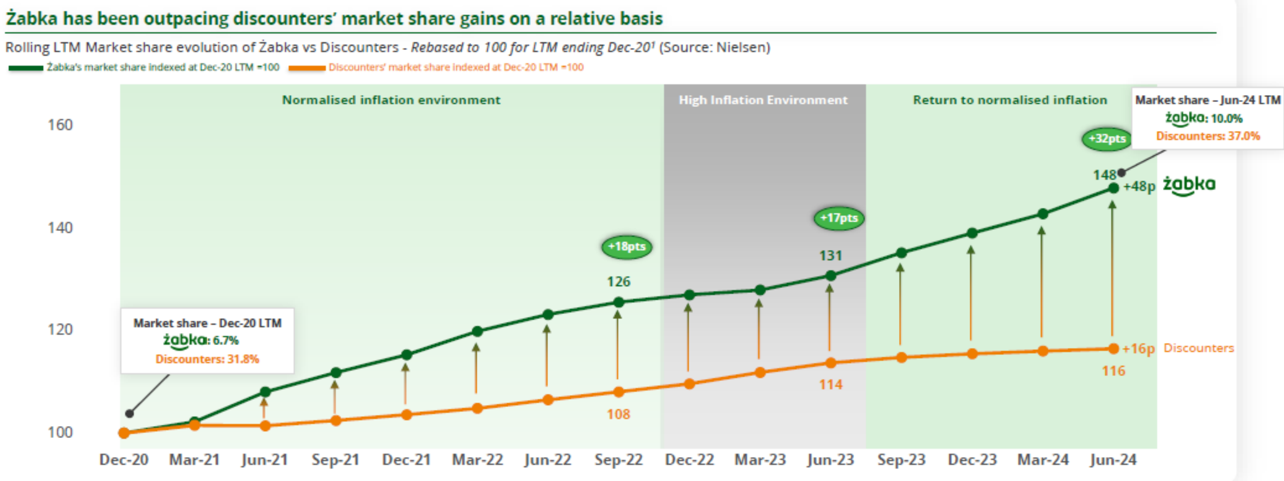
The Group is also uniquely positioned to benefit from the future outperformance of its DAM as it is the largest store chain nationally and has added two times more stores than the next nearest player (Dino) (Source: OC&C).

Competitor Store Growth Overview



[1] *Jeronimo Martins SGPS SA, including franchises.* [2] *Based on company's website, all formats included.*
Source: OC&C

The Group has been outpacing discounters' market share gains on a relative basis and has almost doubled its absolute market share in the last 4 years from approximately 6.7% in the second half of 2020 to approximately 10.0% in the first half of 2024; when discounters share increased from 31.8% to 37.0%, respectively (Source: NielsenIQ). Even during the inflationary phase when customers were stocking up and discounter shares increased, the Group still gained market share, however the increase in market share decelerated during this period. With inflation normalizing since mid-2023 and consumer real incomes rising, the pace of discounter share gains has slowed down and since then, the Group's share expansion has been reaccelerating as long-term structural growth trends resumed as convenience became a higher priority for consumers.



Source: NielsenIQ

In the modern convenience channel, Group's key competitors are Carrefour Express and Spar Express. However, their scale is significantly smaller with Group's more than 10,500 stores, compared to 300 stores of Carrefour Express and 86 stores of Spar Express in 2023 (including only modern convenience format stores) (Source: OC&C). Moreover, Group's share of "for now" and "for later that day" grocery missions is approximately 12% and 6% respectively, in comparison to 1% and 2% for Carrefour Express and less than 1% for Spar (Source: OC&C). According to OC&C, the Group is the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with 6,397 new stores opened between 1 January 2018 and 30 June 2024 and market share of modern convenience as of 2023 around 90% outsizing other players in the market (market share of Carrefour Express was around 10% and Spar express around 1%). As of April 2024, it also operates the largest network of autonomous stores in Europe (Source: Company, OC&C).

Even though the Group contributes to the majority of the modern convenience channel, it captures only 3.9% of the TAM, 4.8% of physical grocery market, and 20.1% of the grocery DAM (a +4.0 percentage points increase since 2018), which leaves clear headroom for further growth (Source: OC&C).

Table: Group's market share within the grocery market segments

	Total Grocery (TAM)	Direct Addressable Market – Grocery (DAM)	Direct Addressable Market – Modern Convenience (DAM)
Market Share 2023	3.9	20.1	approximately 90.0
Market Share Change 2019-23 (ppts)	+1.5	+4.0	+2.5

Source: OC&C.

Based on OC&C analysis, Group's market share in 2028 TAM and 2028 DAM is expected to reach 6.6% and 28.3%, respectively. The Group is uniquely positioned to take market share from a long fragmented tail of small format stores in Poland, as well as from other channels by focusing on same-day consumer missions. The number of independent stores in Poland has shrunk over the past years, showing it is a format vulnerable to disruption. But there are still more than 50,000 independent stores in the market and the Group is well placed to capture those using its winning and replicable model. Additionally, Management believes that Group's ultimate convenience proposition is well positioned and complementary to other grocery retail formats, and can take share from them in same-day missions. The Group can do this through its strongly differentiated ultimate convenience proposition offering well-known brands, proximity as well as a targeted offer with QMS, destination drinks & tobacco, impulse anywhere, top-up food, essentials, and emergency articles as well as other convenience services (including parcel services, lotto services, bill & utility payments, car insurance, international money transfers and employee vouchers).

Table: Grocery channel overview, 2019-2023

	Format	Segment Growth (2019-2023 CAGR)	Number of Stores[1] (2023)	Share of Sales (2023)	
Large Format Stores	Hypermarket	-4%	325	6%	
	Supermarket	12%	4,910	15%	
	Discount Stores	17%	5,374	39%	
Small Format Stores	**Modern Convenience**	19%	10,401	6%	
	Small Chained	9%	25,101	18%	
	Forecourts	4%	7,763	3%	
	Traditional Trade	-4%	28,501	15%	Independent Players

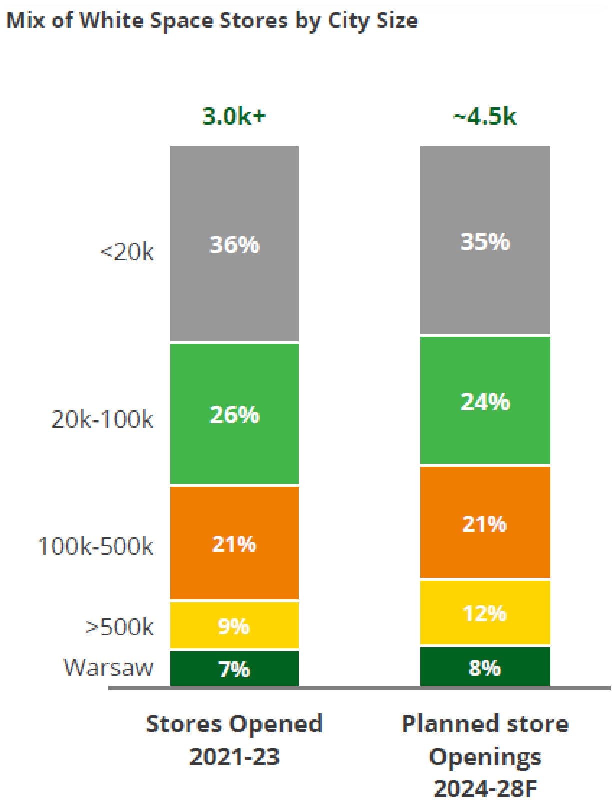
[1] Using combination of Euromonitor & PMR
Source: OC&C

Within its segment of modern convenience, the Group is the undisputed leader having over 10,500 stores, several times ahead of number two in the market. It also owns over 90% market share in the segment, 9x bigger than the second largest operator, Carrefour Express (Source: OC&C).

Through its leveraging of consumer trends and its successful business concept, the Group became the most rapidly developing convenience store network in Poland and one of the most dynamic formats globally, with 6,397 new stores opened between 1 January 2018 and 30 June 2024 (Source: OC&C).

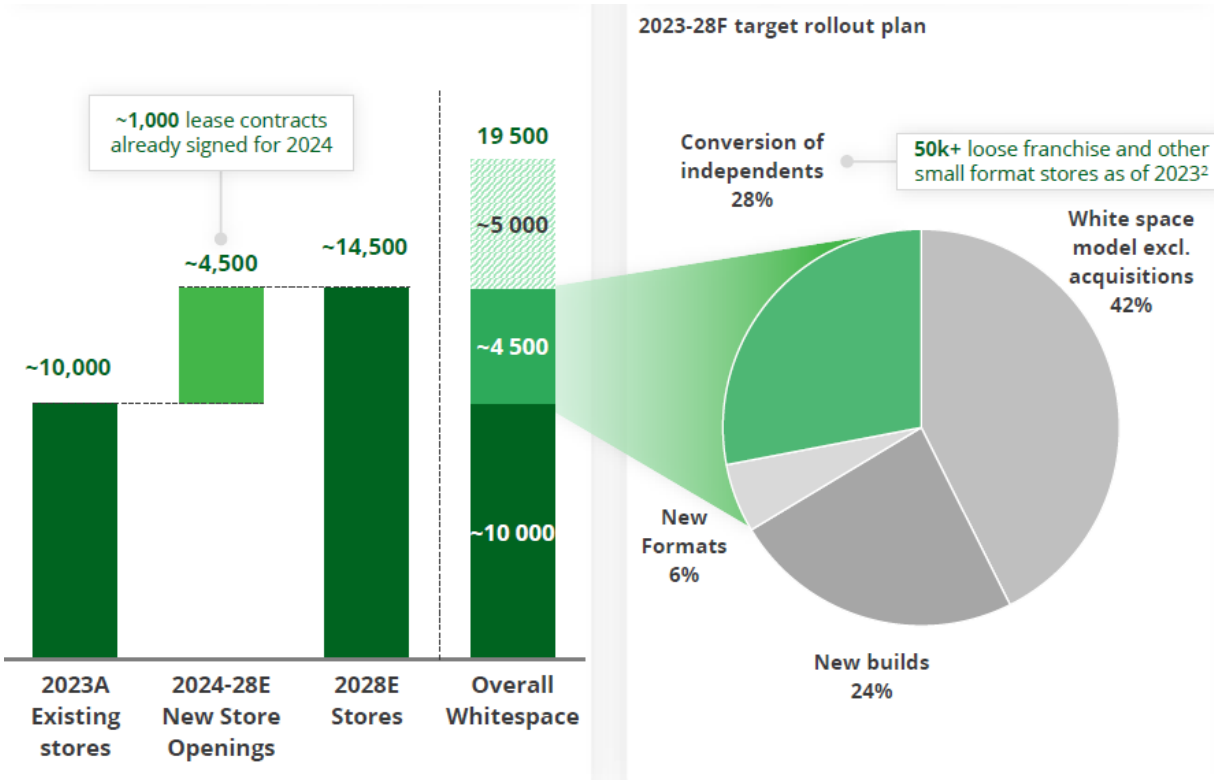
The Group plan to maintain the pace of dynamic expansion, targeting increasing the number of stores to approximately 14,500 stores in Poland by 2028. To achieve that goal, the Group has built a robust and comprehensive store white space model. The white space model is the result of a deep-dive analysis undertaken to fully stress test opportunities and plan assumptions. The model accounts for the potential store revenue of every location in Poland, then narrows down the viable locations by identifying a combination of future openings, evaluating the potential revenue, profitability and payback of future stores, and by stress testing for future store economics and cannibalisation. The Group's model assumes the total white space in Poland to be at approximately 19,500 stores.

The Group anticipates the new store openings mix in Poland in the next 5 years to remain similar to the stores opened in the last 3 years.



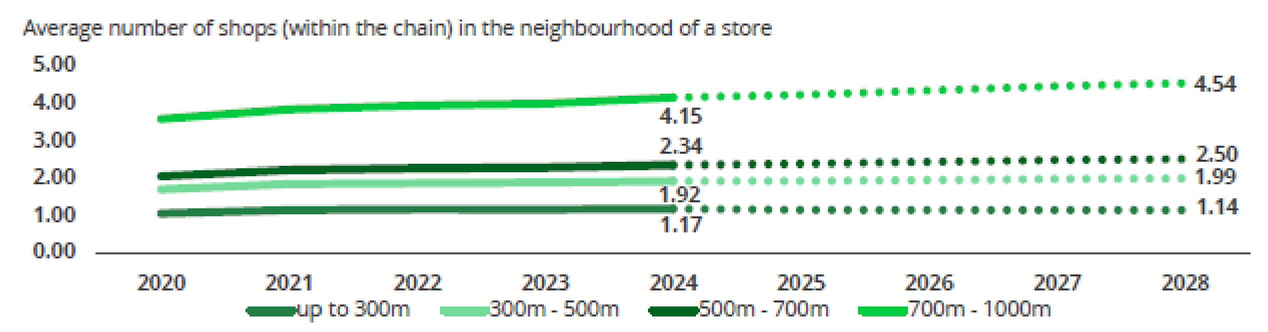
Source: Company, OC&C.

The planned Żabka store openings over 2024-2028 are expected to be delivered through four key expansion initiatives and activities: (i) expanding into the best locations within the white space model; (ii) opening stores in new residential buildings; (iii) acquiring selected independent and small format chain stores; and (iv) developing new store formats.



Source: Company, OC&C. [1] As of 2024; [2] Includes traditional trade and small chained stores.

Cannibalisation is calculated as lost Sales to End Customers in existing stores due to new openings nearby. Historically, overall average cannibalisation has been low at approximately 2% for existing stores within one kilometre of new openings and is not meaningful for majority of stores located beyond one kilometre. The rate also declines rapidly when new stores open beyond 300 meters. In the last twelve months prior to the first quarter of 2024, the cannibalisation rate due to new openings within 300 meters is 3.6%, while the rate for 300-500 meters is 1.9%, for 500-700 meters is 1.2% and 700-1,000 meters is 0.8%. The Group expects that Żabka's new store openings in the next five years will not materially increase the average number of stores within 500 meters of each other. While the Group expects some increase in average number of shops located within a radius of 700-1,000 meters, the cannibalisation is expected to be minimal.



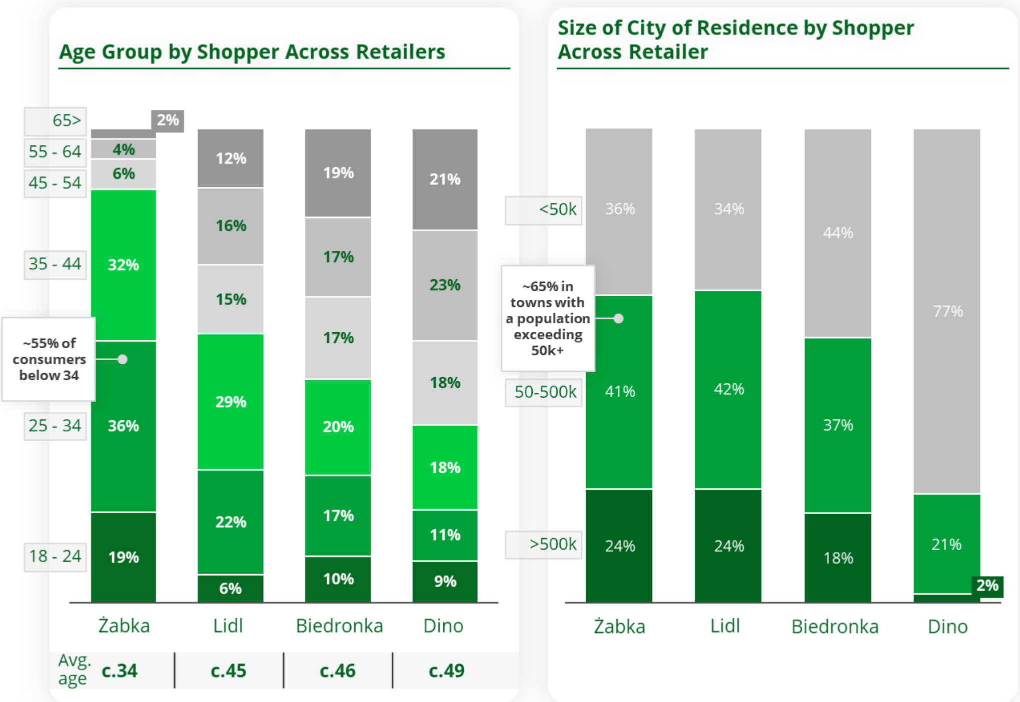
The Group's rollout plan assumes a manageable level of cannibalisation from new store openings. As the Group's store network is now significantly more scaled than in 2019 and the Group will roll out a similar number of stores in absolute terms in the next few years, the new stores will comprise a relatively lower share of the entire network and, accordingly, the cannibalisation impact of the new openings will decrease – i.e., an increase of approximately 4,000 stores from 6,003 stores in 2019 to 10,014 stores in 2023 resulted in an increase at a CAGR of 13.6%, whereas the planned increase of approximately 4,500 stores to approximately 14,500 stores in 2028 would only result in an increase at a CAGR of 7.7%. The Group believes that cannibalisation will likely result in insignificant drags on LFL growth levels and Sales to End Customers as compared to historical levels (0.5% average cohort cannibalisation on Sales to End Customers between 2024-2028 as compared to an average 1.0% cannibalisation for 2019-2023).

Group's ambitions regarding its white space roll-out for the period of 2024-2028 would lead to its portfolio accounting for less than 19% of small format stores in Poland, which would leave ample room for growth for this store format, even after 2028.

Distinctive customer baser

Żabka's same day mission focus and store format enable a distinctive customer base with a more-than-average share of younger and urban customers vs other grocery retailers. Approximately 55% of Żabka's consumers are 34 years old and younger.

Żabka consumer demographics vs other formats

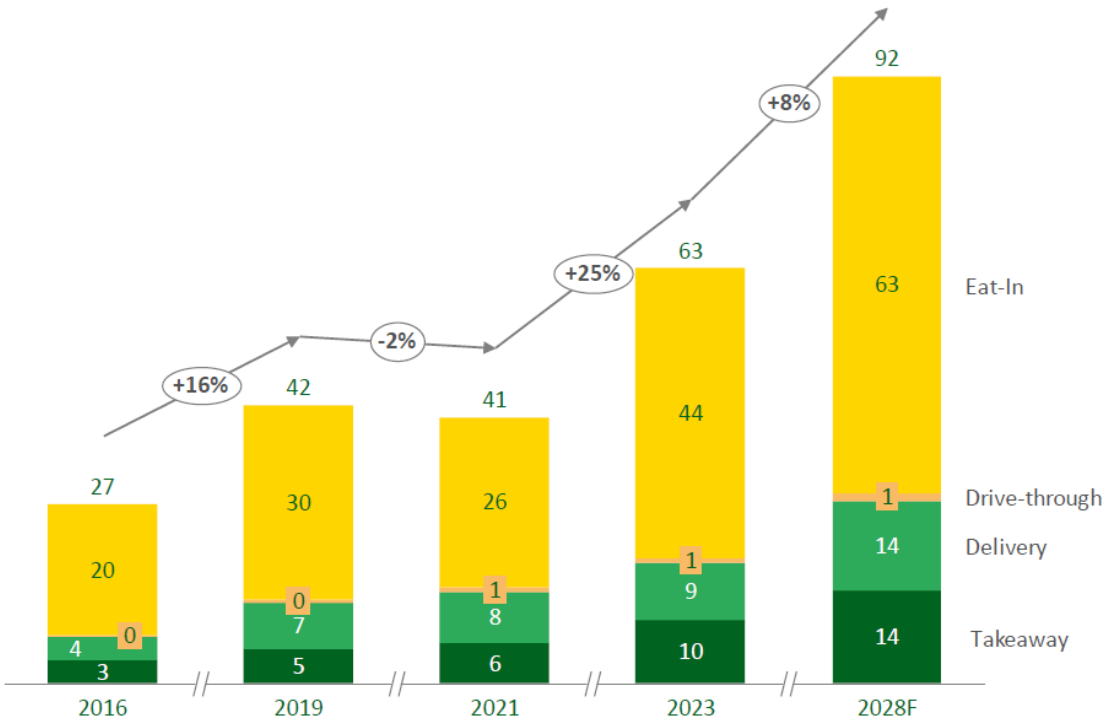


Source: OC&C Survey, OC&C analysis. [1] As of March-2024; [2] Includes Biedronka and Lidl.

Foodservice

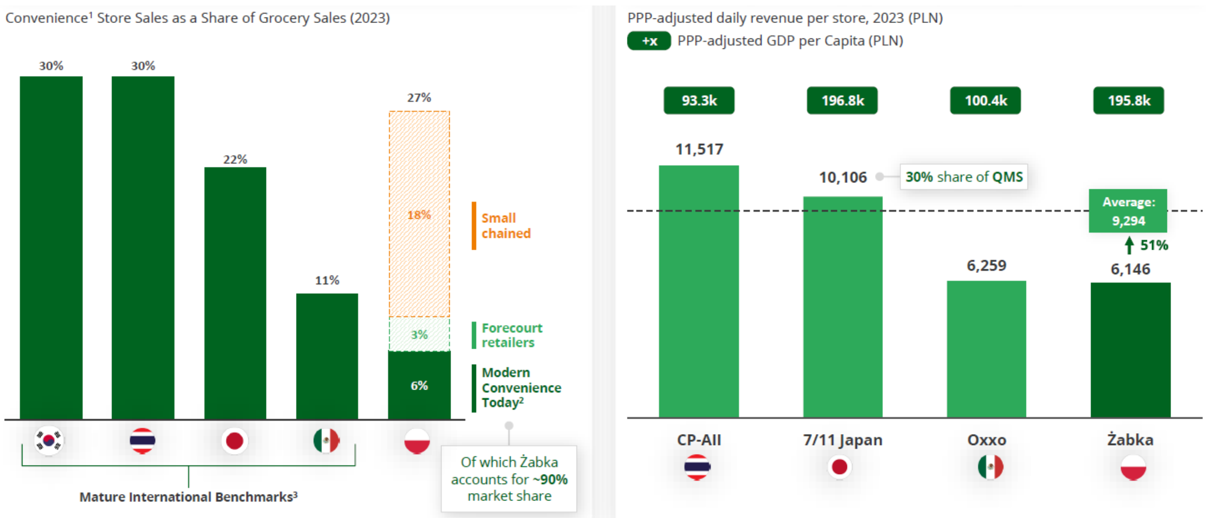
Foodservice grew rapidly through Żabka Café at a CAGR of 15.9% between 2016 and 2019, increasing from PLN 27 billion in 2016 to PLN 42 billion in 2019. Foodservice growth was turbulent in 2019-23, with COVID-19 driving decline by a CAGR of 2% in 2019-2021, before accelerated growth at a CAGR of 25% between 2021 and 2023 driven by rebound post COVID-19 and price inflation playing through (Source: OC&C). As inflation subsides, the foodservice market is expected to return to a stable growth profile with a CAGR of 7.9% between 2023 and 2028, reaching PLN 92 billion in 2028 (Source: OC&C). Moreover, according to OC&C, off-premise consumption is expected to increase by +1 percentage points from 30% in 2023 to 31% in 2028.

Poland foodservice channel growth by consumption type, (PLN billion)



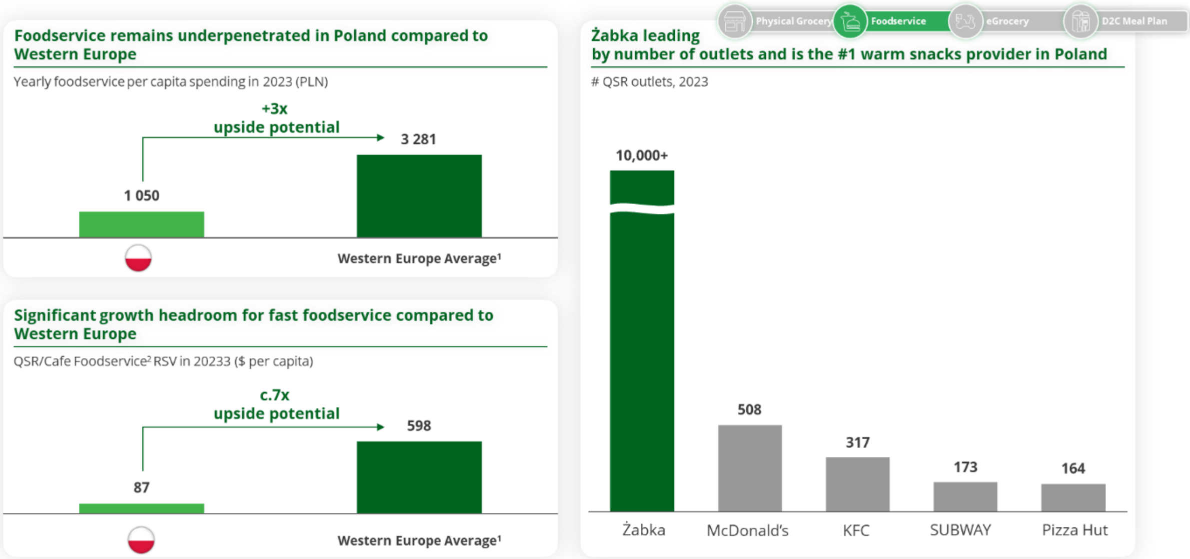
Source: OC&C.

Poland is a very underpenetrated market, with yearly foodservice per capita spending of PLN 1,050 (3 times upside potential as compared to the Western Europe's PLN 3,281 average) and a foodservice to grocery spending ratio of 0.17 (+1-2 times the upside potential as compared to the Western Europe average) (Source: OC&C).



Source: Company, OC&C analysis. [1] Convenience includes modern convenience, forecourt retailers; [2] Modern Convenience in Poland includes Żabka, Carrefour and Spar; [3] Modern Convenience outlets represent 100% of Korea's convenience share, 91% of Thailand's and 94% of Mexico's; FX: USD PLN = 4.2006.

Furthermore, there is a significant growth headroom for fast foodservice in Poland with QSR/Café foodservice RSV in 2023 of USD 87 per capita compared to Western Europe – USD 598 per capita (around 7 times upside potential) (Source: OC&C).



Source: OC&C analysis; [1] Western Europe incl. Austria, Germany, France, Italy, UK, Spain.

On-premise consumption as a percentage of overall foodservice market is expected to decrease in favour of off-premise (from 73% of the total Polish foodservice market in 2016, prior to COVID-19, to 70% in 2023 following COVID-19) (Source: OC&C).

As there is a positive consumer behaviour shift towards food-to-go products in convenience stores, more consumers are starting to perceive and use convenience stores as quick service restaurants (QSRs) given that they offer coffee, ready-to-eat meals and warm snacks. The Group is uniquely positioned to capitalise on this trend with its focused Żabka Café 2.0 offering that includes a variety of quick meal solutions along with hot beverages and chilled drinks. The majority of the food-to-go market is fragmented with no unified standard. The Group, with its more than 10,500 stores serving the same quality standard of food to go, has a potential to strongly impact the QSR market. Currently, with QSR offerings present at more than 50% of its network, the Group is the largest warm snacks provider in Poland, having around 20 times more outlets than McDonald's, the second largest warm snacks provider, and is widely known for its to-go coffee.

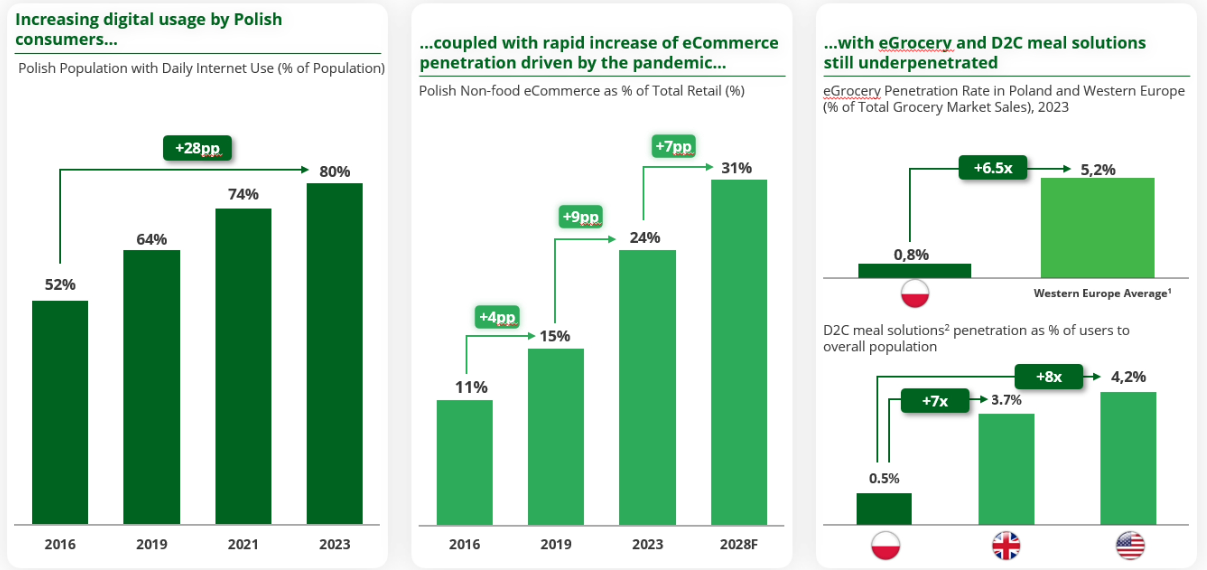
Digital engagement megatrend

Poles are increasingly adopting technology and becoming more digitally proficient. Between 2016-2023 the share of Polish population with daily internet use increased by 23 percentage points (from 57% in 2016 to 80% in 2023) (Source: Eurostat). COVID-19 further acted as a tailwind for eCommerce in Poland. On average, Poles own two to three mobile devices per person (57%), and for them buying new equipment is not only a necessity, but also a pleasant (43%) or even exciting (15%) experience (Source: PAYBACK Opinion Poll 2021). In Central and Eastern Europe, young Poles (18-24) are leaders in using digital banking and making contactless payments (Source: Mastercard's 2021).

91% of Poles believe that new technologies make everyday life easier, 83% of online shoppers declare their e-shopping spending will increase or remain the same, 74% of Poles are actively looking for technological innovations, 50% have digital services subscriptions, 45% use mobile payments and 72% of internet users make purchases in e-stores and 77% declare that they have bought a product online during the last 12 months (according to a study conducted by the Group in 2021). Moreover, 68% of Polish population is using retailer apps (Source: PAYBACK Opinion Poll 2019) and 85% is using grocery loyalty schemes (Source: SW Research).

The Group adapts to the changing behaviours of consumers and tries to adapt to their needs. Out of 30 million mobile internet users, on average, Poles use mobile internet approximately 3 hours per day (Source: Hootsuite). By utilising Żabka's shopping app – Żappka, Żabka is increasingly interacting with its customers. Since launching in 2019 the application has been downloaded over 20 million times and in 2023 was used by over 8.3 million users, further enhancing their shopping experience. With the app, Żabka offers many services along with personalised promotions, in-app payment and loyalty points, and the Group is working to integrate all of its businesses in the app, making it the first super-app in Poland.

Poland remains at an earlier stage on penetration of digital propositions, e.g. eCommerce, with continued headroom for further adoption, which is likely to be supported by a rapid adoption of new technologies by the Polish population. Polish non-food eCommerce in 2016, 2019 and 2023 constituted, accordingly around 11%, 15% and 24% of total retail and is projected to increase up to 31% in 2028 (Source: OC&C). Within that, eGrocery was one of the fastest growing segments with a CAGR of 25% between 2019 and 2023, partially driven by increased penetration due to the COVID-19 pandemic (Source: OC&C). The eGrocery market in Poland is still very underpenetrated with only 0.8% penetration (2023E) and has high potential with a possible 6.5 times penetration upside as compared to the Western Europe (5.2% average penetration rate), following a similar penetration trajectory (Source: OC&C). Similarly, the D2C meal solutions market is still underpenetrated in Poland, with only 0.5% penetration rate compared to 3.7% in the United Kingdom and 4.2% in the United States (Source: OC&C). The Management expects the D2C meal solutions market in Poland to grow steadily and Maczfit to grow slightly above market rate in the medium term.



Source: OC&C analysis; [1] Western Europe incl. France, Germany, United Kingdom; [2] Includes pre prepared chilled food and cook & eat meal kits; FX: USD / PLN = 4.2006.

The Group is well-placed to capture the dynamically growing market with its eGrocery offerings, Jush! and delio. As of 2023 Jush! and delio share of the same-day eGrocery market amounts to 13% with Glovo market share at 22% and frisco.pl at 10% (Source: OC&C). The same-day eGrocery market is PLN 650 million as of 2023, and the general eGrocery market amounts to PLN 3.8 billion in 2023 and is expected to grow at a CAGR of approximately 8% between 2023 and 2028 (2x the growth compared to the physical Grocery channel) (Source: OC&C).

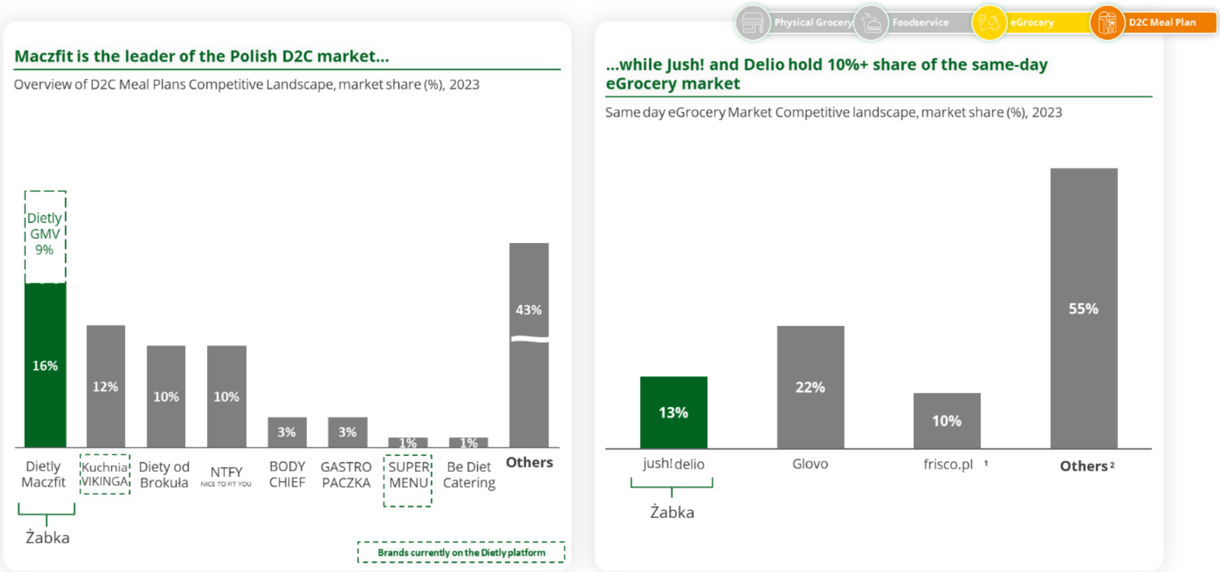
Responsible choices megatrend

Polish consumers are considerate of their health, family and the natural environment and, as a result, they are increasingly focusing on the quality of the products and services they purchase. 80% are concerned about the state of the Earth, and 83% intend to change their shopping habits to be more sustainable; Poles are also trying to conserve water (93%), reduce emissions (84%) and recycle products or reuse them multiple times (86%) (Source: EY Future Consumer Index – study for Poland: March 2023). The Group caters to the increased healthy food demand with its own healthy food-to-go brands (Wycisk, Foodini, Dobra Karma salads), as well as an OTC health supplements offer.

Focus on health is also driving reduced meat consumption by Poles and the demand for healthy dietary solutions (including meat-free) is increasing. One of the market responses to these consumer health trends is the development of the D2C meal solutions offer. This market is relatively underpenetrated in Poland, only around 0.5% of population in comparison to around 3.7% in the UK and 4.2% in the US, implying significant upside potential (Source: OC&C).

The D2C meal solution market grew at a CAGR of 25% between 2019 and 2023 and is expected to reach PLN 4.5 billion in 2028 by growing at a CAGR of 14% between 2023 and 2028 (Source: OC&C). Maczfit, a part of the Group, is the biggest player in this dynamically growing market in Poland and uniquely addresses all three consumer megatrends through its ready-to-eat healthy meals ordered online and delivered on a daily basis.

Overview of the Group's position in digital food selling market in Poland (eGrocery, D2C)



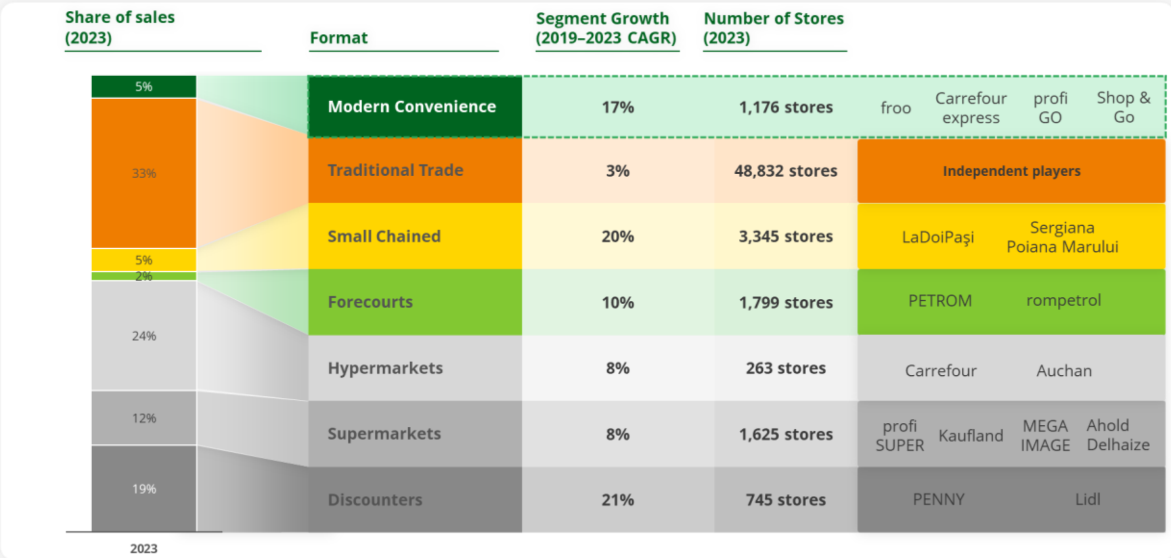
Source: OC&C analysis. [1]Frisco is a conventional big basket eGrocery provider. Same-day estimated at <20% revenue; [2]Includes Lisek, Bolt Market, InPost Fresh, UberEats, Everli, Wolt and same-day missions of omnichannel grocers and Allegro.

Market Opportunity in Romania

Romania presents a large market opportunity for the Group with a DAM worth PLN 43 billion (38% of that of Poland) (Source: OC&C). This sits within a TAM worth PLN 179 billion, expected to grow at a CAGR of 7% between 2023 and 2028 – faster than disposable income growth at a CAGR of 4% in the same period, propelled by, inter alia, expanding same-day share of grocery, demographic shifts towards urbanisation and rising affluence, higher weighting of fast-growth ex-grocery segments (Source: OC&C). The gap between the two countries could be bridged to some extent if Romanian society becomes more affluent and its consumer behaviour changes.

Romania is the third country in the CEE region in terms of population (after Poland and Ukraine) with approximately 19 million people (51.6% of whom are female) (Source: World Bank), but is underpinned by a similar set of macroeconomic tailwinds: growing GDP, rising real wages, low unemployment and urbanising population. 65.7% of the total population indicate themselves as active. While the total population is forecasted to decline by 3.8% between 2023 and 2028, Romania's demographics offers scope for growth in the modern convenience sector, with nearly 40% of the population being 34 years old or under (youth: 15.8%; 15-19 years old: 5.6%; and 20-34 years old: 22.2%), and a further 22.2% being between 35 and 49 years old (Source: BMI). Romania's population is rural compared to Western Europe, with only 55% of its population living in urban areas compared to 80% in Western Europe (Source: World Bank). Romanians, just like Poles, have similar dynamics in working hours, averaging 40.2 hours per week which is 3.4 hours more than in Western Europe (Source: Eurostat). Higher number of hours spent at work makes them more frugal when it comes to time when compared to people in Western European countries. Similarly, according to the Eurostat comparative price levels report, the price level index for food and non-alcoholic beverages in Romania is similar to Poland's, with indices of 74 and 78, respectively, in comparison to the EU average of 100. Single person households are also favourable to the Group's modern convenience proposition, and Romania's more than 2.5 million single households (as of 2022) have grown at a CAGR of 2.7% between 2010 and 2024, ahead of Western Europe's 1.7% (Source: Eurostat). In 2023 grocery market spend per capita amounted to EUR 2,500 for Poland and EUR 1,800 for Romania (Source: OC&C). Disposable incomes in Romania are further estimated to rise, with a forecast at a CAGR of 4.3% in real disposable income per capita between 2023 and 2028, while housing expenditure as a percentage of disposable income is lower in Romania than in Western Europe, indicating potential room for growth (18% compared with 22%) (Source: Oxford Economics). Romania has the highest remittance inflow per capita in Europe, averaging USD 447 compared to USD 234 in Western Europe, which in total accounts for 2.9% of its GDP (Source: World Bank-KNOMAD, December 2023). Romanians also consider easy access and proximity as their biggest shopping loyalty driver, placing 2.5 times more weight in this factor than in the next biggest loyalty driver. Grocery spending per capita in Romania is USD 3,341 in 2023 with a predicted CAGR of 4.5% between 2023 and 2028, compared to the grocery spending per capita of USD 3,253 in Poland with a predicted CAGR of 2.3% during the same period. The food-service consumer spending per capita in Romania is comparable to the per capita figure in Poland, amounting to USD 267 and USD 268, respectively.

The Romania grocery market is characterized by fragmentation, but continues to develop, with scope for further disruption by innovative players and formats – the market remains approximately 5 years behind Poland, and traditional trade still holds substantial share (33% in Romania in comparison to 15% in Poland in 2023) (Source: OC&C). The modern convenience segment accounts for approximately 5% of the grocery market (1,176 stores), but recorded growth at a CAGR of 17% between 2019 and 2023, making it one of the fastest growing segments in the Romanian grocery market (Source: OC&C). Consumer behaviours show similarity to those that have supported Group's growth in Poland and benchmarking of modern convenience internationally suggests existing white space for approximately 4,000 additional modern convenience stores in Romania in 2023, with further space opening up as the market develops (Source: OC&C).



Source: OC&C.

Regulatory Overview

Regulatory environment related to the Group

As at the date of the Prospectus, the Group conducts its operations, for the most part in Poland, and therefore is subject to numerous laws, rules and regulations resulting from both EU regulations and domestic laws in Poland. Certain areas of the Group's operations, such as the sale of alcoholic beverages, energy drinks and tobacco products, or trading during Sundays and holidays, are particularly regulated and as a result, the Group must comply with these regulations.

Below, the Group outlines selected information on certain aspects of the regulatory and legal environment that are applicable to its key business activities. Such information is not intended to provide a comprehensive or complete description of the regulatory and legal requirements applicable to the Group.

Regulations related to the commercial activity of the Group and governing the sale of certain products by the Group

The Sunday Trading Ban Act

The Sunday Trading Ban Act of 10 January 2018 introduced a ban on trading in retail stores on Sundays and holidays. Pursuant to the Sunday Trading Ban, as a rule, trading and activities related to trading, as well as entrusting an employee with the performance of activities related to trading are prohibited on Sundays and public holidays. The above-mentioned legislation originally provided for numerous exemptions enabling the conduct of trade activities in stores if the sales conducted in the retail stores on Sundays and holidays were performed by business owners in their own name and on their own behalf; and if a given retail store was a postal outlet within the meaning of the Postal Law Act of 23 November 2012.

On 14 October 2021, the Act on Amending the Sunday Trading Ban was adopted in Poland. Pursuant to the amendment, the exceptions allowing for trading on Sundays and holidays with respect to stores have been limited. As of 1 February 2022, i.e. the date of entry into force of the amendment, the provision of postal services in a store no longer enables one to trade on Sundays and holidays unless the store generates at least 40% of its monthly sales revenue from such services. Furthermore, sole traders operating a store are allowed to take advantage of the free assistance of, among others, a spouse, their own children and siblings, provided that these persons are not employees or employed on any other basis in their store. The statutory exemption consisting in carrying out sales by a store's owner being a natural person remains in force.

The Sunday Trading Ban does not apply on: (i) the two consecutive Sundays preceding Christmas Eve; (ii) the Sunday immediately preceding Easter; and (iii) the last Sunday falling in January, April, June and August. A violation of the Sunday Trading Ban is punishable by a fine of between PLN 1,000 and 100,000.

Energy Drinks Act

On 17 August 2023, the act amending the Public Health Act and certain other acts (the "**Energy Drinks Act**") was adopted in Poland. As of 1 January 2024, i.e., the date of the entry into force of the amendment, the prohibition on the sale of beverages with added taurine and caffeine (i.e., energy or energy drinks) to individuals under 18 years of age, as well as on the premises of schools and other educational establishments and in vending machines has been introduced. According to the Energy Drinks Act, a beverage with added caffeine or taurine means a beverage which is a consumable product, included in the Polish Classification of Goods and Services, the composition of which contains caffeine in a proportion exceeding 150 mg/l or taurine, excluding naturally occurring substances. A violation of this prohibition is punishable by a fine of up to PLN 2,000.

Excise Duty Act

Pursuant to the Excise Duty Act, the sale of alcoholic beverages as well as cigarettes and other tobacco products is subject to excise duty. The Excise Duty Act governs the procedure of charging excise duty and the excise duty rates of each excise good.

On 9 December 2021, the Act on Amending the Excise Duty Act was adopted in Poland. As of 1 January 2022, i.e. the date of the entry into force of the amendment, the excise duty rate on ethyl alcohol (i.e. beer, wine and other fermented beverages) increased by 10% in comparison to 2021 and then will increase by 5% each year between 2023 and 2027. Pursuant to the amendment, an increase in the minimum excise duty on cigarettes of 105% (i.e. an increase of 5 percentage points) has been introduced. The excise duty rate on cigarettes and smoking tobacco will also increase by 10% each year between 2023 and 2027. Moreover, the amendment introduced a minimum excise duty on smoking tobacco of 100% of the total excise duty calculated on the price equal to the weighted average retail selling price of smoking tobacco.

For more information concerning the latest proposed amendments regarding the increase of excise duty on tobacco products and their substitutes and imposing an excise duty on vaporisation devices, including e-cigarettes and devices used with heated tobacco products please see "*Risk Factors—Risks relating to legal, tax and regulatory matters—Changes in public policies, regulations or attitudes regarding the sale of alcoholic beverages, energy drinks, nicotine products and/or tobacco could adversely impact the operations of the Group*".

The Pharmaceutical Law

The Pharmaceutical Law governs the conditions under which pharmaceuticals may be traded, the procedure of obtaining permits for the wholesale distribution of pharmaceuticals as well as the competencies for the relevant authorities regarding, among other things, arrangements for supervision.

Pursuant to the Pharmaceutical Law, the wholesale distribution of pharmaceuticals may only be conducted by a pharmaceutical wholesaler. In order to obtain a permit for the wholesale distribution of pharmaceuticals, a pharmaceutical wholesaler is required to maintain a pharmaceutical distribution facility that meets the requirements stated in the Pharmaceutical Law, such as the ability to maintain an adequate temperature and a high standard of cleanliness. The facility has to be positively assessed by a competent health inspector. Each pharmaceutical distribution facility has to have its own director, who is responsible for running the facility in accordance with the Pharmaceutical Law and the Good Distribution Practice. Furthermore, the pharmaceutical wholesaler is required to develop its own procedures regarding effective withdrawal as well as the suspension of the sale of pharmaceuticals from the market and distributors. A competent inspector of the Chief Pharmaceutical Inspectorate may conduct an audit at least once every three years.

A permit for the wholesale distribution of pharmaceuticals is granted by the Main Pharmaceutical Inspector after the satisfaction of the conditions specified in the Pharmaceutical Law. The Main Pharmaceutical Inspector is also allowed to revoke a permit in the event of a breach of the relevant provisions of the Pharmaceutical Law. A permit for the wholesale distribution of pharmaceuticals is granted for an unspecified term.

As at the date of this Prospectus, the Group has a permit for the wholesale distribution of pharmaceuticals granted for an unspecified term for its pharmaceutical warehouse in Kopytów dated 11 September 2018.

The Prevention of Alcoholism Act

The Prevention of Alcoholism Act governs the types of permits for the sale of alcoholic beverages, the procedure for obtaining a permit, as well as the competencies of the relevant authorities regarding, among others, the number of permits granted. Pursuant to the Prevention of Alcoholism Act, entities that offer alcoholic beverages for sale are required to hold a permit (liquor licence) in order to sell alcohol. There are two types of permits: (i) a permit for the wholesale trade of alcoholic beverages; and (ii) a permit for the retail sale of alcoholic beverages. Each type of permit is granted separately in respect of the following types of alcoholic beverages: (i) with an alcohol content of up to 4.5% and beer; (ii) with an alcohol content of over 4.5% and up to 18% (excluding beer); and (iii) with an alcohol content of over 18%.

A permit for the wholesale trade of alcoholic beverages is granted to entities after the satisfaction of a number of conditions stated in the Prevention of Alcoholism Act by (i) the ministry in charge of the economy for the sale of beverages with alcohol content of more than 18% or (ii) the competent voivodeship marshal for beverages with an alcohol content of up to 18%. The aforementioned authorities are also allowed to revoke a permit in the event of a breach of the relevant provisions of the Prevention of Alcoholism Act. An application for a permit of the wholesale trade of alcoholic beverages must contain the marketing volume limit. Each permit is granted for a specified period of time of: (i) no more than one year in the case of beverages with an alcohol content of more than 18%; and (ii) no more than two years in the case of beverages with an alcohol content of up to 18%. The principles for calculating the permit fee are indicated in the Prevention of Alcoholism Act.

A permit for the retail sale of alcoholic beverages is granted by the competent local authorities (municipality) to entities such as owners of stores after the satisfaction of the conditions specified in the Prevention of Alcoholism Act. The aforementioned authorities are also allowed to revoke a permit in the event of a breach of the relevant provisions of the Prevention of Alcoholism Act. A permit is granted for a specified period of time of no less than two years and the permit holder is required to pay an annual fee to local authorities (municipality).

As at the date of this Prospectus, the Group has: (i) a permit for the wholesale trade of alcoholic beverages with an alcohol content of up to 4.5% and beer valid from 23 October 2022 until 22 October 2024; (ii) a permit for the wholesale trade of alcoholic beverages with an alcohol content of over 4.5% and up to 18% (excluding beer) valid from 23 October 2022 until 22 October 2024; and (iii) a permit for the wholesale trade of alcoholic beverages with an alcohol content over 18% valid from 23 October 2023 until 22 October 2024.

Pursuant to the Prevention of Alcoholism Act, the relevant municipal council is the competent authority for determining the maximum number of the permits of each type granted in each municipality. Furthermore, the municipal council determines, also by way of a resolution, the rules for the location of the sales points of alcoholic beverages in the municipality, such as, the minimum distance of an alcoholic sales point from the nearest school. The municipal council may also determine, for the area of the municipality or for its specified organisational units, restrictions on the night-time sale of alcoholic beverages. The aforementioned restrictions may apply to sales conducted between 10:00 p.m. and 6:00 a.m.

The fine for the sale of alcoholic beverages without a permit may range from PLN 10,000 to 500,000 in the case of the wholesale trade of alcoholic beverages and from PLN 100 to 1,080,000 in the case of the retail sale of alcoholic beverages, depending on the circumstances of an individual breach. Additionally, the competent court may impose a ban on conducting business activity involving the sale of alcoholic beverages and the forfeiture of such beverages. Failure to comply with the provisions of the Prevention of Alcoholism Act, such as the sale of alcoholic beverages to minors or the inebriated, may also result in the revocation of a permit for the retail sale of alcoholic beverages.

Regulations related to the environment

As at the date of this Prospectus, the environmental liability of entities introducing products (e.g. wholesalers, entities selling products under their own name and large retail stores) and, in some cases, by owners of smaller businesses is determined by the Act of 11 May 2001 on obligations of entrepreneurs in the field of management of certain wastes and on product fee (new provisions in the said scope added to this act by an amendment of 14 April 2023) and the Act of 13 July 2023 on packaging and packaging waste management. The implemented laws include: (i) the introduction of a circular economy; (ii) the restructuring of the extended producer responsibility system; (iii) the introduction of a deposit system in reference to certain packaging; and (iv) the implementation of the Single-Use Plastic Directive (EU). The aforementioned legal acts transpose the relevant laws of the European Union into the Polish legal system. The concept of a circular economy is realised mainly by way of the extended producer responsibility system and a deposit system. The regulations redefine the waste management system as well as impose different fees in order to minimise the amount of waste arising from certain types of products.

The amendment of 14 April 2023 has imposed a packaging fee to be paid by entities introducing products (e.g. wholesalers, entities selling products under their own name and large retail stores) in packages intended for households; an obligation for entities introducing beverages in plastic bottles with a capacity of up to 3 litres consisting of ensuring that a specific share of the materials in bottles has been recycled; and an obligation for entities introducing products to achieve a certain level of the selective collection of PET bottles with a capacity of up to 3 litres.

A deposit system is a system in which at the time of the sale of packaged products, a deposit is charged, which is then refunded when the packaging is returned, without the need to present a receipt for the deposit paid. The main principles and aspects of the deposit system are: the establishment of a deposit system by entities introducing packaged products to the market (e.g. wholesalers, entities selling products under their own name and large retail stores); the election of a representative responsible for managing the deposit system of these entities; the requirement to achieve certain levels of the selective collection of packaging under the deposit system; and the universal, non-discriminatory character of the deposit system. The deposit system is set to take effect from 1 January 2025 and should apply to PET bottles with a capacity of up to 3 litres, glass bottles with a capacity of up to 1.5 litres and metal cans with a capacity of up to 1 liter. Each commercial outlet with a retail area of more than 200 m^2 will be required to collect the packaging covered by the deposit system and to return deposits. Smaller outlets will be able to collect packaging and return deposits on a voluntary basis. All commercial outlets will be required to collect deposits. Failure to achieve the required levels of selective collection will result in an additional product fee for entities introducing packaged products to the market.

In terms of the expenditure and timeline associated with the deposit system, the Group assumes additional costs mainly connected to logistics and to some extent to collection of packages in stores. Based on the Group’s current analysis, the costs will be fully offset by the estimated handling fees from potential operators.

The amendment of 14 April 2023, which implemented Single-Use Plastic Directive (EU), imposes an obligation on wholesalers as well as retail sellers to label selected products with information concerning the inappropriate methods of disposal of waste arising from these products, as well as with information on the plastic content in these products and on the negative impact on the environment these products have. Moreover, the entrepreneur is obliged to ensure the availability of more suitable and sustainable alternatives. The regulation also provides for a fee for non-reusable packaging charged on customers. The fee should be charged by wholesalers and retail sellers according to the provisions of the relevant legal act. The types of products, the requirements and label specimens are specified in the relevant regulation of the European Commission. The entrepreneurs are also obliged to finance public educational campaigns aimed at raising environmental awareness and to keep records of single-use plastic products placed on the market.

Regulations related to the protection of competition and consumers

The Group’s operations are subject to applicable laws on the protection of competition and consumers. Protection of competition is monitored at the European level by the European Commission and at the national level by the President of the UOKiK. The protection of consumers is enforced by the President of the UOKiK. The aforementioned enforcement authorities supervise the Group's operations in terms of the observance of, among others, the laws prohibiting the application of competition-restricting practices, the use of abusive clauses in standard agreements and certain practices which are in breach of the collective interests of consumers, such as providing consumers with unreliable information, unfair market practices or acts of unfair competition.

Under the Competition and Consumer Protection Act, the President of the UOKiK is authorised to conduct, the following proceedings: (i) explanatory proceedings (to initially determine whether an infringement may have taken place and whether infringement proceedings should be initiated against a particular entity or entities); (ii) antitrust proceedings (to ascertain whether a given undertaking, even unintentionally, has engaged in practices restricting competition); (iii) proceedings for declaring the provisions of standard contracts as prohibited (to verify whether the provisions of standard contracts used by a given entity are abusive towards consumers); and; (iv) proceedings concerning infringements of the collective interests of consumers (to establish whether a given entity has engaged in practices restricting the collective interests of consumers).

The investigative powers of the President of the UOKiK include the authority to request information, conduct inspections as well as search an undertaking's premises (what are referred to as dawn raids) in connection with proceedings relating to competition-restricting practices. The President of the UOKiK may impose procedural fines on the undertaking concerned of up to 3% of the annual turnover generated by such undertaking in the financial year preceding the year in which a fine was imposed in particular for any (even unintentional) failure to provide information, for providing incorrect or misleading information, or for preventing from or impeding launching or conducting an inspection (or a search).

The President of the UOKiK may issue a decision in which it determines that an infringement has occurred and ordering the addressee of the decision to cease such infringement (in so far as it has not already done so), or, in the case of proceedings concerning standard contract terms, a decision declaring a standard contract provision as prohibited and prohibiting its use with consumers (a prohibition decision). The President of the UOKiK may also impose on undertakings fines in the amount of up to 10% of the turnover generated by such undertaking in the financial year preceding the year in which a fine was imposed for each of the identified infringements. In case of competition-restricting practices, if the infringement is committed by an undertaking on which another undertaking exercises decisive influence, fine may be imposed jointly and severally on infringing undertaking as well as undertaking(s) exercising decisive influence. In such case, for the purpose of calculating a 10% fine, turnover of infringing undertaking as well as undertaking(s) exercising decisive influence, should be taken into account.

The President of the UOKiK may also apply measures aimed at eliminating an infringement or removing its effects (in the case of competition-restricting practices) as well as measures aimed at remedying the ongoing effects of an infringement (in the case of practices infringing the collective interests of consumers and proceedings relating to abusive standard contract terms). The President of the UOKiK may also issue a commitment decision under which the entity concerned is bound to take or cease certain actions aimed at putting the alleged infringement to an end or removing its effects (in such case, the President of the UOKiK does not impose a fine). The initiative to start discussions about commitments and the essential part of the drafting work lays with the company. The President of the UOKiK does not have to enter into such discussions. Failure to comply with such decision may result in a fine of up to 3% of the turnover generated by an undertaking in the financial year preceding the year in which a fine was imposed. In addition to that, the President of UOKiK may also impose a fine of up to 5% of the average daily turnover of an undertaking in the financial year preceding the year in which a fine was imposed for each day of delay in fulfilling the obligations imposed by a decision (periodic penalty payments). Periodic penalty payments may be also imposed for delays in fulfilling other obligations imposed on an undertaking such as responding to requests of the President of the UOKiK.

Competition-restricting practices are (entirely or in a respective part) null and void. Abusive clauses are not binding for consumers.

The EC enjoys similar powers as regards the protection of competition, though the scope of its activity is limited to practices that may affect trade between EU Member States. The EC has the power to impose fines of up to 10% of the turnover of the undertaking concerned in the last financial year for a breach of EU competition rules. This 10% limit may in certain circumstances be also based on the turnover of the group to which the undertaking concerned belongs.

Infringements of competition or consumer laws may also be subject to civil claims for damages, which can be triggered by a standalone action or by an action that follows a public enforcement decision such as a decision of the President of the UOKiK or the EC. Notably, a legal framework of private enforcement has been developed in recent years in the European Union with the aim of unifying the rules regarding various issues relating to competition damage claims and introducing collective redress mechanisms. In Poland, the private enforcement of competition law is governed by the Act of 21 April 2017 on Claims for Redress for Injury Caused by the Infringement of Competition Law.

The Act of 17 November 2021 on Counteracting the Unfair Use of a Contractual Advantage in Trading in Agricultural and Food Products

The Group's activities are also subject to the unfair trading practices regime that applies to trading in agricultural and food products. Such regime has been envisaged in the Act on Counteracting the Unfair Use of a Contractual Advantage in Trading in Agricultural and Food Products which transposes the provisions of Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain. The Act on Counteracting the Unfair Use of a Contractual Advantage in Trading in Agricultural and Food Products prohibits the unfair, i.e. being contrary to good practice and threatening the material interests of the other party or infringing such interests, use of a contractual advantage, being understood as a large disparity between the economic potential of the purchaser towards the supplier or vice versa. The act lays down the statutory turnover thresholds for the presumption of a large disparity in the economic potential (contractual advantage). The act provides also for a non-exhaustive list of practices that are deemed to be unfair, including, for instance, delays in payments to suppliers, the short-notice cancellation of orders, unilateral changes to the terms of a supply agreement, unjustified decreasing of compensation due for delivery of products after receiving it by the buyer in particular through claims for a rebate, charging the supplier for payments or contributions that are not related to the sale of the agricultural and food products of the supplier. The act forbids also charging the supplier with fees for certain other services (e.g. slotting fees, advertising fees, marketing fees and fit-out fees) unless they have been agreed in clear and unambiguous terms in the agreement between the buyer and the supplier.

The President of the UOKiK conducts proceedings concerning unfair use of a contractual advantage in trading in agricultural and food products. In the case of finding an infringement, the President of the UOKiK orders the undertaking concerned to cease the infringement (in so far as it has not already done so) and may impose a fine of up to 3% of the turnover generated in the previous financial year. Additionally, failure to comply with a decision of the President of the UOKiK may result in a fine of up to the equivalent of EUR 10,000 per each day of such non-compliance (periodic penalty payments).

The investigative powers of the President of the UOKiK include the authority to request information and conduct inspections. The President of the UOKiK may impose procedural fines of up to the equivalent of EUR 50,000,000 on the undertakings concerned for any (even unintentional) failure to provide requested information, for provision of incorrect or misleading information or for preventing from or impeding launching or conducting an inspection conducted by the President of the UOKiK.

Combating late payments

The Group's operations are subject to the Act of 8 March 2013 on Combating Late Payments in Commercial Transactions. The Act lays down certain rules on payments in commercial contracts, including the introduction of specific provisions on payment periods and on the compensation of creditors for the costs incurred. Any contractual provisions excluding or limiting the rights of creditors or the obligations of debtors stemming from the Act on Combating Late Payments in Commercial Transactions, or aimed at circumventing the relevant provisions, are null and void.

The President of the UOKiK is vested with the power to conduct proceedings concerning excessive delays in payments when the statutory thresholds are met, i.e. the value of payments not made and/or delayed exceeds PLN 2 million (in respect of proceedings initiated in 2022 and onwards; in respect of proceedings initiated in 2020 and 2021 the value had to exceed PLN 5 million) in a period of three consecutive months. The President of the UOKiK may impose an administrative fine the amount of which depends, among others, on the value of the late payments and the delay period.

The investigative powers of the President of the UOKiK include the authority to request information and conduct inspections. Procedural fines of up to 5% of the revenue generated by the undertaking in the previous financial year (but no more than equivalent of EUR 50,000,000) may also be imposed for: (i) a failure to provide requested information; (ii) the provision of incorrect or misleading information; or (iii) preventing from or impeding launching or conducting an inspection.

To ensure transparency on the market and mitigate risks of excessive delays in payments, certain undertakings whose individual data has been made public as further stipulated in the Act on Combating Late Payments in Commercial Transactions are required to submit to the minister competent for economic affairs, by 30 April of the year following the year in which their individual data were made public, a report on payment deadlines applied in commercial transactions in the previous calendar year.

GENERAL INFORMATION ON THE GROUP

Basic information on the Company

Name and legal form:	Zabka Group (société anonyme)
Abbreviated name:	Zabka Group
Registered office and address:	2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg
Telephone No.:	+352 28994045
Website*:	https://zabkagroup.com
Email:	contact@zabkagroup.com
Official National Business Register (RCS Number):	B263068
Tax Identification Number:	2021 22 07374
Legal Entity Identifier (LEI):	549300TU2RZ35E4ET914

* *Information made available on the Company's website or any other website included in the Prospectus does not form a part of the Prospectus unless that information is incorporated by reference into the Prospectus (no such information has been incorporated into this Prospectus by reference).*

Business activities

The object of the Company is the acquisition, holding, management and disposal of participations and any interests, in any form whatsoever, in Luxembourg and foreign companies, or other business entities, enterprises or investments, the acquisition by purchase, subscription or any other manner as well as the transfer by sale, exchange or otherwise, of shares, bonds, debentures, notes, certificates of deposits and any other securities or financial instruments of any kind, and the ownership, administration, development and management of its portfolio.

The Company may participate in the creation, development, management and control of any company, entity or enterprise and may invest in any manner and in any type of assets. The Company may also hold interests in partnerships and act as general partner or limited partner.

The Company may borrow in any form and issue convertible or non-convertible bonds, notes and debentures or any kind of debt or equity securities.

The Company may lend funds, including, without limitation, resulting from any borrowings of the Company or from the issue of any equity or debt securities of any kind, to its subsidiaries, affiliated companies or any other company or enterprise as it deems fit. The Company may give guarantees and grant securities to any third party for its own obligations and undertakings as well as for the obligations of any company or other enterprise in which the Company has an interest or which forms part of the group of companies to which the Company belongs or any other company or enterprise as it deems fit and generally for its own benefit or such enterprises' benefit.

In a general fashion, it may grant assistance in any way it deems fit to companies or other enterprises in which the Company has an interest or which form part of the group of companies to which the Company belongs or any other company or enterprise as it deems fit, take any controlling and supervisory measures and carry out any operation which it may deem useful in the accomplishment and development of its purposes.

The Company may generally employ any techniques and instruments relating to or with respect to any of its investments for the purposes of efficient management, including, without limitation, techniques and instruments designed to protect the Company against credit, currency exchange, interest rate and other risks.

Finally, the Company can perform all commercial, technical and financial or other operations, connected directly or indirectly in all areas in order to facilitate the accomplishment of its purpose.

Share capital

As at the date of this Prospectus, the Company's share capital amounts to EUR 26,040,160.20 represented by 2,604,016,020 shares of EUR 0.01 (one euro cent) each, all fully subscribed for and entirely paid up and divided into 52,927,471 class A ordinary shares, 8,610,989 class B ordinary shares, 2,505,139,020 class A preference shares and 37,338,540 class B preference shares (together, the "**Existing Shares**").

Changes in the share capital

All of the Existing Shares in the Company will at the Conversion EGM be converted into one class of ordinary Shares without nominal value that will rank *pari passu* in all respects and will be in a dematerialized form, that will represent the entire share capital of the Company. Subsequent to the Conversion EGM, the share capital of the Company will amount to EUR 26,040,160.20 and will be represented by 1,000,000,000 ordinary Shares without nominal value.

Restrictions on the transferability of the Shares

All of the Shares will be freely transferrable from the date of the Conversion EGM.

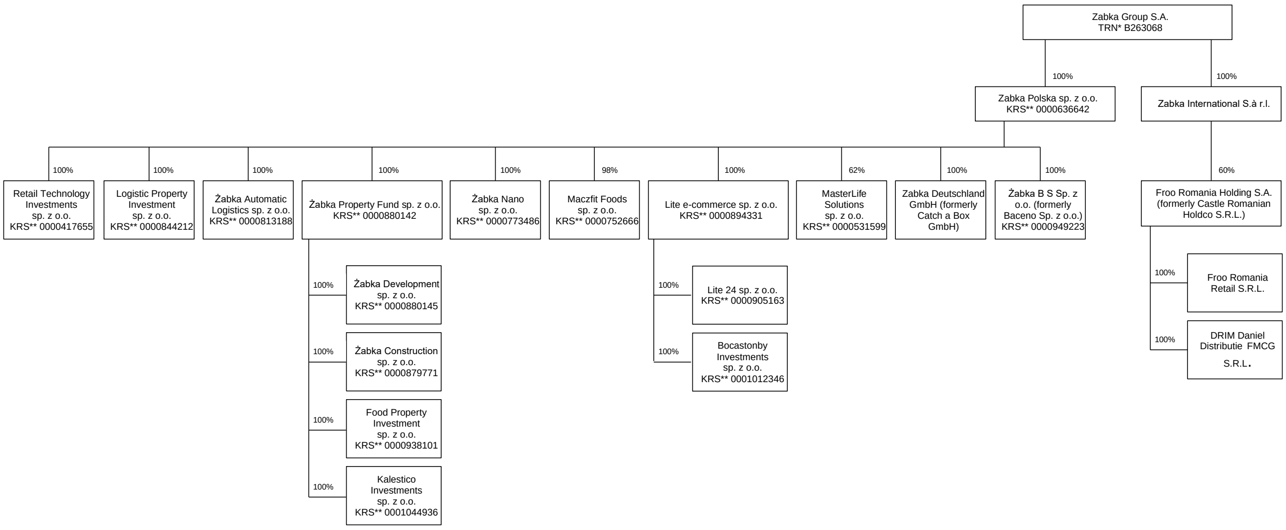
The Shareholders Agreements set forth certain restrictions regarding the transfer of the Shares that will expire upon the WSE Admission.

The Group

As at the date of this Prospectus, the Group comprises the Company (the parent entity), Żabka Polska and Zabka International, being wholly and directly controlled by the Company, and 20 subsidiaries indirectly controlled (through Żabka Polska and Zabka International) by the Company. Please find below the current corporate structure of the Group, indicating the chain of ownership and the percentage shares in the share capital of each of the entities, respectively.

For information regarding the reorganisation of the Group, please see "*Related-Party Transactions—Reorganisation*".

There are no other joint ventures or undertakings in which the Company holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.



Żabka Polska sp. z o.o.

As of 14 August 2024, the Company holds 100% of the shares in the share capital of Żabka Polska, which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka Polska.

Name and legal form:	Żabka Polska sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8
Core business activities:	Activities of head office and holding companies, excluding financial holding companies, wholesale of products
Share capital:	PLN 113,215,000
Members of the management board	Tomasz Suchański, Tomasz Blicharski, Anna Grabowska, Adam Manikowski, Jolanta Bańczerowska, Marta Wrochna-Łastowska, Wojciech Krok

Zabka International S.à r.l.

As of 27 February 2024, the Company holds 100% of the shares in the share capital of Zabka International, which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Zabka International.

Name and legal form:	Zabka International S.à r.l.
Registered office and address:	Rue Jean Monnet 2, 2180 Luxembourg, Luxembourg
Core business activities:	Holding company
Share capital:	EUR 562,000
Directors	Anna Grabowska, Tomasz Blicharski, Małgorzata Wojnowska

Indirect subsidiaries of the Company

Logistic Property Investment sp. z o.o.

As of 14 August 2024, Żabka Polska holds 100% of the shares in the share capital of Logistic Property Investment sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Logistic Property Investment sp. z o.o.

Name and legal form:	Logistic Property Investment sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań

Name and legal form:	Logistic Property Investment sp. z o.o.
Core business activities:	Rental and operation of owned or leased real estate
Share capital:	PLN 36,000,000
Members of the management board	Małgorzata Wojnowska, Tomasz Blicharski

Żabka Automatic Logistics sp. z o.o.

As of 14 August 2024, Żabka Polska holds 100% of the shares in the share capital of Żabka Automatic Logistics sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka Automatic Logistics sp. z o.o.

Name and legal form:	Żabka Automatic Logistics sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Warehousing and storage
Share capital:	PLN 12,000,500
Members of the management board	Marta Wrochna-Łastowska, Katarzyna Słabowska

Masterlife Solutions sp. z o.o.

As of 14 August 2024, Żabka Polska holds 62% of the shares in the share capital of Masterlife Solutions sp. z o.o.*, which gives it the right to exercise 62% of the votes at the meeting of the shareholders of Masterlife Solutions sp. z o.o.

Name and legal form:	Masterlife Solutions sp. z o.o.
Registered office and address:	Warsaw, ul. Chłodna 51, 00-867 Warsaw
Core business activities:	Computer programming activities (D2C marketplace)
Share capital:	PLN 135,000
Members of the management board	Waldemar Pieniak, Przemysław Skokowski

** Shares held by the minority shareholders are covered by the symmetrical put and call options (exercise price of the options shall be based on normalized EBITDA of Dietly), and, as at the date of the Prospectus, Żabka Polska expects the options to be exercised in 2024 and/or 2025.*

Żabka Property Fund sp. z o.o.

As of 14 August 2024, Żabka Polska holds 100% of the shares in the share capital of Żabka Property Fund sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka Property Fund sp. z o.o.

Name and legal form:	Żabka Property Fund sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Business and other management consultancy activities
Share capital:	PLN 6,987,000
Members of the management board	Marta Wrochna-Łastowska, Tomasz Blicharski, Andrzej Potyra

Retail Technology Investments sp. z o.o.

As of 14 August 2024, Żabka Polska holds 100% of the shares in the share capital of Retail Technology Investments sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Retail Technology Investments sp. z o.o.

Name and legal form:	Retail Technology Investments sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Computer consultancy activities and investment in technology companies
Share capital:	PLN 12,000,000
Members of the management board	Tomasz Blicharski, Małgorzata Wojnowska

Lite e-Commerce sp. z o.o.

As of 14 August 2024, Żabka Polska holds 100% of the shares in the share capital of Lite e-Commerce sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Lite e-Commerce sp. z o.o.

Name and legal form:	Lite e-Commerce sp. z o.o.
Registered office and address:	Warsaw, ul. Aleje Jerozolimskie 44, 00-024 Warsaw
Core business activities:	EGrocery services
Share capital:	PLN 25,947,350
Members of the management board	Maciej Nowakowski, Zuzanna Dębowska, Sebastian Millinder

Żabka Nano sp. z o.o.

As of 14 August 2024, Żabka Polska holds 100% of the shares in the share capital of Żabka Nano sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka Nano sp. z o.o.

Name and legal form:	Żabka Nano sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Other retail sale not in stores, stalls or markets
Share capital:	PLN 1,100,000
Members of the management board	Marta Wrochna-Łastowska, Tomasz Blicharski, Paweł Grabowski

Maczfit Foods sp. z o.o.

As of 14 August 2024, Żabka Polska holds approximately 98% of the shares in the share capital of Maczfit Foods sp. z o.o.*, which gives it the right to exercise approximately 98% of the votes at the meeting of the shareholders of Maczfit Foods sp. z o.o.

Name and legal form:	Maczfit Foods sp. z o.o.
Registered office and address:	Warsaw, ul. Adama Branickiego 17, 02-972 Warsaw
Core business activities:	Manufacture of prepared meals and dishes
Share capital:	PLN 775,000
Members of the management board	Anna Chylewska, Dorota Zwolińska, Nicolas Jedraszak

** Pursuant to a share purchase agreement executed between the minority shareholder of Maczfit Foods sp. z o.o. and Żabka Polska, on 21 June 2024 Żabka Polska acquired from the minority shareholder 517 shares in the share capital of Maczfit Foods sp. z o.o. for the purchase price of PLN 43,315,200. Shares held by the minority shareholder are covered by the symmetrical put and call options (exercise price of the options shall be based on the revenues of Maczfit), and, as at the date of the Prospectus, Żabka Polska expects the options to be exercised in 2024 and/or 2025.*

Żabka Development sp. z o.o.

As of 14 August 2024, Żabka Property Fund sp. z o.o. holds 100% of the shares in the share capital of Żabka Development sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka Development sp. z o.o.

Name and legal form:	Żabka Development sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Business and other management consultancy activities
Share capital:	PLN 8,005,000
Members of the management board	Adrian Wochna, Andrzej Potyra

Żabka Construction sp. z o.o.

As of 14 August 2024, Żabka Property Fund sp. z o.o. holds 100% of the shares in the share capital of Żabka Construction sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka Construction sp. z o.o.

Name and legal form:	Żabka Construction sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Business and other management consultancy activities
Share capital:	PLN 8,005,000
Members of the management board	Małgorzata Wojnowska, Andrzej Potyra

Lite 24 sp. z o.o.

As of 14 August 2024, Lite e-Commerce sp. z o.o. holds 100% of the shares in the share capital of Lite 24 sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Lite 24 sp. z o.o.

Name and legal form:	Lite 24 sp. z o.o.
Registered office and address:	Warsaw, ul. Aleje Jerozolimskie 44, 00-024 Warsaw
Core business activities:	Retail sale of alcoholic and non-alcoholic beverages in specialised stores
Share capital:	PLN 5,000
Members of the management board	Zuzanna Dębowska, Marzena Prokop

Kalestico Investments sp. z o.o.

As of 14 August 2024, Żabka Property Fund sp. z o.o. holds 100% of the shares in the share capital of Kalestico Investments sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Kalestico Investments sp. z o.o.

Name and legal form:	Kalestico Investments sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Rental and management of properties owned or leased
Share capital:	PLN 7,000,000
Members of the management board	Andrzej Potyra, Katarzyna Słabowska, Małgorzata Wojnowska

Bocastonby Investments sp. z o.o.

As of 14 August 2024, Lite e-Commerce sp. z o.o. holds 100% of the shares in the share capital of Bocastonby Investments sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Bocastonby Investments sp. z o.o.

Name and legal form:	Bocastonby Investments sp. z o.o.
Registered office and address:	Warsaw, ul. Aleje Jerozolimskie 44, 00-024 Warsaw
Core business activities:	Retail sale of tobacco products in specialised stores
Share capital:	PLN 5,000
Members of the management board	Radosław Kucia, Anna Barcikowska-Zięba

Żabka Deutschland GmbH (formerly Catch a Box GmbH)

As of 29 February 2024, Żabka Polska holds 100% of the shares in the share capital of Żabka Deutschland GmbH, which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka Deutschland GmbH.

Name and legal form:	Żabka Deutschland GmbH
Registered office and address:	Berlin, Storkowerstrasse 115A, 10407 Berlin
Core business activities:	Activities of a holding company and wholesale of products
Share capital:	EUR 25,000
Directors	Adrian Wochna, Paweł Grabowski

Food Property Investment sp. z o.o.

As of 14 August 2024, Żabka Property Fund sp. z o.o. holds 100% of the shares in the share capital of Food Property Investment sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Food Property Investment sp. z o.o.

Name and legal form:	Food Property Investment sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań
Core business activities:	Rental and management of properties owned or leased
Share capital:	PLN 1,500,000
Members of the management board	Joanna Simonowicz, Andrzej Potyra

Żabka BS sp. z o.o. (formerly Baceno sp. z o.o.)

As of 14 August 2024, Żabka Polska holds 100% of the shares in the share capital of Żabka BS sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Żabka BS sp. z o.o.

Name and legal form:	Żabka BS sp. z o.o.
Registered office and address:	Poznań, ul. Stanisława Matyi 8, 61-586 Poznań Business and
Core business activities:	other management consultancy activities
Share capital:	PLN 25,000
Members of the management board	Marta Wrochna-Łastowska, Agnieszka Czernik

Cool-Logistics sp. z o.o.

As of 14 August 2024, Retail Technology Investments sp. z o.o. holds 100% of the shares in the share capital of Cool-Logistics sp. z o.o., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Cool-Logistics sp. z o.o.

Name and legal form:	Cool-Logistics sp. z o.o.
Registered office and address:	Baniocha, ul. Podleśna 30, 05-532 Baniocha
Core business activities:	Freight transport by road
Share capital:	PLN 505,000
Members of the management board	Marcjanna Michalak

Froo Romania Holding S.A. (formerly Castle Romanian Holdco S.R.L.)

As of 29 February 2024, Zabka International S.à r.l. holds approximately 60% of the shares in the share capital of Froo Romania Holding S.A., which gives it the right to exercise approximately 60% of the votes at the meeting of the shareholders of Froo Romania Holding S.A.

Name and legal form:	Froo Romania Holding SA
Registered office and address:	Bucharest, 133 Calea Serban Voda, Bucharest
Core business activities:	Activities of holding companies
Share capital:	RON 26,429,835.10
Members of the board of directors..................................	Anna Grabowska, Joanna Simonowicz, Tomasz Blicharski, Radu Trandafir, Ioana Ionitescu

Froo Romania Retail S.R.L.

As of 29 February 2024, Froo Romania Holding SA holds 100% of the shares in the share capital of Froo Romania Retail S.R.L., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of Froo Romania Retail S.R.L.

Name and legal form:	Froo Romania Retail S.R.L.
Registered office and address:	Bucharest, 133 Calea Serban Voda, Bucharest
Core business activities:	Retail sale in non-specialised stores with food, beverages or tobacco predominating
Share capital:	RON 9,671,990
Members of the management board	Radu Trandafir, Ioana Ionitescu, Maciej Hodowany, Bartosz Dryjski

DRIM Daniel Distributie FMCG S.R.L.

As of 29 February 2024, Froo Romania Holding SA holds 100% of the shares in the share capital of DRIM Daniel Distributie FMCG S.R.L., which gives it the right to exercise 100% of the votes at the meeting of the shareholders of DRIM Daniel Distributie FMCG S.R.L.

Name and legal form:	DRIM Daniel Distributie FMCG S.R.L.
Registered office and address:	Argeselu, Maracineni commune no. 74-J, room 1, Arges, Romania
Core business activities:	Non-specialised wholesale of food, beverages of tobacco
Share capital:	RON 500
Directors	Radu Trandafir, Ioana Ionitescu, Mariusz Tront, Bartosz Dryjski

MANAGEMENT AND CORPORATE GOVERNANCE

In accordance with the Luxembourg Company Law, the Company is managed by the Board of Directors. The description of the corporate governance rules relating to the Board of Directors has been prepared on the basis of the Luxembourg Company Law and the Articles of Association.

Board of Directors

The governing body of the Company is the Board of Directors.

Powers of the Board of Directors following the Offering

The management powers of the Company are vested in the Board of Directors. The Articles of Association provide that the Board of Directors will be composed of at least five directors (each, a "**Director**").

The Board of Directors has the power to take any and all actions necessary, appropriate, convenient or deemed fit to implement the corporate objects of the Company, with the exception of those reserved by Luxembourg law or the Articles of Association to the General Meeting.

Manner of operation of the Board of Directors following the Offering

The Board of Directors shall be composed of one or more executive directors (among which the chief executive officer of the Group (the "**CEO**")) and non-executive directors. None of the non-executive directors shall have an executive position or executive mandate with the Company or any other company of the Group. At least two (2) of the Directors shall be Independent Directors (as defined below), provided that this rule may be temporarily disapplied in the case of a vacancy in the office of an Independent Director caused by death, retirement, resignation, dismissal, removal or otherwise until the appointment of the successor of the relevant terminating Independent Director. "Independent Director" shall mean a Director who meets the criteria of independence set forth or referred to in the WSE Best Practices. A legal entity may be a Director (a "**Corporate Director**"), in which case it must designate an individual as a permanent representative to perform that role in its name and for its account. The revocation by a Corporate Director of its representative is conditional upon the simultaneous appointment of a successor.

Each Director is appointed by the General Meeting for a term of a maximum of six years by simple majority of the votes validly cast at such General Meeting subject to possible renewal. A Director may be re-elected in accordance with the Articles of Association.

Selling Shareholder I shall, (i) for so long as it holds (alone or together with any affiliate(s)) at least twenty-five per cent (25%) of the issued share capital of the Company, be entitled to nominate candidates for the appointment of two (2) Directors and (ii) for so long as it holds (alone or together with any affiliate(s)) at least ten per cent (10%) of the issued share capital of the Company, be entitled to nominate candidates for the appointment of one (1) Director. Selling Shareholder I for as long as it holds any share in the Company, is entitled to nominate candidates for the appointment of one (1) Independent Director. Upon request by the Selling Shareholder I to the Company in writing, such Independent Director shall resign from the Board of Directors and any committee to which such Director may have been appointed, with effect as of the date of the appointment of his/her replacement. Selling Shareholder II, for so long as it holds at least ten per cent (10%) of the issued share capital of the Company (alone or together with any affiliate(s)), shall be entitled to nominate candidates for the appointment of one (1) Director. In the event that the Selling Shareholder I (alone or together with any affiliate(s)) ceases to hold at least twenty-five per cent (25%) but continues to hold at least ten per cent (10%) of the issued share capital of the Company, one of the Directors nominated by the Selling Shareholder I shall resign from the Board of Directors and any committee to which such Director may have been appointed, with effect as of the applicable cessation date of such holding. In the event that the Selling Shareholder I (alone or together with any affiliate(s)) ceases to hold at least ten per cent (10%) of the issued share capital of the Company, or, as the case may be, the Selling Shareholder II (alone or together with any affiliate(s)) ceases to hold at least ten per cent (10%) of the issued share capital of the Company, the Director nominated by the Selling Shareholder I or the Selling Shareholder II, as the case may be, shall resign from the Board of Directors and any committee to which such Director may have been appointed, with effect as of the applicable cessation date of such holding. To the extent that such a Director fails to resign from his/her/its mandate as Director or committee member in accordance with the Articles of Association, he/she/it shall be removed by the next General Meeting as Director and, to the extent applicable, by the Board of Directors with respect to any of his/her/its committee memberships.

A Director may be removed from office at any time by a resolution of the General Meeting.

In the event that a Director appointed by a General Meeting ceases to be a Director for any reason, the remaining Directors so appointed may fill the vacancy on a provisional basis. Directors so appointed will (i) have the same powers as other Directors appointed by the General Meeting except where otherwise provided by law and (ii) hold office only until the conclusion of the next General Meeting, unless his/her/its appointment is confirmed by the Shareholders at that General Meeting, in case he/she/it should finish the mandate of the Director he/she/it replaces.

The Board of Directors shall appoint among its members nominated by the Selling Shareholder I a chairperson (the "**Chairperson**"). The period of office of the Chairperson shall be determined by the Board of Directors and shall not exceed his/her/its appointment as Director. The Chairperson will be responsible for the effective operation of the Board of Directors and will ensure that Directors receive adequate information in advance of the meeting of the Board of Directors (the "**Board**

Meeting"). The Chairperson will promote debate and the active involvement of the Directors during Board Meetings; safeguard their rights to freely take positions and express their opinions; and work with the chairpersons of the various committees of the Board of Directors, organise and coordinate regular evaluations of the Board and, where appropriate, of the CEO.

The Board of Directors shall meet as often as required by the interests of the Company, upon notice by the Chairman or two Directors. The Board of Directors shall meet at least once every quarter. Board Meetings shall be held in Luxembourg, at the place indicated in the convening notice. The Chairperson will preside over all of the Board Meetings. In his or her absence, the Board of Directors will appoint another Director as chairperson *pro tempore* by majority vote by those Directors present or duly represented at such meeting. Notice of any Board Meeting will be given at least ten (10) Business Days before the relevant Board Meeting (except in the event of an emergency, in which case the nature and the motives of the emergency will be mentioned in the notice, which shall be given at least twenty-four (24) hours before the time set for the meeting) by letter, facsimile transmission, email or similar means of communication to each Director. Board Meetings shall be held in Luxembourg. The Board of Directors may validly debate and take decisions at a Board Meeting without complying with all or any of the convening requirements and formalities if all the Directors have waived the relevant convening requirements and formalities either in writing or, at the relevant Board Meeting, in person or by an authorised representative.

A Director may appoint any other Director (but not any other person) to act as his or her representative (a "**Director's Representative**") at a Board Meeting to attend, deliberate, vote and perform all of his or her functions on his or her behalf at that Board Meeting. A Director's Representative cannot act as representative for more than one other Director at a Board Meeting.

The Board of Directors can only validly debate and take decisions if at least half of the Directors (other than those which cannot participate in the vote because of a conflict of interest or because the matter concerned qualifies as a related party transaction) are present or represented or participate otherwise in the meeting. Decisions of the Board of Directors will be adopted by a simple majority vote of the Directors present or represented.

In the event of a tie, the Chairperson will cast the deciding vote.

Directors may validly participate in a Board Meeting through the medium of video-conference equipment or by means of telecommunication allowing for the identification of each Director so participating, provided that at least half of the Directors are present in Luxembourg. These means must have technical features that ensure effective participation in the meeting and allow all of the persons taking part in the meeting to hear one another on a continual basis and allow for the effective participation of such persons in the meeting. A person participating in this way is deemed to be present in person at the meeting and will be counted in the quorum and entitled to vote. All business transacted in this way by the Directors will, for the purposes of the Articles of Association of the Company, be deemed to be validly and effectively transacted at a Board Meeting, notwithstanding that fewer than the number of Directors (or their representatives) required to constitute a quorum are physically present in the same place. A Board Meeting held in this way is deemed to be held at the registered office.

Resolutions of the Board of Directors may be adopted in writing. Such circular resolutions adopted in writing must be signed by all the Directors (other than those which cannot participate in the vote due to a conflict of interest or because the matter concerned qualifies as a related-party transaction) will be as valid and effective as if they had been adopted at a Board Meeting duly convened and held. Such circular resolutions may consist of one or several documents in like form each signed by or on behalf of one or more of the Directors concerned. Resolutions adopted in accordance with this procedure are deemed to have been taken at the registered office.

The minutes of a Board Meeting shall be signed by the Chairperson and, if one is appointed, the secretary and extracts of the minutes of a Board Meeting to be produced in judicial proceedings or to be delivered to any third party may be certified by the Chairperson and the secretary (if one is appointed). The original signed copies of such minutes shall be maintained at the registered office. The Board of Directors may appoint a secretary of the Company, who need not be a member of the Board of Directors, and determine his or her responsibilities, powers and authorities. The secretary will prepare minutes summarising the deliberations during the Board Meetings and noting any decisions taken by the Board of Directors.

The Chairperson shall preside all General Meetings or shall appoint another person to act as chairperson at a General Meeting. If at a meeting the Chairperson is not present within fifteen (15) minutes after the time fixed for the start of the meeting and the Chairperson has not appointed another person to chair the General Meeting, the Directors present will select one of them to be chairperson of the meeting. If only one Director is present and willing and able to act, he/she/it shall be the chairperson of the General Meeting. In the absence of any Director, the Shareholders present and entitled to vote shall choose one of them to be the chairperson at a simple majority of the votes cast.

Members of the Board of Directors as at the date of this Prospectus

As at the date of this Prospectus, the Board of Directors consists of six members.

The following table sets out the principal information about the members of the Board of Directors in office as at the date of this Prospectus.

Name	Age	Position	Date the current term of office began
1. Tomasz Suchański	52	Group Chief Executive Officer, Executive Director	3 May 2024
2. Krzysztof Krawczyk	48	Chairman of the Board of Directors, Non-Executive Director	3 May 2024
3. István Szőke	55	Non-Executive Director	3 May 2024
4. Stephan Schäli	55	Non-Executive Director	3 May 2024
5. Olga Grygier Siddons	61	Non-Executive Director	3 May 2024
6. Giulia Fitzpatrick	64	Non-Executive Director	3 May 2024

As at the date of this Prospectus, the mandates of the members of the Board of Directors expire no later than on the date of the ordinary General Meeting approving the Company's financial statements for the year ending on 31 December 2024.

The business address of all of the members of the Board of Directors is as follows: 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg.

Professional curricula vitae

Tomasz Suchański

Tomasz Suchański is the Group Chief Executive Officer, Executive Director and President of the Management Committee.

Drawing from his many years of experience and a deep understanding of the mechanisms applicable to the industry, Tomasz Suchański has managed the operations of the Group in a way that has made the Group a leader of the convenience model in Eastern Europe.

Prior to becoming the CEO of Żabka Polska in March 2016, for more than 18 years Tomasz Suchański worked for various Jeronimo Martins group companies. He started his career in the finance departments, then was in charge of the Jeronimo Martins' Portuguese chains – Pingo Doce supermarkets and Feira Nova hypermarkets. From 2002 to 2005 he served as CFO of wholesale chain Recheio Cash&Carry Portugal. In 2005 Tomasz Suchański returned to Poland and took the position of Regional Operational Director at Biedronka and in 2007 he made his way onto the CFO position. From 2010 to 2014, Tomasz Suchański was the CEO of Biedronka, after which he rejoined the Jeronimo Martins's international structures.

Tomasz Suchański manages the operations of the Group in an open and competent manner, which has been repeatedly appreciated by the stakeholders and industry media. He was among the winners of Forbes magazine's "BrandMe CEO" poll for the most authentic leaders and was awarded the prestigious "CEO of the Year" award at The Heart Corporate Innovation Awards 2019. In 2020, he was recognized by the jury for effectively leading the Group into digital transformation. In the same year, he chaired the 2020 Effie Awards jury.

Alongside his responsibilities within the Group, Tomasz Suchański is also a non-executive director of the public company Allegro.eu S.A.

Tomasz Suchański graduated Uniwersytet Ekonomiczny in Poznań with a master's degree in Business Administration. In addition, he completed the Advanced Management Program at INSEAD and the Senior Executive Program at Stanford University.

Krzysztof Krawczyk

Krzysztof Krawczyk is the Chairman of the Board of Directors and a non-executive director of the Company. He is a head of the Warsaw office and a Partner of CVC Capital Partners, one of the world's leading private equity and investment advisory firms. Krzysztof Krawczyk has over 26 years of experience in private equity in the Central and Eastern European market. Prior to joining CVC Capital Partners, Krzysztof was the managing partner of Innova Capital, a private equity firm investing in the mid-size businesses across Central Europe. Between 1996 and 1997 he worked as an analyst at an advisory arm of Japanese investment bank Daiwa, and between 1998 and 2000 he was a senior investment analyst at Pioneer Investment Poland. He led investments in numerous companies across sectors such as telecommunications & media, manufacturing, logistics and healthcare, with both private and listed companies. He was or still is a member of the supervisory boards of several publicly listed companies, including Wirtualna Polska Holding S.A. and STS Holding S.A. He is also a member of the Polish Business Roundtable (*Polska Rada Biznesu*), a member of the council (*rada fundacji*) of Fundacja TVN and Fundacja Polskiej Rady Biznesu and a member of the council of venture philanthropy fund Fundacja "*Valores*". In the years 2015-2020 Krzysztof Krawczyk served as a Vice-President of the management board and a treasurer of Polskie Stowarzyszenie Inwestorów Kapitałowych (PSIK).

Krzysztof Krawczyk is a graduate of Szkoła Główna Handlowa in Warsaw, where he obtained a degree (with honours) in Finance and Banking. In addition, he has completed the executive programme at Harvard Business School.

István Szőke

István Szőke is a non-executive director of the Company. He is the managing partner at CVC Capital Partners overseeing CVC Capital Partners' private equity activities in the CEE and MEA regions. Prior to joining CVC Capital Partners, István was a partner at Advent International and prior to his experience in Advent, István was a founding managing partner of Eastern Heritage Capital, a Swiss asset management firm.

István Szőke is a graduate of the Wharton School of the University of Pennsylvania where he obtained an MBA (with concentration in finance). Prior to that, he graduated from the Budapest University of Economic Sciences, where he studied Business Administration (with concentration in finance).

Stephan Schäli

Stephan Schäli is a non-executive director of the Company, the Chief Investment Officer of Partners Group AG ("**Partners Group**") and member of its Global Executive Board, based in Zug. In addition to the aforementioned roles within the Partners Group structures, he also serves as the Deputy Chairman of the Global Investment Committee, Chairman of the Global Portfolio Committee, Chairman of the Private Markets Relative Value Committee and Chairman of the Thematic Relative Value Committee.

Prior to his current position in the Group, he served as a member of the supervisory board of Żabka Polska. Moreover, he has been with Partners Group since 1999 and has 25 years of industry experience. Prior to joining Partners Group, he also worked at internationally recognised financial institutions UBS and Goldman Sachs & Co.

Stephan Schäli graduated from the University of Chicago where he obtained an MBA. Moreover, he received a PhD (*Doctorate*) title in Business Administration and a bachelor's (*Licentiate*) degree in Business Administration both from the University of St. Gallen (HSG) in Switzerland.

Olga Grygier Siddons

Olga Grygier-Siddons is a non-executive director of the Company and serves on numerous boards and councils, including Bank Millennium S.A. and University of Silesia. Olga Grygier-Siddons combines extensive business experience with passion for responsible leadership and personal growth.

She is a former CEO of PwC in Central and Eastern Europe, having served in this role until her retirement in 2018.

Olga Grygier-Siddons spent more than 30 years working in the professional services environment, advising private and public sector clients in numerous countries including UK where she was based and promoted to partner working as part of the London Corporate Finance team of PwC. In 2004 she moved to Poland where she held various leadership roles including Managing Partner of Poland and the Baltics, later CEO of PwC Central and Eastern Europe and a Member of the PwC Global Strategy Council. She has extensive experience of leading change, having worked as part of PwC global and EMEA leadership teams, and advising clients on their transformation journey as part of the PwC advisory team.

Olga Grygier-Siddons graduated from the University of Manchester where she obtained a bachelor's degree in Computer Science and Accounting. She is the FCA Fellow Chartered Accountant – the Institute of Chartered Accountants in England and Wales.

Giulia Fitzpatrick

Giulia Fitzpatrick is a non-executive director of the Company. Moreover, she is non-executive director on other profit and non-profit boards as chairperson and board member.

Apart from her role at the Group, her current Board mandates include: Worldline S.A (a Paris Euronext-listed company, where she served on the Strategy and Innovation Committee and Audit Committee, currently sits on the Nominations and Remuneration Committees and Corporate Social Responsibility Committee), PostFinance AG (one of Switzerland's leading retail financial institutions, where she chairs the IT and Digitalization Board Committee), Swiss Data Alliance (an independent, non-for-profit Think Tank that develops data policies for Switzerland with input from industry, governmental entities and research institutes) and Quintet Private Bank (Luxembourg).

She has more than 30 years senior executive experience in transforming organisations for premier global financial services and agricultural firms. Giulia has deep knowledge of technology, risk management, finance and operations with a focus on data, digital and innovation. She has a proven track record in leading organisations in complex and fast-changing international environments across the US, Europe, Asia and South America.

Giulia has worked for global financial services firms such as National Securities Clearing Corporation, Instinet, Merrill Lynch, UBS, and at Bunge Ltd, one of the largest global agricultural commodities processor.

Giulia graduated from the Wharton School of the University of Pennsylvania where she obtained an MBA in Finance and master's degree in International Studies. In addition, Giulia holds a bachelor's degree in German Literature from the University of California.

Positions held by the members of the Board of Directors in other companies and partnerships

The following table sets out information on the other companies and partnerships in which, during the last five (5) years, the members of the Board of Directors: (i) held management or supervisory body positions; or (ii) were partners.

Name	Company	Position	Does the person serve in this capacity as at the date of this Prospectus
1. Tomasz Suchański	Żabka Polska	president of the management board (CEO)	Yes
	Allegro.eu SA	non-executive director	Yes
	Chiado Investments S.à r.l.	class A manager	Yes
	Maczfit Foods sp. z o.o.	member of the supervisory board	No
2. Krzysztof Krawczyk	Żabka Polska	chairman of the supervisory board	No
	Stock Spirits Group Limited	director	Yes
	Stock Polska sp. z o.o.	member of the supervisory board	Yes
	Stock Plzen Bozkov s.r.o.	member of the supervisory board	Yes
	STS Holding S.A.	member of the supervisory board	Yes
	Chamonix Investments Poland sp. z o.o.	member of the management board	Yes
	Sunray Investments Poland sp. z o.o.	member of the management board	Yes
	Sunray Investments Czechia s.r.o.	member of the management board	Yes
	Sunray Holdings S.à r.l.	director	No
	Sunray Alpha S.à r.l.	director	No
	Sunray Beta S.à r.l.	director	No
	Sunray Gamma S.à r.l.	director	No
	Sunray Investments Luxembourg S.à r.l.	director	No
	Genomtec S.A.	member of the supervisory board	No
	Polish Business Roundtable (Polska Rada Biznesu)	member	Yes
	AR Packaging Group AB	director	No
	Innova/5 Carry Limited Partnership	partner	Yes
	Friends of Innova/5 Limited Partnership	partner	Yes
	PKPE Holding sp. z o.o.	member of the supervisory board	No
	CVC Advisers (Polska) sp. z o.o.	member of the management board	Yes
	PKP Energetyka S.A.	chairman of the supervisory board	No
	Wirtualna Polska Holding S.A.	vice-chair of the supervisory board, chairman of the audit committee	No
	Remton Investments sp. z o.o.	member of the management board	No
	PVL Assets s.r.o.	managing director	Yes
3. István Szőke..................	Żabka Polska	member of the supervisory board	No
	Stock Spirits Group Limited	director	Yes
	Stock Plzen Bozkov s.r.o.	member of the supervisory board	Yes
	Chamonix Investments Poland sp. z o.o.	member of the management board	Yes
	Stock Polska sp. z o.o.	member of the supervisory board	Yes

Name	Company	Position	Does the person serve in this capacity as at the date of this Prospectus
	PKP Energetyka S.A.	member of the supervisory board	No
	PKPE Holding sp. z o.o.	member of the supervisory board	No
	CVC Advisers (Polska) sp. z o.o.	member of the management board	Yes
	Venilia Investments S.à r.l.	director	No
	Venilia Midco Limited	director	Yes
	FutureLife a.s.	director	Yes
	Cube TopCo s.r.o.	director	Yes
	Cube MidCo a.s.	director	No
	Sunray Investments Czechia s.r.o.	director	Yes
4. Stephan Schäli.............	Żabka Polska	member of the supervisory board	No
	Partners Group AG	member of global executive board	Yes
5. Olga Grygier Siddons ..	Żabka Polska	member of the supervisory board	No
	Bank Millenium S.A.	member of the supervisory board	Yes
	Villa Poranek sp. z o.o.	member of the management board	Yes
	University of Silesia	member of the council	Yes
	Fundacja Szczęśliwej Drogi	member of the board	Yes
6. Giulia Fitzpatrick...........	Żabka Polska	member of the supervisory board	No
	Quintet Private Bank (Luxembourg)	non-executive director	Yes
	Quintet Private Bank (Switzerland)**	chair of the board	No
	Swiss Data Alliance	member of the board	Yes
	PostFinance AG	non-executive director	Yes
	Worldline S.A.	non-executive director	Yes

** SI-MI sp. z o.o. w likwidacji was dissolved and deleted from the Register of Business Entities of the National Court Register on 14 January 2022. ** Giulia Fitzpatrick was a chair of the board of Quintet Private Bank (Switzerland), a wholly owned subsidiary of Quintet Private Bank (Luxembourg), from 2021 to 2022; during her time in office the liquidation process of the entity, which had been initiated by a shareholder, had commenced; Giulia Fitzpatrick was no longer in office as at the date of completion of the liquidation.*

Members of the Board of Directors who satisfy the independence criteria

Pursuant to Article 8.3 of the Articles of Association, at least two members of the Board of Directors should satisfy the criteria of independence from the Company and any entities that have significant relations with the Company. The independence criteria need to comply with the terms set out in the WSE Best Practices. A candidate for an independent member of the Board of Directors submits to the Company, before being appointed to the Board of Directors, a written statement on the satisfaction of the criteria of independence. In the event of a situation whereby there is a failure to satisfy the criteria of independence, a member of the Board of Directors is required to immediately inform the Company about this fact.

As at the date of this Prospectus, in accordance with the submitted statements, two members of the Board of Directors (Olga Grygier Siddons and Giulia Fitzpatrick) meet the independence criteria described above.

Committees of the Board of Directors

As at the date of this Prospectus, the Board of Directors has appointed a management committee (*comité de direction*) (the "**Management Committee**") and an audit committee (the "**Audit Committee**").

Management Committee

In accordance with Article 17 of the Articles of Association and Article 441-11 of the Luxembourg Company Law, the Board of Directors has delegated its management powers to a management committee (*comité de direction*), provided that such delegation may not include (i) the general strategy of the Company or (ii) any other acts that are reserved to the Board of

Directors pursuant to Luxembourg law and the Articles of Association (and particularly, the "Reserved Matters" set out therein). The Board of Directors shall be responsible for supervising the Management Committee.

The Management Committee consists of at least five managing directors who need not be directors or shareholders of the Company (the "**Managing Directors**"). The Managing Directors are appointed by a decision of the Board of Directors which determines the term of their mandates. If no term is indicated, the Managing Directors are appointed for an undetermined period. The Managing Directors may be re-elected. Managing Directors may be revoked with or without cause at any time by a resolution adopted by the Board of Directors. If a Managing Director is also a Director, his/her/its appointment as Managing Director ceases on and from the date on which his/her/its appointment as Director ceases, unless the Board of Directors resolves to confirm his/her/its appointment as Managing Director prior to the termination of his/her/its appointment as Director.

As at the date of this Prospectus, the Board of Directors appointed as initial Managing Directors (as defined below) each of: (i) Tomasz Suchański (Group Chief Executive Officer, Executive Director, President of the Management Committee); (ii) Adam Manikowski (Managing Director, Żabka Polska); (iii) Anna Grabowska (Managing Director, Zabka International); (iv) Tomasz Blicharski (Group Chief Strategy & Development Officer); (v) Marta Wrochna-Łastowska (Group Chief Financial Officer); (vi) Jolanta Bańczerowska (Group Chief People Officer); and (vii) Wojciech Krok (Managing Director, Żabka Future). All the current members of the Management Committee have been appointed for an undetermined period.

The Management Committee has the power to take all or any action which is necessary or appropriate, convenient or deemed fit to implement the corporate objects of the Company, with the exclusion of the power to determine the general strategy of the Company or to carry-out any other acts that are reserved to the Board of Directors pursuant to Luxembourg law and the Articles of Association, in particular the "Reserved Matters" set forth therein. With respect to the Reserved Matters (under and as defined in the Articles), the Management Committee may prepare recommendations for the Board of Directors. At the request of the Chairman of the Board of Directors or two members of the Board of Directors, the Management Committee or designated Managing Directors participate in the meetings of the Board of Directors in an advisory capacity and report to the Board of Directors on the activities of the Company and its Group. The Managing Directors have the same rights and duties. They are not bound by orders or instructions. The Managing Directors ensure that they have sufficient time to fulfil their duties.

Meetings of the Management Committee take place in the Grand Duchy of Luxembourg and are chaired by the CEO. In his/her/its absence, the Management Committee will appoint another Managing Director as chairperson *pro tempore* by majority vote of those Managing Directors present at such meeting.

Notice of any meeting of the Management Committee must be given at least forty-eight (48) hours in advance of the hour set for such meeting (except in the event of emergency, in which case the nature and motives of the emergency must be mentioned in the notice) by letter, facsimile transmission, email or similar means of communications to each Managing Director. The Management Committee may validly debate and take decisions at a meeting without complying with all or any of the convening requirements and formalities if all the Managing Directors have waived the relevant convening requirements and formalities either in writing or, at the relevant meeting, in person. The Management Committee can deliberate or act validly only if at least a majority of the Managing Directors are physically present at a meeting of the Management Committee.

Decisions are taken by a majority of the votes of the Managing Directors present at such meeting. Each Managing Director is entitled to one vote. Abstentions are regarded as votes not cast.

The minutes of any meeting of the Management Committee are signed by the CEO or the Managing Director acting as chairperson of such meeting in the absence of the CEO no later than at the next Management Committee meeting. Minutes of the meeting are provided to all Managing Directors present at the meeting. Any comments to the minutes of the meeting should be provided in writing by the relevant Managing Director to the CEO or the Managing Director acting as chairperson of such meeting in the absence of the CEO within 48 hours after the minutes were delivered to the Managing Directors.

The Management Committee may delegate any of their powers for specific tasks to any Managing Director or one or more *ad hoc* agents and may remove any such agent and determine any such agent's powers and responsibilities and remuneration (if any), the duration of the period of representation and any other relevant conditions of his/her/its agency.

Audit Committee

As at the date of this Prospectus, the Audit Committee consists of the following three members (two of whom satisfy the criteria of independence set out in the Articles of Association and the WSE Best Practices): Giulia Fitzpatrick, Olga Grygier Siddons and Krzysztof Krawczyk.

The responsibilities of the Audit Committee are, in particular, to assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the financial statements, including periodically reporting to the Board of Directors on its activities and the adequacy and the effectiveness of the internal controls systems, the risk management system and the internal audit systems; and to make recommendations concerning the appointment, compensation, retention and oversight of, and consider the independence of, external auditors and perform such other duties imposed by applicable laws and regulations, including those regulations of the regulated market or markets on which the Shares may be listed, as well as any other duties entrusted to the committee by the Board of Directors.

The Audit Committee holds meetings at least four times a year in accordance with a timetable determined by the Audit Committee Chairperson. The timetable for the meetings of the Audit Committee has to be determined in such a manner as to ensure the proper performance of the Audit Committee's duties, in particular in terms of reviewing financial documents related to the completion of a financial year and the recommendations concerning the appointment of an audit firm or a statutory auditor. Additionally, the Committee may meet at other times during the year as agreed between the members of the Committee or as otherwise requested by the Board of Directors.

The Audit Committee may request that the Group provide explanations and information or present information that is necessary for the Audit Committee to perform its duties. The Audit Committee may request that the statutory auditor or the audit firm discuss with the Audit Committee or the Board of Directors any key issues and results of an audit that were included in additional statements for the Audit Committee. The Audit Committee may decide to invite to a meeting of the Audit Committee persons other than members of the Audit Committee, including, specifically, the members of the Board of Directors, external advisors as well as other employees of the Group in particular to the Head of the Internal Audit Department. The Audit Committee is authorized to obtain, at the Company's expense, professional advice on any matter within its duties.

The scope of duties of the Audit Committee with respect to internal control, internal audit and risk management include, in particular: (i) monitoring the effectiveness of and exercising general oversight over the Group's internal control, risk management and compliance systems, as well as its internal audit function, in particular regarding the financial reporting of the Company; (ii) on an annual basis, ensuring that a robust assessment of the emerging and principal risks facing the Company has been undertaken by or on behalf of the Company; (iii) overseeing the current and prospective risks faced by the Company and its strategy in relation to future risks and periodically reviewing the Group's overall risk management framework and processes; (iv) annually reviewing the Group's procedures for detecting fraud; (v) reviewing the Group's systems and controls for ethical behavior and the prevention of bribery and receive reports on non-compliance; (vi) working and liaising as necessary with other Board of Director committees and considering such other matters as may be requested by the Board.

The scope of duties of the Audit Committee with respect to the performance of auditing activities and the statutory auditor's independence include, in particular: (i) monitoring the statutory audit of the annual standalone and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the Commission de Surveillance du Secteur Financier; (ii) informing the Board of Directors of the outcome of the statutory audit; (iii) monitoring the independence of the statutory auditor and the auditing firm, specifically in terms of compliance with the existing guidelines concerning the rotation of auditing firms, the value of the remuneration of the statutory auditor or the auditing firm, and the verification of the relevant representations and regulatory requirements in this respect; and (iv) developing, overseeing and being responsible for the policy and procedure for the selection of the audit firm to audit the financial statements of the Group.

Members of the Management Committee as at the date of this Prospectus

In addition to the members of the Board of Directors, the following members of the Management Committee are considered relevant to establishing that the Group has the appropriate expertise for the management of the Group's business.

Professional curricula vitae

Adam Manikowski

Adam Manikowski is Managing Director of Żabka Polska.

Since January 2021, he has been managing Żabka Polska business unit with full P&L responsibility. Previously, as the COO and the vice president of the management board for operations of Żabka Polska, he led the sales, logistics, expansion and technical teams.

He has vast experience in working on the international market. Before joining Żabka Polska, he served as Executive Vice President and Chief Marketing Officer in the Canadian structures of the largest global retailer – Walmart. He was also associated with Tesco, where first as Chief Operations Officer he supported the development of the chain in China, and then took the position of President and Managing Director of Tesco Polska. He began his career working in the operational structures of the Biedronka retail chain, where he ultimately held the position of Chief Marketing Officer.

In 2016, Adam Manikowski obtained a title of Doctor of Business Administration in retail studies from the Cranfield School of Management in the United Kingdom and in 2008 he received an MBA diploma from the University of Illinois at Urbana Champaign. He also finished postgraduate studies in management in Paris with cooperation of four French prestigious 'Grenades Ecoles': Institut d'Etudes Politiques de Paris (SciencesPo Paris), Ecole National Superieure des Mines de Paris, Ecole Nationale des Ponts et Chaussees, College des Ingenieurs.

Adam Manikowski graduated from Uniwersytet im. Adama Mickiewicza in Poznań and Szkoła Główna Handlowa in Warsaw. In addition, he is an alumnus of Progressive Management Programme from London Business School – a leadership program for senior executives in the consumer goods business. He accomplished also Stanford Executive Program at Stanford Graduate School of Business

Tomasz Blicharski

Tomasz Blicharski is the Group Chief Strategy & Development Officer.

Since 2024, he focuses on developing and implementing the Group's strategy in every area of its operations, including responsible and sustainable development strategy.

From 2021 to 2024, as the executive vice president and Managing Director of Żabka Future, he was responsible for finding, creating and developing entire business areas that meet the challenges that the industry will face in the future. Prior to assuming this role, he simultaneously held two positions: vice president of the management board of Żabka Polska for development (since 2017) and vice president of the management board of Żabka Polska for finance, Chief Financial Officer (since 2015). He has been associated with Żabka since 2011, when, as a member of the board of directors, he was responsible for overseeing the Żabka's operations.

Tomasz Blicharski has extensive experience in investment banking and finance gained in Poland and abroad. He worked for two international banks, ABN Amro and BNP Paribas. From 2007, he was a director of Mid Europa Partners, where he was responsible for investments in CEE region (including, but not limited to, Norican Group, Polskie Koleje Górskie and Żabka Polska).

In 2018 and 2020, he received the distinction "Digital Shaper of the year" in the Digital Shapers competition for outstanding personalities of the digital world and new technologies, in the "Digital Transformation" category. In addition, Tomasz was named the Chief Digital Officer of the Year 2021 by Forbes and Business Insider Polska.

He graduated from Szkoła Główna Handlowa in Warsaw and from the Executive Program at Stanford Graduate School of Business.

Anna Grabowska

Anna Grabowska is the Managing Director of Zabka International.

Since February 2024, she has been responsible for the development of new markets and overseeing the implementation of the foreign expansion strategy for the Group, including accountability for the entities and teams in Romania.

From 2021 to 2024, she was responsible for shaping the consumer strategy of the Group: defining the Group's direction, building consumer, commercial and support strategies, such as brand and private brand strategy and for defining ESG (responsibility and sustainability) strategy.

From April 2016, she was the CCO, vice president of the management board for commercial matters at Żabka Polska, and she managed the commercial and marketing departments. She was responsible for Żabka thorough value proposition transformation by defining and implementing the chain's assortment, layout, brand, promotion and pricing strategies. She supervised the transformation of the chain of stores into a new format and implemented a new marketing strategy and an innovative vision of communication with customers. In the last three years in that position, she transformed the store offer by developing innovative convenience products, brands and modern convenience services that meet the needs of modern consumers.

Before that, she had been with the Tesco chain for nearly 19 years, also as a long-term director of the commercial department. In the years 2011-2015 she was a vice-president of the management board of Tesco in Poland, acting as the vice president for commercial affairs. She gained her international professional experience at Tesco in Great Britain and Hungary, and she was also responsible for the Food Purchase Team in Central Europe (Poland, the Czech Republic, Slovakia, Hungary).

Anna Grabowska graduated from the Faculty of Foreign Trade at Uniwersytet Ekonomiczny in Cracow and is the alumnus of the Stanford Graduate School of Business. She also completed many management, business strategies and team management programmes at Polish and foreign universities, including the London Business School, INSEAD France and the Wharton School of the University of Pennsylvania. She earned executive MBA diplomas from Ecole de Management de Normandie and Uniwersytet Ekonomiczny in Cracow.

Jolanta Bańczerowska

Jolanta Bańczerowska is the Group Chief People Officer.

She manages the personnel strategy team responsible for the HR strategy, the development of the company's culture and the competencies of all of the teams. As the HR director she initiated the development of many new solutions that changed the functioning of the Group. She was responsible for the implementation of the best practices in the field of people management within the organisation, from the processes of planning and development of human capital to performance evaluation and management programmes, and to incentive systems. She managed the change of the organisational culture into a more open and employee-friendly one. She is responsible for developing Żabka's mission, vision and values that distinguish the company on the market.

She gained over 15 years of managerial experience at Mars and Wrigley. Before joining the Żabka team, she worked as the HR director for North Central Europe, where she was responsible for introducing organisational changes and for integrating Wrigley and Mars in Central European countries.

Jolanta Bańczerowska graduated in Information Science and Postgraduate Studies in Administration, both from Adam Mickiewicz University in Poznań, and completed the Accelerated Management Program at Yale School of Management.

Marta Wrochna-Łastowska

Marta Wrochna-Łastowska is the Group Chief Financial Officer.

Marta Wrochna-Łastowska manages a team responsible for internal and external financial and non-financial (ESG) reporting, budgeting and control, treasury and financing, working capital management, internal auditing as well as business analysis. She has over 18 years of experience in strategic financial management and successfully combines analytical and strategic competencies with soft skills in effective team management.

She has been working at Żabka Polska since 2018, when she held the position of financial director. She has been responsible for maintaining the financial liquidity of the organisation and for the effective and efficient management of the company's finances. Her tasks also include planning and forecasting, as well as the area related to business analysis and internal audit.

She also gained professional experience during many years of work at Ernst & Young Corporate Finance in Poland and abroad. During her 12-year presence in this company, she provided transactional advice on mergers and acquisitions (with a focus on the perspectives of the buyer and the seller) and restructuring advice. She has extensive experience in the audit department, where she was involved in audits of financial statements, and in analysis of controls and internal processes.

Marta Wrochna-Łastowska graduated with master's degree from Szkoła Główna Handlowa in Warsaw where she studied Finance Management, Marketing & Management. Additionally she holds a master degree in Finance Management from the University of Mannheim. She also completed finance management, strategy and leadership programmes held at Harvard Business School, Stanford University and the Cranfield School of Management. She is a member of the Association of Chartered Certified Accountants (ACCA).

Wojciech Krok

Wojciech Krok is the Managing Director of Żabka Future.

Wojciech Krok joined the Group in 2021. Since February 2024, he has been responsible for accelerating the creation of a digital convenience ecosystem with synergies between its parts and ensuring optimal technology for the Group's multi-directional development.

From July 2023 to January 2024, he served as the Managing Director of Żabka Digital. From 2021 to 2023, as CEO of Lite e-Commerce, he was responsible for the launch of two brands, Jush! and delio – Group's eGrocery businesses.

He has extensive experience in business strategy, new digital services, implementation of solutions based on artificial intelligence and data management, and use of technology in the commercial area of enterprises based on collaboration with companies around the world. Earlier, he spent 12 years of his career at McKinsey & Company, ultimately as a partner and one of the leaders of the Digital practice in Singapore, and leader of QuantumBlack, the AI company within McKinsey& Company for the Southeast Asia region.

Wojciech Krok holds an MBA from INSEAD. Moreover, he graduated from Szkoła Główna Handlowa in Warsaw where he obtained a master's degree in Finance and Banking. Wojciech Krok graduated from the HSG Sankt Gallen in Switzerland (CEMS) where he received a master's degree in International Management. He is an author of publications on the digitalization of the Polish economy and the growth potential of the economy through artificial intelligence.

Positions held by the members of the Management Committee in other companies and partnerships

The following table sets out information on the other companies and partnerships in which, during the last five (5) years, the members of the Management Committee: (i) held positions in management or supervisory bodies; or (ii) were partners.

Name	Company	Position	Does the person serve in this capacity as at the date of this Prospectus
Tomasz Suchański	Please see: "*—Board of Directors— Positions held by the members of the Board of Directors in other companies and partnerships*" above.		
Adam Manikowski	Żabka Polska	vice-president of the management board	Yes
	Point Investment S.à r.l.	class A manager	Yes
	Batif Investment PSA	president of the management board	Yes
	Batif Investment sp. z o.o.	member of the management board	No
Tomasz Blicharski	Żabka Polska	vice-president of the management board	Yes
	Żabka Property Fund sp. z o.o.	member of the management board	Yes
	Żabka Nano sp. z o.o.	member of the management board	Yes
	Masterlife Solutions sp. z o.o.	member of the supervisory board	Yes
	Lite e-Commerce sp. z o.o.	member of the supervisory board	Yes

Name	Company	Position	Does the person serve in this capacity as at the date of this Prospectus
	Maczfit Foods sp. z o.o.	member of the supervisory board	Yes
	Logistic Property Investment sp. z o.o.	president of the management board	Yes
	Retail Technology Investments sp. z o.o.	president of the management board	Yes
	Froo Romania Holding S.A.	director	Yes
	Zabka International S.à r.l.	director	Yes
	TB Investments S.à r.l.	class A manager	Yes
Anna Grabowska	Żabka Polska	vice-president of the management board	Yes
	Maczfit Foods sp. z o.o.	member of the supervisory board	Yes
	ROCAILLE Société civile	partner	Yes
	ROCAILLE Société civile	class A manager	Yes
	Froo Romania Holding S.A.	director, chairman of the board	Yes
	Zabka International S.à r.l.	chief executive officer	Yes
	CARPINUS S.à r.l.	class A manager	Yes
Jolanta Bańczerowska	Żabka Polska	member of the management board	Yes
Marta Wrochna-Łastowska.......	Żabka Polska	member of the management board	Yes
	Żabka Property Fund sp. z o.o.	member of the management board	Yes
	Żabka Automatic Logistics sp. z o.o.	member of the management board	Yes
	Żabka Nano sp. z o.o.	member of the management board	Yes
	Żabka BS sp. z o.o.	member of the management board	Yes
	Masterlife Solutions sp. z o.o.	member of the supervisory board	Yes
	Lite e-Commerce sp. z o.o.	member of the supervisory board	Yes
Wojciech Krok...........................	Żabka Polska	member of the management board	Yes
	Masterlife Solutions sp. z o.o.	member of the supervisory board	Yes
	Maczfit Foods sp. z o.o.	chairman of the supervisory board	Yes
	Alexandria Residence PSA	president of the management board	Yes
	Alexandria Investments S.à r.l.	class A manager	Yes
	Lite e-Commerce sp. z o.o.	member of the supervisory board	Yes
	Lite e-Commerce sp. z o.o.	president of the management board	No

Other information regarding the members of the Board of Directors and the Management Committee

In accordance with the representations made by the members of the Board of Directors and the Management Committee, and except for the cases described in this Prospectus, during the last five years, no member of the Board of Directors or the Management Committee has:

- been a partner in a partnership;
- been a member of the administrative, management or supervisory bodies in any capital company;

- carried out any business activity other than their business activity at the Company or a Subsidiary thereof which could be material to the Company or such Subsidiary thereof;
- been convicted of a fraud-related crime;
- been subject to any proceedings or sanctions imposed by any administrative bodies or other supervisory bodies (including any recognised trade organisation);
- been subject to any court-issued prohibition on performing functions in administrative, governing or supervisory bodies of companies or a prohibition on performing managerial functions or managing the business of any company; or
- been a member of an administrative, governing or supervisory board or an executive in any company at a time when a receivership was established against such company, or with respect to which bankruptcy, liquidation or similar proceedings were conducted.

Family relations

There are no family relationships between the members of the Board of Directors or the Management Committee.

Conflicts of interest

The members of Board of Directors, István Szőke and Krzysztof Krawczyk, hold functions and management positions at certain affiliates of the Selling Shareholder I and Stephan Schäli is the Chief Investment Officer of and a partner at Partners Group AG, an affiliate of the Selling Shareholder II. Accordingly, their interests with respect to the Offering and WSE Admission may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest. Moreover, certain members of the Group's management, including members of the Management Committee, hold (directly or indirectly) Shares in the Company and intend to sell a portion of these Shares in the Offering through Amphibian. Their private interests might therefore not always align with those of other shareholders of the Company (including other Selling Shareholders) or the interests of the Company.

Subject to the foregoing, in accordance with the information available to the Company, there are no actual or potential conflicts of interest between any duties of the members of the Board of Directors or the Management Committee towards the Company and any of their private interests or other duties.

Agreements and understandings with members of the Board of Directors or the Management Committee

Within the period covered by the Consolidated Financial Statements and until the date of the Prospectus, except for the transactions described in "*Related-Party Transactions*" and in this section ("*Management and Corporate Governance*"), the Company has not entered into other transactions with members of the Board of Directors or the Management Committee, and has not paid any benefits except for benefits in kind provided to and remuneration and bonuses paid to the members of the Board of Directors or the Management Committee in connection with the holding of positions on the governing bodies of the Group companies or in connection with the provision of services to the Group companies as described in this section (please also see: *"—Remuneration and terms of contracts with members of the Board of Directors and the Management Committee—Amount of remuneration of the members of the Board of Directors and the Management Committee*" below).

Agreements and understandings with principal shareholder, clients, suppliers or other persons on the basis of which any members of the Board of Directors or the Management Committee were appointed as members of the Board of Directors or the Management Committee

Except for the provisions of the Articles of Association described in this section ("*Management and Corporate Governance*"), there are no agreements or understandings with the principal shareholder, clients, suppliers or other persons pursuant to which any members of the Board of Directors or the Management Committee were appointed or otherwise, and the members of the Board of Directors or the Management Committee have no knowledge of any such understandings.

Shares or rights to Shares held by members of the Board of Directors or the Management Committee

For information on the Shares held by members of the Management Committee, see "*—Incentive Plans—Historic MIP*" below. As at the date of the Prospectus, the members of the Board of Directors (other than Tomasz Suchański) do not hold any Shares or rights to Shares.

Participation of the members of the Board of Directors or the Management Committee in the Offering

According to the representations submitted by the members of the Board of Directors or the Management Committee, as at the date of this Prospectus, none of the members of the Board of Directors or the Management Committee intend to acquire Shares in the Offering or made a decision in this respect.

Remuneration and terms of contracts with members of the Board of Directors and the Management Committee

Remuneration, principles of remuneration and terms of contracts of members of the Board of Directors and the Management Committee

Remuneration policy

The Board of Directors, adopted a resolution on the establishment of the remuneration policy setting out the fundamental terms and conditions for remunerating the members of the Board of Directors, the members of the Management Committee as well as certain key managers appointed as management board members of the material Subsidiaries, which remuneration policy was subsequently adopted by the General Meeting. The remuneration policy will be published on the website of the Company, together with the result of the vote at the General Meeting that adopted the remuneration policy, as long as the remuneration policy remains applicable. Consequently, the Company complies with the requirements set forth in the Shareholder Rights Law.

The principal rules and objectives of the remuneration policy include, *inter alia*, to set out the principles governing the remuneration of the members of the Board of Directors and the Management Committee so as to contribute to the implementation of the long-term business strategy, long-term interests, and the sustainability and stability of the Company and its Subsidiaries, taking into account the interests of its shareholders and other stakeholders (including customers, business partners, employees and society), thus providing the members of the Board of Directors and the Management Committee with a cohesive and motivational system of remuneration to create incentives and promote involvement in the Company and the Group.

The remuneration of the members of the Board of Directors and the Management Committee will be paid in accordance with the remuneration policy.

Agreements and resolutions governing the engagement of members of the Board of Directors

Tomasz Suchański, the CEO of the Company, concluded a managing director mandate confirmation with Zabka Group and a cooperation agreement with Żabka Polska. Both agreements provide for payment of monthly fixed fee and three-month notice period. According to the cooperation agreement with Żabka Polska, Tomasz Suchański may also receive an additional fee determined after each full calendar year depending on the results of his performance of services for Żabka Polska, in particular an increase of the financial results of Żabka Polska.

Tomasz Suchański is also appointed to the management board of Żabka Polska and his remuneration for the performance of this function has been determined by the resolution of the supervisory board of Żabka Polska. Based on the resolution, Tomasz Suchański is entitled to monthly fixed remuneration, as well as certain in-kind benefits, such as coverage of the costs of private medical care package and ability to use a car according to the agreed budget.

The abovementioned agreements and resolution do not provide for payments upon termination of the agreement or termination of Tomasz Suchański's appointment to the management board, other than the remuneration for abovementioned notice period under the managing director mandate confirmation with Zabka Group and cooperation agreement with Żabka Polska and compensation for non-compete described below in Section "*Non-competition clauses and other agreements related to non-competition of the Board of Directors*").

Krzysztof Krawczyk, István Szőke and Stephan Schäli do not have any agreements concluded with Zabka Group or its Subsidiaries and do not receive remuneration from these entities.

Olga Grygier Siddons and Giulia Fitzpatrick have concluded independent director mandate confirmations with Zabka Group based on which they are entitled to monthly fixed fee due from September 2024. According to these agreements, if the director's appointment is terminated by the general meeting of shareholders of Zabka Group for reasons other than a valid cause (as defined in the agreement) or if the director is not reappointed for the next term of office after the term of office specified in the agreement, for reasons other than a valid cause, the director is entitled to one-off severance pay in the gross amount corresponding to the amount of director's remuneration which would be due for the period from the date the director's appointment terminates until 30 November 2025 but not more than for 12 months, calculated based on the monthly fee resulting from the agreement.

Agreements and resolutions governing the engagement of members of the Management Committee other than the CEO of the Company

Adam Manikowski, Tomasz Blicharski, Anna Grabowska, Jolanta Bańczerowska, Marta Wrochna-Łastowska and Wojciech Krok who are members of the Management Committee have concluded managing director mandate confirmations with Zabka Group. The agreements assume that they can execute their functions only in the territory of Luxembourg and during the meetings of the Management Committee held in Luxembourg. The agreements do not provide additional remuneration for execution of these functions. The agreements provide for three months' notice periods and do not provide for any remuneration or payments upon termination.

The abovementioned persons are also appointed to the management board of Żabka Polska and their remuneration for the performance of function in the management board has been determined by the resolutions of the supervisory board of Żabka Polska. Based on these resolutions, they receive fixed monthly remuneration, as well as certain in-kind benefits such as coverage of the costs of private medical care package and ability to use a car according to the agreed budget. No payments upon termination of appointment are provided in those resolutions. However, the abovementioned persons are entitled to compensation for non-compete described below in Section "*Non-competition clauses and other agreements related to non-competition of members of the Management Committee other than the CEO of the Company*".

Some members of the Management Committee also receive remuneration for the performance of function in the management board of Żabka Polska's subsidiaries, as determined by the resolutions of the respective corporate bodies of Żabka Polska's subsidiaries.

The abovementioned persons have concluded also cooperation agreements with Żabka Polska which provide for payment of monthly fixed fee and three months' notice period, with the exception of the cooperation agreement concluded with Adam Manikowski which provides for 12 months' notice period. Under the cooperation agreements with Żabka Polska, the indicated persons may also receive additional fee determined after each full calendar year depending on the results of their performance of services, in particular an increase of the financial results of Żabka Polska. No payments upon termination are provided in those agreements, other than remuneration for the abovementioned notice period and the compensation for non-compete (please see Section "*Non-competition clauses and other agreements related to non-competition of members of the Management Committee other than the CEO of the Company*").

Non-competition clauses and other agreements related to non-competition of the members of the Board of Directors

The managing director mandate confirmation concluded between Tomasz Suchański and Zabka Group provides for a non-competition clause applicable during the period of 12 months after the date on which the appointment has ceased, without the right to a separate non-compete compensation.

The cooperation agreement concluded between Tomasz Suchański and Żabka Polska includes non-competition clause covering the period of the agreement and six months after its termination, whereas the entry into force of the post-termination non-compete clause is conditional upon Żabka Polska submitting to Tomasz Suchański a respective statement on Żabka's Polska intent to enter into that clause no later than on the date of submitting statement of termination of the agreement to the CEO or within 7 days of receiving from his statement on termination of the agreement. For the period of the post-termination non-compete clause, the compensation equal to 50% of the monthly fee received for the last full month of performance of the services is due.

In addition, a separate non-competition agreement related to the appointment of Tomasz Suchański to the management board of Żabka Polska has been concluded, which covers the period of appointment and: (i) six months after the date on which appointment has ceased - in the case of termination for cause, or (ii) three months (corresponding to the notice period under cooperation agreement) plus six months - in the case of dismissal or resignation in the circumstances which do not constitute termination for cause. Żabka Polska may decide not to apply the non-competition clause indicated in item (i) above or in item (ii), with respect to the period of six months. For the period of three months (corresponding to the notice period under cooperation agreement) of the post-termination non-compete clause specified in item (ii), the compensation equal to 100% of a regular monthly gross remuneration specified in the resolution of the supervisory board of Żabka Polska is due. In the remaining scope, the compensation for the post-termination non-compete clause equals to 50% of a regular monthly gross remuneration specified in the resolution of the supervisory board of Żabka Polska.

The agreement concluded with Tomasz Suchański related to the Historic MIP, includes the non-competition clause valid during the term of the service agreement (as defined in the Historic MIP documentation) and 12 months from the date of departure (as defined in Historic MIP documentation), without the right to separate non-compete compensation.

The independent director mandate confirmations concluded by Zabka Group with Olga Grygier Siddons and Giulia Fitzpatrick provide for a non-competition clause during the period of appointment and for 12 months after the date on which the appointment has ceased, without the right to separate non-compete compensation.

In addition, Olga Grygier Siddons and Giulia Fitzpatrick have concluded non-competition agreements with Żabka Polska in connection with their appointment to the supervisory board of Żabka Polska. The non-competition agreement with Olga Grygier Siddons was valid during the term of her appointment and covers also 12 months from the date she ceased to be a member of the supervisory board. The non-competition agreement with Giulia Fitzpatrick was valid during the term of her appointment and covers also 24 months from the date she ceased to be a member of the supervisory board. These non-competition agreements do not provide for a separate non-compete compensation.

No non-competition clauses have been concluded by the Group companies with Krzysztof Krawczyk, István Szőke and Stephan Schäli.

Non-competition clauses and other agreements related to non-competition of members of the Management Committee other than the CEO of the Company

The managing director mandate confirmations concluded by Zabka Group with Adam Manikowski, Tomasz Blicharski, Anna Grabowska, Jolanta Bańczerowska, Marta Wrochna-Łastowska and Wojciech Krok provide for a non-competition clause during the period of 12 months after the date on which the appointment has ceased, without the right to a separate non-compete compensation.

The cooperation agreements concluded by Żabka Polska with the abovementioned persons include non-competition clauses valid for the period of the contract and for six-month after its termination, whereas the entry into force of the post-termination non-compete clause is conditional upon Żabka Polska submitting to the contractor a respective statement on

Żabka's Polska intent to enter into it such clause not later than on the date of submitting statement of termination of the agreement to the contractor or within seven days of receiving from the contractor statement on termination of the agreement. For the period of the post-termination non-compete clause, the compensation equal to 50% of the monthly fee received for the last full month of performance of the services is due.

In addition, a separate non-competition agreements related to the appointment to the management board of Żabka Polska have been concluded with abovementioned persons, which cover the period of appointment and: (i) six months after the date on which appointment has ceased - in the case of termination for cause, or (ii) three months or, in the case of Adam Manikowski, 12 months (corresponding to the notice period under cooperation agreement) plus six months - in the case of dismissal or resignation in the circumstances which do not constitute termination for cause. Żabka Polska may decide not to apply the non-competition clause indicated in item (i) above or in item (ii), with respect to the period of six months. For the period of three months, or, in the case of Adam Manikowski, 12 months (corresponding to the notice period under cooperation agreement) of the post-termination non-compete clause specified in item (ii), the compensation equal to 100% of a regular monthly gross remuneration specified in the resolution of the supervisory board of Żabka Polska is due. In the remaining scope, the compensation for the post-termination non-compete clause equals to 50% of a regular monthly gross remuneration specified in the resolution of the supervisory board of Żabka Polska.

The agreements related to the Historic MIP, include the non-competition clause valid during the term of the service agreement (as defined in the Historic MIP documentation) and 12 months from the date of departure (as defined in Historic MIP documentation), without the right to separate non-compete compensation.

Other agreements

In 2023, the Group decided to provide certain liquidity to the group of nineteen participants in the Historic MIP, including members of the Management Committee, through Luxembourg law governed upstream loans granted by the Company or Żabka Polska (jointly the "**Upstream Loan Agreements**").

The individual loan amount was defined at the maximum level of 30% of then-current value of the Shares held by respective manger. In case of some managers the loan was made available in maximum three tranches disbursed not later than within 18 months from the date of the respective Upstream Loan Agreement. As at the day of the Prospectus, EUR 54,391,000 has been utilized.

The final repayment date of the loans is the 3rd (third) anniversary of the date of the respective Upstream Loan Agreement, subject that it may be further extended upon parties' consent and the loans shall be repaid only from the proceeds received from the sale of the Shares, dividend, repayment, or any other proceeds received from any Shares, or enforcement process.

Claims of the Company or Żabka Polska under the Upstream Loan Agreements are secured by:

a) Luxembourg law governed pledges over the part of the Shares owned by a manager being a party to the Upstream Loan Agreement either directly or indirectly through a corporate entity; provided that (i) as a result of the Shares dematerialization, after the Pricing Date but prior to the Settlement of the Offering, the pledges over the Shares, including the Shares transferred by the Selling Managers to Amphibian (please see: "*Major Shareholders and Selling Shareholders—The Selling Shareholders*") will be released and replaced with other pre-agreed security interests in favor of the Company and/or Żabka Polska; (ii) the proceeds from the sale of the Shares in the Offering by Amphibian will be used to repay the loans under Upstream Loan Agreements; and (iii) the Shares not sold in the Offering by Amphibian (if any) will be transferred back to the respective Selling Managers in an appropriate proportion and the pledges over such Shares will be re-established within agreed deadline in case the loans are not fully repaid from the proceeds received from the sale of the Shares; and
b) Luxembourg law governed professional payment guarantee (*garantie professionnelle de paiement*) granted by each manager.

Each of the Upstream Loan bears arm's length interest at a fixed rate.

Amount of remuneration of the members of the Board of Directors and the Management Committee

The members of the Board of Directors did not receive remuneration from the Company for 2023. The table below presents the amount of remuneration and other benefits received by members of Board of Directors from Żabka Polska and other Subsidiaries for 2023 (on any legal basis).

	Fixed remuneration from Żabka Polska	Variable remuneration from Żabka Polska*	Remuneration from Subsidiaries other than Żabka Polska	Other in-kind remuneration and benefits**
	(PLN thousand and rounded to hundreds)			
1. Tomasz Suchański	1,524.0	2,028.4	-	191.4
2. Krzysztof Krawczyk	-	-	-	-
3. István Szőke	-	-	-	-
4. Stephan Schäli.	-	-	-	-
5. Olga Grygier Siddons***	512.0	-	-	-

	Fixed remuneration from Żabka Polska	Variable remuneration from Żabka Polska*	Remuneration from Subsidiaries other than Żabka Polska	Other in-kind remuneration and benefits**
	(PLN thousand and rounded to hundreds)			
6. Giulia Fitzpatrick***	556.0	-	-	-
Total:	**2,592.0**	**2,028.4**	**-**	**191.4**

The members of the Management Committee did not receive remuneration from the Company for 2023. The table below presents the amount of remuneration and other benefits received by members of Management Committee other than Tomasz Suchański from Żabka Polska and other Subsidiaries for 2023 (on any legal basis).

	Fixed remuneration from Żabka Polska	Variable remuneration from Żabka Polska*	Remuneration from subsidiaries other than Żabka Polska*	Other in-kind remuneration and benefits**
	(PLN thousand and rounded to hundreds)			
1. Adam Manikowski	1,404.0	1,868.7	-	112.9
2. Tomasz Blicharski	1,404.0	1,868.7	30.0	93.0
3. Anna Grabowska	1,404.0	1,868.7	-	113.4
4. Jolanta Bańczerowska	1,016.4	1,352.8	-	74.9
5. Marta Wrochna-Łastowska	1,016.4	1,352.8	30.0	108.0
6. Wojciech Krok	620.0	796.9	1,147.0	-
Total:	**6,864.8**	**9,108.6**	**1,207.0**	**502.2**

** For 2023, the variable remuneration was due exclusively from Żabka Polska with the exception of Wojciech Krok, who, for 2023, received variable remuneration both from Żabka Polska and Lite E-commerce. The variable remuneration for 2022 was paid in 2023 and is not represented in the table above.*
*** The item "Other in-kind remuneration and benefits" includes, among others, the following categories: private health care, the costs of life and medical expenses and personal accident insurance policies, tuition fees for private schools for children, a company car that may be used for private purposes.*
**** Olga Grygier Siddons and Giulia Fitzpatrick are entitled to remuneration in EUR, but the amounts included in the table are presented in PLN at the average exchange rate of the National Bank of Poland as of September 24, 2024.*

Incentive Plans

Historic MIP

In 2017, a long-term incentive plan ("**Historic MIP**") was established pursuant to which members of the key management of the Group were given the opportunity to indirectly acquire preferred and ordinary shares, and preferred equity certificates (PECs) in Heket Investments S.à r.l. In 2019, the PECs were repaid.

The Historic MIP was designed in such a way that it combines the profits of the participants with the value of the Company and the Group; therefore, it was classified as being subject to IFRS 2. In accordance with IFRS 2, the Historic MIP was valued at fair-market value at the time of its adoption, taking into account all of the conditions of the programme, the market conditions and the risks associated with the securities.

The economic rights attached to a certain portion of the shares held by the Historic MIP participants were subject to vesting in equal parts at the end of each quarter until the fourth anniversary of the vesting date (i.e. until 7 August 2021). 20% of the shares held by the Historic MIP participants are subject to vesting in equal parts at the end of each quarter for a period of 12 months from the WSE Admission, with unvested shares being subject to the Company's call option under certain circumstances (e.g., the manager's departure as defined in the Historic MIP documents).

Key management members' interests

Following the Conversion EGM, the approximate number of shares in the Company held (directly or indirectly through holding vehicles) by the key management members currently engaged by the Group will be as follows, assuming that the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price (please see "*Major Shareholders and Selling Shareholders—Control over the Company—Conversion Agreement*"). The following table does not include the Shares transferred by the Selling Managers to Amphibian prior to the date of this Prospectus (please see "*Major Shareholders and Selling Shareholders—The Selling Shareholders*" and "*Major Shareholders and Selling Shareholders—Shareholding structure before and after the completion of the Offering*").

	Immediately prior to and after the Settlement of the Offering[1]	
	Number of shares	% of Shares / % of votes at the GM
Ribeira SCSp[2]	43,190,677	4.32%
Sigma Investment SCSp[3]	14,028,174	1.40%
JAAL Investments SCSp[4]	21,832,430	2.18%
Charme Investments SCSp[5]	14,164,579	1.42%
Jolanta Bańczerowska	322,364	0.03%
Marta Wrochna-Łastowska	1,052,793	0.11%
Alexandria Capital SCSp[6]	987,181	0.10%
Other managers	2,395,357	0.24%

[1] Assuming that Amphibian will sell all of its Offer Shares in the Offering; [2] Holding vehicle of Tomasz Suchański; [3] Holding vehicle of Adam Manikowski; [4] Holding vehicle of Tomasz Blicharski; [5] Holding vehicle of Anna Grabowska; [6] Holding vehicle of Wojciech Krok.

IPO Award

It is intended that, conditional on the WSE Admission, the franchisees, certain B2B contractors and the employees of the Group with at least two years of engagement in the Group (as at the last day of the calendar month when the Listing Date occurred) (the "**IPO Share Awards Participants**") will be entitled to a one-off grant of IPO Share Award in the form of the Shares on the first anniversary of the Listing Date, provided (among other conditions) that they remain engaged (and are not in the notice period) by the Group both as at the Listing Date and on the first anniversary of the Listing Date and, in the case of employees, actively perform work (the "**IPO Share Awards**"). In the case of the Subsidiaries, the years of engagement will be calculated from the day the Company acquired the (direct or indirect) control of the Subsidiary. The detailed terms and conditions of IPO Share Awards will be determined in the IPO Share Awards Rules for the eligible Employees and the IPO Share Award Rules for eligible Franchisees and B2B Contractors by the Board of Directors. The CEO, the members of the Management Committee as well as other participants of LTIP (as defined below) or long term incentive schemes with the Subsidiaries are not entitled to the IPO Share Awards.

The number of Shares to be granted under the IPO Share Awards to each eligible individual will be determined by dividing PLN 10,000 by the Retail Investors Offer Price. The number of IPO Share Award Participants as of the Listing Date is initially estimated at approx. 8,500 individuals. The IPO Share Award Participants will receive Shares for no consideration.

A predetermined LTIP 2025-2027 and IPO Share Award volume shall be a number of shares representing up to 3% of the share capital of the Company as at the Listing Date.

Long Term Incentive Plan

The Company intends to introduce a long-term incentive plan, conditional on the WSE Admission, under which the rights to the Shares will be granted to certain: (i) executive directors (including the CEO), (ii) members of the Management Committee, (iii) key managers and employees of the Group selected based on the roles of such individuals within the Group (the "**LTIP Participants**") (the "**LTIP**"). It is intended that the LTIP will provide discretionary incentive for the achievement of financial targets, such as Sales to End Customers' growth and Adjusted EBITDA growth, and non-financial targets, such as ESG targets, determined by the Board of Directors in overall nine (9) year period and will consists of three consecutive 3-year plans.

The first performance period will cover the financial years 2025-2027 (the "**LTIP 2025-2027**"). A predetermined LTIP 2025-2027 and IPO Share Awards volume shall be a number of shares representing up to 3% of the share capital of the Company as at the Listing Date. The Shares under the LTIP 2025-2027 will be issued for no consideration. It is intended that the awards under the LTIP 2025-2027 will be granted as: (i) Performance Stock Unit Award – a conditional right to acquire Shares subject to the satisfaction of in particular performance conditions as determined by the Board of Directors or (ii) Restricted Stock Unit Award – a conditional right to acquire Shares subject to satisfaction of in particular retention conditions as determined by the Board of Directors. The LTIP Participants may receive only Performance Stock Unit Award or a combination of Performance Stock Unit Award and Restricted Stock Unit Award depending on their roles within the Group. The executive directors (including the CEO) and the members of the Management Committee may receive only Performance Stock Unit Award. The performance conditions for Performance Stock Unit Award granted under the LTIP 2025-2027 will be determined by the Board of Directors based on the following criteria related to Zabka Group Value Creation Plan (VCP): (i) EBITDA Growth, (ii) Sales Revenue Growth, (iii) the LTIP ESG index created for the purpose of LTIP.

The Performance Stock Unit Award under LTIP 2025-2027 will vest on a cumulative basis, 1/3 at the end of each calendar year within the performance period. The Restricted Stock Unit Award will vest on annual basis, 1/3 at the end of each calendar year within the performance period. Shares under Restricted Stock Unit Award and part of Shares under Performance Stock Unit Award will be delivered to the LTIP Participants without deferral after the vesting date (following the announcement of the final approved financial statements). Part of Shares under Performance Stock Unit Award may be subject to 1-year or 2-year deferral, provided that all Shares that have vested will be delivered following the announcement of the final approved financial statements for 2027. The LTIP 2025-2027 will envisage the possibility of reducing deferred Shares even to zero, depending on the level of achievement of performance conditions in the following years within the performance period.

The detailed terms and conditions of LTIP (including the LTIP 2025-2027) will be determined in specific LTIP rules to be adopted by the Board of Directors.

For the purpose of implementation of the awards to be granted under the IPO Share Awards and the awards to be granted under the LTIP, the Company intends to create the authorized share capital (with the authorization to the Board of Directors to waive, limit or suppress preferential subscription rights of existing shareholders) which will allow (exclusively) for the issuance of the Company shares in relation to the IPO Share Awards, the LTIP 2025-2027 as well as the planned LTIP for the performance period 2028-2030. The amount of the authorized share capital expected to be approved at the Conversion EGM equals a number of Shares representing of 6% of the issued share capital as at the time of the Conversion EGM. Such authorization being valid for a period ending on (and including) the date which falls five (5) years after the publication in the *Recueil électronique des sociétés et associations* of the Conversion EGM having adopted the authorized share capital. The IPO Share Awards, the LTIP 2025-2027 as well as the LTIP for the performance period 2028-2030 awards may also be satisfied with the shares to be bought back by the Company from the market. It is intended that the Conversion EGM provides an authorization to the Board of Directors to purchase, with certain requirements concerning the purchase price, a number of Shares representing up to 6% of the Company's issued share capital as at the time of the Conversion EGM, such authorization being valid for a period ending on (and including) the date which falls five (5) years after the Conversion EGM. The total volume of the LTIP and the IPO Awards in the nine (9) year period shall not exceed a number of Shares representing more than 9% of the Company's issued share capital as at the time of the Conversion EGM (i.e. 9% of the share capital as at the Listing Date), subject to approval of the authorized share capital increase from 6% to 9% of Company's issued share capital as at the time of the Conversion EGM by the General Meeting in accordance with the Luxembourg Company Law and the Articles of Association. When determining the maximum overall number of shares to be issued in relation to 2025-2027 LTIP, the Board of Directors will take also into account the value of any long-term incentive plans to be established at the level of the Subsidiaries.

As a result of the LTIP, the Group anticipates around 2% dilution in share count overall between 2026 and 2028 assuming delivery of guidance, with the majority of dilution expected in 2028.

Incentive schemes within the Subsidiaries

In order to incentivize key personnel of the Subsidiaries, the Group from time to time introduces incentive schemes within the Subsidiaries. As at the date of the Prospectus, an incentive scheme entitling selected key individuals of Lite e-Commerce to acquire shares in Lite e-Commerce and subsequently sell the shares back to Żabka Polska for a purchase price established pursuant to individual agreements entered with key personnel is in place. The Group intends to introduce similar incentive schemes within selected Subsidiaries following the IPO.

WSE Best Practices

As the Shares are to be solely admitted to trading on the WSE, the Company has not opted to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange. Instead, from the date of the admission of its Shares to trading on the regulated market of the WSE, the Company will comply with the Corporate Governance Code of the WSE (WSE Best Practices), in effect starting from the WSE Admission, as such applies to companies listed on the WSE.

The WSE Best Practices is a set of recommendations and rules of procedure for governing bodies of publicly listed companies and their shareholders. The WSE Rules and the resolutions of the WSE Management Board and its council set forth the manner in which publicly listed companies disclose information on their compliance with corporate governance rules and the scope of the information to be provided. If a certain rule is not complied with by a publicly listed company on a permanent basis or has been breached incidentally, such publicly listed company is required to disclose this fact in the form of a current report. Under Luxembourg law, the Company will be required to disclose in its annual reports whether or not it complies with the various principles and provisions of the WSE Best Practices and, in the event that the Company deviates from a best practice provision set out in the WSE Best Practices, the reason for such deviation must be properly explained in its annual report.

The Company acknowledges the importance of good corporate governance. The Company fully endorses the underlying principles of the WSE Best Practices and applies the WSE Best Practices as the guiding principles for its corporate governance policy. The Company complies with relevant best practice provisions of the WSE Best Practices, other than as detailed below (or in the case of any future deviation, subject to explanation thereof at the relevant time):

Principle 3.6 of the WSE Best Practices provides that the head of internal audit should report organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee. The Company partially applies this principle – the head of internal audit functionally reports to the chair of the audit committee, but organisationally is under the CFO.

MAJOR SHAREHOLDERS AND SELLING SHAREHOLDERS

The Company's shareholders

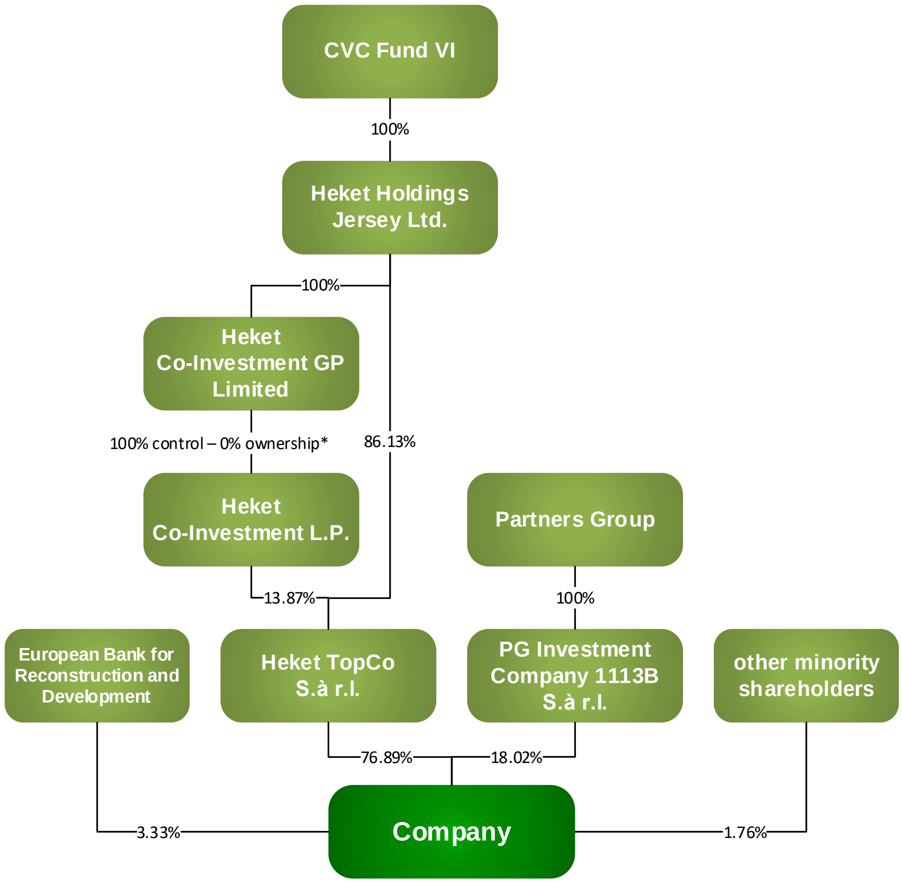
The Company's shareholders as at the date of the Prospectus

As at the date of this Prospectus (i.e., prior to the Conversion EGM), the Company's shareholders are:

- Heket Topco S.à r.l., holding 41,426,683 class A ordinary shares and 1,960,788,710 class A preference shares together constituting approximately 76.89% of the Company's share capital and carrying approximately 76.89% of the total number of votes at the General Meeting;
- PG Investment Company 1113B S.à r.l., holding 9,707,099 class A ordinary shares and 459,452,023 class A preference shares together constituting approximately 18.02% of the Company's share capital and carrying approximately 18.02% of the total number of votes at the General Meeting;
- European Bank for Reconstruction and Development, holding 1,793,689 class A ordinary shares and 84,898,287 class A preference shares together constituting approximately 3.33% of the Company's share capital and carrying approximately 3.33% of the total number of votes at the General Meeting; and
- other minority shareholders (including Amphibian), holding 8,610,989 class B ordinary shares and 37,338,540 class B preference shares together constituting approximately 1.76% of the Company's share capital and carrying approximately 1.76% of the total number of votes at the General Meeting.

For information about the approximate shareholding structure of the Company subsequent to the Conversion EGM please see "*—Shareholding structure before and after the completion of the Offering*" below.

The chart below presents the structure of the Company's shareholders as at the date of this Prospectus (i.e., prior to the Conversion EGM),



** Heket Co-Investment GP Limited is the sole general partner of Heket Co-Investment L.P.; there is no ownership relationship between the entities.*

Heket Topco S.à r.l. is directly owned by: (i) Heket Holdings Jersey Limited, a limited company governed by the laws of Jersey and having its registered office at 27 Esplanade, St Helier, Jersey JE1 1SG, Channel Islands, registered with the Jersey Financial Services Commission under No. 123119, holding 86.13% of the shares in the share capital and 86.13% of the total number of votes in Heket Topco S.à r.l.; and (ii) Heket Co-Investment L.P., a limited partnership governed by the laws of Jersey and having its registered office at 27 Esplanade, St Helier, Jersey JE1 1SG, Channel Islands, registered with the Jersey Financial Services Commission under No. 3125, holding 13.87% of the shares in the share capital and 13.87% of the total number of votes in Heket Topco S.à r.l.

Heket Co-Investment L.P. is directly controlled by Heket Co-Investment GP Limited, a limited company governed by the laws of Jersey and having its registered office at 27 Esplanade, St Helier, Jersey JE1 1SG, Channel Islands, registered with the Jersey Financial Services Commission under number 130378. Heket Co-Investment GP Limited is the sole general partner of Heket Co-Investment L.P. No single limited partner in Heket Co-Investment L.P. has agreed to contribute 20% or more of the aggregate capital committed to Heket Co-Investment L.P.

Heket Co-Investment GP Limited is directly owned by Heket Holdings Jersey Limited which holds 100% of the shares in the share capital and 100% of the total number of votes in Heket Co-Investment GP Limited.

Heket Holdings Jersey Limited is directly and wholly owned by CVC Capital Partners VI (A) L.P., CVC Capital Partners VI (B) L.P., CVC Capital Partners VI (C) L.P., CVC Capital Partners VI (D) S.L.P., CVC Capital Partners VI Associates L.P. and CVC Capital Partners Investment Europe VI L.P. (collectively referred to herein as "**CVC Fund VI**"). No single limited partner in the partnerships comprising CVC Fund VI has agreed to contribute 25% or more of the aggregate capital committed to the partnerships, taken together.

PG Investment Company 1113B S.à r.l. is directly or indirectly controlled by, or is under the common control of, certain funds managed and/or advised by Partners Group AG or its affiliates.

The Selling Shareholders

The Selling Shareholders are:

- Heket Topco S.à r.l., a private limited liability company (société à responsibilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 29 Avenue de la Porte-Neuve L-2227 Luxembourg, Grand Duchy of Luxembourg, and registered with the RCS under number B262589; LEI code No. 549300BJ08S1RR4YQG97 ("**Principal Selling Shareholder**" or "**Selling Shareholder I**");

- PG Investment Company 1113B S.à r.l., a private limited liability company (société à responsibilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 35D, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, registered with the RCS under number B262636; LEI code No. 529900F8UOHHYPXOXG62 ("**Selling Shareholder II**");

- European Bank for Reconstruction and Development, with its registered office at Five Bank Street, London, E14 4BG, United Kingdom; LEI code No. 549300HTGDOVDU6OGK19 ("**Selling Shareholder III**");

- Amphibian 2 S.à r.l., a private limited liability company (société à responsabilité limitée), registered in Luxembourg with its registered office at 23, rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg, registered with the RCS under number B288093; LEI code No. 875500L792GM8G0PBK94 ("**Amphibian**" or "**Selling Shareholder IV**"), which at the date of this Prospectus is the registered legal owner of 2,086,126 Shares (as at the date of the Prospectus) and acts for the benefit of the holding vehicles of the following Directors and members of the Management Committee: Tomasz Suchański, Adam Manikowski, Tomasz Blicharski, Anna Grabowska, Jolanta Bańczerowska, Marta Wrochna-Łastowska and Wojciech Krok and certain other current and former managers of the Group or their holding vehicles (collectively the "**Selling Managers**") who transferred their Shares to Amphibian based on the agreement between the Selling Managers and Amphibian, provided that the Shares not sold in the Offering by Amphibian will be transferred back to the Selling Managers in an appropriate proportion; and

- Jacques de Vaucleroy, with professional address at 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg ("**Selling Shareholder V**").

The following table sets out the identities of the Selling Shareholders and the maximum number of Offer Shares (subsequent to the Conversion EGM) each will sell in the Offering, assuming that the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price.

	Number of Offer Shares	% of Shares / % of votes at the GM represented by Offer Shares
Heket Topco S.à r.l.	266,163,430[1]	26.62%[1]
PG Investment Company 1113B S.à r.l.	31,604,797	3.16%
EBRD	11,524,322[2]	1.15%[2]
Amphibian	33,473,915	3.35%
Jacques de Vaucleroy	2,233,536	0.22%
Total	**345,000,000**	**34.50%**

[1] Including 43,132,455 Over-Allotment Shares; [2] Including 1,867,545 Over-Allotment Shares.

Control over the Company

Control over the Company

As at the date of this Prospectus, Heket Topco S.à r.l. holds 41,426,683 class A ordinary shares and 1,960,788,710 class A preference shares constituting together approximately 76.89% of the Company's share capital and carrying approximately 76.89% of the total number of votes in the Company.

It is expected that subsequent to the Conversion EGM and immediately prior to the Settlement of the Offering, Heket Topco S.à r.l. will hold approximately 67.44% of the Company's share capital and approximately 67.44% of the total number of votes in the Company, assuming that the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price.

Consequently, Heket Topco S.à r.l. exerts direct control over the Company due to its majority shareholding in the Company's share capital and the voting rights at the General Meeting held in connection with such shareholding.

Control over the Company following the Offering

After the completion of the Offering and provided that all of its Offer Shares are sold in the Offering, the Company expects that Heket Topco S.à r.l. will continue to remain the largest shareholder of the Company.

It is expected that subsequent to the Conversion EGM and immediately after the Settlement of the Offering, assuming that Heket Topco S.à r.l. will sell all of its Offer Shares in the Offering and the Over-Allotment Option is exercised in full, Heket Topco S.à r.l. will hold approximately 40.82% of the Company's share capital and approximately 40.82% of the total number of votes in the Company, assuming that the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price.

Shareholders Agreements

As part of the reorganisation of the Group (see "*Related-Party Transactions—Reorganisation*"), each of the original shareholders of Heket Investments S.à r.l. and Heket Holdings S.à r.l. together with the shareholders of the Company, i.e. Heket Topco S.à r.l., PG Investment Company 1113B S.à r.l., The European Bank for Reconstruction and Development ("**EBRD**") and the Historic MIP participants (see "*Management and Corporate Governance—Incentive Plans—Historic MIP*"), have concluded shareholders agreements in connection with their investment in the Company (the "**Shareholders Agreements**"). The Shareholders Agreements regulate, in particular, the corporate governance of the Company. Upon the WSE Admission, the Shareholders Agreements will expire except for the provisions regarding: (i) shared settlements with EBRD as well as certain commitments of the Group in relation to EBRD including with respect to agreed environmental and social requirements and establishing internal procedures preventing money laundering or other corrupt or illegal activities and also certain information obligations of the Group towards EBRD, including those regarding environmental initiatives or the occurrence of any material incidents or accidents related to safety, public or occupational health, or the environment; and (ii) the vesting of the portion of the shares of the Historic MIP participants for a period of 12 months from the WSE Admission (see "*Management and Corporate Governance—Incentive Plans—Historic MIP*").

On the date of this Prospectus, the Majority Selling Shareholders, Tomasz Suchański (and his holding vehicle) and Tomasz Blicharski (and his holding vehicle) entered into an agreement amongst themselves regulating the disposal of Shares by any of them following the date of the execution thereof (without prejudice to the terms of the lock-up arrangements described in "*Underwriting, Stabilisation and Lock-ups—Lock-up Agreements*"), such that any disposals of Shares by the Majority Shareholders, Tomasz Suchański (and his holding vehicle) and Tomasz Blicharski (and his holding vehicle) may be coordinated and conducted in an orderly manner.

Conversion Agreement

The Company is a party to a conversion agreement dated 31 December 2021 and effective from 2 December 2021 (the "**Conversion Agreement**") entered into between: (i) the parties to the original Shareholders Agreements and investment agreements relating to the investment in Heket Investments S.à r.l. or Heket Holdings S.à r.l., which agreements were amended accordingly as part of the reorganisation of the Group (see "*Related-Party Transactions—Reorganisation*"); (ii) the entities incorporated as part of the reorganisation of the Group being the majority shareholders of the Company (i.e. Heket Topco S.à r.l. and PG Investment Company 1113B S.à r.l.); (iii) EBRD; as well as (iv) the Historic MIP participants being shareholders of the Company. Pursuant to the Conversion Agreement, the parties thereto undertook to carry out a conversion of the class A and class B preference and ordinary shares in the Company existing as at the date of this Prospectus into new ordinary shares in accordance with the exchange ratios set out therein, which conversion will be implemented at a general meeting of the shareholders of the Company on the first business day following the Pricing Date (the "**Conversion EGM**"), and which will require applying the PLN/EUR exchange rate as at the time of pricing.

Shareholding structure before and after the completion of the Offering

The following table sets out the approximate shareholding structure of the Company immediately prior to the Settlement of the Offering and subsequent to the Conversion EGM, assuming that the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price (please see "*Major Shareholders and Selling Shareholders—Control over the Company—Conversion Agreement*").

	Number of Shares	% of Shares / % of votes at the GM
Heket Topco S.à r.l.	674,394,025	67.44%
PG Investment Company 1113B S.à r.l.	158,023,986	15.80%
EBRD	29,199,856	2.92%
Amphibian	33,473,915	3.35%
including the Shares transferred (directly or indirectly through holding vehicles) to Amphibian prior to the date of this Prospectus by:		
Ribeira SCSp[1]	*10,047,955*	*1.00%*
Sigma Investment SCSp[2]	*3,507,040*	*0.35%*
JAAL Investments SCSp[3]	*5,449,003*	*0.54%*
Charme Investments SCSp[4]	*3,537,591*	*0.35%*
MIRAI F.R.[5]	*1,289,470*	*0.13%*
ADELFOI F.R.[6]	*1,052,792*	*0.11%*
Alexandria Capital SCSp[7]	*987,180*	*0.10%*
Other Selling Managers	*7,602,884*	*0.76%*
Other minority shareholders	104,908,218	10.49%
Total	**1,000,000,000**	**100.00%**

[1] Holding vehicle of Tomasz Suchański; [2] Holding vehicle of Adam Manikowski; [3] Holding vehicle of Tomasz Blicharski; [4] Holding vehicle of Anna Grabowska; [5] Holding vehicle of Jolanta Bańczerowska; [6] Holding vehicle of Marta Wrochna-Łastowska; [7] Holding vehicle of Wojciech Krok.

The following table sets out the approximate shareholding structure of the Company immediately after the Settlement of the Offering, assuming that (i) the Selling Shareholders will sell all of their Offer Shares in the Offering, (ii) the Over-Allotment Option is exercised in full and (iii) the Retail Investors Offer Price and the Institutional Investors Offer Price are set at the Maximum Price (please see "*Major Shareholders and Selling Shareholders—Control over the Company—Conversion Agreement*").

	Number of Shares	% of Shares / % of votes at the GM
Heket Topco S.à r.l.	408,230,595	40.82%
PG Investment Company 1113B S.à r.l.	126,419,189	12.64%
Other minority shareholders	120,350,216	12.04%
Free float (purchasers of the Offer Shares)	345,000,000	34.50%
Total	1,000,000,000	**100.00%**

The number of shares in the Company expected to be held by key management members (directly or indirectly through holding vehicles) is set out in "*Management and Corporate Governance—Incentive Plans—Key management members' interests*".

The Offering does not comprise an issuance of any new shares in the Company and, therefore, the Offering will not result in any dilution for the current shareholders of the Company.

RELATED-PARTY TRANSACTIONS

According to IAS 24 "*Related Party Disclosures*", entities and persons are considered to be related to a company if, in particular, the entity or a close relative of the person:

- controls the company or is involved in its joint management, exercises significant influence over the company or holds a key position in the management of the company or a parent entity;
- is a member of the same group of companies;
- is associated with the company within the meaning of IAS 28 "*Investments in Associates and Joint Ventures*" or is a joint venture in which the company is a partner within the meaning of IAS 31 "*Interests in Joint Ventures*";
- to the same extent as the company, is a joint venture of the same third parties;
- is a company that is controlled by a related party, is significantly influenced by it or is subject to joint management in which a related party of that company is involved or in which such person holds a key position in the management; or
- is a pension fund established for the benefit of the employees of the company or for the benefit of an entity related to that company for payments after termination of the employment relationship.

The material transactions and legal relationships that existed between the Group and the above-mentioned related persons and entities in the financial years 2021 to 2023, as well as in the current 2024 financial year, up to and including 30 June 2024, that are required to be reported in connection with IAS 24 "*Related Party Disclosures*" are set forth in note 9.2 to the Interim Financial Statements and note 9.3 to the Annual Financial Statements.

In the six-month period ended 30 June 2024 and between 1 January 2021 and 31 December 2023, the Group executed the following transactions with members of the key management personnel or their affiliates.

	Parent company	**Other related party**	**Total**
		(PLN '000)	
		(unaudited)	
Transactions in the period 01.01.2024 – 30.06.2024	**-**	**7,175**	**7,175**
Interest income	-	7,175	7,175
As at 30.06.2024	**-**	**252,102**	**252,102**
Loans granted and other receivables	-	252,102	252,102
		(audited)	
Transactions in the period 01.01.2023 – 31.12.2023	**-**	**9,869**	**9,869**
Interest income	-	9,869	9,869
As at 31.12.2023	**-**	**202,416**	**202,416**
Loans granted	-	202,416	202,416
Transactions in the period 01.01.2022 – 31.12.2022	**-**	**16**	**16**
Interest income	-	16	16
As at 31.12.2022	**-**	**1,048**	**1,048**
Loans granted	-	1,048	1,048
Transactions in the period 01.01.2021 – 31.12.2021	**51,591**	**9,812**	**61,403**
Interest income	52,362	9,812	62,174
Interest costs	(541)	-	(541)
Revision of estimated contractual cash flows	(230)	-	(230)
As at 31.12.2021	**-**	**(8,397)**	**(8,397)**
Liabilities	-	(8,397)	(8,397)

Reorganisation

The investment structure which held all the shares in Żabka Polska went through a reorganisation aimed at the simplification of its structure and the settlement of outstanding liabilities with related parties (see "*Presentation of Financial and Other Information—Consolidated Financial Statements and other data in the Prospectus—Establishment of the Group and its reorganisation in 2021*"). As part of the reorganisation, the mutual receivables of the entities within the Group and between the Group and its related parties, including also those relating to the share transfers, were settled through assignments and set-off agreements and as a result of the mergers between the respective debtors and creditors of the companies. Following such reorganisation, as at December 2021 there was no loan outstanding between the Company and any of its major shareholders or their affiliates.

Loans

The table below presents items recognised as loans granted in the consolidated statement of financial position and their carrying amount as at 30 June 2024 and 31 December 2023, 2022, and 2021, respectively.

Type of relation	The date the loan was granted	Maturity date	Interest	30.06.2024	31.12.2023	31.12.2022	31.12.2021
				(unaudited)	*(audited)*		
				(PLN '000)			
Other related party....................	September 2022	December 2024	EURIBOR + margin	-	-	1,049	-
Other related parties.................	April 2023	April 2026	Fixed	-	201,368	-	-
Non-current loans granted				**-**	**201,368**	**1,049**	**-**
Other related party....................	September 2022	December 2024	EURIBOR + margin	1,090	1,048	-	-
Other related parties.................	April 2023	April 2026	Fixed	251,012	-	-	-
Current loans granted				**252,102**	**1,048**	**-**	**-**

DESCRIPTION OF THE SHARES AND GENERAL MEETINGS

The information contained in this section is of a general nature and was prepared in accordance with the laws and regulations applicable as at the date of this Prospectus as well as the Articles of Association. Therefore, investors should carefully examine the Articles of Association and consult their legal advisors for detailed information on the rights and obligations attached to the Shares and the General Meeting. Moreover, any reference in this section to deadlines stated in business days, in the context of rights exercised through the NDS, should be understood as deadlines which are counted in accordance with §5 of the NDS Rules, thus excluding any days classified as holidays under the relevant laws and regulations as well as Saturdays, provided that the Management Board of the NDS – if such is necessary for the deposit system, and of which the Management Board of the NDS is required to notify the NDS participants at least one month in advance – may, under a resolution, introduce certain additional business days which are to be excluded for the purposes of the calculation of the respective deadlines as well as designate such additional days classified as holidays and Saturdays which will be included for the purposes of the calculation of the deadlines.

Set forth below is information concerning the Company's share capital and related overview information concerning the material provisions of the Articles of Association and applicable Luxembourg law, in particular the Luxembourg Company Law. For more information, please see the Articles of Association.

General

The Company is a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg, currently having its registered office at 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg and registered with the RCS (*Registre de Commerce et des Sociétés, Luxembourg*) under number B263068.

The Company was incorporated on 2 December 2021 with a share capital represented by 52,927,471 class A ordinary shares and 2,505,139,020 class A preference shares. All of its shares have been fully paid up by contributions in kind valued at EUR 1,596,565,990.68, out of which EUR 25,580,664.91 was allocated to the share capital of the Company, EUR 1,542,040,237.20 to the share premium account of the Company allocated to the class A ordinary shares, and EUR 28,945,088.57 to the share premium account of the Company allocated to the class A preference shares. The contributions in kind consisted of 1,878,818 class A ordinary shares, 1,878,818 class B ordinary shares, 1,878,818 class C ordinary shares, 9,124,027 class A preference shares, 9,124,028 class B preference shares, 9,124,027 class C preference shares, and 9,124,027 class D preference shares in Heket Holdings S.à r.l.

On the same date, the Company's share capital was increased by way of the issuance of 8,610,989 class B ordinary shares and 37,338,540 class B preference shares with a nominal value of one euro cent (EUR 0.01) each in a total amount of EUR 459,495.30 (the "**Initial Share Capital Increase**"). All of the shares were fully paid up by contributions in kind valued at EUR 251,771,791.83, out of which EUR 459,495.30 was allocated to the share capital of the Company, EUR 250,880,876.45 to the share premium account of the Company attached to the class B ordinary shares and EUR 431,420.08 to the share premium account of the Company attached to the class B preference shares. The contributions in kind consisted of: (i) 273,943 class A ordinary shares, 273,942 class B ordinary shares, 273,945 class C ordinary shares, 108,837 class A preference shares, 108,836 class B preference shares, 108,836 class C preference shares and 108,836 class D preference shares in Amphibian Investments; and (ii) 13,140 A ordinary shares, 13,140 B ordinary shares, 13,140 C ordinary shares, 27,131 class A preference shares, 27,131 class B preference shares, 27,131 class C preference shares and 27,131 class D preference shares in Heket Investments S.à r.l.

The Company has not issued any listed or unlisted securities not representing the Company's share capital. Neither the Company, nor any of its subsidiaries (nor any party on behalf of the Company) holds any of the Shares in the Company. The Company has no outstanding convertible securities, exchangeable securities or securities with warrants. There are no relevant acquisition rights or obligations over the Company's authorised but unissued capital or undertakings to increase the Company's issued share capital.

The fiscal year of the Company begins on the first day of January of each year and ends on the last day of December of the same year.

The Company has been incorporated for an unlimited period of time.

Articles of Association

The Articles of Association were last amended on 3 May 2024 to enact, in particular, provisions governing the functioning of the Management Committee. The Articles of Association will be further amended and restated at the Conversion EGM to reflect the conversion of the Existing Shares (as defined below) into the Shares as further described under Section "—*Share Capital*" below, and generally adopt articles of association for the Company that are suitable for a Company whose shares will be admitted to trading on a regulated market in Poland. All references in this section to the Articles of Association is a reference to the articles of association of the Company as amended and restated further to the Conversion EGM, and this section reflects the articles of association of the Company as amended and restated further to the Conversion EGM.

Scope of activities

The scope of activities of the Company is as set out in full in Article 3 of the Articles of Association. As the Company is a holding company, the primary activities of the Company are to carry out the business of a holding company consisting in particular in the direct and indirect acquisition and holding of participating interests, in any form whatsoever, as well as the administration, development and management of such interests.

Share Capital

As at the date of this Prospectus, the Company's share capital amounts to EUR 26,040,160.20 represented by 2,604,016,020 shares of EUR 0.01 (one euro cent) each, all fully subscribed for and entirely paid up and divided into 52,927,471 class A ordinary shares, 8,610,989 class B ordinary shares, 2,505,139,020 class A preference shares and 37,338,540 class B preference shares (the "**Existing Shares**").

The Existing Shares were issued and currently exist in registered form only in accordance with the Articles of Association of the Company and the Luxembourg Company Law.

On the day after the Pricing Date, all of the Existing Shares in the Company shall at the Conversion EGM be converted into one class of ordinary shares with no nominal value that will rank *pari passu* in all respects. Subsequent to the Conversion EGM, the share capital of the Company will amount to EUR 26,040,160.20 and will be represented by 1,000,000,000 ordinary Shares without nominal value.

All Shares will be ordinary shares of the Company and will represent the entire share capital of Company. The law of 6 April 2013 concerning dematerialised securities allows Luxembourg issuers to opt for the full dematerialisation of shares. The Conversion EGM is expected to authorise and empower the Board of Directors to give effect to such dematerialisation, following which new shares in the Company may only be issued in book entry form. It is expected that on the Listing Date, all the Shares will be in dematerialized form and will be solely represented by book entry form i.e., exist only in electronic form.

The Board of Directors has decided to opt for full dematerialisation of the Shares. As a result the Shares will only exist as dematerialised book entry form and shareholders may not elect for their Shares to be in registered or bearer form.

Changes in Share Capital

The share capital of the Company may be increased or reduced by way of a resolution of the General Meeting adopted in compliance with the quorum applicable to the amendment of the articles of association at a majority of at least three quarters of the votes validly cast (the "**Super Majority**"). Subject to the provisions of the Luxembourg Company Law, the General Meeting may decide to create new classes of shares and determine the features, rights and restrictions of such classes of shares by a resolution adopted in compliance with the quorum applicable to the amendment of the articles of association at the Super Majority. In addition, the Board of Directors is authorised to issue shares up to the total amount of the authorised share capital. From date of the Conversion EGM, the authorised capital of the Company (including the issued share capital) will amount to EUR 27,602,569.81 represented by a maximum of up to 1,060,000,000 shares without nominal value (the "**Authorised Capital**").

The Company may proceed to repurchase its own shares within the limits stipulated by law (see "*—Redemption and Repurchase of the Company's own shares*" below).

Authorised Share Capital

Without prejudice to the rights of the shareholders of the Company to increase the share capital in accordance with the provisions of the Luxembourg Company Law and the Articles of Association, which will be effective following the Conversion EGM, the Board of Directors is authorised, within the limits of the Authorised Capital, to increase the issued share capital of the Company, on one or more occasions, up to a maximum amount of EUR 27,602,569.81 by the issuance of a maximum of up to 1,060,000,000 shares without nominal value.

The Board of Directors may increase the share capital by way of the issuance of Shares and withdraw or restrict the preferential subscription rights of the shareholders in relation to an increase of the share capital made within the limits of the Authorised Capital. The authorisation will be valid for five years from the date of publication of the Conversion EGM and may be renewed by a resolution of the General Meeting adopted in compliance with the quorum applicable to the amendment of the articles of association at the Super Majority.

Share premium

The Company may establish a share premium account into which any premium paid on any Share is to be transferred (the "**Share Premium Account**"). As at 30 June 2024, the balance of the Share Premium Account amounts to PLN 8,108.4 million (see the section "*—General*" above). Decisions as to the use of the Share Premium Account are to be taken by the Shareholder(s) and/or the Board of Directors, subject to the Luxembourg Company Law and the Articles of Association.

Redemption and repurchase of the Company's own shares

The Company does not currently hold any of its own shares, and no third party holds Shares in the Company on behalf of the Company. The Company has not issued any securities that are convertible into or exchangeable for securities or securities with warrants to subscribe for Shares in the Company.

According to Article 430-15 of the Luxembourg Company Law and without prejudice to the Market Abuse Regulation and the principle of the equal treatment of shareholders, the Company and its subsidiaries as referred to in Article 430-23 of the Luxembourg Company Law may, directly or through a person acting in its own name but on the Company's behalf, acquire its own shares subject to the following conditions:

- an authorisation to acquire the Shares should be given by the General Meeting, which shall determine the terms and conditions of the proposed acquisition and, in particular, the maximum number of shares to be acquired, the duration of the period for which the authorisation is given and which may not exceed five years and, in the case of acquisition for value, the maximum and the minimum consideration (this condition must not be respected in cases where the acquisition of its own Shares by the Company is necessary in order to prevent serious or imminent harm to the Company, or if the acquisition of its own shares by the Company is made for the sole purpose of distributing these Shares to the staff of the Company); and
- the acquisitions, including shares previously acquired by the Company and held by it as well as shares acquired by a person acting in its own name but on behalf of the Company, must not have the effect of reducing the net assets below the aggregate of the subscribed capital and the reserves which may not be distributed under law or the Articles of Association.

It is intended that the Company will be granted authorisation at the Conversion EGM to repurchase Shares representing up to 6% of the issued share capital as at the time of the Conversion EGM, such authorization being valid for a period ending on (and including) the date which falls five (5) years after the Conversion EGM.

The Company has no obligation to sell or cancel the shares so acquired and held by the Company in treasury.

According to the Luxembourg Company Law, the Company may, under certain circumstances listed in Article 430-16 of the Luxembourg Company Law, acquire its own shares without respecting the conditions provided for in the Luxembourg Company Law and listed above as such acquisition may not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the reserves which may not be distributed under law. Except where such shares are repurchased pursuant to a decision to reduce the share capital of the Company or where such shares are redeemable shares, such shares shall either be sold or cancelled three years from the date of their acquisition unless the accounting par value of the Shares acquired, including shares which the Company may have acquired through a person acting in its own name, but on behalf of the Company, does not exceed 10% of the subscribed capital.

Share-based remuneration and stock plans

See "*Management and Corporate Governance—Incentive Plans*".

Variation of rights; amendments to the Articles of Association

All or any of the rights attached to the Shares may from time to time (whether or not the Company is being wound up) be varied by way of a decision of the General Meeting in the manner required for the amendment of the Articles of Association. Under the provisions of Luxembourg law, any amendment of the Articles of Association requires a majority of at least 2/3 of the votes validly cast at a General Meeting at which a quorum of at least half of the share capital is present or represented, subject to the matters requiring a Super Majority and any decision to delist the Shares from the regulated market of the WSE. In case the condition as to quorum is not satisfied, a second meeting may be convened, which may deliberate regardless of the proportion of the capital represented and at which resolutions may be adopted with a majority of at least 2/3 of the votes validly cast. Abstention and nil votes will not be taken into account for the calculation of the majority. Furthermore, where there is more than one class of shares and the resolution of the General Meeting is such as to change the respective rights thereof, the resolution must, in order to be valid, fulfil the conditions as to attendance and majority laid down above with respect to each class of shares.

The below matters require the approval of the General Meeting at the Super Majority with a quorum of at least half of the share capital present or represented:

- Any waiver, limitation or suppression of the preferential subscription right and any delegation to the Board of Directors of the power to issue Shares and to waive, limit or suppress the preferential subscription right for a period of no more than five years set by the General Meeting;
- Any increase, reduction, amendment or extension of the issued share capital of the Company and/or the Authorised Capital. By way of exception to such Super Majority requirement, any increase of the issued share capital of the Company and/or the Authorised Capital for the purposes of creating and/or implementing an incentive plan for certain directors and other corporate officers, managers and employees of the Company and its Subsidiaries in the context of the LTIP (as defined in the articles of association) as adopted in the Conversion EGM shall be adopted with the quorum and the majority applicable to the amendment of the articles of association; and
- Any decision to create new classes of shares and determination of the features, rights and restrictions of such classes of shares.

Any decision to delist the shares of the Company from the regulated market of the WSE shall require the approval of the General Meeting with a majority of at least nine tenth of the votes validly cast, with a quorum of at least one half of the capital present or represented. If this condition is not satisfied, a second meeting may be convened and shall validly deliberate regardless of the proportion of the capital represented. At the second meeting, for a resolution to delist the shares of the Company from the regulated market of the WSE to be adopted, it must be carried by at least nine-tenths of the votes validly cast.

Voting rights, General Meeting

Each Share entitles the holder thereof to one vote at the General Meeting, subject to the limitations imposed by law.

The shareholders exercise their collective rights at the General Meeting. Any regularly constituted General Meeting of the Company shall represent the entire body of shareholders of the Company. The General Meeting is vested with the powers expressly reserved for it by the law and by the Articles of Association. In particular, the General Meeting has the right to vote on the election of members of the Board of Directors, subject to the personal rights of Shareholder I and Shareholder II to nominate candidates for appointment to the Board of Directors as provided for in the Articles of Association (see: "*Management and Corporate Governance—Board of Directors—Manner of operation of the Board of Directors following the Offering*").

The Board of Directors shall convene the annual General Meeting within a period of six (6) months after the end of the Company's financial year. Other General Meetings may be held at such place and time as may be specified in the respective notices of meetings. The General Meeting must be convened by the Board of Directors upon request in writing indicating the agenda and addressed to the Board of Directors by one or several shareholders representing at least 10% of the Company's issued share capital. In such case, a General Meeting must be convened and should be held within a period of one (1) month from the receipt of such request at such place and on such date as specified in the convening notice of the meeting. If following such a request a General Meeting is not held in due time, such shareholder(s) may request that the president of the district court (*Tribunal d'Arrondissement*) dealing with commercial matters and presiding over urgent matters appoint a delegate which will convene the General Meeting.

As long as the Shares are admitted to trading on a regulated market within an EU Member State, General Meetings will be convened in accordance with the provisions of the Luxembourg law of 1 August 2019 on the exercise of certain rights of shareholders at general meetings of listed companies, as amended (the "**Shareholder Rights Law**"), and the Articles of Association.

In accordance with the Shareholder Rights Law, the convening notice is to be published at least 30 days before the day of the meeting in the official gazette of Luxembourg (*Recueil Électronique des Sociétés et Associations*) ("**RESA**"), and a Luxembourg newspaper and in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area, and which is readily accessible on a non-discriminatory basis. If a General Meeting is adjourned for lack of quorum, provided that the convening requirements of the Shareholder Rights Law have been complied with and no new item has been added to the agenda, the 30-day period is reduced to a 17-day period for the convening of the adjourned General Meeting.

These convening notices must contain the precise date and location of the General Meeting and the proposed agenda. They must also set out the conditions for attendance and representation at a General Meeting.

In accordance with the Shareholder Rights Law, one or several shareholders, representing at least 5% of the Company's issued share capital, may: (i) request to put one or several items on the agenda of any General Meeting, provided that such item is accompanied by a justification or a draft resolution to be adopted at the General Meeting; or (ii) table draft resolutions for items included or to be included on the agenda of the General Meeting. Such request must be sent to the Company's registered office in writing by registered letter or electronic means and must be received by the Company at least twenty-two (22) days prior to the date of the General Meeting. In case such request entails a modification of the agenda of the relevant meeting, the Company will make available a revised agenda at least 15 (fifteen) days prior to the date of the General Meeting.

If provided for in the relevant convening notice and the Articles of Association, the Shareholders may participate in a General Meeting by electronic means, ensuring, notably, any or all of the following forms of participation: (i) real-time transmission of the General Meeting; (ii) real-time two-way communication enabling the Shareholders to address the General Meeting from a remote location; and (iii) a mechanism for casting votes, whether before or during the General Meeting, without the need to appoint a proxy who is physically present at the meeting. Any Shareholder who participates by electronic means in a General Meeting should be considered present for the purposes of the quorum and majority requirements. The use of electronic means allowing shareholders to take part in a General Meeting may be subject only to such requirements as are necessary to ensure the identification of the Shareholders and the security of the electronic communications, and only to the extent that they are proportionate to achieving that objective.

The provisions of the Luxembourg Company Law are applicable to General Meetings. The Board may determine other terms or set conditions that must be respected by a Shareholder to participate in any meeting of the shareholders in the convening notice (including, but not limited to, longer notice periods).

A Shareholder may act at any General Meeting by appointing another person, shareholder or other person as his/her proxy in writing by way of a signed document transmitted by mail or facsimile or by any other means of communication authorised by the Board. One person may represent several or even all of the Shareholders.

The Chairperson of the Board of Directors shall preside over all General Meetings or shall appoint another person to act as chairperson at a General Meeting. If at a General Meeting the Chairperson is not present within 15 (fifteen) minutes after the time fixed for the start of the meeting and the Chairperson has not appointed another person to chair the General

Meeting, the directors present shall select one of them to be chairperson of the meeting. If only one director is present and willing and able to act, he/she should be the chairperson of the General Meeting. In the absence of any director, the shareholders present and entitled to vote shall choose one of them to be the chairperson by way of a simple majority of the votes cast.

A board of the General Meeting (*bureau*) should be formed at any General Meeting composed of the Chairperson of the Board of Directors or his/her replacement in accordance with the above, a secretary appointed by the relevant chairperson and a scrutineer, should be appointed by the General Meeting and who do not need to be shareholders. The board of the General Meeting shall ensure that the General Meeting is held in accordance with applicable rules and, in particular, in compliance with the rules in relation to convening the meeting, majority requirements, vote tallying and the representation of the Shareholders.

An attendance list must be drawn up at any General Meeting. The board of the General Meeting shall draw up the minutes of the meeting, which should be signed by the members of the board of the General Meeting as well as by any Shareholder who requests to do so.

In accordance with the Articles of Association, each Shareholder may vote at a General Meeting through a signed voting form sent by post, electronic mail, facsimile or by any other means of communication authorised by the Board to the Company's registered office or to the address specified in the convening notice. The Shareholders may only use voting forms provided by the Company which contain at least: (i) the name or corporate denomination of the Shareholder and his/her/its address or registered office; (ii) the number of votes the Shareholder intends to cast at the General Meeting, as well as the direction of his/her/its votes or his/her/its abstention; (iii) the form of the Shares held; (iv) the place, date and time of the meeting; (v) the agenda of the meeting, the proposals submitted for the resolution of the General Meeting as well as for each proposal three boxes allowing the shareholder to vote in favour of or against a proposed resolution or to abstain from voting thereon by ticking the appropriate box; (vi) the period within which the form for voting from a remote location must be received by the Company; and (vii) the shareholder's signature. The Company will only take into account voting forms received prior to the General Meeting to which they relate, within the deadlines provided in the Articles of Association. Forms in which no vote is expressed, or which do not indicate an abstention, shall be void.

Record Date

Any Shareholder who holds one or more share(s) in the Company at 24:00 (midnight) (Luxembourg time) on the date falling fourteen days prior to (and excluding) the date of the General Meeting (the "**Record Date**") should be admitted to the relevant general meeting of the shareholders. Any shareholder who wishes to attend the General Meeting must inform the Company thereof on the Record Date at the latest, in a manner to be determined by the Board of Directors in the convening notice. In case of Shares held through a settlement organisation or with a professional depository or sub-depository designated by such depository, a holder of Shares wishing to attend a General Meeting should receive from such operator or depository or sub-depository a certificate certifying the number of shares recorded in the relevant account of such holder on the Record Date. The certificate should be submitted to the Company at its registered address no later than two business days prior to the date of the General Meeting. In the event that the shareholder votes through proxies, the proxy has to be deposited at the registered office of the Company at the same time or with any agent of the Company, duly authorised to receive such proxies.

Information rights

In accordance with the Shareholder Rights Law, the Company shall make available to its shareholders on its website for a continuous period beginning on the day of publication of the convening notice of the Company's General Meeting (which must be at least 30 days prior to the meeting) and including the day of the Company's General Meeting such documents which need to be submitted to the Company's General Meeting and the convening notice. Shareholders may upon request obtain a copy of the full, unabridged text of the documents to be submitted to the Company's General Meeting by electronic means or at the registered office of the Company.

In accordance with the Shareholder Rights Law, shareholders have the right to ask questions at the General Meetings related to items on the agenda. The right to ask questions and the obligation of the Company to answer are subject to the measures to be taken by the Company to ensure the identification of shareholders, the good order of the General Meeting and its preparation, as well as the protection of confidentiality and the business interests of the Company.

Adjourning General Meetings

The Board of Directors may adjourn any General Meeting already commenced, including any General Meeting convened in order to resolve an amendment to the Articles of Association, for a period of four (4) weeks. The Board of Directors must adjourn any General Meeting already commenced if so required by one or several shareholders representing at least 10% of the Company's issued share capital. By such an adjournment of a General Meeting already commenced, any resolution already adopted at such meeting will be cancelled. For the avoidance of doubt, once a meeting has been adjourned pursuant to the second sentence of this section, the Board of Directors shall not be required to adjourn such meeting a second time.

Distributions of dividends

There are no fixed dates on which a shareholder is entitled to receive dividends. The Company may declare and pay dividends in accordance with the Luxembourg Company Law. Dividends may be declared by the General Meeting upon approval of the annual financial statements for the immediately preceding financial year.

Dividends may be declared or paid in cash as well as in kind, including by way of the issuance of shares.

The amount of dividends declared by the General Meeting upon approval of the annual financial statements may not exceed the amount of the Company's profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves which are available for that purpose, minus any losses carried forward and sums to be placed in reserve in accordance with the law or the Articles of Association. Interim dividends may be declared and paid by the Board of Directors out of available net profits, premiums or other available reserves of the Company subject to complying with the conditions required by law, including that such dividends may not exceed the amount available for distribution, which shall not exceed total profits made since the end of the last financial year for which the annual financial statements have been approved, plus any profits carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed in reserve pursuant to the requirements of law or the Articles of Association.

The Luxembourg Company Law provides that from the annual net profits of the Company, at least 5% should be allocated to the Legal Reserve each year until the Legal Reserve amounts to 10% of the issued share capital of the Company. After such allocation to the Legal Reserve and upon the recommendation of the Board of Directors, the General Meeting shall determine how the annual net profits will be disposed of. It may decide to allocate the whole or part of the annual net profits to a reserve, to carry it forward to the next following fiscal year or to distribute it to the Shareholders as dividends.

No dividends or other moneys payable on or in respect of a Share will bear interest required to be paid by the Company. If the Company declares it will pay dividends to its Shareholders, each Shareholder is entitled to receive an amount of dividend in proportion to the amount of capital held by it in the Company. Any dividend unclaimed after a period of five years from the date on which such dividend was declared or became due for payment should be forfeited and should revert to the Company. There are no specific dividend restrictions or procedures for non-resident shareholders.

Distribution of assets on winding-up

In the event of the liquidation, dissolution or winding-up of the Company, the net assets remaining after the payment of all debts, charges and expenses should be distributed to the shareholders in proportion to their respective shareholdings.

In the event of the dissolution of the Company for whatever reason, the liquidation will be carried out by one or more liquidators appointed by the General Meeting, which will determine their powers and their compensation. Once all debts, charges and liquidation expenses have been met, any balance resulting should be paid to the shareholders.

TERMS AND CONDITIONS OF THE OFFERING

The Offering

On the basis of this Prospectus, the Selling Shareholders are offering up to 300,000,000 ordinary shares in the share capital of the Company with no nominal value (excluding any Over-Allotment Shares) (the "**Sale Shares**"). In addition, Selling Shareholder I and the Selling Shareholder III are granting an option to the Stabilising Manager to borrow Over-Allotment Shares representing up to a maximum of 15% of the total number of Sale Shares (the Sale Shares and the Over-Allotment Shares shall be referred to as the "**Offer Shares**") pursuant to the Over-Allotment Option (see "*Underwriting, Stabilisation and Lock-ups*"). The Offering consists of a maximum of 345,000,000 Offer Shares, including all Sale Shares and any Over-Allotment Shares. No new shares in the share capital of the Company will be issued and offered in connection with the Offering.

The Offering consists of: (i) the public offering in the territory of Poland (the "**Polish Offering**"), including: (a) the Retail Offering and (b) the Polish Institutional Offering, in accordance with Regulation S under the U.S. Securities Act; (ii) the offering in the United States to persons reasonably believed to be qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (iii) an offering to certain other institutional investors outside of the United States and Poland (such investors together with the QIBs, the "**International Institutional Investors**" and, together with the institutional investors participating in the Polish Offering, the "**Institutional Investors**") in accordance with Regulation S under the U.S. Securities Act (the "**International Offering**"). The Polish Offering is being conducted exclusively within the territory of Poland. This Prospectus will not be passported or notified in any other way for the purpose of any public offering outside of Poland.

The following investors are authorised to take part in the Offering:

- the Retail Investors; and
- the Institutional Investors,

as defined in the "*Abbreviations and Definitions*" section.

The Sale Shares may be acquired by the Retail Investors and the Institutional Investors, and there is no fixed split of the Sale Shares that will be allocated to each category of investors. The Selling Shareholders intend to allocate up to 5% of the final number of the Sale Shares in aggregate to the Retail Investors. The remainder of the Sale Shares and the Over-Allotment Shares (see "*Underwriting, Stabilisation and Lock-ups—Over-Allotment Option and Stabilisation*") will be allocated to the Institutional Investors. However, the above-mentioned proportions may be altered by the Company and the Principal Selling Shareholder after a recommendation from the Joint Global Coordinators and with regards to the Polish Institutional Offer only, after consultation with the Offering Agent.

The Offering does not provide for any preferential treatment of any specific types of investors or any specific related groups (including programmes for families and friends) while allotting the Offer Shares. Non-residents of Poland who intend to subscribe for the Sale Shares should review the relevant laws of the country of their origin, applicable restrictive sanctions, as well as the information regarding the restrictions applicable to the Offering provided in this Prospectus in the "*Selling Restrictions*" and "*Transfer Restrictions*" sections.

Potential investors should note that this Prospectus (together with: (i) the Polish translation of the summary, (ii) supplements to this Prospectus, if any, following their approval by the CSSF and subsequent notification by the CSSF to the PFSA in this respect, (iii) the information on the Retail Investors Offer Price, Institutional Investors Offer Price, the final number of the Offer Shares to be offered in the Offering and to be offered to various categories of investors, and (iv) the update reports to this Prospectus, if any) is the sole legally binding document that has been prepared for the purposes of the Offering and the WSE Admission and which contains information on the Group, the Offering and the Offer Shares.

This Prospectus has been filed with, and was approved on 1 October 2024, by the CSSF, which is the competent authority for the purpose of the Prospectus Regulation in Luxembourg. Pursuant to Article 2(m) of the Prospectus Regulation, Luxembourg is the home Member State of the Company, and the CSSF is solely authorised to approve this Prospectus. The Selling Shareholders will be authorised to carry out the Polish Offering once the ESMA and the PFSA are properly notified about the approval of this Prospectus by the CSSF in accordance with Articles 24 and 25 of the Prospectus Regulation and this Prospectus (together with the Polish translation of the summary) has been published on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) (only the Prospectus without the Polish translation of the summary) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl). In addition, in accordance with the requirements of the Prospectus Regulation, a copy of this Prospectus on a durable medium will be delivered to investors upon their request free of charge. Furthermore, a paper copy of a printed version of this Prospectus will be delivered free of charge to any investor who makes a specific demand for a paper copy. However, pursuant to the Prospectus Regulation, such delivery will be limited to the jurisdiction in which the offer of securities to the public is made or where the admission to trading on a regulated market is taking place under the Prospectus Regulation (i.e., solely in Poland).

The Sale Shares are being offered to the Retail Investors at the Retail Investors Offer Price and to the Institutional Investors at the Institutional Investors Offer Price. The Institutional Investors purchasing the Over-Allotment Shares in the Offering (see "*Underwriting, Stabilisation and Lock-ups—Over-Allotment Option and Stabilisation*") will purchase such shares at the Institutional Investors Offer Price. The Retail Investors Offer Price and Institutional Investors Offer Price mentioned above will be determined by the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, through a book-building process for the Institutional Investors and expressed in Polish złoty (PLN). See "—*Maximum Price and Final Offer Price*" below.

The final number of the Offer Shares to be offered to the investors in the Offering (including the final number of the Sale Shares and the final number of the Over-Allotment Shares, if any) will be set by the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, after the end of the book-building process for the Institutional Investors and once the Retail Investors Offer Price and Institutional Investors Offer Price are set. In any case, the final number of the Sale Shares to be offered in the Offering will not be higher than 300,000,000, but it may be lower, and the final number of the Offer Shares to be offered in the Offering will not be higher than 345,000,000 (including all Sale Shares and any Over-Allotment Shares), but it may be lower.

The Joint Bookrunners may submit aggregate purchase orders on behalf of Institutional Investors who upon the completion of the book-building process have been initially allocated the Offer Shares, and the Joint Bookrunners will settle with such Institutional Investors separately. The provisions of this section that refer to Institutional Investors should be read accordingly in the context of such Institutional Investors.

The information about the Retail Investors Offer Price, Institutional Investors Offer Price and the final number of the Offer Shares (including the Sale Shares and Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to various categories of investors mentioned above will be published on or about the Pricing Date in the same manner as this Prospectus, i.e. in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl) after the end of the book-building process for the Institutional Investors.

There is no minimum number of the Offer Shares that needs to be subscribed for in order for the Offering to proceed. However, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may decide not to proceed with the Offering and with the WSE Admission. For more details, please see "—*Cancellation, suspension or modification of the Offering*" below.

On 30 September 2024, the Company's Board of Directors approved, among others: (i) the Offering; (ii) the entry by the Company into the Underwriting Agreement; (iii) the registration of the Shares with the securities depository operated by the NDS; and (iv) the listing of all of the Shares on the regulated market of the WSE.

Expected timetable of the Offering

The timetable below lists expected key dates relating to the Offering. All times and dates referred to in this timetable are based on local Warsaw time and may be adjusted by the Company and the Principal Selling Shareholder in agreement with the Joint Global Coordinators (acting on their own behalf and on behalf of the remaining Managers) and in consultation with the Offering Agent. Should the dates set out in the timetable be adjusted materially, the Company will notify the CSSF and the PFSA and publish information regarding such fact in a manner compliant with applicable regulations, as well as with the relevant market practices in Luxembourg and Poland on the Company's website (www.zabkagroup.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl) including where necessary by issuing a supplement to this Prospectus.

1 October 2024	Approval of the Prospectus by the CSSF Passporting of the Prospectus to the PFSA Publication of the Prospectus and the Polish summary of the Prospectus Opening of the Offering – commencement of the book-building process among the Institutional Investors
2-9 October 2024	Subscription period for the Retail Investors – acceptance of purchase orders from the Retail Investors (until 3:00 pm Warsaw time on 9 October 2024)
9 October 2024	End of the book-building process among the Institutional Investors Determination of the Retail Investors Offer Price, Institutional Investors Offer Price, the final number of the Offer Shares (including the Sale Shares and Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors (the "**Pricing Date**")
on or about 9 October 2024	Execution of the pricing memorandum determining, among others, the Retail Investors Offer Price, Institutional Investors Offer Price and the final number of the Offer Shares (including the Sale Shares and Over-Allotment Shares) to be offered in the Offering and the final number of Offer Shares to be offered to the various categories of investors

on or about 10 October 2024	Publication of the Retail Investors Offer Price, Institutional Investors Offer Price, the final number of the Offer Shares (including the Sale Shares and Over-Allotment Shares) to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl)
10-14 October 2024	Acceptance of purchase orders from the Institutional Investors
not later than 14 October 2024	Payment for the Offer Shares subscribed for by the Institutional Investors
until 15 October 2024	Submission of purchase orders, if any, by the substitute Institutional Investors who respond to additional invitations to purchase the Offer Shares, or by the Underwriters or their subsidiaries in performance of their obligations under the Underwriting Agreement
14 October 2024	WSE allocation – submission of purchase orders for the sale of the Sale Shares to the Retail Investors through the WSE system
15 October 2024	Expected date of registration of the Sale Shares in the securities accounts of the Retail Investors
15 October 2024	Expected date of the registration of the Offer Shares in the securities accounts of the Institutional Investors (on the condition that the data provided by the investors for the registration of the Offer Shares in their securities accounts is complete and correct) – closing of the Offering
not later than 15 October 2024	Allotment of the Offer Shares (the "**Allotment Date**")
on or about 17 October 2024	Expected first day of trading of the Shares on the WSE (the "**Listing Date**")

Cancellation, suspension or modification of the Offering

The Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may cancel the Offering and/or modify its terms and dates at any time prior to the submission of orders for the sale of the Sale Shares to Retail Investors through the WSE system, which is expected to take place on 14 October 2024 (or another date and time, if amended, and as indicated in any supplement or update report to this Prospectus). Information on the cancellation or modification of the terms of the Offering will be made publicly available through a publication on the Company's website (www.zabkagroup.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl), as well as, to the extent required, by way of an update report or a supplement to this Prospectus.

If information on the cancellation, suspension or modification of the Offering is published before the commencement of the subscription period for the Retail Investors, no reason must be published for such cancellation, suspension or modification. After the commencement of the subscription period for the Retail Investors, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may also cancel, suspend or modify the Offering at any time if proceeding with the Offering is considered impracticable or inadvisable. Reasons that would make the Offering impracticable or inadvisable include, but are not limited to: (i) the occurrence of a sudden or unforeseeable change in the economic or political situation in Poland or abroad which may have a material adverse effect on the financial markets, Poland's economy, the Offering or the Group's operations; (ii) the occurrence of a sudden or unforeseeable change or event other than those stated under item (i) above which could have a material adverse impact on the Group's operations or which could result in the Group incurring material damage or any material disruption to its operations; (iii) the occurrence of a material adverse change in the Group's business, financial condition or operating results; (iv) the suspension of, or a material limitation in, trading in securities on the WSE or on any other exchange if such circumstances could have a material adverse effect on the Offering and/or the WSE Admission; (v) an unsatisfactory demand for the Offer Shares from the Institutional Investors based on the declarations received in the book-building process; (vi) in the opinion of the Joint Global Coordinators and after consultation with the Offering Agent, an insufficient number of the Shares is expected to be traded on the WSE which would not warrant the required liquidity of the Shares; (vii) the occurrence of a sudden and unforeseeable change which could have a direct, material and adverse effect on the Group's operations; or (viii) the termination of the Underwriting Agreement.

In case of the cancellation of the sale of the Offer Shares in the Offering, the purchase orders will be deemed void and any payments made will be returned without interest or damages no later than seven days from the date of the announcement of the withdrawal from the sale of the Offer Shares in the Offering.

A return of a payment for the Sale Shares without interest or compensation, net of transfer costs, shall also take place to the extent that no Sale Shares are allotted or where there is a reduction of purchase orders placed as set out in this Prospectus or if excess payments are being returned, no later than seven days following each of such events.

These rules for the cancellation of the Offering shall also apply to Institutional Investors up to the time until the Company and the Principal Selling Shareholder are entitled to cancel the Offering.

A decision to suspend the Offering, without providing any reason for doing so, may be taken at any time before the commencement of the subscription period for the Retail Investors by the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators. From the commencement of the subscription period for the Retail Investors up to the submission of orders for the sale of the Sale Shares to the Retail Investors through the WSE system, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may decide to suspend the Offering only for reasons that are (in the opinion of the Company and the Principal Selling Shareholder) material, which may include, among other things, any event that might adversely affect the success of the Offering or cause increased investment risks for the purchasers of the Sale Shares. A decision to suspend the Offering may be made without specifying a new timetable for the Offering, which may be determined later.

In the event of the suspension of the Offering, information about the suspension of the Offering will be made available to the public through a publication on the Company's website (www.zabkagroup.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl), as well as, to the extent required, by way of supplement to this Prospectus. See also "*—Supplements to the Prospectus*" below.

If a decision to suspend the Offering is made in the period between the commencement of the subscription period for the Retail Investors and the submission of orders for the sale of the Sale Shares to Retail Investors through the WSE system, any purchase orders received and any payments made will still be considered valid; however, investors will have the right to withdraw their purchase orders by submitting a relevant representation within two business days from the date of the publication of the supplement to this Prospectus relating to the suspension of the Offering. See also *"—Supplements to the Prospectus*" below.

If a decision on the suspension of the Offering is made after the completion of the book-building process but prior to the opening of the period for accepting purchase orders from the Institutional Investors, the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, may repeat the book-building process, provided that in such event they will determine whether or not the previously submitted declarations and invitations to place orders for the Offer Shares remain valid.

None of the Company, the Selling Shareholders, the Joint Global Coordinators, the remaining Managers or the WSE shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect of and/or in connection with such suspension, cancellation or modification.

In the case of the cancellation of the Offering, the Company does not intend to seek, based on this Prospectus, the admission of the Shares to trading on the regulated market operated by the WSE, the parallel market operated by the WSE or on any other equivalent market.

Supplements to the Prospectus

In accordance with the relevant regulations in force in Luxembourg and Poland applicable to public share offerings and the admission of securities to trading on a regulated market, and taking into account that the public offering of the Offer Shares on the basis of this Prospectus will take place only in Poland, every significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Offer Shares and which arises or is noted between the date of approval of this Prospectus and the closing of the offer period under the Offering or the Listing Date, whichever occurs later, will be mentioned in a supplement to this Prospectus without undue delay. Such supplement will be subject to approval by the CSSF and subsequently will be passported to the PFSA and published in the same manner as this Prospectus. Investors who have already agreed to purchase the Offer Shares before such a supplement is published shall have the right, exercisable within two business days after the publication of the supplement, to withdraw their submitted purchase orders (with respect to the Retail Investors – by notifying the entity with which their respective purchase orders were placed), provided that the significant new factor, material mistake or material inaccuracy arose or was noted prior to the closing of the offer period under the Offering or the registration of the Offer Shares in the securities accounts of the investors (delivery of the Offer Shares), whichever occurs first.

If investors withdraw their submitted purchase orders, subscription payments that have been made will be returned without any interest or compensation no later than seven days after the date of such withdrawal from the Offering.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus.

Maximum Price and Final Offer Price

The offer price will be determined in PLN.

The offer price range of PLN 20.00-21.50 per one Offer Share has been determined for the purpose of the book-building process (the "**Offer Price Range**").

The final offer price per Sale Share for the Retail Investors (the "**Retail Investors Offer Price**") will not be set higher than PLN 21.50 per Offer Share (the "**Maximum Price**"), being the top of the Offer Price Range. The final offer price per Offer Share for the Institutional Investors (the "**Institutional Investors Offer Price**") is expected to be within the Offer Price Range. The Institutional Investors Offer Price may be higher than the Maximum Price. The Institutional Investors will purchase the Offer Shares (the Sale Shares and the Over-Allotment Shares) at the Institutional Investors Offer Price. If the Institutional Investors Offer Price is not higher than the Maximum Price and is set within the Offer Price Range, the Retail Investors Offer Price and the Institutional Investors Offer Price will be the same.

If the Institutional Investors Offer Price is higher than the Maximum Price, solely Institutional Investors who have already placed purchase orders for the Offer Shares, pursuant to the terms of Article 17(1)(a) of the Prospectus Regulation, will be entitled to withdraw their purchase orders (however, the timetable of the Offering does not envisage placing of purchase orders by the Institutional Investors prior to the determination of the Institutional Investors Offer Price).

During the book-building process among the Institutional Investors invited, in any form, by the Joint Bookrunners, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they are willing to acquire and the price that they are willing to pay. The book-building process will be carried out in PLN. The Retail Investors will not participate in the book-building process. The book-building process will be conducted prior to the start of accepting purchase orders from the Institutional Investors, and upon completion of the book-building process and the determination of the Institutional Investors Offer Price, the purchase orders from the Institutional Investors will be accepted on the terms described in this Prospectus.

The results of the book-building will not be made public. To obtain more detailed information regarding participation in the book-building process, interested Institutional Investors should directly contact the Joint Bookrunners.

The Retail Investors Offer Price and the Institutional Investors Offer Price will be determined by the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators. The Retail Investors Offer Price and the Institutional Investors Offer Price will be determined based on the following criteria and rules, among other:

- the size and price sensitivity of demand from the Institutional Investors on the basis of the declarations received in the book-building process;
- the current and anticipated situation on the Polish and international capital markets; and
- the secondary market post-Offering for the Shares.

The Company will announce the Retail Investors Offer Price and the Institutional Investors Offer Price in a manner compliant with applicable regulations, as well as market practice in Luxembourg and Poland. More specifically, the Retail Investors Offer Price and the Institutional Investors Offer Price will be published in the same manner as this Prospectus, i.e. in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl), and notified to the CSSF.

Final number of the Offer Shares

No later than on the date of the determination of the Retail Investors Offer Price and the Institutional Investors Offer Price, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, will make a decision on the final number of the Offer Shares to be offered in the Offering, including the final number of the Sale Shares and the final number of the Over-Allotment Shares. In any case, the final number of the Sale Shares to be offered in the Offering will not be higher than 300,000,000, but it may be lower. In any case, the final number of the Offer Shares to be offered in the Offering will not be higher than 345,000,000 (including all Sale Shares and any Over-Allotment Shares), but it may be lower. Additionally, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators, will determine the final number of the Offer Shares to be offered to each specific investor category.

The Sale Shares may be acquired by the Retail Investors and the Institutional Investors and there is no fixed split of the Sale Shares that will be allocated to each category of investors. The Selling Shareholders intend to allocate up to 5% of the final number of the Sale Shares in aggregate to the Retail Investors. The remainder of the Offer Shares will be allocated to the Institutional Investors. However, the above-mentioned proportions may be altered by the Principal Selling Shareholder after a recommendation from the Joint Global Coordinators and in the case of the Polish Institutional Offer only, after consultation with the Offering Agent.

The information on the final number of the Offer Shares offered in the Offering and the alteration mentioned in the preceding paragraph, if any, will be announced together with and in the same manner as the Retail Investors Offer Price and the Institutional Investors Offer Price, i.e. in searchable electronic form on the Company's website (www.zabkagroup.com), on the official website of the Luxembourg Stock Exchange (www.luxse.com) and, additionally, for information purposes only, on the website of the Offering Agent (www.bm.pkobp.pl), and notified to the CSSF.

The Principal Selling Shareholder, after a recommendation from the Joint Global Coordinators, may decide to decrease the number of the Offer Shares offered in the Offering. The Company and the Principal Selling Shareholder after close consultation with the Joint Global Coordinators may also decide to cancel, modify or suspend the Offering (see "—*Cancellation, suspension or modification of the Offering*" above).

Placement of purchase orders

The Sale Shares may be acquired by the Retail Investors and the Institutional Investors, and there is no fixed split of the Sale Shares that will be allocated to each category of investors.

A purchase order for the Offer Shares is unconditional, irrevocable (subject to the withdrawal right if a supplement to this Prospectus is published (see "—*Supplements to the Prospectus*" above)), may not include any reservations and is binding on the person who submitted it until the allotment of the Offer Shares in the Offering, or until the date of cancellation of the Offering.

Each investor will be required in the purchase order form to indicate all of the required information and submit all of the required statements and authorisations.

If a purchase order form (where applicable) is missing any of the above or other necessary information, the power of attorney is not granted, or if any other information is missing or incorrectly stated in the form, or if any untrue or incorrect information is provided therein, the purchase order of the investor may be declared invalid. All the consequences, including the invalidity of purchase orders, resulting from incorrectly filling out purchase order forms for the Offer Shares, including the instructions to deposit the Offer Shares, will be borne by the investors.

Investors will not bear any additional costs or taxes in connection with the submission of purchase orders for the Sale Shares (Retail Investors) or Offer Shares (Institutional Investors), except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account) and any brokerage commissions payable under relevant agreements or rules of the entity accepting purchase orders, if applicable. For information relating to taxation, please see "*Taxation*".

Retail Investors

The allotment of the Sale Shares to the Retail Investors will be completed through the WSE system; therefore, Retail Investors interested in subscribing for Sale Shares must have securities accounts opened with the member of the Retail Syndicate through which he or she will subscribe for Sale Shares.

The Retail Investors will place their purchase orders at the Maximum Price, indicating the number of Sale Shares they are willing to buy.

Purchase orders from the Retail Investors will be accepted at the client service points of the Offering Agent and other members of the Retail Syndicate accepting purchase orders (jointly with the Offering Agent, the "**Retail Syndicate**") in accordance with their internal procedures and the terms of the agreements relating to the maintenance of the customers' securities accounts by the Offering Agent or such other members of the Retail Syndicate prior to the end of the subscription period.

The detailed list of the Retail Syndicate and Retail Syndicate client service points where the purchase orders will be accepted will be made public before the commencement of the subscription period for the Retail Investors on the website of the Company (www.zabkagroup.com) in the same manner as this Prospectus and, additionally, for information purposes, on the website of the Offering Agent (www.bm.pkobp.pl).

Before placing a purchase order for the Sale Shares, the Retail Investor who is not a client of any of the Retail Syndicate member accepting purchase orders, will be required to execute an agreement with the Investment Firm which is a Retail Syndicate' member concerning the acceptance and transmission of purchase and sale orders for financial instruments referred to in Article 74b Section 1 Item 1 of the Trading Act and should open the securities account with this member of the Retail Syndicate.

The Retail Investors may place multiple purchase orders for the Sale Shares, provided that the maximum number of the Sale Shares subscribed for by a Retail Investor in one purchase order is not higher than 15,000,000 Sale Shares. A purchase order covering a higher number of the Sale Shares than 15,000,000 Sale Shares will be regarded as a purchase order for 15,000,000 Sale Shares. Orders not fully paid for or with improperly completed purchase order forms will be deemed invalid. All the consequences of submitting an incorrect or incomplete purchase order will be borne by the Retail Investor submitting such purchase order.

Any purchase orders for the Sale Shares by a Retail Investor with a price other than the Maximum Price will be deemed invalid.

Purchase orders from the Retail Investors will be accepted only from prospective investors who at the time of placing their orders (before the end of the subscription period for the Retail Investors) will have opened securities accounts or omnibus accounts with entities of their choice licensed to provide such services within the territory of Poland and that are members of the Retail Syndicate.

Subscriptions via the internet and by telephone will be accepted from the Retail Investors who have a brokerage account agreement (or similar type agreement) with a member of the Retail Syndicate and provided such agreement provides for the placement of subscriptions via the internet or by telephone. Such subscriptions will be accepted in accordance with such agreement, the internal regulations of the given member of the Retail Syndicate and the technical requirements of using the internet application made available for placing subscriptions.

Based on the accepted purchase orders, the members of the Retail Syndicate being stock exchange members will place, on behalf of the Retail Investors, a subscription for the Sale Shares through the WSE system. The members of the Retail Syndicate accepting the purchase orders are responsible for proper transmission of the orders to the WSE system. The purchase order form will include a power of attorney for the member of the Retail Syndicate to place an order for the Sale Shares on behalf of the given Retail Investor.

For information on the detailed rules governing the placement of purchase orders by the Retail Investors, in particular: (i) the documents required if a purchase order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) the possibility of placing purchase orders in a form other than written form (e.g. via the internet), the Retail Investors should contact a member of the Retail Syndicate accepting purchase orders for the Sale Shares from the Retail Investors.

Institutional Investors

Once the book-building process has been completed, the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators and, with respect to the Polish Institutional Offering only, the Offering Agent, will select the Institutional Investors to whom an invitation to submit a purchase order for the Offer Shares will be sent by the Offering Agent on behalf of the Joint Bookrunners and who will be entitled to purchase the number of Offer Shares specified in such invitation and to make payments for the Offer Shares at the Institutional Investors Offer Price to the account indicated in such invitation.

Purchase orders placed by Institutional Investors who were invited to place purchase orders for the Offer Shares will be accepted by the Offering Agent on the terms as stated in the invitation to place purchase orders. For information on the detailed rules governing the placing of purchase orders, in particular the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, the Institutional Investors should contact the Offering Agent.

Each Institutional Investor may submit one or several purchase orders for such number of Offer Shares as is indicated in the invitation addressed to such Institutional Investor to place a purchase order. Purchase orders which jointly cover a number of the Offer Shares greater than that stated in the invitation will be treated as purchase orders for the maximum number of the Offer Shares which may be covered by a purchase order placed by the given Institutional Investor. Institutions that manage assets on behalf of third parties may submit a single collective purchase order in favour of specific customers, attaching to the order the list of such customers containing such data as required in the purchase order form. Purchase orders will be accepted on a purchase order form provided by the Offering Agent. At the time of placing a purchase order, Institutional Investors are required to make an irrevocable instruction for depositing the Offer Shares in a securities account maintained in their name.

International Institutional Investors should contact the relevant Joint Bookrunner for details concerning the placement of a purchase order and the settlement process of the Offer Shares relevant for them.

Payment for the Offer Shares

Payments for the Offer Shares do not bear interest.

Retail Investors

At the time of placing the purchase order, the Retail Investor must have cash on his/her investment account in an amount equivalent to the product of the number of the Sale Shares covered by the purchase order and the Maximum Price, increased by any fees, commissions and costs of the entity accepting the purchase order. A purchase order for Offer Shares can only be paid up with use of funds on the investor’s securities account if there are enough funds not blocked on that investor’s cash account kept for his/her securities account. Without enough funds on the account, the Retail Investor’s purchase order will not be accepted.

Payment for the Sale Shares must be made in PLN in accordance with the rules of the given member of the Retail Syndicate, accepting a purchase order for the Sale Shares. Retail Investors will not bear any additional costs or taxes in connection with the payment for the Sale Shares, except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account) and any brokerage commissions payable under relevant agreements or rules of the entity accepting purchase orders.

The payment for the Sale Shares subject to a purchase order will be blocked upon the submission of the purchase order. Any previously unsettled receivables may not be credited as payment for the Sale Shares. The subscriptions for the Sale Shares may be paid for by using the funds in the investor’s securities account only by using the non-restricted cash funds of that investor deposited in such securities account.

Institutional Investors

The Institutional Investors are required to pay for their purchase orders by the date and time set forth in their respective invitations to submit a purchase order for the Offer Shares, in PLN, for the number of the Offer Shares stated in the invitation and in compliance with the instructions stated in the invitation to submit a purchase order. Payments should be made by wire transfer in PLN to the account stated in the invitation to submit a purchase order. The date of payment shall be the date on which the relevant cash sum is credited to such account.

If an order is not paid for in full by the Institutional Investor, such order will be deemed not validly placed at all.

International Institutional Investors should contact the relevant Joint Bookrunner for details of the payment for the Offer Shares and the settlement process of the Offer Shares applicable to them.

Allotment of the Offer Shares

Any decisions regarding: (i) the number of the Offer Shares to be allotted to specific investor categories and (ii) the allotment of the Offer Shares to specific Institutional Investors will be discretionary and will be taken by the Company and the Principal Selling Shareholder, following close consultation with the Joint Global Coordinators and, with respect to the Polish Institutional Offering only, the Offering Agent, upon the completion of the book-building process.

After the final number of the Offer Shares to be offered to specific investor categories has been made public, the Company and the Principal Selling Shareholder reserve the right to transfer the Offer Shares between investor categories, following close consultation with the Joint Global Coordinators and, with respect to the Polish Institutional Offering only, the Offering Agent, provided that only: (i) those Offer Shares which are not covered by purchase orders duly made and paid for or (ii) those Offer Shares which have not been acquired by investors as a result of investors withdrawing their purchase orders, in accordance with the applicable provisions of this Prospectus, may be transferred. Such transfers will not affect the final number of Offer Shares offered in the Offering.

Retail Investors

The technical allotment of the Sale Shares to the Retail Investors will be completed through the WSE system on the basis of a separate agreement entered into between of the Offering Agent, the Company and the WSE in accordance with duly filed and paid for purchase orders.

If the number of the Sale Shares covered by purchase orders placed by the Retail Investors (and which remain valid until the WSE settlement session for Retail Investors) is greater than the number of the Sale Shares that are finally offered in the Retail Offering, the Sale Shares will be proportionately reduced.

Fractional Sale Shares will not be allotted. The Sale Shares that are not allotted as a result of rounding will be allotted to the investors in accordance with the WSE rules of allotments, by way of applying the standard allotment algorithm used for allotment of shares in the public sale using the WSE IT system. No minimum allotment size is guaranteed to the Retail Investors.

The Selling Shareholders will not give preferential treatment or discriminate between the Retail Investors in respect of the allotment of the Sale Shares.

The Retail Investors will be reimbursed for excess payments if the Retail Investors Offer Price is less than the Maximum Price. In addition, the Retail Investors who have not been allotted any Sale Shares, or whose purchase orders for the Sale Shares were subject to reduction, or whose purchase orders for the Sale Shares were invalid or whose purchase orders covered more than 15,000,000 Sale Shares and were regarded as purchase orders for 15,000,000 Sale Shares or who have validly withdrawn their purchase orders on the terms provided in this Prospectus, will be reimbursed for their payments. Reimbursements will be made to the cash account maintained for the securities account used to place the purchase order in compliance with the procedures observed at the relevant member of the Retail Syndicate within seven days from the Allotment Date, the date of the announcement of the cancellation of the Offering or the exercise by a Retail Investor of its withdrawal right with respect to its subscription in connection with the publication of a supplement to this Prospectus (see "—*Supplements to the Prospectus*" above), respectively. All excess payments will be reimbursed without any damages, interest or costs, if any, incurred by the Retail Investors in relation to placing purchase orders for the Sale Shares.

Retail Investors participating in the Offering will be able to verify the number of the Sale Shares allocated thereto at the relevant member of the Retail Syndicate keeping their securities account on which the Sale Shares have been registered in compliance with the applicable regulations and agreement(s) executed with a given Retail Investor.

Institutional Investors

Upon the completion of the book-building process, invitations for submitting purchase orders for the Offer Shares will be sent by the Offering Agent on behalf of the Joint Bookrunners to the Institutional Investors. The Institutional Investors to whom the invitations will be sent will be allotted the Offer Shares in the number as stated in the invitations, provided that the purchase order is duly filed, and the relevant number of the Offer Shares have been paid for. The Offer Shares may be allotted only to those Institutional Investors that have paid in full the Offer Price for such Offer Shares. If an investor places one or several purchase orders for a greater number of the Offer Shares than that resulting from the received invitation, such investor may be allotted the number of the Offer Shares resulting from the invitation received thereby.

The Institutional Investors who have not been allotted any Offer Shares or whose purchase orders for Offer Shares were withdrawn or otherwise not granted will be reimbursed within up to seven days from the Allotment Date or the date of the announcement of the cancellation of the Offering or the exercise of the withdrawal right with respect to its subscription in connection with the publication of a supplement to this Prospectus (see "—*Supplements to the Prospectus*" above), respectively, without any interest or damages, to the account stated in the given Institutional Investor's purchase order.

Any Offer Shares with respect to which the Retail Investors have withdrawn their acceptance for the purchase of or subscription for shares in the Offering pursuant to Article 23, item 2 of the Prospectus Regulation may be allotted to the Institutional Investors, both to those who participated in the book-building process and those who did not (the "**Substitute Investors**"), provided that the Substitute Investors have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section, sent by the Offering Agent on behalf of the Joint Bookrunners.

The Offer Shares with respect to which the Institutional Investors have withdrawn their acceptance for the purchase of or subscription for shares in the Offering pursuant to Article 23, item 2 of the Prospectus Regulation, did not submit their purchase order in response to invitations or did not pay for the submitted purchase orders on time may be offered and allotted to the Substitute Investors, provided that they have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section, or may be allotted to the Underwriters in performance of the Underwriting Agreement on the terms provided in "*Underwriting, Stabilisation and Lock-ups*".

Institutional Investors participating in the Offering will be notified about the Offer Shares allocated to them by the Joint Bookrunners.

Registration and settlement

In accordance with applicable Polish regulations, all the Shares, including the Offer Shares, will be electronically registered with and cleared through the Polish National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) (the "**NDS**"), with its seat in Warsaw and address at ul. Książęca 4, 00-498 Warsaw, Poland, which, together with its subsidiary KDPW CCP S.A., is the Polish central clearing house and depository for securities. All the Shares will be in book-entry form; therefore, shareholders may only hold them through their respective investment/securities accounts opened with and maintained by the Investment Firms and custodians that are NDS participants. The Company intends to submit an application to the NDS for the registration of all of the Shares, including the Offer Shares, in the securities depository maintained by the NDS.

The main ISIN assigned to the Shares under which the Shares will be ultimately traded on the regulated market operated by the WSE is as follows: LU2910446546.

Delivery of the Offer Shares to the securities account of a given investor will be through the facilities of the NDS in accordance with standard NDS procedures applicable to the settlement of public offerings of shares.

The Sale Shares will be recorded in those securities accounts of the Retail Investors from which orders were accepted. According to the estimated time schedule, the Sale Shares allocated through the WSE system will be settled about one business day after WSE allotment.

The Offering Agent will issue settlement or transfer instructions to transfer the Offer Shares to the securities accounts of the Institutional Investors. The Offer Shares will be deposited in the securities accounts of the Institutional Investors (on the condition that the data submitted by the Institutional Investors for the purposes of the registration of the Offer Shares in their securities accounts is complete and correct and an Investment Firm or a custodian bank maintaining the Institutional Investor's securities account delivered to the NDS a relevant settlement or transfer instruction).

After the allotment is made and the relevant resolutions are adopted by the Management Board of the NDS, the Offer Shares will be deposited in the investors' securities accounts. Institutional Investors should contact the relevant Joint Bookrunner for details of the settlement process of the Offer Shares applicable to them.

If the data provided by an investor for the purposes of the transfer of the Offer Shares is incomplete or incorrect, such investor must take into account that the transfer of the Offer Shares to such investor's securities account will occur at a later date once such investor has supplemented or corrected the data.

None of the Joint Global Coordinators, the remaining Managers, the Offering Agent, the Selling Shareholders or the Company are responsible for any failed transfer of the Offer Shares resulting from any incomplete or incorrect data provided by an investor for the purposes of the transfer of the Offer Shares.

Public announcement of the results of the Offering

The Company will announce the results of the Offering between the Allotment Date and the Listing Date in a manner compliant with the applicable regulations, as well as the market practices in Luxembourg and Poland. The results of the Offering will be published on the website of the Company (www.zabkagroup.com) and on the official website of the Luxembourg Stock Exchange (www.luxse.com).

Listing of the Shares

Prior to the Offering, there has been no public market for the Shares and as at the date of this Prospectus, the Shares are not listed on any regulated or equivalent market. However, based on this Prospectus, the Company intends to submit an application to the WSE for the admission of all of the Shares issued to trading on the regulated market in the continuous trading system.

The admission to trading and the listing of the Shares on the WSE requires, without limitation: (i) the signing of an agreement between the Company and the NDS related to the registration of the Shares in the depository operated by the NDS; and (ii) the Management Board of the WSE resolving to admit and introduce the Shares to trading and list the Shares on the WSE. It is the Company's intention that, in the absence of any unforeseen circumstances, trading in the Shares on the WSE will commence within approximately three business days from the Allotment Date.

The above-mentioned consent may be granted if the Company satisfies all of the legal requirements as specified in the applicable laws and the relevant regulations of the WSE and the NDS, including, specifically, the requirements regarding minimum free float and the relevant level of capitalisation. Any dealings in the Offer Shares prior to the start of trading on the WSE will be at the sole risk of the investors concerned.

No entity has made a commitment of any kind to provide liquidity through bid and offer rates. No public takeover bids by third parties in respect of the Company's equity have occurred during the last financial year and the current financial year. The Company will consider the appointment of a market maker upon the completion of the Offering.

The Company will inform the public in the form of a current report that will be available to the public, in particular through a publication on the Company's website (www.zabkagroup.com), of the admission and introduction of the Shares to trading on the regulated market of the WSE upon receiving the required resolutions of the Management Board of the WSE in compliance with the applicable regulations, as well as market practices in Luxembourg and Poland.

Offering Agent

The Company and the Selling Shareholders have appointed PKO Securities with its registered office in Warsaw Poland, to act as the Offering Agent for the purposes of the Offering, the registration of the Shares in the securities depository maintained by the NDS and the WSE Admission.

UNDERWRITING, STABILISATION AND LOCK-UPS

Underwriting Agreement

On 1 October 2024, the Company, the Selling Shareholders and the Managers entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which, the Managers severally agreed, on the terms and subject to the conditions set out in the Underwriting Agreement, to use reasonable endeavours to procure as agent for each of the Selling Shareholders purchasers for, or failing which, purchase themselves (except for Banco Santander and Pekao Investment Banking), and the Selling Shareholders agreed to sell, subject to certain conditions, to the Managers (except for Banco Santander and Pekao Investment Banking), the aggregate number of Sale Shares sold in the Offering (excluding in respect of the Sale Shares sold to Retail Investors), taking into account the underwriting commitments of each Manager (except for Banco Santander and Pekao Investment Banking) as set forth in the Underwriting Agreement, at the Institutional Investors Offer Price to be set forth in the pricing memorandum to be entered into between the Company, the Selling Shareholders and the Managers on or around 9 October 2024 and announced by the Company on or about 10 October 2024. The relative underwriting commitments of the Underwriters (excluding in respect of the Sale Shares sold to Retail Investors) is set forth in the table below.

Underwriter	Percentage of Offer Shares
Goldman Sachs Bank Europe SE	31.158%
J.P. Morgan SE	31.158%
Bank Polska Kasa Opieki S.A. – Biuro Maklerskie Pekao	5.102%
BNP PARIBAS	5.102%
CVC Capital Markets S.à r.l.	4.011%
Morgan Stanley & Co. International plc	5.102%
Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Biuro Maklerskie w Warszawie	8.163%
Santander Bank Polska S.A. – Santander Biuro Maklerskie	5.102%
ING Bank N.V.	1.020%
mBank S.A.	2.041%
Trigon Dom Maklerski S.A.	2.041%
Total	**100.0%**

The underwriting commitments pursuant to the Underwriting Agreement do not include any Sale Shares sold to Retail Investors. The number of underwritten Sale Shares will depend on the final number of the Offer Shares to be offered pursuant to the Offering to specific investor categories, which will be determined no later than on the date of determination of the Institutional Investors Offer Price. The final number of the Offer Shares to be offered to the Institutional Investors under the Offering, and, therefore, the specific underwriting commitments, will not be known until the final number of the Offer Shares to be offered under the Offering to specific investor categories is determined.

The several obligations of the Managers (except for Banco Santander and Pekao Investment Banking) to purchase the Sale Shares referred to in the immediately preceding paragraph are subject to the fulfilment of certain customary conditions, including, among other things, the delivery of legal opinions by legal counsel to the Company and the Selling Shareholders.

The Selling Shareholders will pay the commissions of the Managers in accordance with the terms of the Underwriting Agreement (for more information on the commissions of the Managers see "*Additional Information—Costs of the Offering—Commission of the Managers*"). The Company will also reimburse the Managers for certain of their expenses in connection with the Offering set forth in and in accordance with the terms of the Underwriting Agreement.

The Underwriting Agreement provides that the Offering may be terminated at any time prior to the First Closing Date (as defined in the Underwriting Agreement, being the date of the registration of the Sale Shares with the Institutional Investors, including: (i) the securities accounts of the Managers pre-funding of institutional investors; and/or (ii) the securities accounts of the Managers), or in respect of the Over-Allotment Shares, before the relevant Option Closing Date (as defined in the Underwriting Agreement) (or, another date and time, as indicated in any supplement or update report to this Prospectus, if amended) upon the occurrence of certain customary termination events such as *force majeure* or a material adverse change in the business of the Group.

In the Underwriting Agreement, the Company and the Selling Shareholders make certain customary representations and warranties, including with respect to the Company's business, the Offer Shares, the contents of this Prospectus and in the case of the Selling Shareholders, in relation to their title to the Offer Shares. The Company also agrees in the Underwriting Agreement to indemnify the Managers against certain losses and liabilities arising out of or in connection with the Offering.

The Underwriting Agreement also provides that the Company, the Majority Selling Shareholders, Amphibian and the Restricted Persons will be subject to lock-up restrictions with respect to the transfer of the Shares and share issue. For information related to the lock-up arrangements, see the paragraph entitled "*—Lock-up Agreements*" below.

Over-Allotment Option and Stabilisation

The Selling Shareholder I and the Selling Shareholder III are granting an option to the Stabilising Manager to borrow (for settlement purposes and the delivery of the Over-Allotment Shares to the Institutional Investors) and further to purchase the Over-Allotment Shares (in order to settle such loan of the Over-Allotment Shares); provided, however, that the maximum number will be equal to not more than 15% of the total number of the Sale Shares being offered and sold in the Offering solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilisation transactions.

In connection with the Offering, the Stabilising Manager or its affiliates or agents may engage in transactions on the WSE with the aim of supporting the market price of the Shares at a level higher than that which might otherwise prevail for a period of up to 30 calendar days from the date of the Listing Date (the "**Over-Allotment Period**"). Such stabilisation, if commenced, shall be conducted in accordance with the rules set out in the Market Abuse Regulation and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and the stabilisation of financial instruments (the "**Stabilising Regulation**").

No assurance can be given that stabilisation transactions will actually be effected as there is no obligation on the part of the Stabilising Manager or its affiliates or agents to undertake stabilisation transactions. If such stabilisation is commenced, it may be discontinued at any time without prior notice and must be brought to an end prior to the expiration of the Over-Allotment Period. The stabilisation transactions, if any, may result in a market price of the Shares that is higher than the price that would otherwise prevail.

If the Stabilising Manager borrows any Shares pursuant to the Underwriting Agreement, it will be required to return equivalent securities to the Selling Shareholder I and the Selling Shareholder III following the expiration of the Over-Allotment Period. Should a short position arise because of any over-allocation, the Stabilising Manager may close such short position by exercising the Over-Allotment Option (in whole or in part) or by open-market purchases, or a combination of both.

The stabilisation transactions will be reported to the public in accordance with the MAR and the Stabilising Regulation. In particular, details of any stabilisation transactions effected by the Stabilising Manager will be disclosed to the public by the Company no later than the end of the seventh daily market session following the date of execution of such transactions. Within one week from the end of the stabilisation period, the following information will be disclosed to the public: (i) whether stabilisation was undertaken, (ii) the date on which stabilisation started, (iii) the date on which stabilisation last occurred, and (iv) the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

Lock-up Agreements

The Company

In the Underwriting Agreement, the Company undertakes to the Managers that during the period of 180 days from the Listing Date, neither the Company nor any of its affiliates will, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the other Joint Bookrunners and Co-Bookrunners): (i) issue, pledge, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Securities Act or file or publish any prospectus with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or otherwise had the same economic effect as (i) whether any such transaction in the case of (i) and (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; (iii) publicly announce such an intention to effect any such transactions; or (iv) submit to its shareholders a proposal to effect any of the foregoing. The foregoing undertaking shall not apply to the issue of Shares upon the exercise of an option or the issue of Shares under the incentive schemes for the Group's directors and employees in existence at the Listing Date as disclosed in the Prospectus.

Majority Selling Shareholders

In the Underwriting Agreement, the Majority Selling Shareholders undertake to the Managers that from the Listing Date until the lapse of 180 days from the Listing Date the Majority Selling Shareholders will not, without the prior written consent (not to be unreasonably withheld or delayed) of the Joint Global Coordinators, directly or indirectly, effect any of the foregoing: (i) pledge, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Securities Act or file or publish any prospectus with respect to any of the foregoing; or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares; or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of Shares or such other securities; (iv) publicly announce any intention to engage in the actions listed (i) to (iii) above; or (v) decrease or publicly announce the intention to decrease its ownership of Shares, whether any such swap or transaction described in (i), (ii), (iii) and (v) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, such lock-up restrictions, subject to certain customary exceptions.

Amphibian and Restricted Persons

In (i) the Underwriting Agreement, Amphibian and the Selling Shareholder V and (ii) in the Lock-up Deeds, the Restricted Managers undertake to the Managers and the Principal Selling Shareholder that from the Listing Date until the lapse of 360 days from the Listing Date, neither Amphibian, the Selling Shareholder V nor the Restricted Managers will, without the prior written consent (not to be unreasonably withheld or delayed) of the Principal Selling Shareholder and the Joint Global Coordinators, directly or indirectly, effect any of the foregoing: (i) pledge, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Securities Act or file or publish any prospectus with respect to any of the foregoing; or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares; or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of Shares or such other securities; (iv) publicly announce any intention to engage in the actions listed (i) to (iii) above; or (v) decrease or publicly announce the intention to decrease its ownership of Shares, whether any such swap or transaction described in (i), (ii), (iii) and (v) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, such lock-up restrictions, subject to certain customary exceptions.

Selected Key Managers

In a separate lock-up agreement the Selected Key Managers undertake to the Principal Selling Shareholder certain lock-up arrangements pertaining to the Selected Key Managers' Shares. Pursuant to these arrangements: (i) from the Listing Date until the lapse of one year from the Listing Date, the Selected Key Managers will not directly or indirectly effect any disposal (as defined in the lock-up agreement) of the Selected Key Managers' Shares; (ii) with respect to 66.66% of such Selected Key Managers' Shares, during the period starting the day after the one-year anniversary of the Listing Date and ending on the second anniversary of the Listing Date, the Selected Key Managers will not directly or indirectly effect any disposal (as defined in the lock-up agreement) of such Selected Key Managers' Shares; and (iii) with respect to 33.33% of such Selected Key Managers' Shares, during the period starting the day after the two-year anniversary of the Listing Date and ending on the third anniversary of the Listing Date, the Selected Key Managers will not directly or indirectly effect any Disposal of such Selected Key Managers' Shares, such lock-up restrictions subject to certain customary exceptions.

Expenses charged to Institutional Investors by the Managers

Investors may be charged by the Managers to account for crossing and funding costs in relation to the Offering.

Other relationships with the Managers

Each of the Managers are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering, and they will not be responsible towards or regard any other person (whether or not a recipient of this Prospectus) as their respective clients and will not be responsible for providing the protections afforded to their respective clients, or for providing advice in relation to the Offering or any transaction or arrangement referred to in this Prospectus.

The Managers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Managers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for the Company and the Selling Shareholders or their respective affiliates from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Company and the Selling Shareholders in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

In addition, certain of the Managers or their affiliates are, or may in the future be, lenders, and in some cases agents or managers for the lenders, under certain of the Group's credit facilities and other credit arrangements, the Selling Shareholders or their respective affiliates. In their capacity as lenders, such lenders may, in the future, seek a reduction of a loan commitment to the Company, the Selling Shareholders or their respective affiliates, or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, certain of the Managers or their affiliates that have a lending relationship with the Company and/or the Selling Shareholders may routinely hedge their credit exposure to the Company and/or the Selling Shareholders consistent with their customary risk management policies. A typical hedging strategy would include these Managers or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Shares and/or the Selling Shareholders' securities.

In addition, the Managers and any of their respective affiliates may also provide risk management products to the Company and/or the Selling Shareholders or their respective affiliates or any parties related to any of them in connection with the Offering for which they could receive payment(s), earn a profit and/or suffer or avoid a loss contingent on the closing of the Offering (and the quantum of such amounts may potentially be significantly in excess of the fees earned by the relevant Manager for its services acting as Joint Global Coordinator, Offering Agent, Joint Bookrunner or Co-Bookrunner in connection with the Offering).

The Managers or their related parties may in the ordinary course of business hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) issued by the Selling Shareholders, the Company, their respective affiliates or related parties or financial instruments related to the financial instruments issued by any of the above entities for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. In addition certain of the Managers or their affiliates may enter into financing arrangements (including swaps) with investors. None of the Managers intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

SELLING RESTRICTIONS

Public offer of the Offer Shares in Poland

This Prospectus has been prepared on the basis that the advertising of the Offering and the advertisements with respect to the Offer Shares (other than the Polish Offering constituting an offer of the Offer Shares to the public in the territory of Poland in accordance with the Prospectus Regulation) will be made pursuant to the relevant exceptions under the Prospectus Regulation from the requirement to prepare and have any prospectus or other offering memorandum for offers of shares approved by or notified to the competent authority and then published. Accordingly, any person making or intending to make any offering, sale or other transfer within the EEA, other than in Poland, of the Offer Shares may only do so in circumstances under which no obligation arises for the Company, the Selling Shareholders or the Managers to present an approved prospectus or other offering memorandum for such offering.

None of the Offer Shares will be offered through any financial intermediary (as that term is used in Article 5(1) of the Prospectus Regulation). None of the Company, the Selling Shareholders or the Managers has authorised, nor will any of them authorise, the making of any offer of the Offer Shares through any financial intermediary (as that term is used in Article 5(1) of the Prospectus Regulation). Neither the Company, nor the Selling Shareholders, nor the Managers have authorised, nor will any of them authorise, the making of any offer of the Offer Shares by way of an offer of securities to the public in Poland other than under the Prospectus.

The Prospectus has been prepared solely for the purposes of the Offering to be carried out by way of an offer of securities to the public in the territory of Poland within the meaning of Article 2 (d) of the Prospectus Regulation and for the purposes of the WSE Admission.

In connection with the Offering, certain limited promotional actions may be taken to provide information about the Offering to QIBs in the United States pursuant to Rule 144A of the U.S. Securities Act and to certain institutional investors outside the United States (excluding Poland) pursuant to Regulation S under the US Securities Act as well as the relevant regulations of the law in the jurisdictions where such promotion or advertising of the Offering will be conducted. Such limited promotional actions, which will not be approved by the CSSF, must be in compliance with the applicable provisions of the law in any jurisdiction in which such actions will be taken or with the rules of any other supervisory authority, specifically any authority having jurisdiction in the territory where such limited promotional actions connected with the Offering will be conducted.

The advertising of the Offering within the EEA, but outside of the territory of Poland, will be based on this Prospectus, which will be delivered to selected Institutional Investors outside of Poland pursuant to the relevant exemptions under the Prospectus Regulation from the requirement to prepare and have any prospectus or other offering memorandum for offers of shares approved by or notified to the competent authority and then published or, if outside the EU, pursuant to other applicable exemptions.

No action has been or will be taken by the Company, the Selling Shareholders or the Managers in any jurisdiction other than Poland that would permit a public offering of the Offer Shares (such public offering being not exempted from an obligation to publish a prospectus or other offering document under the Prospectus Regulation or other applicable laws), or the possession or distribution of the Prospectus or any other offering material relating to the Company or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither the Prospectus nor any other offering material or advertisements in connection with the Offering may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States of America

Neither the Offer Shares nor any other securities of the Company described in this Prospectus have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred in the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares will be offered and sold only: (i) outside of the United States, to certain investors in offshore transactions (as defined in Regulation S); and (ii) in the United States, to persons reasonably believed to be QIBs as defined in and in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or in a transaction not subject to, the registration requirement provided for by the U.S. Securities Act.

Neither the U.S. Securities and Exchange Commission nor any securities regulatory authority of any state or other jurisdiction of the United States nor any non-U.S. securities authority has approved or disapproved of the Offer Shares offered in the Offering or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

European Economic Area

The Prospectus has been approved by the CCSF, the financial sector supervisory authority in the Grand Duchy of Luxembourg. No offer of the Offer Shares to the public is being made in any Member State of the European Economic Area (other than Poland) (each, a "**Relevant State**") that would require the publication of a prospectus or any other offering document in such Relevant State. However, the Managers may decide to advertise the Offering in another Relevant State under certain exemptions from the obligation to publish a prospectus under the Prospectus Regulation, provided that any such offering of the Offer Shares to the public will not result in a requirement on the part of the Company, the Selling Shareholders or any of the Managers to publish a prospectus or any other offering document under Article 3 of the Prospectus Regulation.

In relation to each Relevant State (other than Poland), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that the Offered Shares may be offered to the public in that Relevant State at any time:

- to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Offer Shares shall require the Company, the Selling Shareholders or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person in a Relevant State (other than Poland, where there is an offering of the Offer Shares to the public on the basis of the Prospectus) who initially acquires any Offer Shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Company, the Selling Shareholders and the Managers that it is a qualified investor within the meaning of the Prospectus Regulation.

Subject to the subsequent sentence, in the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Offer Shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. For the avoidance of doubt, neither this Prospectus, nor the terms and conditions of the Offering provide for the inclusion of any consent for the use thereof by financial intermediaries pursuant to Article 23 of Regulation 2019/980.

The Company, the Selling Shareholders, the Managers and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

United Kingdom

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed in the United Kingdom to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of the assimilated Regulation (EU) 2017/1129 as it forms part of domestic UK law by virtue of the European Union (Withdrawal) Act 2018 ("**qualified investors**") and that also: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); or (ii) who are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as the "**relevant persons**"). The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, the relevant persons. This Prospectus and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this Prospectus or any of its contents.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Offer Shares. The Offer Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "**FinSA**"), and no application has or will be made to admit the Offer Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer Shares constitutes a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the Offer Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principals that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of common shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any supplement hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

DIFC

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this Prospectus or taken steps to verify the information set forth herein and has no responsibility for this Prospectus.

The Offer Shares to which this Prospectus relates may not be offered or sold to any person in the Dubai International Financial Centre unless such offer is: (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook; and (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business (COB) Module of the Dubai Financial Services Authority rulebook. This Prospectus must not, therefore, be delivered to, or relied on by, any other person.

The Offer Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares should conduct their own due diligence on the shares. If you do not understand the contents of this Prospectus, you should consult an authorised financial advisor.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Offer Shares or caused the Offer Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell any Offer Shares or cause the Offer Shares to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares, whether directly or indirectly, to any person in Singapore other than:

a. to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA;

b. to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or

c. otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

i. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 276(4)(c)(ii) of the SFA;

ii. where no consideration is or will be given for the transfer;

iii. where the transfer is by operation of law;

iv. as specified in Section 276(7) of the SFA; or

as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

TRANSFER RESTRICTIONS

Prospective purchasers are advised to contact legal counsel prior to making any resale, pledge or transfer of the Offer Shares.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred in the United States, except to persons reasonably believed to be QIBs in reliance on Rule 144A or another applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Investors outside of the United States

Each purchaser of the Offer Shares outside the United States in compliance with Regulation S will be deemed to have represented, acknowledged and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- the Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;
- the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;
- the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;
- the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;
- the Company shall not recognise any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- the Company, the Selling Shareholders, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Investors in the United States

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented, acknowledged and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
- the purchaser:
  - (i) is a QIB,
  - (ii) is aware that the sale to it is being made pursuant to an exemption from the registration requirements of the Securities Act, and
  - (iii) is acquiring such Offer Shares for its own account or for the account of a QIB;
- the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
- if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only: (i) to a person whom the beneficial owner and/or any person acting on its behalf

reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or (ii) in compliance with Regulation S under the Securities Act; in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

- the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;
- the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- the Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;
- the Company is not and will not be registered under the U.S. Investment Company Act;
- if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and
- the Company, the Selling Shareholders, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

THE CAPITAL MARKETS IN LUXEMBOURG AND POLAND AND CERTAIN LUXEMBOURG AND POLISH REGULATIONS RELATED TO THE PURCHASE AND SALE OF SHARES

Information included in this section is of a general nature and describes the legal status as at the date of this Prospectus. Therefore, investors should review the relevant regulations and consult their own legal advisor about the laws and regulations concerning the purchase, ownership and sale of the Offer Shares.

Luxembourg capital markets regulations

Luxembourg Transparency Law

Holders of the Shares and derivatives or other financial instruments linked to the Shares may be subject to disclosure and notification obligations pursuant to the Luxembourg law of 11 January 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market, as amended (the "**Luxembourg Transparency Law**"). The following description summarises these obligations. Shareholders are advised to consult with their own legal advisors to determine whether any disclosure and notification obligations apply to them.

Voting rights held directly or indirectly

The Luxembourg Transparency Law provides that, once the Shares shall have been admitted to trading on the WSE, if a person acquires or disposes of Shares resulting in the proportion of voting rights held by such person to reach, exceed or fall below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3% (each, a "**Relevant Threshold**") of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Company and the CSSF of the proportion of voting rights held by it, him or her further to such event.

The proposal of voting rights held shall be calculated on the basis of all the Shares in the Company to which voting rights are attached even if the exercise thereof is suspended.

A person must also notify the Company and the CSSF of the proportion of its or his or her voting rights if that proportion reaches, exceeds or falls below the Relevant Thresholds as a result of events changing the breakdown of voting rights and on the basis of the information disclosed by the Company.

The same notification requirements apply to a natural person or legal entity to the extent he, she or it is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

(a) voting rights held by a third party with whom that person or entity has concluded an agreement that requires them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Company;

(b) voting rights held by a third party under an agreement concluded with that person or an entity providing for the temporary transfer for consideration of the voting rights in question;

(c) voting rights attached to Shares which are pledged as collateral with that person or entity, provided the person or entity controls the voting rights and declares his, her or its intention to exercise them;

(d) voting rights attached to Shares in which that person or entity has a life interest (*usufruct*);

(e) voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by that person or entity;

(f) voting rights attached to Shares deposited with that person or entity which the person or entity can exercise at his, her or its discretion in the absence of specific instructions from the shareholders;

(g) voting rights held by a third party in its own name on behalf of that person or entity; and

(h) voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at his, her or its discretion in the absence of specific instructions from the shareholders.

Voting rights relating to financial instruments

The above-mentioned notification requirements also apply to a natural person or legal entity that holds, directly or indirectly:

(i) financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to their right to acquire Shares to which voting rights are attached and which have already been issued by the Company; or

(ii) financial instruments that are not included in point (i) but which are referenced to the Shares referred to in that point and with an economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

The notification required shall include a breakdown by type of the financial instruments held in accordance with point (i) above and the financial instruments held in accordance with point (ii) above, distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

The number of voting rights shall be calculated by reference to the full notional amount of Shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a "delta-adjusted" basis by multiplying the notional amount of the underlying Shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the Company. Only long positions shall be taken into account for the calculation of voting rights. Long positions in the Company shall not be netted with short positions relating to the Company.

For the purposes of the above, the following shall be considered to be financial instruments, provided they satisfy any of the conditions set out in points (i) or (ii) above:

(a) transferable securities;

(b) options;

(c) futures;

(d) swaps;

(e) forward rate agreements;

(f) contracts for differences; and

(g) any other contracts or agreements with similar economic effects which may be settled physically or in cash.

The notification requirements described above shall also apply to a person when the number of voting rights held directly or indirectly by it, him or her aggregated with the number of voting rights relating to financial instruments held directly or indirectly, reaches, exceeds or falls below a Relevant Threshold. Any such notification shall include a breakdown of the number of voting rights attached to the Shares held and the number of voting rights relating to the number of Shares underlying such financial instruments.

Voting rights relating to financial instruments that have already been notified to that effect shall be notified again when the person has acquired the Shares underlying such financial instruments and such acquisition results in the total number of voting rights attached to Shares held reaching or exceeding a Relevant Threshold.

The notification to the Company and the CSSF must be effected promptly, but no later than four Luxembourg Stock Exchange trading days after the date on which the person referred to above (i) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, such person should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect or (ii) is informed by the Company of an event changing the breakdown of voting rights. Upon receipt of the notification, but not later than three Luxembourg Stock Exchange trading days thereafter, the Company must make public all the information contained in the notification made to it.

As long as required notifications have not been properly made to the Company, the exercise of voting rights relating to the Shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted as of the moment the shareholder makes the notification.

Where within the 15 days preceding the date for which a General Meeting has been convened the Company receives a notification or becomes aware of the fact that a notification has to be or should have been made in accordance with the Luxembourg Transparency Law, the Company's Board of Directors may postpone the General Meeting for four weeks.

In accordance with Article 8(4) of the Luxembourg Transparency Law, the disclosure requirements do not apply to the acquisition or disposal of a major holding of Shares by a market maker (*teneur de marché*) insofar as the acquisition or disposal is effected in its capacity as a market maker in the Shares and insofar as the market maker does not intervene in the management of the Company and does not exert any influence on the Company to buy such Shares or back the Share price.

In accordance with Article 8(6) of the Luxembourg Transparency Law, the above-mentioned disclosure requirements do not apply to voting rights attached to Shares acquired for stabilisation purposes in accordance with Commission Regulation (EC) 2273/2003 of the Commission of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and the stabilisation of financial instruments (subsequently repealed and replaced by the MAR), provided that the voting rights attached to these Shares are not exercised or otherwise used to intervene in the management of the Company.

For further details, please refer to the Luxembourg Transparency Law and the Luxembourg Grand Ducal regulation of 11 January 2008 on transparency requirements for issuers of securities, as amended.

Disclosure of transactions of persons holding management responsibilities

Once the request for WSE Admission has been made, pursuant to Article 19 of the MAR and the Luxembourg Market Abuse Law, persons discharging managerial responsibilities within the Company, as well as persons closely associated with them, must notify the CSSF and the Company of every transaction conducted on their own account relating to the Shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto. Such obligation applies to any subsequent transaction once the total amount of EUR 5,000 has been reached within a calendar year, calculated by adding without netting all relevant transactions relating to the Shares (the CSSF may decide to increase the threshold to EUR 20,000, in which case such decision would be published on the ESMA's website). The notification must be made promptly and no later than three business days after the date of the transaction. The Company must ensure that any information on relevant transactions notified to it is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis.

The Company shall (i) notify the person discharging managerial responsibilities of their obligations in writing and (ii) draw up a list of all persons discharging managerial responsibilities and persons closely associated with them.

A person discharging managerial responsibilities within the Company shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the Shares or debt instruments of the Company or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which must be made publicly available. Under the MAR and certain delegated EU Commission regulations, the Company may allow a person discharging managerial responsibilities within it to conduct such transactions during the closed period in certain circumstances and subject to certain conditions.

For the purpose of the MAR, a "person discharging managerial responsibilities" within an entity means a person who is (a) a member of an administrative, management or supervisory body of that entity, or (b) a senior executive who is not a member of the bodies referred to in point (a) but who has regular access to inside information relating directly or indirectly to that entity and the power to take managerial decisions affecting the future developments and business prospects of that entity.

For the purpose of the MAR, a "person closely associated" means (a) a spouse or a partner considered to be equivalent to a spouse in accordance with national law; (b) a dependent child, in accordance with national law; (c) a relative who has shared the same household for at least one year on the date of the transaction concerned; or (d) a legal person, trust or partnership the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in the preceding letters (a), (b) or (c), which is directly or indirectly controlled by such person, which is set up for the benefit of such person, or the economic interests of which are substantially equivalent to those of such person.

Mandatory takeover under the Luxembourg Takeover Law

Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 on takeover bids (the "**Takeover Directive**") has been implemented in Luxembourg by way of the law of 19 May 2006 on takeover bids (the "**Luxembourg Takeover Law**") and in Polish legislation in the Act on Public Offering and delegated acts. Any mandatory bid which follows, or any voluntary bid which has as its objective, the acquisition of control of the Company, will be subject to shared regulation by the CSSF pursuant to the Luxembourg Takeover Law and the Polish Financial Supervisory Authority pursuant to the Act on Public Offering.

Under the shared regulation regime, the Act on Public Offering and delegated acts apply to matters relating to the considerations offered, the content of the offer document and the procedure of the bid. Matters regarding company law (and related questions), such as, for instance, the question relating to the percentage of voting rights that give control over a company and any derogation from the obligation to launch a bid or regarding information to be provided to employees of the offeree company, and to the extent applicable, any sell-out or squeeze-out procedures further to a voluntary or mandatory takeover bid, will exclusively be governed by Luxembourg law and in particular the Luxembourg Takeover Law.

The Takeover Directive requires each Member State to ensure the protection of minority shareholders by requiring any person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some of the voting securities are admitted to trading on a regulated market in one or more Member States. The laws of the Member State in which a company has its registered office will determine the percentage of voting rights that is regarded as conferring control over that company.

The Luxembourg Takeover Law will be applicable to the Company once the Shares are admitted to trading on the WSE. Under the Luxembourg Takeover Law, if a person, acting alone or in concert, acquires Shares in the Company which, when added to any existing holdings of the Shares in the Company of such person and/or the parties with which it is acting in concert, result in such person, and the persons acting in concert with it, holding voting rights representing at least 33 1/3% of all of the voting rights attached to the issued Shares in the Company, this person is (or these persons are) required to make an offer for the remaining Shares in the Company.

Squeeze-out and sell-out rights under the Luxembourg Takeover Law

The Luxembourg Takeover Law provides that, when as a result of an offer (mandatory or voluntary) addressed to all of the holders of voting securities of the Company the offeror (or offerors, as the case may be, however the description below refers to a single offeror) holds voting securities representing no less than 95% of the share capital that carry voting rights to which the offer relates and 95% of the voting rights of the Company, the offeror may require the holders of the remaining voting securities to sell those securities to the offeror. The price offered for such securities must be a "fair price". The price offered in a voluntary offer would be considered a "fair price" in the squeeze-out proceedings if at least 90% of the securities representing share capital that carry voting rights and which comprised the bid were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price". The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. The CSSF shall, in any case, ensure that such "fair price" is guaranteed. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

The Luxembourg Takeover Law provides that, when as a result of an offer (mandatory or voluntary) addressed to all of the holders of voting securities of the Company the offeror (and any person acting in concert with the offeror) holds voting securities carrying more than 90% of the voting rights in the Company, each of the remaining security holders may require that the offeror purchase their voting securities. The price offered in a voluntary offer would be considered "fair" in the sell-out proceedings if at least 90% of the securities representing share capital that carry voting rights and which comprised the bid were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price". The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash.

Moreover, an all-cash option for sell-out proceedings must be offered to the remaining shareholders of the Company. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

Luxembourg Mandatory Squeeze-Out and Sell-Out Law

The Company will be under the scope of the Luxembourg law of 21 July 2012 on the mandatory squeeze-out and sell-out of securities of companies currently admitted or previously admitted to trading on a regulated market or having been offered to the public (the "**Luxembourg Mandatory Squeeze-Out and Sell-Out Law**"). The Luxembourg Mandatory Squeeze-Out and Sell-Out Law provides that if any person, acting alone or in concert, holds (otherwise than as a result of a voluntary or mandatory takeover bid pursuant to the Takeover Directive) directly or indirectly at least 95% of the Company's capital carrying voting rights and 95% of the Company's voting rights (a "**Majority Shareholder**"): (i) such Majority Shareholder may require the holders of the remaining shares or other voting securities in the Company to sell those remaining securities to it (the "**Mandatory Squeeze-Out**"); and (ii) each of the holders of the remaining shares or securities may require such Majority Shareholder to purchase its remaining shares or other voting securities (the "**Mandatory Sell-Out**").

The Mandatory Squeeze-Out and the Mandatory Sell-Out must be exercised at a fair price, which fair price shall be determined on the basis of objective and adequate methods applying to asset disposals and must be approved by the CSSF. The procedures applicable to the Mandatory Squeeze-Out and the Mandatory Sell-Out must be carried out in accordance with the Luxembourg Mandatory Squeeze-Out and Mandatory Sell-Out Law under the supervision of the CSSF.

Polish capital markets regulations

Introduction

The principle regulations governing the Polish securities market are set out in three acts of July 2005, that is: (i) the Act on Public Offering; (ii) the Act on Trading in Financial Instruments; and (iii) the Act on Supervision over the Capital Market.

Since 19 September 2006, supervision over the capital market is also regulated by the Act on Supervision over the Financial Market.

Furthermore, the Polish capital market is governed by regulations provided for in the secondary legislation adopted on the basis of the above-mentioned laws and EU rules, which, similarly to the EU regulations, apply directly in Poland such as, for example, the MAR.

The authority that oversees the capital market in Poland is the PFSA.

Trading in shares on the regulated (main) market operated by the WSE within the territory of Poland is subject to EU and Polish law regulations, including, specifically, the MAR, which applies directly throughout the European Union and covers such issues as, in particular: market manipulation, inside information and the acquisition of shares in public companies during closed periods, the Act on Public Offering and the Act on Trading in Financial Instruments as well as certain regulations of the WSE and the NDS, including the WSE Rules and the NDS Rules. The procedure and organisation of supervision over the Polish capital market which is exercised by the PFSA is determined by the Act on Supervision over the Capital Market, the Act on Supervision over the Financial Market, the Act on Public Offering and the Act on Trading in Financial Instruments.

Disclosure rules

According to the Act on Public Offering, if the host Member State for the issuer is in Poland, the scope and deadlines of reporting and financial obligations of the issuer should be governed by the home Member State law.

Disclosure obligations related to the acquisition and sale of a significant block of shares (major holding notifications)

According to the Act on Public Offering, in the case of a public company for which Poland is the host Member State, the shareholders' disclosure obligations connected with the acquisition and sale of a significant block of shares should be governed by the home Member State law.

Please see "—*Luxembourg capital markets regulations—Luxembourg Transparency Law*" above.

Takeover bids

The Shares in the Company will be listed on the WSE, but the Company has its registered office in a Member State other than Poland.

According to the Act on Public Offering, when a WSE-listed company has its registered office in a Member State of the EEA other than in Poland whose shares have been admitted to trading on a regulated market solely within the territory of Poland, any mandatory tender offer for the sale or exchange of the shares in a company is required to be announced in accordance with the legislation in force in the Member State where the WSE-listed company has its registered office, (i.e. Luxembourg law with respect to the Company). However, if the tender offer obligation is triggered in accordance with the legislation in force in the Member State where the WSE listed company has its registered office (i.e. Luxembourg with respect to the Company), the Polish provisions will apply to the tender offer announced in the territory of Poland, in particular with respect to the consideration offered in the tender offer and the procedure of conducting the tender offer, including those relating to the content of the tender offer and the procedures governing its announcement.

Please also see "*—Luxembourg capital markets regulations—Mandatory takeover under the Luxembourg Takeover Law*" above.

Voluntary Tender Offer

The Act on Public Offering contains a specific regulation of voluntary tender offers.

Pursuant to the Act on Public Offering shares in a public company may be acquired as a result of launching a tender offer for the sale or exchange of all of the remaining shares in such company (the "**Voluntary Tender Offer**").

The Voluntary Tender Offer may include a disclaimer that the tender offer is launched on the condition that, prior to the date stated in such tender offer, however, no later than by the end of accepting subscriptions in response to such tender offer:

- the relevant authority:
  - (i) consents to the merger of business entities;
  - (ii) agrees to or grants a permit for the acquisition of shares subject to such tender offer; or
  - (iii) does not object against the acquisition of shares subject to such tender offer.
- the general meeting or another governing or supervisory body of the offeror grants its consent, as required by law, to the acquisition of shares;
- the general meeting or the supervisory board of the public company the shares in which are covered by such public tender adopts a resolution on a specific matter;
- another tender offer for the sale or exchange of all of the remaining shares in a company that belongs to the same group as the public company the shares in which are subject to such Voluntary Tender Offer within the territory of a member state of the Organisation for Economic Cooperation and Development (OECD) be completed, with a specified outcome, by the offeror or a company that belongs to the same group as the offeror; or
- the public company the shares in which are subject to the tender offer concludes an agreement specified in such condition.

The Voluntary Tender Offer may include a disclaimer determining the minimum number of shares covered by subscriptions upon the satisfaction of which, the entity acquiring the shares undertakes to acquire those shares. The minimum number of shares specified in this tender offer, together with the number of shares held by entities referred to in Article 87 of the Act on Public Offering, may not constitute more than the sum of 50% of the total number of votes.

The offeror may reserve the right to acquire the shares covered by subscriptions submitted in response to the Voluntary Tender Offer despite a specific condition not having been satisfied (this does not apply to a tender offer made on the condition that the relevant authority consents to the merger of business entities, agrees to or grants a permit for the acquisition of shares subject to such tender offer or does not object against the acquisition of shares subject to such tender offer).

The offeror will be required to immediately notify an information agency of the satisfaction or non-satisfaction of the specific condition within the time set out in the relevant Voluntary Tender Offer, or of the offeror's decision to acquire shares as a result of such tender offer despite the failure to satisfy the relevant condition. The above-mentioned requirement applies respectively to notifying a relevant authority of obtaining or failing to obtain antitrust clearance for a merger of business entities, of consenting to or granting a permit for, or refusing to consent or grant a permit for the acquisition of the shares covered by the Voluntary Tender Offer, or of no objection to or raising an objection against the acquisition of the shares subject to the Voluntary Tender Offer.

Terms of the Voluntary Tender Offer

A tender offer may be launched and executed through an entity conducting brokerage activity in Poland – the intermediary.

A tender offer is launched after establishing security in favour of an intermediary in the amount equal to at least 100% of the value of the shares that are to be the subject of the tender offer. Established security ensures the possibility of satisfaction from the security immediately after the deadline for purchasing the shares covered by the subscriptions submitted in response to the tender offer. The establishment of such security is documented by way of a certificate issued by a bank or other financial institution providing the collateral or acting as an agent in connection with the provision thereof.

Not later than 17 business days prior to the planned announcement of a tender offer, the intermediary will be required to submit to the PFSA a notice of the intention to announce a tender offer. The intermediary will be required to attach to the notice the contents of the announcement and a certificate confirming the establishment of collateral. Subsequently, no later than within 24 hours after providing the above notice to the PFSA, the intermediary is required to provide to the information agencies information containing: (i) the name of the entity launching the tender offer, and in the case of such entity being a natural person, its first and last name; (ii) the number of shares for which the tender offer will be announced; (iii) the details of the intermediary; (iv) the price at which the entity launching the tender offer intends to purchase shares, and the conversion ratio. The information agency will be required to publish the above-mentioned information in a free-of-charge service that is accessible to all investors under non-discriminatory conditions. As soon as one of the information agencies publishes the above-mentioned information, the intermediary will make such information available on its website.

Withdrawal from an already launched tender offer is not permitted, unless after such tender offer has been launched another entity launches a tender offer for the sale or exchange of all of the remaining shares in the public company at a higher price and such tender offer is not subject to any conditions.

The PFSA may, within ten business days from the date of receipt of the notification of the intention to launch a tender offer, request any necessary changes and supplements to the text of the tender offer or the provision of explanations regarding the text of the tender offer within the period specified in the request; however, such period may not be shorter than two business days. If it is justified, the PFSA may extend the ten-business day deadline by no more than five business days.

In the period between the announcement of a tender offer and the completion thereof, the offeror, its subsidiaries or dominant entities, any third parties holding shares in their own name, but upon a request or on behalf of the offeror, or entities that are party to an Acting in Concert Agreement with the offeror:

- may acquire shares in the public company to which the tender offer applies exclusively within the scope of that specific tender offer and in the manner defined therein; and
- cannot sell shares in the public company to which the tender offer applies or enter into any agreements which would require them to sell any such shares during the term of the tender offer; and
- cannot indirectly acquire the shares in the public company to which the tender offer relates.

Price of Shares in the Voluntary Tender Offer

If any of the shares in the company are subject to trading on the regulated market, the price of the shares proposed in the tender offer may not be lower than:

- the average market price in the three-month period preceding the disclosure of the information about the intention to launch a tender offer during which the shares were traded on the main market;
- the average market price in the six-month period preceding the disclosure of the information about the intention to launch a tender offer during which the shares were traded on the main market; and
- the average market price in a shorter period if the trading of the shares on the main market was shorter than six months preceding the disclosure of the information about the intention to launch a tender offer.

The average market price referred to in the above-mentioned regulations shall be the price that is the arithmetic average of the daily volume-weighted average prices.

In the event that it is not possible to determine the price pursuant to the rules set forth above or in the case of a company subject to restructuring proceedings or which was declared bankrupt, the share price cannot be lower than the fair value of such shares. The fair value of the shares shall be determined by an audit firm selected by the offeror.

The price of the shares proposed in the tender offer may also not be lower than:

- the highest price that the offeror, its subsidiaries or dominant entities, any third parties holding shares in their own name, but upon a request or on behalf of the offeror, or entities that are parties to an Acting in Concert Agreement with the offeror, paid or agreed to pay for the shares subject to the tender offer within the 12-month period preceding the disclosure of the information about the intention to launch the tender offer; or
- the highest value of the assets or rights that the offeror, or the entities indicated in the point above, issued or agreed to issue in exchange for the shares subject to the tender offer within the 12-month period preceding the disclosure of the information about the intention to launch the tender offer.

In case during the 3 months preceding the disclosure of the information about the intention to launch a tender offer trading in the shares of the public company occurred on fewer than one-third of the sessions, and if on at least one-third of those sessions there was a price difference of at least 5% in the closing price of those shares compared to the closing price on the previous session within that period, the minimum price cannot be lower than their fair value. If the trading volume of the public company's shares on the regulated market, as published by the company operating the regulated market, during the 6 months preceding the disclosure of the information about the intention to launch a tender offer, was less than 1% of all the public company's shares admitted to trading on the regulated market, the minimum price cannot be lower than their fair value. In such cases, the fair value of the shares shall be determined by an audit firm selected by the offeror.

In case during the 12 months preceding the disclosure of the information about the intention to launch a tender offer has been preceded by an indirect acquisition of shares in that company by the offeror, its subsidiaries or dominant entities, any third parties holding shares in their own name, but upon a request or on behalf of the offeror, or entities that are parties to an Acting in Concert Agreement with the offeror, the price of the shares proposed in the tender offer may also not be lower than the price of the indirect acquisition that the offeror or those entities have paid or undertaken to pay to.

The price offered in a tender offer may be lower than the price determined in accordance with the rules specified above with respect to shares constituting at least 5% of all of the shares in the company that will be acquired in the tender offer from a person responding to the tender offer, if the offeror so agrees with such person.

In certain circumstances, the price proposed in a tender offer may be lower than the price determined in accordance with the above paragraphs.

Squeeze-Out and Sell-Out

For information on matters related to a squeeze-out or sell-out following a takeover bid or outside of a takeover bid, see "*—Luxembourg capital markets regulations—Squeeze-out and sell-out rights under the Luxembourg Takeover Law*" and *"—Luxembourg Mandatory Squeeze-Out and Sell-Out Law*" above.

In the case of a squeeze-out or sell-out following a takeover bid or outside of a takeover bid relating to the shares of a WSE listed company with its registered office in a different Member State (e.g. Luxembourg), the law governing these matters will be that of a Member State in which the company has its registered office. Nevertheless, Polish regulations such as NDS Rules, NDS Specific Rules or WSE Rules will apply for certain settlement matters.

MAR

Manipulation

The MAR prohibits manipulation involving financial instruments, which is understood as:

- entering into a transaction, placing an order to trade or any other behaviour which: (i) gives, or is likely to give, false or misleading signals as to the supply of, demand for or the price of a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances, or (ii) secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances at an abnormal or artificial level, unless the person entering into a transaction, placing an order to trade or engaging in any other behaviour establishes that such transaction, order or behaviour has been carried out for legitimate reasons, and conforms with an accepted market practice as established in accordance with Article 13 of the MAR;
- entering into a transaction, placing an order to trade or any other activity or behaviour which affects or is likely to affect the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances which employs a fictitious device or any other form of deception or contrivance;
- disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for or the price of a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances or secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances at an abnormal or artificial level, including the dissemination of rumours, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading; and
- transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behaviour which manipulates the calculation of a benchmark.

Pursuant to the MAR, the following behaviour shall be considered as market manipulation:

- the conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument, related spot commodity contracts or auctioned products based on emission allowances which has, or is likely to have, the effect of fixing, directly or indirectly, purchase or sale prices or which creates, or is likely to create, other unfair trading conditions;
- the buying or selling of financial instruments, at the opening or closing of the market, which has or is likely to have the effect of misleading investors acting on the basis of the prices displayed, including the opening or closing prices;
- the placing of orders on a trading venue, including any cancellation or modification thereof, by any available means of trading, including by electronic means, such as algorithmic and high-frequency trading strategies, and which has one of the effects referred to in the first and second bullets above, by: (i) disrupting or delaying the functioning of

the trading system of the trading venue or being likely to do so, (ii) making it more difficult for other persons to identify genuine orders on the trading system of the trading venue or being likely to do so, including by entering orders which result in the overloading or destabilisation of the order book, or (iii) creating or being likely to create a false or misleading signal about the supply of, or demand for, or price of, a financial instrument, in particular by entering orders to initiate or exacerbate a trend;

- the taking advantage of occasional or regular access to traditional or electronic media by voicing an opinion about a financial instrument, related spot commodity contract or an auctioned product based on emission allowances (or indirectly about its issuer) while having previously taken positions on that financial instrument, a related spot commodity contract or an auctioned product based on emission allowances and profiting subsequently from the impact of the opinions voiced on the price of that instrument, related spot commodity contract or an auctioned product based on emission allowances, without having simultaneously disclosed such conflict of interest to the public in a proper and effective manner; and

- the buying or selling on the secondary market of emission allowances or related derivatives prior to an auction held pursuant to Commission Regulation (EU) No 1031/2010 with the effect of fixing the auction clearing price for the auctioned products at an abnormal or artificial level or misleading bidders bidding in the auctions.

Under the MAR, market manipulation may apply not only to financial instruments, but also to related spot commodity contracts or auctioned products based on emission allowances.

The MAR provides for maximum administrative pecuniary sanctions for infringements in terms of market manipulation of: (i) EUR 5.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons; and (ii) EUR 15.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) or 15% of the total annual turnover of the legal person according to the last available accounts approved by the management body in respect of legal persons, although where the legal person is a parent undertaking or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

Although the MAR applies directly throughout the European Union, in terms of the rules for administrative sanctions referred to in the MAR, Member States shall, in accordance with national law, provide for competent authorities to have the power to take appropriate administrative sanctions and other administrative measures. For manipulation, the Act on Trading in Financial Instruments imposes penal sanctions comprising a fine of PLN 5.0 million or imprisonment for three months to five years, or both of these sanctions simultaneously.

The Act on Trading in Financial Instruments also grants the PFSA the power to impose a cash penalty of PLN 2,072,800 on a natural person or PLN 4,145,600 or up to 2% of the total annual revenue as shown in the most recent audited financial statements for a financial year if it is greater than PLN 4,145,600 on other entities for producing or disseminating investment recommendations or other information recommending or suggesting an investment strategy in breach of the MAR, or for the improper performance or a breach of the obligations under the MAR concerning conducting transactions on one's own account by persons discharging managerial responsibilities. The PFSA may impose on such entities a fine of up to three times the benefit obtained or loss avoided if it is possible to determine the amount of such benefit or loss in lieu of the sanctions referred to above.

Pursuant to the Act on Trading in Financial Instruments, failure to comply with specific obligations under the MAR is subject to a cash penalty of up to PLN 4,145,600 or up to the equivalent of 2% of the total annual revenue as shown in the most recent audited financial statements for a financial year if it is greater than PLN 4,145,600.

Inside information

According to the MAR, it is prohibited to:

- engage or attempt to engage in insider dealing;

- recommend that another person engage in insider dealing or induce another person to engage in insider dealing; and

- unlawfully disclose inside information.

According to the MAR, inside information includes the following types of information:

- information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;

- in relation to commodity derivatives, information of a precise nature, which has not been made public, relating, directly or indirectly to one or more such derivatives or relating directly to the related spot commodity contract, and which, if it were made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts, and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with legal or regulatory provisions at the EU or national level, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets;

- in relation to emission allowances or auctioned products based thereon, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such instruments, and which, if it were made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments; and
- for persons charged with the execution of orders concerning financial instruments, it also means information conveyed by a client and relating to the client's pending orders in financial instruments, which is of a precise nature, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments, the price of related spot commodity contracts, or on the price of related derivative financial instruments.

Information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments or the related derivative financial instrument, the related spot commodity contracts or the auctioned products based on the emission allowances. Therefore, in the case of a protracted process which aims at or leads to the occurrence of certain circumstances or a certain event, any future circumstances or future events, and also intermediate phases of the process, related to the occurrence or causing of such future circumstances or events may be deemed as information of a precise nature.

An intermediate step in a protracted process shall be deemed to be inside information if, by itself, it satisfies the criteria of inside information.

Information which, if it were made public, would be likely to have a significant effect on the prices of financial instruments, derivative financial instruments, related spot commodity contracts or auctioned products based on emission allowances shall mean information a reasonable investor would be likely to use as part of the basis of his or her investment decisions.

Pursuant to the MAR, an issuer is required to inform the public as soon as possible of inside information which directly concerns that issuer.

The issuer shall ensure that the inside information is made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public and, where applicable, using the officially appointed mechanism. The issuer shall not combine the disclosure of inside information to the public with the marketing of its activities. The issuer shall post and maintain on its website for a period of at least five years all inside information it is required to disclose publicly.

An issuer may, at its own responsibility, delay the public disclosure of confidential information if the following conditions are jointly satisfied:

- immediate disclosure is likely to prejudice the legitimate interests of the issuer or emission allowance market participant;
- delay of disclosure is not likely to mislead the public; and
- the issuer or emission allowance market participant is able to ensure the confidentiality of such information.

Where an issuer has delayed the disclosure of inside information, it shall inform the PFSA that disclosure of the information was delayed and provide a written explanation of how the conditions set out in this paragraph are satisfied, immediately after the information is disclosed to the public.

Issuers or persons acting on their behalf are required to:

- draw up a list of all persons who have access to inside information and who work for the issuer under an employment contract or otherwise perform duties which give them access to inside information, such as advisors, accountants or rating agencies ("a complete list of the persons with access to inside information");
- keep the list of persons with access to inside information up to date; and
- at the PFSA's request, promptly provide it with the list of persons with access to inside information.

With respect to insider trading, the Act on Trading in Financial Instruments imposes the following penal and administrative pecuniary sanctions:

- a fine up to PLN 2.0 million or imprisonment for up to four years (or both these sanctions jointly) for unlawfully disclosing inside information;
- a fine up to PLN 5.0 million or imprisonment for three months to up to five years (or both these sanctions jointly) for unlawfully using inside information; and

- a fine up to PLN 2.0 million or imprisonment for up to four years (or both these sanctions jointly) for making recommendations or inducing others to buy or sell financial instruments linked to inside information (or both of these sanctions jointly).

Under the Act on Public Offering, the PFSA may impose for the non-performance or incorrect performance of the issuer's obligations related to the disclosure or delay of inside information under the MAR an administrative penalty in the form of: (i) excluding the securities from trading on the regulated market; or (ii) an administrative fine of PLN 10,364,000 or an amount equivalent to 2% of the total annual turnover reported in the last audited annual financial statements if it exceeds PLN 10,364,000; or (iii) both sanctions referred to in points (i) and (ii) above jointly; or (iv) a fine of up to three times the benefit obtained or loss avoided if it is possible to determine the amount of such a benefit or loss in lieu of the sanctions referred to in items (i)-(iii) above.

If the issuer fails to perform or improperly performs its obligations related to the list of persons with access to inside information, the PFSA may, by way of a decision, impose a pecuniary penalty of up to PLN 4,145,600 or an amount equivalent to 2% of the total annual turnover reported in the last audited annual financial statements if it exceeds PLN 4,145,600. For a breach of these obligations, the PFSA may impose a pecuniary penalty on the person who at that time performed the function of a management board member of the issuer a pecuniary penalty of up to PLN 2,072,800. Where the amount of the benefits gained or losses avoided by the entity due to the infringements referred to above can be determined, the PFSA may, instead of the penalty referred to in this paragraph, impose a pecuniary penalty of up to three times the amount of the benefits gained or losses avoided.

Obligations related to the purchase or sale of shares during restricted periods

Under the MAR, during a closed period, persons discharging managerial responsibilities for an issuer may not trade on their own account or for the account of a third party during a closed period, directly or indirectly, in the shares or debt instruments of such issuer or in derivatives or other financial instruments linked thereto.

In addition, under the MAR, a closed period is the period of 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is required to make public according to: (i) the rules of the trading venue where the issuer's shares are admitted to trading; or (ii) national law.

Under the MAR, persons discharging managerial responsibilities, as well as persons closely associated with them, must notify the issuer and the CSSF of every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto. Such notifications should be made immediately, but no later than within three working days of the transaction date. The issuer must ensure that the information that is notified in accordance with the rules specified above is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with the implementing technical standards regulated under the MAR.

The MAR provides for the maximum administrative pecuniary sanctions for the infringement of the obligations related to:

- closed periods of (i) EUR 0.5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons and (ii) EUR 1.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of legal persons; and
- notifications of insider dealing of (i) EUR 0.5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons and (ii) EUR 1.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of legal persons,

although where the legal person is a parent undertaking or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

Non-compliance with Market Abuse Rules

In accordance with the MAR, the Polish Financial Supervisory Authority has the power to take appropriate administrative sanctions, such as the imposition of fines and/or other administrative measures in relation to possible infringements.

Non-compliance with the market abuse rules set out above could also constitute an economic offense and/or a crime and could lead to the imposition of administrative fines by the Polish Financial Supervisory Authority. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa.

The Polish Financial Supervisory Authority shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the MAR.

The Company and any person acting on its behalf or on its account is obligated to draw up an insider list, to promptly update the insider list and provide the insider list to the CSSF or PFSA upon its request. The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider trading and unlawful disclosure of inside information.

Warsaw Stock Exchange

The Polish financial instruments exchange market is operated by the WSE. The WSE is a regulated market pursuant to MiFID II. The WSE runs its business pursuant to applicable laws, including the Act on Trading in Financial Instruments and its internal regulations, including the articles of association of the WSE and the WSE Rules.

The exchange market operated by the WSE constitutes a regulated market for the purposes of the relevant regulations of EU law and the Act on Trading in Financial Instruments. Moreover, the WSE organises and operates an Alternative Trading System which is a non-regulated market. The exchange market operated by the WSE includes the main floor (the official stock exchange market) and the parallel market.

According to the WSE's website (www.gpw.pl), as of 17 September 2024, shares of 410 companies were listed on the WSE, including 42 foreign companies. The total capitalisation of the companies listed on the WSE was PLN 1.521.208,25 million as of 17 September 2024.

As at the date hereof, the Company is not a public company and the rights and obligations listed below shall apply to the Company from the moment it becomes a public company (i.e. from the moment of the admission of at least one share in the Company to trading on the regulated market in Poland or the introduction of at least one share in the Company to trading to the alternative trading system in Poland).

Dematerialisation of securities

Securities that are subject to a public offering within the territory of Poland or those subject to admission to trading on the regulated market in Poland upon their registration and thereafter exist in book-entry form pursuant to an agreement with the NDS, the Polish deposit and clearing institution (dematerialisation of the securities), except for securities offered to the public which will not be subject to admission to trading on the regulated market or introduced exclusively to an alternative trading system, which may keep their certificate form if the issuer so decides.

For the purposes of dematerialisation, an issuer of securities must sign an agreement with the NDS on the registration of such securities in the depository for securities maintained by the NDS.

Rights attached to such dematerialised securities arise and are vested upon their recording for the first time in the securities account of the holder of such account. Securities registered in omnibus accounts constitute an exception to the above rule – in such case, the holder of the account is not entitled to those securities. The person entitled to the securities registered in an omnibus account is the person indicated to the entity maintaining such account by the holder thereof as being entitled to a given number of securities. An agreement setting forth the obligation to transfer dematerialised securities conveys the title to such securities when the appropriate entry is made in the relevant securities account. With respect to securities held in an omnibus account, a depository certificate will be a document having identical wording to that of the depository certificate issued in Polish or in English by the holder of such account. If dematerialised securities are acquired on the basis of a legal transaction in which their transfer occurs by operation of law, an entry on the securities account of the transferee is made at the transferee's request.

The entity maintaining the securities account, such as a brokerage house, custodian or custodian bank, will issue, at the request of the account holder, a separate registered depository certificate for each type of securities registered in the account. The depository certificate confirms the powers to exercise the rights attached to the securities indicated therein that are not, or may not be, exercised exclusively on the basis of entries in the securities account, except to participate in the general meeting of the shareholders. Depository certificates may be issued by brokerage houses, banks conducting brokerage activities, trustee banks, foreign investment companies and foreign legal entities conducting brokerage activities in Poland, the NDS and the NBP, provided that the relevant accounts are designated in a manner sufficient to identify the persons with whom the rights attached to the securities are vested.

From the moment of the issuance of a registered depository certificate, the securities, in the number indicated in the registered depository certificate, may not be traded until the end of the validity period of a registered depository certificate or until the certificate is returned to the issuer, whichever occurs first. During this period, the issuer of the registered depository certificate will lock up the appropriate securities in that account.

The same securities may be indicated in several registered depository certificates, provided that the purpose of the issuance of each of these registered depository certificates is different. In such case, information is also provided in individual registered depository certificates as regards the lock-up of the securities due to an earlier issuance of other registered depository certificates.

Withdrawal of the shares from trading (delisting)

The PFSA, at the request of an issuer, grants consent for withdrawing the shares from organised trading following the satisfaction of the relevant conditions provided for in the Act on Public Offering. The legal consequences of the grant of such consent include no longer being subject to the obligations under, inter alia, the Act on Public Offering, the MAR, the applicable home Member State regulations (in the case of foreign companies listed on the WSE) established in connection with the public offering of shares or the admission thereof to trading on the regulated market within the territory of Poland and the obligations specified in the chapter of the Act on Public Offering regarding significant blocks of shares in public companies (or the corresponding provisions of the laws of the home Member State of the company), and such consequences come into effect upon the lapse of a deadline of no more than one month as stated in the decision pursuant to which the PFSA granted its consent. It is permissible to submit a relevant request to the PFSA if, in the case of a company with its registered seat in Poland, the general meeting of a public company, by a majority of nine-tenths of the votes cast in the presence of shareholders representing at least half of the share capital, adopted a resolution on the delisting of the shares. The request for the convocation of an extraordinary general meeting and including the matter of the adoption of a resolution regarding the delisting of the shares on the agenda thereof may be made by one or several shareholders representing at least one-twentieth of the share capital. In the case of a WSE-listed company that has its registered office in a Member State of the EEA other than Poland, the delisting resolution referred to above may be adopted by a decision-making body other than a general meeting which is competent under the legislation in force in the state in which the company has its registered office.

One or several shareholders demanding the inclusion of the matter of the adoption of a resolution regarding the delisting of shares on the agenda are required to first announce a public tender for the subscription for the sale of the shares in such company by all the other shareholders. However, in the case of an issuer for which Poland is the host Member State and whose securities are admitted to trading only on the regulated market in Poland, the obligation to announce a public tender applies to the shares of that company which were acquired in transactions executed on such regulated market in Poland and are entered in securities accounts maintained in Poland as at the end of the second day after the announcement of such takeover bid.

One or several shareholders demanding the inclusion of the matter of the adoption of a resolution regarding the delisting of shares on the agenda may acquire shares in that company in the period between the submission of the request and the completion of the tender offer only by way of such tender offer. There is no obligation to announce a tender offer if the demand for the inclusion of the matter of the adoption of a resolution regarding the delisting of shares on the agenda is made by all of the shareholders of a public company.

Settlement

Under the current regulations, all transactions on the regulated market of the WSE are carried out on a delivery versus payment basis, with the transfer of rights to securities occurring upon settlement on a T+2 basis. In principle, each investor must hold a securities account and a cash account with a member of the Retail Syndicate or an entity conducting depository activities in Poland, and each member of the Retail Syndicate and entity conducting depository activities must hold relevant accounts (*konta* and *rachunki*) with the NDS and a main cash account with a settlement bank. Entities authorised to maintain securities accounts may also maintain, within the scope of a security deposit or a securities registration system maintained by the NBP, what are known as omnibus accounts (i.e. accounts in which it is possible to register dematerialised securities which are not owned by the persons for whom such accounts are maintained, but which are owned by another person or persons). Omnibus accounts may be maintained exclusively for the entities listed in the Act on Trading in Financial Instruments.

In accordance with the rules and regulations of the WSE and the NDS, KDPW CCP S.A., a subsidiary of the NDS, is required to arrange, based on a list of transactions provided by the WSE (compiled post-session), the settlement of transactions effected by WSE members. In turn, WSE members coordinate the settlement with the investors on whose account the transactions were executed.

Stock exchange trading mechanisms

Pursuant to the WSE Rules, WSE sessions are held regularly from Monday to Friday from 8:30 a.m. to 5:05 p.m. Warsaw time, unless the management board of the WSE decides otherwise.

Depending on the market on which the relevant securities are listed, quotations are made in a continuous trading system (the main floor) or in a single-price system with one or two auctions (the parallel market). In addition, for large blocks of securities, what are referred to as block transactions outside of the public order book in the continuous trading system or a single-price system are possible.

Information as to price, trading volume and any specific rights (pre-emption or dividend rights) attached to the relevant securities is available on the WSE's official website at www.gpw.pl.

Brokerage commissions in Poland are not fixed by the WSE or other regulatory bodies and are set by the brokerage house executing the transaction.

Capitalisation and dispersion requirements

Pursuant to the WSE Rules, financial instruments may be admitted to trading on the exchange if:

(a) an appropriate disclosure document has been published or made available in accordance with applicable law;

(b) their transferability is not restricted;

(c) no bankruptcy, restructuring or liquidation proceedings are underway with respect to their issuer.

Pursuant to § 3.2 of the WSE Rules, shares admitted to trading on the exchange should meet the following conditions:

(a) the number of all the issuer's shares multiplied by the projected market price of those shares, or, if it is not possible to determine that price, the issuer's own equity amounts to at least PLN 60,000,000 or the PLN equivalent of at least EUR 15,000,000;

(b) shareholders, each of whom is entitled to exercise less than 5% of the total number of votes at the issuer's general meeting, hold at least:

  (i) 15% of the shares covered by the application for admission to trading on the stock exchange; and

  (ii) 100,000 shares covered by an application for admission to trading on the stock exchange with a value of at least PLN 4,000,000 or the PLN equivalent of at least EUR 1,000,000, calculated according to the last sale or issue price.

Pursuant to the Market and Issuers Regulation referred to in § 3(5) of the WSE Rules, one of the requirements when listing shares on the main market is that shareholders, each of whom is entitled to exercise less than 5% of the total number of votes at the issuer's general meeting, must hold at least:

(a) 25% of the shares covered by the application for admission to trading on the stock exchange; or

(b) 500,000 shares covered by an application for admission to trading on the stock exchange with a value of at least EUR 17,000,000, calculated at the last sale or issue price.

The minimum requirements for admission to trading on the main market under the Market and Issuers Regulation will be satisfied if, under the Offering, the Selling Shareholders sell not less than 250,000,000 Shares, representing 25% of the Issuer's shares covered by the application for admission to trading on the stock exchange (assuming that none of the shareholders who have acquired Shares under the Offering will hold Shares in a number entitling them to more than 5% of the total number of votes at the General Meeting) or they sell less than 250,000,000 Shares but not less than 500,000 Shares, provided that this smaller number of Shares should have a value of at least EUR 17,000,000 at their sale price (assuming that none of the shareholders who acquired the Shares in the Offering will hold Shares in a number ensuring the right to more than 5% of the total number of votes at the General Meeting).

The minimum requirements for admission of the Shares to trading on a regulated market, in terms of capitalisation, resulting from the WSE Rules will be fulfilled if, all of the Shares are admitted to trading on the parallel market, the price of the Shares will be not lower than PLN 0.06 (thereby achieving the minimum capitalisation level of PLN 60,000,000.00). The minimum requirements for the admission of the Shares to trading on the parallel market, in terms of dispersion, resulting from the WSE Rules will be satisfied in the case of the Company if the Selling Shareholders sell not less than 150,000,000 Shares, which constitutes 15% of the Shares covered by the application for admission (assuming that each of the shareholders who acquired the Shares in the Offering will hold Shares entitling them to less than 5% of the total number of votes at the General Meeting).

Additionally, pursuant to § 10 of the WSE Rules, the WSE Management Board, when considering an application for admission to trading on the exchange of financial instruments, considers:

(a) the issuer's financial position and its outlook, in particular profitability, liquidity and debt servicing capacity, as well as other factors affecting the issuer's financial performance;

(b) the prospects for the issuer's development, in particular an assessment of the feasibility of investment projects, including the sources of their funding;

(c) experience and qualifications of members of the issuer's management and supervisory bodies;

(d) the terms on which the financial instruments were issued and their compliance with the rules referred to in § 35 of the WSE Rules;

(e) the safety of stock exchange trading and the interests of its participants.

Notification requirements and other limitations under antimonopoly regulations

Competition and Consumer Protection Act

In accordance with Article 13 of the Competition and Consumer Protection Act, the President of the UOKiK needs to be notified of an intended concentration if the following conditions are met:

(f) the combined worldwide annual turnover of the undertakings participating in the transaction exceeded EUR 1 billion in the preceding financial year; or

(g) the combined turnover generated in Poland by the undertakings participating in the transaction exceeded EUR 50 million in the preceding financial year.

Pursuant to Article 13 section 2 of the Competition and Consumer Protection Act, a concentration constitutes: (i) a merger of two or more independent undertakings; (ii) a takeover of control (direct or indirect) over one or more undertakings by one or more undertakings; (iii) an establishment of a joint undertaking (regardless of whether or not it will perform all of the functions of an autonomous undertaking on a lasting basis); or (iv) an acquisition by one undertaking of part of the assets of another undertaking (the whole or part of the enterprise), where the turnover of the assets in Poland exceeded the equivalent of EUR 10 million in any of the two preceding financial years.

Pursuant to Article 16 sections 1 and 3 of the Competition and Consumer Protection Act, the relevant turnover covers the turnover of: (i) undertakings directly participating in the concentration; (ii) other undertakings within the capital groups of undertakings directly participating in the concentration; (iii) undertakings over which the undertakings referred to in (i) and (ii) above exercise control jointly with any other undertaking or undertakings – in proportion to the number of undertakings exercising control; and (iv) undertakings which jointly control the capital group of the undertakings that directly participate in the concentration – on a pro rata basis to the number of undertakings exercising control. However, in the event of an acquisition of control, the relevant turnover on the seller's side only includes the target's turnover (and the entities solely or jointly controlled by the target), i.e. it no longer includes the seller's entire capital group. Also, in the event of an acquisition by one undertaking of the assets of another undertaking, the relevant turnover on the seller's side only includes the turnover generated by such assets.

According to Article 18 of the Competition and Consumer Protection Act, the President of the UOKiK will approve a concentration if the concentration is not expected to significantly impede market competition, in particular by creating or strengthening a dominant market position.

The provisions of the Competition and Consumer Protection Act apply not only to entrepreneurs (undertakings) as defined in the Entrepreneurs' Law dated 6 March 2018 (the "**Entrepreneurs' Law**"), but also, for example – pursuant to Article 4 (1) of the Competition and Consumer Protection Act – to natural persons who have control within the meaning of the Competition and Consumer Protection Act over at least one undertaking, even if such person does not conduct business activity within the meaning of the Entrepreneurs' Law, provided that such person takes further action which is subject to concentration control within the meaning of the Competition and Consumer Protection Act.

In the Competition and Consumer Protection Act, taking over control is understood as any form of a direct or indirect acquisition of rights by an undertaking, which rights, individually or jointly, taking into account all legal or factual circumstances, enable the exercise of a decisive influence over another undertaking or other undertakings. Such rights arise in particular from:

(a) holding directly or indirectly a majority of the votes at a meeting of the shareholders or a general meeting, also as a pledgee or usufructuary, or on the management board of another entrepreneur (subsidiary entrepreneur), also pursuant to arrangements made with other persons;

(b) the power to appoint or recall a majority of the members of the management board or supervisory board of another entrepreneur (subsidiary entrepreneur), also pursuant to arrangements made with other persons;

(c) having members of one's management board or supervisory board accounting for more than one-half of the management board members of another entrepreneur (subsidiary entrepreneur);

(d) holding, whether directly or indirectly, a majority of the votes in a subsidiary partnership or at a general meeting of a subsidiary cooperative, also pursuant to arrangements made with other persons;

(e) holding the legal title to all or part of another entrepreneur's (subsidiary entrepreneur's) assets; and

(f) any contract that provides for the management of another entrepreneur (subsidiary entrepreneur) or for the transfer of profit by such entrepreneur.

Pursuant to Article 14 of the Competition and Consumer Protection Act, acquisition of control over one or more undertakings is not subject to notification if the turnover of the undertaking to be acquired did not exceed the equivalent of EUR 10 million in Poland in either of the two financial years preceding the notification. Concentrations consisting of the merger of undertakings or the establishment of a joint venture are not subject to notification if none of the capital groups of the parties to the concentration generated more than EUR 10 million in Poland in either of the two years preceding the notification. If the concentration involves both the acquisition of control and the acquisition of assets from the same seller, the EUR 10 million threshold applies to the combined turnover of the target (and the entities controlled by the target) and the acquired assets. However, if at the same time or during a period not exceeding two years:

(a) the acquisition of control over at least two undertakings belonging to the same capital group takes place, the turnover referred to in Article 14 must include the total turnover of all those undertakings, as well as their subsidiaries;

(b) an undertaking acquires a part of the assets of another undertaking or undertakings belonging to the same capital group, the turnover referred to in Article 13 section 2 point 4 must include the total turnover achieved by all such acquired assets; or

(c) control over one or more undertakings belonging to one capital group is taken and part of the assets of an undertaking or undertakings belonging to this capital group are acquired, the turnover referred to in Article 14 must include the total turnover of all of the undertakings and the turnover generated by the parts of the assets acquired.

Furthermore, pursuant to Article 14 of the Competition and Consumer Protection Act, an intended concentration need not be notified if: (a) the concentration consists of the temporary acquisition or subscription for shares by a financial institution with a view to reselling them, provided that such institution invests in other undertakings' shares for its own or a third party's account as part of its business activity and the shares will be resold within one year from their acquisition or subscription, and on the further condition that: (i) the institution does not exercise the rights attached to the shares, save for the right to dividend, or (ii) the institution exercises such rights exclusively for the purpose of preparing the sale of the whole or part of the undertaking, its assets or the shares; (b) the concentration consists of the temporary acquisition or subscription for shares by an undertaking for the purpose of securing receivables, provided that the undertaking does not exercise the rights attached to such shares, save for the right to sell the shares; (c) the concentration takes place as part of bankruptcy proceedings, except where the undertaking intending to take over control is a competitor of, or is a member of the same capital group as competitors of, the undertaking to be acquired or the undertaking whose property is to be acquired; and (d) the concentration concerns undertakings from the same capital group.

Article 15 of the Competition and Consumer Protection Act provides that a concentration effected by a subsidiary undertaking is deemed a concentration effected by the parent undertaking.

Pursuant to Article 97 section 1 of the Competition and Consumer Protection Act, undertakings subject to an obligation to submit a notification must refrain from implementing a concentration until the President of the UOKiK issues a decision approving the concentration or until the deadline by which such decision should be issued passes.

According to Article 98 of the Competition and Consumer Protection Act, the execution of a public offer to purchase or exchange shares of which the President of the UOKiK has been notified does not constitute an infringement of the statutory obligation to refrain from implementing a concentration if the acquirer does not exercise the voting rights attached to the acquired shares or does so exclusively in order to maintain the full value of its equity investment or in order to prevent substantial damage which could affect the undertakings participating in the concentration.

Pursuant to Article 106 section 1 point 3 of the Competition and Consumer Protection Act, if an undertaking completes, even if unintentionally, a transaction before receiving clearance from the President of the UOKiK, the President of the UOKiK can issue a decision to impose a fine of up to 10% of the turnover of this undertaking (not its entire group) obtained in the financial year preceding the year in which the fine is imposed. In addition, according to Article 108 section 1 point 2 of the Competition and Consumer Protection Act, the President of the UOKiK may issue a decision to impose a fine on a manager or a member of a managing body of an entrepreneur in the amount of up to 50 times their average remuneration if this person intentionally or unintentionally fails to notify the President of the UOKiK of a concentration.

EU concentration control

The requirements regarding the control of concentrations also arise from Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (the "**Concentration Control Regulation**"). This regulation governs concentrations having an EU dimension and therefore applies to undertakings and their related parties that exceed specific turnover thresholds. The Concentration Control Regulation only covers such concentrations in which a change of control on a lasting basis results from: (i) the merger of two or more previously independent undertakings or parts of undertakings; or (ii) the acquisition, by one or more persons already controlling at least one undertaking, or by one or more undertakings, whether by purchase of securities or assets, by contract or by any other means, of direct or indirect control of the whole or parts of one or more other undertakings. The creation of a joint venture performing on a lasting basis all the functions of an autonomous economic entity constitutes a concentration within the meaning of the Concentration Control Regulation.

A concentration having an EU dimension is subject to the notification of the European Commission, which must issue a merger clearance before the final implementation of such concentration.

Under the Concentration Control Regulation, a concentration between undertakings has an EU dimension if:

- the combined aggregate worldwide turnover of all of the undertakings concerned amounts to more than EUR 5 billion; and
- the aggregate turnover in the European Union of each of at least two undertakings concerned amounts to more than EUR 250 million,

unless each of the undertakings concerned achieves more than two-thirds of its aggregate turnover in the European Union within one and the same Member State.

A concentration of undertakings that does not satisfy the above criteria also has an EU dimension if:

- the combined aggregate worldwide turnover of all of the undertakings concerned amounts to more than EUR 2.5 billion;
- in each of at least three Member States, the combined aggregate turnover of all of the undertakings concerned amounts to more than EUR 100 million;
- in each of at least three Member States, specified for the purpose of the point above, the aggregate turnover of each of at least two of the undertakings concerned amounts to at least EUR 25 million; and
- the aggregate turnover in the European Union of each of at least two of the undertakings concerned amounts to more than EUR 100 million,

unless each of the undertakings concerned achieves more than two-thirds of its aggregate turnover in the European Union in one and the same Member State.

In specific cases, a concentration not having an EU dimension may be, in accordance with the Concentration Control Regulation, referred to the Commission for merger clearance. Similarly, in specific cases, a concentration that has an EU dimension may be referred by the Commission to a national competition authority.

A concentration of which the European Commission is notified and which is cleared under the Concentration Control Regulation is not subject to clearance from the President of the UOKiK or any other national competition authority in the European Union.

Foreign investment control regime

Polish anti-Covid-19 law dated 19 June 2020 concerning subsidies for interest rates on bank loans granted to ensure the financial liquidity of entrepreneurs affected by the coronavirus pandemic and changing certain other laws introduced changes to the Act on the Control of Certain Investments and, as a result, provides for new rules concerning the control of the President of the UOKiK over certain investments resulting in the acquisition of dominance or a significant shareholding in a protected entity by a specific foreign entity. New regulation initially came into effect on 24 July 2020 for a period of 24 months only, but was subsequently prolonged for 60 months, i.e., until 24 July 2025.

Acquisition of dominance should be understood as acquisition of the status of a dominant entity over another entity within the meaning of the Act on the Control of Certain Investments. Acquisition of significant shareholding refers to the ability to exert influence over the activities of a protected, in particular through holding shares representing at least 20% of total number of votes. The regulation provides for a wide range of cases that constitute direct indirect or subsequent acquisition of dominance or a significant shareholding.

In particular, the second sentence of Article 12c (7) covers indirect acquisitions resulting from:

- an act performed on the basis of the law of a country other than the Republic of Poland, in particular, as a result of a merger of companies whose registered offices are located outside the territory of the Republic of Poland; or
- the acquisition of, or subscription for, shares in an entity with its registered office outside the territory of the Republic of Poland, which is an entity with a significant share or a parent entity of the protected entity.

An acquiring entity qualifies as a foreign entity if it does not have, or did not have for at least two years before the day immediately preceding the submission of a relevant notification, its registered seat in a member country of the EU or OECD, or in a country being a party to the EEA Agreement – in the case of entities other than natural persons; or (ii) it is not a citizen of any of the above-mentioned member countries in the case of natural persons.

A target entity qualifies as a protected entity if: (i) it has its registered seat in Poland and it: (i) is a publicly listed entity; or (ii) has assets qualifying as critical infrastructure in accordance with the relevant laws; or (iii) designs or modifies software utilised in certain types of business activity; or (iv) conducts certain types of business activity as stipulated in the Act on the Control of Certain Investments. However, a target entity will not be deemed a protected entity unless it achieved a turnover exceeding EUR 10 million within the territory of Poland in any of the two financial years preceding the submission of the relevant notification.

The President of the UOKiK should be notified of any acquisition requiring its review in accordance with the Act on the Control of Certain Investments. The President of the UOKiK is also entitled, in specific circumstances, to commence preliminary review proceedings on an *ex officio* basis. The President of the UOKiK may commence the proceedings on an *ex officio* basis. The President of the UOKiK may object to a transaction if in connection with an acquisition or the achievement of a significant shareholding or a position of dominance, there exists at least a potential threat to public order, public security or public health in Poland, or if the notified acquisition may have an adverse effect on projects and programmes which are in the interest of the EU. An objection may also be issued if it is not possible to establish whether the acquiring entity has, or has had for at least two years before the day immediately preceding the submission of the relevant notification, its registered seat in a member country of the EU, OECD or a country being a party to the EEA Agreement, or the documents, information or explanations requested by the President of the UOKiK are not provided thereto by the indicated deadline or any formal shortcomings are not remedied.

In the case of an indirect acquisition referred to in the second sentence of Article 12c(7) of the Act on the Control of Certain Investments, if one of the above conditions are met, the President of the UOKiK may issue decisions declaring the exercise of rights from shares of the protected entity inadmissible.

An acquisition made without the submission of the required notification to the President of the UOKiK or in respect of which the President of the UOKiK issues an objection will be deemed invalid by virtue of law, except that in the event of failure to submit the notification of indirect acquisition referred to in the second sentence of Article 12c(7) of the Act on the Control of Certain Investments or the issuance of a decision by the President of the UOKiK stating the inadmissibility of exercising rights from the shares of a protected entity, no voting rights or other powers may be exercised, with the exception of the right to dispose of shares.

An individual that has made an acquisition without notification, is also subject to criminal liability, i.e. a pecuniary fine of up to PLN 50 million or the penalty of deprivation of freedom for a period between 6 months and 5 years, or both those penalties jointly. The same penalty is imposed on anyone who has made such an acquisition without giving notice, acting on behalf or in the interest of a legal person or an organisational unit without legal personality.

Additionally, an entity required by law or by an agreement to manage the affairs of a subsidiary thereof will also be subject to a pecuniary fine of up to PLN 5 million or imprisonment of up to five years, or to both penalties jointly, if it was aware of such acquisition being made by such subsidiary. The same penalty shall be imposed on anyone who, when acting at a meeting of the governing body of a protected entity or when adopting resolutions of the shareholders of a protected entity exercises the rights attached to the shares on behalf of an entity that, despite being under an obligation to do so, has failed to notify the acquisition of a significant shareholding in a protected entity, where he knew or could have known of that circumstance on the basis of data made available pursuant to the Act on the Control of Certain Investments.

TAXATION

The following discussion is a summary of certain Luxembourg and Polish tax considerations relevant to investors residing in Poland or who are otherwise subject to Polish taxation of owning and disposing of Shares and of certain U.S. federal income tax consequences for U.S. Holders (as defined below) of acquiring, owning and disposing of Offer Shares. Any statements included in this section or in other sections of this Prospectus should not be deemed to be tax advice. The discussion below is based on Polish & Luxembourg tax laws and certain U.S. federal income tax laws, respectively, and, as its interpretation refers to the position as at the date of this Prospectus, it may therefore be subject to change, including changes with retroactive effect. Any such change may negatively affect tax treatment of prospective investors or U.S. Holders, as described below. This description does not purport to be complete regarding all tax information that may be relevant to prospective investors, including U.S. Holders, due to their personal circumstances. Prospective purchasers of Offer Shares are advised to consult their professional tax advisors in regard to the tax consequences of the purchase, ownership, disposal, redemption or transfer without remuneration of the Offer Shares and the Shares. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).

Tax regulations in Luxembourg and Poland are complex and are subject to frequent changes. In the Company's opinion, the tax law practice of the tax authorities is not homogenous and there are rather significant discrepancies between the judicial decisions issued by administrative courts in tax law matters. There can be no assurance given that the tax authorities will not question the accuracy of the tax reporting and tax payments made by the Group in the scope of tax liabilities not barred by the statute of limitations. It cannot be ruled out that once new tax law regulations are introduced, the Group will need to take actions to adjust thereto, which may result in greater costs forced by circumstances related to complying with the changed or new regulations.

Investors are warned that the tax legislation of their country of incorporation or domicile/residence and of Luxembourg as the Company's country of incorporation may have an impact on the income received from the Shares, including the Offer Shares.

The reference to "dividend" as well as to any other terms in the paragraphs below means "dividend" or any such other term as understood in the relevant domestic laws of Luxembourg and Poland, and certain U.S. federal income tax laws, respectively.

Luxembourg tax considerations

The following section summarises certain important Luxembourg taxation principles that may be relevant to Investors investing in, owning, holding or disposing of Shares in the Company. Unless otherwise indicated, all information contained in this section is based on laws, regulations, practice and court decisions in effect in Luxembourg as at the date of this Prospectus (as referred to herein, collectively, "**Luxembourg Tax Laws**"), and as such, may be superseded after such date. The reference to a specific law, act or regulation refers to its version as amended and in force as at the date of this Prospectus. Any subsequent changes to Luxembourg Tax Laws could apply retroactively and could affect the continued accuracy of this summary. This summary does not purport to be a comprehensive description of all Luxembourg Tax Laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold or dispose of the Shares in the Company, and is not intended to serve as tax advice to any particular investor or potential investor. Investors should consult their own tax advisors about the tax consequences of investing in, owning, holding or disposing of the Shares in the Company. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Luxembourg.

Where in this summary English terms and expressions are used to refer to Luxembourg tax concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Luxembourg concepts under Luxembourg Tax Laws.

The residence concept used below applies for Luxembourg tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg Tax Laws and/or concepts only. Any reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and the solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate holders of the Shares in the Company may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, the solidarity surcharge, the municipal business tax and net wealth tax apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may also apply.

Luxembourg withholding tax on dividends paid on the Shares

Any dividends distributed by the Company will in principle be subject to a 15% withholding tax unless an exemption or a treaty reduction applies.

Resident and non-resident corporate holders

An exemption from dividend withholding tax may apply on dividends paid by the Company to a corporate holder which (i) is (a) an undertaking with a collective character which falls within the scope of Article 2 of European Council Directive

2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (the "**Parent-Subsidiary Directive**"), or a permanent establishment of such an undertaking with a collective character, or (b) a resident joint-stock company (i.e. a fully taxable entity within the meaning of Article 159 of the Luxembourg income tax law) not listed in Article 166 (10) of the Luxembourg income tax law or a non-Luxembourg permanent establishment of such company, or (c) an undertaking with a collective character subject to a tax comparable to corporate income tax as provided by Luxembourg income tax law and resident in a country that has concluded a double taxation treaty with Luxembourg, or its Luxembourg permanent establishment, or (d) a joint-stock company resident in Switzerland subject to corporate income tax in Switzerland without benefiting from an exemption, or (e) a joint-stock company or a cooperative company subject to a tax comparable to corporate income tax as provided by Luxembourg income tax law resident in a State being part of the European Economic Area ("**EEA**") other than a Member State of the European Union, or (f) the permanent establishment of a joint-stock company or cooperative company resident in a State being part of the EEA other than a Member State of the European Union, and which satisfies the following conditions: (ii) (a) it meets the qualifying participation test of being a shareholding in the share capital of the Company of at least 10% or having an acquisition cost of at least EUR 1.2 million, and (b) its qualifying shareholding has been held for an uninterrupted period of at least 12 months (or, for a resident holder, it makes the commitment to hold a qualifying shareholding for at least such period).

Non-resident holders

For non-resident holders, treaty relief may also be claimed under the conditions and subject to the limitations set forth in the relevant double taxation treaties concluded with Luxembourg.

Luxembourg income tax on dividends paid on the shares and capital gains

Luxembourg resident individual holders

For Luxembourg resident individuals, income in the form of dividends or capital gains derived from the Shares will normally be subject to individual income tax at the applicable progressive tax rates plus the solidarity surcharge levied thereon.

Such dividends may benefit from the 50% exemption set forth in Article 115(15a) of the Luxembourg income tax law, subject to fulfilment of the conditions set out therein.

Luxembourg withholding tax on dividends paid by the Company to a Luxembourg resident individual holder of Shares will entitle such Luxembourg holder to a tax credit for the tax withheld.

Capital gains will only be taxable (i) if they are realised on a disposal of Shares which takes place prior to or within six months following their acquisition, or (ii) if they are realised on a disposal of Shares which takes place after six months following their acquisition and the relevant holder (alone or together with his/her spouse or registered partner and his/her underage children), directly or indirectly, holds or has held more than 10% of the capital of the Company at any time during the five years preceding the disposal.

Luxembourg resident corporate holders

For Luxembourg resident corporate holders, income in the form of dividends or capital gains derived from the Shares will be subject to corporate income tax, increased by the solidarity surcharge and municipal business tax.

The dividend may benefit from a full tax exemption under Article 166 of the Luxembourg income tax law if the Luxembourg corporate holder has held a shareholding representing at least 10% of the share capital of the Company (or a shareholding having an acquisition cost of at least EUR 1.2 million) for an uninterrupted period of 12 months (or makes the commitment to hold a qualifying shareholding for such period).

If such exemption does not apply, such dividends may benefit from the 50% exemption set forth in Article 115(15a) of the Luxembourg income tax law, subject to fulfilment of the conditions set out therein.

In addition, a Luxembourg corporate holder may be entitled to a tax credit equal to the amount of the withholding tax levied by the Company.

Capital gains realised on the sale of the Shares in the Company may benefit from a tax exemption under Article 166 of the Luxembourg income tax law and the Grand Ducal Decree of 21 January 2001 if the Luxembourg corporate holder has held a participation representing at least 10% of the share capital of the Company (or a shareholding having an acquisition cost of at least EUR 6 million) for an uninterrupted period of 12 months (or makes the commitment to hold a qualifying shareholding for such period).

Luxembourg corporate resident holders who benefit from a special tax regime such as: (i) undertakings for collective investment subject to the amended law of 21 December 2010 related to undertakings for collective investments; (ii) specialised investment funds subject to the amended law of 13 February 2007 related to specialised investment funds; (iii) family wealth management companies subject to the amended law of 11 May 2007 related to family wealth management companies; or (iv) reserved alternative investment funds subject to the amended law on reserved alternative investment funds of 23 July 2016 (except for those subject to Article 48 of said law) are exempt from income tax in Luxembourg, but instead subject to an annual subscription tax (*taxe d'abonnement*) and thus income derived from the Shares, as well as gains realised thereon, are not subject to Luxembourg corporate income taxes.

Non-Luxembourg resident holders

Dividends received by a non-resident holder of Luxembourg who does not have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg with which the holding of the Shares is connected will not be subject to Luxembourg income tax, except for the above-mentioned withholding tax.

Capital gains arising upon a disposal of the Shares by a non-resident individual or corporate holder of the Shares who is a non-Luxembourg resident holder (and who does not have a permanent establishment in Luxembourg to which Shares are attributable) and who is not resident in a country which has concluded a double tax treaty with Luxembourg which allocates the right of taxation of capital gains to the country of residence of the holder, will only be subject to Luxembourg taxation if such holder has (in case of an individual, together with his or her spouse and underage children) directly or indirectly held more than 10% of the capital of the Company and either (1) the disposal of the Shares occurs before their acquisition or within six months of their acquisition, or (2) such holder has been a resident of Luxembourg for tax purposes for at least 15 years and has become a non-resident within the five years preceding the realisation of the gain.

A corporate non-Luxembourg resident holder having a permanent establishment in Luxembourg to which the Shares are attributable will bear corporate income tax and municipal business tax on dividends received and on capital gains realised on a disposal of such Shares, unless it is (a) an undertaking with a collective character which falls within the scope of Article 2 of the Parent-Subsidiary Directive, or (b) a joint stock company resident in a country that has concluded a double tax treaty with Luxembourg, or (c) a joint-stock company or cooperative company resident in a State being part of the EEA other than a Member State of the European Union, in which case such dividends received or capital gains may be exempt under Article 166 of the Luxembourg income tax law and the Grand Ducal Decree of 21 January 2001, subject to the fulfilment of the conditions set out therein.

Net wealth tax

Luxembourg net wealth tax will not be levied on a holder of Shares, unless (i) such holder is a fully taxable Luxembourg resident company or (ii) such Shares are attributable to an enterprise or a part thereof which is operated through a Luxembourg permanent establishment by a non-Luxembourg resident company.

Corporate holders of Shares may be exempt from net wealth tax subject to the conditions set forth in Article 60 of the Law of 16 October 1934 on the valuation of assets (*Bewertungsgesetz*).

However, the Shares held by Luxembourg corporate holders who benefit from a special tax regime such as, for example: (i) undertakings for collective investment subject to the amended law of 17 December 2010 related to undertakings for collective investments; (ii) vehicles subject to the amended law of 22 March 2004 on securitisation; (iii) companies subject to the amended law of 15 June 2004 on venture capital vehicles; (iv) specialised investment funds subject to the amended law of 13 February 2007 related to specialised investment funds; (v) family wealth management companies subject to the amended law of 11 May 2007 related to family wealth management companies; or (vi) a company subject to the amended law on reserved alternative investment funds of 23 July 2016 will not be subject to the proportional net wealth tax. Please, however, note that securitisation companies subject to the amended law of 22 March 2004, venture capital vehicles subject to the amended law of 15 June 2004 or reserved alternative investment funds subject to the amended law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

An individual holder of Shares, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg net wealth tax on his/her Shares.

Other tax consideration

No registration tax will be payable by a holder of the Shares upon the issue, subscription or acquisition of the Shares in the Company or upon a disposal of the Shares by way of a sale or exchange.

Luxembourg inheritance tax may be levied on a transfer of the Shares upon the death of a Luxembourg resident individual for Luxembourg inheritance tax purposes.

Luxembourg gift tax will be levied in the event that a gift of the Shares is made pursuant to a notarial deed signed before a Luxembourg notary.

Certain U.S. federal income tax considerations

Introduction

The following discussion is a general summary based on the present law of certain U.S. federal income tax considerations for U.S. Holders (as defined below) in connection with acquiring, owning and disposing of Offer Shares in the International Offering. This discussion is not a complete description of all of the tax considerations that may be relevant to a prospective investor and is not a substitute for tax advice. This discussion applies only to U.S. Holders that purchase Offer Shares in the International Offering, will hold Offer Shares as capital assets (generally property held for investment) and who use the U.S. dollar as their functional currency. In addition, this discussion does not describe all of the U.S. federal income tax considerations that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as banks or other financial institutions, insurance companies, tax-exempt entities, dealers, traders in securities that elect a mark-to-market method of tax accounting, regulated investment companies, real estate investment trusts, U.S. expatriates and former U.S. citizens and permanent residents, persons that directly, indirectly or constructively own 10% or more of the total combined voting power or value of the Company's equity interests, partnerships and other pass-through entities (including S-corporations), persons holding Offer Shares as part of a hedge, straddle, wash sale, conversion, constructive sale or other integrated financial transaction, or persons holding Offer Shares in connection with a permanent establishment or fixed base outside of the United States. This summary also does not address U.S. federal taxes other than income tax (such as the Medicare surtax on net investment income or estate or gift taxes) or U.S. state and local, or non-U.S. tax considerations.

As used in this discussion, "**U.S. Holder**" is a beneficial owner of Offer Shares that is or is treated as, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state thereof or the District of Columbia; (iii) a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "U.S. persons" (within the meaning of Section 7701(a)(30) of the U.S. Internal Revenue Code of 1986, as amended or (2) was in existence on August 20, 1996, and has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes; or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that holds Offer Shares generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their own tax advisors regarding the specific U.S. federal income tax consequences for their partners of the partnership's acquisition, ownership and disposal of Offer Shares.

The Company believes that it was not a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes in its most recent taxable year ended December 31, 2023 and, based on the composition of the Company's current gross assets and income and the manner in which the Company expects to operate its business, should not be a PFIC for its current taxable year or in the forseeable future. The tests to determine whether a company is a PFIC are factual in nature and apply annually, and a company's status can change depending, among other things, on changes in its operations, the composition of its gross receipts and the market value of its assets, which may be determined in large part by reference to the market price of the Shares. Accordingly, no assurance can be provided by the Company that it will not be classified as a PFIC in the current taxabale year or any future taxable year. If the Company were to be classified as a PFIC in any taxable year when a U.S. Holder holds Offer Shares, such U.S. Holder generally would be required (i) to pay tax on any gain from the sale of Offer Shares and distributions as ordinary income (rather than capital gains) and (ii) to pay a special addition to tax on certain distributions and gains on sale as an interest charge for the deferred payment of tax, regardless of whether the Company continues to be classified as a PFIC.

Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described below under "—*Distributions*". U.S. Holders should see the section below entitled "*Taxation—Certain US federal income tax considerations—Passive foreign investment company rules*" for a more detailed discussion with respect to the U.S. federal income tax consequences for U.S. Holders if the Company were to be or become a PFIC.

Distributions

Subject to the discussion below under "—*Passive foreign investment company rules*". The gross amount of any distribution of cash or property (including the amount of Polish or Luxembourg tax withheld, if any) paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) generally will be included in a U.S. Holder's gross income as ordinary dividend income from foreign sources when actually or constructively received. To the extent that the amount of any distribution exceeds the Company's current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, and will reduce the recipient's tax basis in its Offer Shares by the same amount, and to the extent the amount of the distribution exceeds a U.S. Holder's tax basis, will be treated as capital gain recognised on a sale or exchange as described below. Because the Company does not maintain calculations of its earnings and profits as determined for U.S. federal income tax purposes, U.S. Holders generally should expect that any distribution on the Offer Shares will be reported as ordinary dividend income.

Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations. Dividends received by eligible non-corporate U.S. Holders that satisfy a minimum holding period and certain other requirements generally will be taxed at the preferential rate applicable to qualified dividend income provided that the Company is eligible for benefits under the income tax treaty between the United States and Luxembourg (the "**US-Luxembourg Treaty**") and is not a PFIC as to the U.S. Holder in the Company's taxable year of distribution or the preceding taxable year. However, the Company does not believe that it will qualify for benefits under the US-Luxembourg Treaty. Accordingly, dividends received by non-corporate U.S. Holders will generally be subject to tax at rates applicable to ordinary income.

Dividends paid in a currency other than U.S. dollars will be included in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt, whether or not the currency is converted into U.S. dollars at that time. A U.S. Holder's tax basis in the non-U.S. currency will equal the U.S. dollar amount included in income. Any gain or loss realised on a subsequent conversion or other disposal of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss. If dividends paid in a currency other than U.S. dollars are converted into U.S. dollars on the day they are received, a U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Subject to generally applicable limitations, a U.S. Holder may claim a foreign tax credit for any tax withheld from dividends by Poland or by Luxembourg at the appropriate rate. U.S. Holders are advised to review the discussion of Polish and

Luxembourg withholding tax on dividends under "*—Taxation of dividends and other revenues from a share in the profits of legal persons*" and "*—Luxembourg tax considerations—Luxembourg withholding tax on dividends paid on the Shares*" regarding relief under the income tax treaty between the United States and Poland (the "**US-Poland Treaty**") or the US-Luxembourg Treaty, respectively. In lieu of claiming a credit, a U.S. Holder may elect to deduct any tax withheld in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must be applied to all foreign taxes paid or accrued in the U.S. Holder's taxable year. For the purposes of the U.S. foreign tax credit limitation, dividends received with respect to Offer Shares generally will constitute "passive category income" or "general category income", depending on the U.S. Holder's particular circumstances. The rules governing foreign tax credits or deductions are complex and each prospective investor is urged to consult its own tax advisor regarding the availability of foreign tax credits or deductions under its particular circumstances.

Sale or other taxable disposal of shares

Subject to the discussion below under "*—Passive foreign investment company rules*", a U.S. Holder generally will recognise capital gain or loss on the sale or other disposal of Offer Shares in an amount equal to the difference between the U.S. dollar value of the amount realised and the U.S. Holder's adjusted tax basis in the disposed Offer Shares. Any gain or loss generally will be treated as arising from U.S. sources and will be long-term capital gain or loss if the U.S. Holder's holding period extends one year. Deductions for capital loss are subject to significant limitations.

The initial tax basis of a U.S. Holder's Offer Shares generally will be the U.S. dollar value of the non-U.S. currency paid in the International Offering determined on the date of the purchase. If the Offer Shares are treated as traded on an "established securities market" at the time of the International Offering, a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such Offer Shares by translating the amount paid at the spot rate of exchange on the settlement date. A U.S. Holder that receives a currency other than U.S. dollars on the sale or other disposal of Offer Shares will realise an amount equal to the U.S. dollar value of the currency received at the spot rate on the date of the sale or other disposal (or, if the Shares are traded on an "established securities market" at the time of disposal, in the case of cash basis and electing accrual basis U.S. Holders, the settlement date). A U.S. Holder that does not determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss if the U.S. dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. A U.S. Holder will have a tax basis in the currency received equal to its U.S. dollar value at the spot rate on the settlement date or on a subsequent conversion of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss.

If any Polish tax is withheld from the proceeds of a U.S. Holder's sale of Offer Shares, a U.S. Holder that is eligible for the benefits of the US-Poland Treaty will not be able to claim a foreign tax credit. Any other U.S. Holder may be able to claim a credit against other foreign source income in the same limitation basket.

Passive foreign investment company rules

Based on the composition of the Company's current gross assets and income and the manner in which the Company expects to operate its business in future years, the Company believes that it should not be classified as a PFIC for U.S. federal income tax purposes for the Company's current taxable year and does not expect to be so classified in the foreseeable future. In general, a non-U.S. corporation is a PFIC for U.S. federal income tax purposes for any taxable year in which at least: (i) 75% of its gross income consists of passive income; or (ii) 50% of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income or which do not produce income. For the purposes of the above calculations, a non-U.S. corporation that owns directly or indirectly at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of such other corporation and directly received its proportionate share of the income of such other corporation. For this purpose, passive income generally includes, among other things and subject to various exceptions, dividends, interest, certain rents, royalties and gains from the disposal of passive assets. Whether the Company is a PFIC is a factual determination made annually, and the Company's status could change depending on, among other things, changes in the composition and relative value of its gross receipts and assets. Because the market value of the Company's assets (including for this purpose, goodwill) may be measured in large part by the market price of the Offering Shares, which is likely to fluctuate after the Offering, no assurance can be given that the Company will not be a PFIC in the current year or in any future taxable year.

If the Company were a PFIC for any taxable year in which a U.S. Holder holds Offer Shares, such U.S. Holder would be subject to additional taxes on any excess distributions and any gain realised from the sale or other taxable disposal of Offer Shares (including certain pledges) regardless of whether the Company continues to be a PFIC. A U.S. Holder will have an excess distribution to the extent that distributions on Shares during a taxable year exceed 125% of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period). To compute the tax on excess distributions or any gain: (i) the excess distribution or gain is allocated rateably over the U.S. Holder's holding period; (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC is taxed as ordinary income in the current year; and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

A U.S. Holder may be able to avoid some of the adverse impacts of the PFIC rules described above by electing to mark Offer Shares to market annually. The election is available only if the Shares are considered "marketable stock", which generally includes stock that is regularly traded in more than de minimis quantities on a qualifying exchange. If a U.S. Holder makes the mark-to-market election, any gain from marking Offer Shares to market or from disposing of them would be ordinary income. Any loss from marking Offer Shares to market would be recognised only to the extent of unreversed gains previously included in income. Loss from marking Offer Shares to market would be ordinary, but loss on disposing of them would be capital loss except to the extent of mark-to-market gains previously included in income. No assurance can be given that the Shares will be traded in sufficient frequency and quantity to be considered "marketable stock" or whether the Warsaw Stock Exchange is or will continue to be considered a qualifying exchange for the purposes of the PFIC mark-to-market election. A valid mark-to-market election cannot be revoked without the consent of the IRS unless the Shares cease to be marketable stock.

A U.S. Holder would not be able to avoid the tax consequences described above by electing to treat the Company as a qualified electing fund ("**QEF**") because the Company does not intend to provide U.S. Holders with the information that would be necessary to make a QEF election with respect to the Offer Shares.

The rules relating to PFICs are complex and each U.S. Holder is urged to consult its own tax advisor concerning the U.S. federal income tax consequences of holding Offer Shares if the Company is a PFIC in any taxable year during its holding period.

Information reporting and backup withholding

Dividends on the Offer Shares and proceeds from the sale or other disposal of Offer Shares that are made into the United States or through certain US-related financial intermediaries may be reported to the U.S. Internal Revenue Service ("**IRS**") unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a U.S. Holder's U.S. federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the IRS.

Certain non-corporate U.S. Holders are required to report information with respect to Offer Shares not held through an account with a U.S. financial institution to the IRS. Investors who fail to report required information could become subject to potential penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in Offer Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX CONSIDERATIONS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN OFFER SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

Taxation in Poland

The following is a discussion of certain Polish tax considerations relevant to an investor residing in Poland or which is otherwise subject to Polish taxation. This information should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this Prospectus, it may thus be subject to change, including a change with retroactive effect. Any change may negatively affect the tax treatment described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Shares are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal or other circumstances related to the Shares. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).

Taxation of income from the disposal of securities for consideration

Taxation of natural persons' income

Taxation of the income of natural persons who are subject to unlimited tax liability in Poland (i.e. persons whose place of residence for tax purposes is in Poland)

In Poland, natural persons are subject to tax liability affecting all their income (revenue) regardless of the location of the source of such revenues (unlimited tax liability) if they have their place of residence in the territory of the Republic of Poland (Article 3 Section 1 of the PIT Act).

A person whose place of residence is in the Republic of Poland is a natural person who:

- has his/her centre of personal or economic interests (centre of life interests) within the territory of the Republic of Poland; or
- remains within the territory of the Republic of Poland longer than 183 days in a fiscal year (Article 3 Section 1a of the PIT Act).

These rules apply without prejudice to double taxation conventions signed by the Republic of Poland (Article 4a of the PIT Act). In particular, these conventions may define a natural person's "place of residence" in a different manner or further clarify the notion of the "centre of life interests".

Income generated by natural persons subject to unlimited tax liability in Poland earned on the disposal of securities for consideration (including shares) is taxed with personal income tax pursuant to the PIT Act.

Income on the disposal of securities for consideration is the positive difference between the total revenues earned on such activity and the costs of generating those revenues, calculated pursuant to the PIT Act, generated in a fiscal year (Article 30b Section 2 item 1 in conjunction with Section 6 of the PIT Act).

The revenue from the disposal of securities for consideration is the value expressed as the price in the relevant agreement. However, if without a valid reason the price set out in the agreement significantly deviates from the market value of the transferred securities, the revenue from the disposal of securities for consideration will be assessed by the relevant tax authority or tax inspection authority at the level of the market value of these securities (Article 19 Section 1 in conjunction with Article 17 Section 2 of the PIT Act).

The revenue from the disposal of securities for consideration is recognised at the time when the ownership of securities is transferred to the buyer (Article 17 Section 1ab item 1 of the PIT Act).

The tax-deductible costs of generating revenue from the disposal of securities for consideration are the expenses incurred on acquiring or otherwise taking up the securities. These costs can only be taken into account when revenue is generated on the disposal of the relevant securities for consideration (Article 23 Section 1 item 38 of the PIT Act).

As regards the disposal of securities for consideration or the issuer's redemption of securities that were acquired by a taxpayer through inheritance, the tax-deductible cost is the cost incurred by the testator in order to take up or acquire the securities (Article 22 Section 1m of the PIT Act).

Income earned on the disposal of securities acquired through donation is tax-exempt up to the amount of the inheritance and donation tax paid (Article 21 Section 1 item 105 of the PIT Act).

Income earned on a disposal of shares acquired by a taxpayer (or a taxpayer's successor) in an initial public offering under the provisions of the Act on Public Offering is tax exempt if: (i) such shares were disposed of at least three years after having been admitted to trading on a regulated market or having been introduced to an alternative trading system; and (ii) the taxpayer (or the taxpayer's successor) who acquired those shares was not a related party of the company during the two years preceding the day of acquiring such securities by the taxpayer (or the taxpayer's successor) (Article 21 Section 1 item 105a of the PIT Act).

If a taxpayer disposes of securities for consideration and such securities were acquired at various prices and it is not possible to determine a uniform purchase price for the securities so transferred, then for the purpose of determining income on such a disposal, each disposal shall be deemed to concern the securities which had been acquired first (the oldest of the securities transferred). The presumption referred to in the preceding sentence is applied separately to each securities account (Article 24 Section 10 of the PIT Act).

The personal income tax rate applicable to natural persons having their tax residence in Poland in relation to the disposal of securities for consideration is 19% of the income earned (Article 30b Section 1 of the PIT Act).

Where income is generated on a disposal of securities for consideration, such income is not combined with income generated from other sources of revenues (Article 30b Section 5 of the PIT Act).

Losses incurred on disposing of securities for consideration in one fiscal year can: (i) be deducted from income generated from the same source of revenues in the following five consecutive fiscal years, provided that the deduction amount in any of these years does not exceed 50% of the amount of the loss; or (ii) be used one time only to reduce income generated from the same source of revenues in any of the following five consecutive fiscal years, by an amount not exceeding PLN 5,000,000, with the balance of the loss not used for such one-time deduction to be deducted over the remainder of that five-year period, provided that the amount deducted in any of these years must not exceed 50% of the amount of the loss (Article 9 Section 3 in conjunction with Section 6 of the PIT Act).The above-mentioned principles do not apply if securities are transferred for consideration as part of professional business activity conducted by the taxpayer (Article 30b Section 4 of the PIT Act). In such case, these revenues will qualify as regular revenues on business activity, subject to progressive or flat tax, depending on the taxpayer's chosen taxation method and the satisfaction of certain additional criteria by the taxpayer.

Nonetheless, regardless of the chosen taxation method (progressive tax scale / flat tax rate), according to Article 30h Section 1 of the PIT Act, natural persons are also required to pay the solidarity levy (See "*—Solidarity levy on income from a disposal of securities for consideration generated by natural persons subject to either unlimited or limited tax liability in Poland (i.e. notwithstanding their tax residence)*" below).

The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from the disposal of securities for consideration*"**.**

Taxation of the income of natural persons who are subject to limited tax liability in Poland (i.e. persons whose place of residence for tax purposes is not in Poland)

Generally, rules governing the taxation of income on the disposal of securities for consideration that are discussed above also apply to income generated within the territory of the Republic of Poland by persons who have no place of residence in the Republic of Poland. Such persons are subject to tax liability only with respect to the income (revenue) generated within the territory of the Republic of Poland (limited tax liability – Article 3 Section 2a of the PIT Act).

Income (revenue) generated in the territory of the Republic of Poland by taxpayers who have no place of residence in the Republic of Poland includes, in particular, income (revenue) from, among others: (i) securities and derivative financial instruments (other than securities) admitted to public trading in the territory of the Republic of Poland on a regulated stock exchange market, including income (revenue) from a disposal of such securities or instruments as well as the exercise of the rights attached thereto (Article 3 Section 2b item 5 of the PIT Act); (ii) the transfer of the ownership of shares in a company, all of the rights and obligations in a company that is not a legal entity or shares in an investment fund, mutual fund institution or other legal entity and rights of a similar character, or receivables being the result of holding such shares, and all of the rights and obligations, participation titles or rights if at least 50% of the assets of such company, company that is not a legal entity, such investment fund, such mutual fund institution or other legal entity, directly or indirectly, constitutes real estate located in the territory of the Republic of Poland or rights to such property (Article 3 Section 2b item 6 of the PIT Act); and (iii) the transfer of the ownership of shares, all of the rights and obligations, shares in an investment fund or rights of a similar character in a real estate company (Article 3 Section 2b item 6a of the PIT Act).

The taxation principles discussed above apply to income generated in the territory of the Republic of Poland on a disposal of securities for consideration by persons who are not Polish tax residents without prejudice to the double taxation conventions signed by the Republic of Poland (Article 4a of the PIT Act). However, a tax rate set out in the relevant double taxation convention can only apply, or such payment of tax can only be avoided (if permitted under the convention), if the taxpayer proves his/her tax residency by presenting an appropriate tax residency certificate (Article 30b Section 3 of the PIT Act). The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from the disposal of securities for consideration*"**.**

Solidarity levy on income from a disposal of securities for consideration generated by natural persons subject to either unlimited or limited tax liability in Poland (i.e. notwithstanding their tax residence)

According to Article 30h Section 1 of the PIT Act, natural persons are required to pay a solidarity levy at the rate of 4% of the base amount for its calculation. The base amount for the calculation of the solidarity levy is the amount in excess of PLN 1,000,000 of the sum of the income subject to taxation pursuant to Article 27 Sections 1, 9 and 9a, Article 30b (i.e. in particular income from a disposal of securities for consideration), Article 30c and Article 30f of the PIT Act, decreased by the premiums referred to in Article 26 Section 1 item 2 and 2a of the PIT Act and the amounts referred to in Article 30f Section 5 of the PIT Act deducted from such income.

In calculating the base amount of the solidarity levy for a given calendar year, one should include the income and the income deductions as described above as reported in:

- the annual tax calculation referred to in Article 34 Section 7 of the PIT Act (the annual tax calculation prepared and sent by social allowance authorities to the taxpayers receiving income, in particular, from age and disability allowance) if such a reconciliation shows a payable tax; and
- the tax returns referred to in Article 45 Section 1, Section 1a item 1 and 2 and Section 1aa of the PIT Act;

for which the filing deadline falls within the period starting on the day following the lapse of the time period for filing of the solidarity levy amount statement in the year preceding that calendar year until the last day for the submission of the solidarity levy amount statement.

Natural persons are required to file the solidarity levy amount statements on the official forms provided by 30 April of the calendar year and pay the levy by the same day.

Taxation of the income of legal (corporate) persons and organisational units without legal personality

Taxation of corporate income taxpayers which are subject to unlimited tax liability in Poland (i.e. those having their registered office or place of management in Poland)

The taxpayers subject to corporate income tax in the Republic of Poland are legal persons, companies under organisation and organisational units without legal personality (other than enterprises in estate and companies/partnerships not having legal personality) (Article 1 Section 1 and 2 of the CIT Act). The groups of at least two companies with legal personality that are in specific equity relationships, i.e., "tax capital groups" may also be subject to corporate income tax in the Republic of Poland. Please refer to section "*Business of the Group—Operations of the Group—Żabka Polska tax capital group*" for comments on tax capital group formed by Żabka Polska.

Simultaneously, the provisions of the CIT Act also apply to limited partnerships (*spółka komandytowa*) and limited joint-stock partnerships (*spółka komandytowo-akcyjna*) having their registered office or place of management in the Republic of Poland (Article 1 Section 3 item 1 of the CIT Act) as well as to some general partnerships (*spółka jawna*) having their registered office or place of management in the Republic of Poland, if their shareholders are not exclusively natural persons and if such general partnerships do not file relevant notifications with the tax authorities (Article 1 Section 3 item 1a of the CIT Act).

Taxpayers that have their registered office or place of management in the Republic of Poland are subject to tax liability with respect to all of their income, wherever generated (unlimited tax liability – Article 3 Section 1 of the CIT Act).

On the basis of Article 3 Section 1a of the CIT Act, a taxpayer has its place of management in the Republic of Poland, *inter alia*, in the case where the current affairs of that taxpayer are conducted in an organised and continuous manner within the territory of the Republic of Poland, in particular on the basis of: (i) agreements, decisions, court decisions or other documents regulating the establishment or functioning of that taxpayer; (ii) granted powers of attorney; and (iii) relationships within the meaning of Article 11a Section 1 item 5 of the CIT Act.

Income generated on a disposal of securities for consideration (including shares) by taxpayers that are subject to unlimited tax liability in Poland is subject to corporate income tax on the terms set out in the CIT Act under the source of revenue which are capital gains.

Corporate income tax is charged on income calculated as the sum of all income on capital gains and income from other sources of revenue; in certain cases (referred to in Article 21, Article 22 and Article 24b of the CIT Act), the corporate income tax is charged on revenue (Article 7 Section 1 of the CIT Act).

Revenues from capital gains include, among other things, revenue from disposals of shares, including disposals for the purpose of their redemption (Article 7b Section 1 item 3 letter a of the CIT Act), and revenues from securities and their disposal (Article 7b Section 1 item 6 letter b and e of the CIT Act). However, with respect to certain categories of entities listed in Article 7b Section 2 and 3 of the CIT Act, these revenues are included in revenues other than those obtained from capital gains.

Income from a source of revenue is, in principle, the surplus of the sum of revenues earned from that source of revenue in the fiscal year over the costs of generating these revenues. If the costs of generating the revenues exceed the total revenues, the difference is a loss from the source of revenue (Article 7 Section 2 of the CIT Act).

The revenue from the disposal of securities for consideration is the value expressed as the price in the relevant agreement. However, if for no valid economic reason the price set out in the agreement significantly deviates from the market value of the transferred securities, the revenue from the disposal of securities for consideration is assessed by the relevant tax authority at the level of the market value of these securities (Article 14 Section 1 of the CIT Act).

The tax-deductible costs of generating revenue from the disposal of securities for consideration are the expenses incurred on acquiring or otherwise taking up the securities. These costs can only be taken into account when revenue is generated on the disposal of the relevant securities for consideration (Article 16 Section 1 item 8 of the CIT Act).

The revenues on the disposal of securities for consideration and the corresponding tax-deductible costs are combined with other revenues and tax-deductible costs relevant to the same fiscal period generated from the same source of revenues. The tax rate applicable to income (revenue) generated by corporate income taxpayers from capital gains is 19% of the tax base (Article 19 Section 1 item 1 of the CIT Act). A loss from the given source of revenues incurred in a fiscal year may: (i) be deducted from the income generated from that source of revenues in the following five consecutive fiscal years, provided that the deduction amount in any of these years does not exceed 50% of the amount of the loss; or (ii) be used one time only to reduce the income generated from the same source of revenues in any of the following five consecutive fiscal years, by an amount not exceeding PLN 5,000,000, with the balance of the loss not used for such one-time deduction to be deducted over the remainder of that five-year period, provided that the amount deducted in any of these years must not exceed 50% of the amount of the loss (Article 7 Section 5 of the CIT Act). The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from the disposal of securities for consideration*".

Taxation of corporate income taxpayers that are subject to limited tax liability in Poland (i.e. those not having their registered office or place of management in Poland)

Generally, the rules governing the taxation of income on the disposal of securities for consideration that are discussed above also apply to income generated within the territory of the Republic of Poland on the disposal of securities for consideration by legal persons that have no registered office or place of management in the Republic of Poland. The provisions of the CIT Act also apply to income generated within the territory of the Republic of Poland by companies/partnerships not having legal personality and having their registered office or place of management in another state, provided that pursuant to the relevant tax regulations of such state these companies are treated as legal persons and are subject to taxation on all their income, irrespective of the place where it is earned (Article 1 Section 3 item 2 of the CIT Act).

Such persons are subject to tax liability only with respect to the income earned within the territory of the Republic of Poland (limited tax liability – Article 3 Section 2 of the CIT Act).

Pursuant to Article 3 Section 3 items 3-4a of the CIT Act, income (revenue) generated in the territory of the Republic of Poland by taxpayers who have no registered office or management in the territory of the Republic of Poland includes, in particular, income (revenue) from: (i) securities and derivative financial instruments (other than securities) admitted to public trading in the territory of the Republic of Poland on a regulated stock exchange market, including income (revenue) on a disposal of such securities or instruments, as well as the exercise of the rights attached thereto; (ii) the transfer of the ownership of shares in a company, all of the rights and obligations in a company that is not a legal entity or shares in an investment fund, mutual fund institution or other legal entity or rights of a similar character, or receivables being the result of holding such shares, and all of the rights and obligations, participation titles or rights, if at least 50% of the assets of such company, company that is not a legal entity, such investment fund, such mutual fund institution or other legal entity, directly or indirectly, constitutes real estate located in the territory of the Republic of Poland or rights to such property; and (iii) the transfer of the ownership of shares, all of the rights and obligations, shares in an investment fund or rights of a similar character in a real estate company.

The above-mentioned principles of taxation of income generated in the Republic of Poland on the disposal of securities for consideration by corporate income taxpayers who have no registered office or place of management in the Republic of Poland apply without prejudice to double taxation conventions signed by the Republic of Poland. If the taxpayer is required to settle the income tax itself, it may be requested to present a valid certificate of tax residence to the tax authorities.

If tax is payable in Poland in respect to disposal of securities by a taxpayer subject to limited tax liability in Poland, that taxpayer may be required to register for taxation purposes in Poland and may be responsible for paying such tax and for meeting any applicable filing requirements.

The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from the disposal of securities for consideration*".

Taxation of dividends and other revenues from a share in the profits of legal persons

Taxation of income (revenue) of natural persons

Taxation of income (revenue) of natural persons who are subject to unlimited tax liability in Poland (i.e. persons whose place of residence for tax purposes is in Poland)

Income (revenue) from dividends and other revenues earned from a share in the profits of legal persons, earned by natural persons subject to unlimited tax liability in the territory of the Republic of Poland, is subject to a flat 19% income tax on the revenue earned (Article 30a Section 1 item 4 of the PIT Act).

The income (revenue) from a share in the profits of legal persons is the income (revenue) actually received on such share (Article 24 Section 5 of the PIT Act). This category includes income (revenue) from dividends and other revenues from a share in the profits of legal persons (e.g. distributions resulting from a redemption of shares or assets received in relation to the liquidation of a legal person or a company being a taxpayer of corporate income tax).

The abovementioned rules apply without prejudice to double taxation conventions signed by the Republic of Poland (Article 4a of the PIT Act) and regardless if the source of such income (revenue) is located in Poland or abroad. Therefore, if the dividend payer has its tax residence abroad (e.g. in the Luxembourg), dividends may still be subject to taxation in Poland. The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from dividends and other revenues from a share in the profits of legal persons*" and "*—Remittance and payment of tax on income of natural persons who are subject to unlimited tax liability in Poland (i.e. persons whose place of residence for tax purposes is in Poland)*".

Taxation of income (revenue) of natural persons who are subject to limited tax liability in Poland (i.e. persons whose place of residence for tax purposes is not in Poland)

Generally, the above rules governing the taxation of dividend income (revenue) and other revenues from a share in the profits of legal persons also apply to income earned by natural persons subject to taxation only on the income (revenue) generated in the territory of the Republic of Poland (limited tax liability).

Pursuant to Article 3 Section 2b item 5 of the PIT Act, income (revenue) generated in the territory of the Republic of Poland by natural persons who have no place of residence in the territory of the Republic of Poland includes, in particular, income (revenue) from securities and derivative financial instruments (other than securities) admitted to public trading in the territory of the Republic of Poland on a regulated stock exchange market, including income (revenue) on a disposal of such securities or instruments as well as the exercise of the rights attached thereto. The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from dividends and other revenues from a share in the profits of legal persons*" and "*—Remittance and payment of tax on income of natural persons who are subject to limited tax liability in Poland (i.e. persons whose place of residence for tax purposes is not in Poland)*".

Taxation of the income (revenue) of legal (corporate) persons and organisational units without legal personality

Taxation of the income (revenue) of corporate income taxpayers subject to unlimited tax liability in Poland (i.e. those having their registered office or place of management in Poland)

According to Article 7b Section 1 item 1 of the CIT Act, revenues from capital gains include, without limitation, the revenues from a share in the profits of legal persons (without prejudice to Article 12 Section 1 item 4b of the CIT Act), which constitute revenue actually obtained from such share, including, among others: (a) dividends; (b) revenue from a redemption of shares or decreasing their value; (c) the value of proceeds obtained in relation to the liquidation of a legal person; (d) an equivalent of profits of a legal person transferred to its share capital in order to increase it and an equivalent of any proceeds transferred to share capital from other capitals of such legal person. However, with respect to some categories of taxpayers, as referred to in Article 7b Section 2 of the CIT Act, such revenues, except for those referred to in (a) and (d) above, are classified as revenues other than capital gains; and in case of taxpayers referred to in Article 7b Section 3 of the CIT Act, revenues referred to in (d) above are classified as revenues other than capital gains.

As a rule, income (revenue) from dividends and other revenue from a share in the profits of legal persons is subject to taxation at a flat rate 19% of the income earned. However, this rule could be modified by the provisions of the relevant double tax treaty by applying tax exemption or method of elimination of double taxation.

Pursuant to Article 20 Section 3 of the CIT Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons that have their registered office or place of management outside the Republic of

Poland are tax exempt in Poland if all of the following conditions are satisfied jointly: (i) the payer of dividends and other revenue from a share in the profits of legal persons is a company whose entire income, irrespective of where it is earned, is subject to income tax in a Member State of the European Union or another Member State of the European Economic Area other than the Republic of Poland; (ii) the recipient of income (revenue) from dividends and other revenue from a share in the profits of legal persons as referred to in section (i) is a company that is an income tax payer and has its seat or management board in the territory of the Republic of Poland; (iii) the company referred to in section (ii) directly holds no less than 10% of the shares in the equity of a company as referred to in section (i); and (iv) the company referred to in section (ii) does not enjoy an exemption from income tax on its entire income, irrespective of the sources from which the income is earned.

The exemption referred to above applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons holds at least a 10% shareholding in the company paying out dividends continuously for two years (Article 20 Section 9 of the CIT Act). The exemption also applies if the two-year period of continuous holding of shares in the required amount by a company generating income (revenues) from participation in profits generated by a legal person ends after the date of obtaining such income (Article 20 Section 10 of the CIT Act).

In the case of failure to satisfy the condition of holding shares in the required amount continuously for two years, the taxpayer will be required to pay 19% tax, including default interest, on the income (revenue), by the 20th day of the month following the month in which it was deprived of the right to the exemption. Default interest amount is calculated as of the day following the day on which the taxpayer first exercised the right to the exemption.

The exemption does not apply if dividends or other amounts due on account of a share in the profits of legal persons are paid as a result of the paying company's liquidation (Article 20 Section 11 of the CIT Act).

The abovementioned rules governing exemption apply accordingly, inter alia, to company whose entire income, irrespective of where it is earned, is subject to income tax in a Member State of the European Union or in another Member State of the European Economic Area, other than the Republic of Poland, operating via a foreign establishment located in the territory of the Republic of Poland, provided such deduction must not exceed that part of the tax paid in a foreign state that proportionately corresponds to the income earned from that source attributed to the foreign establishment (Article 20 Section 12 item 3 of the CIT Act).

In accordance with Article 20 Section 15 of the CIT Act, the tax exemption referred to above applies provided that: (i) the shareholding referred to in Article 20 Section 3 item 3 of the CIT Act is based on a title of ownership; and (ii) with respect to income earned from shares held on the basis of (a) a title of ownership or (b) other ownership, provided that the exemption would apply to such income (revenue) if the shares were not transferred. Moreover, the exemption based on Article 20 Section 3 of the CIT Act does not apply to dividends and other income (revenue) derived from share in the profits of legal persons to the extent in which in the country of the company making the payment the amounts paid are subject in any way to inclusion in tax-deductible expenses, deduction from income, the taxable base, or the tax of the company paying them (Article 20 Section 16 of the CIT Act).

The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from dividends and other revenues from a share in the profits of legal persons*" and "*—Remittance and payment of tax on income of corporate income taxpayers subject to unlimited tax liability in Poland (i.e. those having their registered office or place of management in Poland)*".

Taxation of the income (revenue) of corporate income taxpayers subject to limited tax liability in Poland (i.e. those not having their registered office or place of management in Poland)

Generally, the principles of taxation discussed above also apply to income (revenue) from dividend and other revenues from a share in the profits of legal persons earned by corporate income taxpayers that are subject to taxation only with respect to income (revenue) generated in the territory of the Republic of Poland (limited tax liability).

Pursuant to Article 3 Section 3 items 3 of the CIT Act, income (revenue) generated in the territory of the Republic of Poland by corporate income taxpayers who do not have their registered office or place of management in the territory of the Republic of Poland includes, in particular, income (revenue) from securities and derivative financial instruments (other than securities) admitted to public trading in the territory of the Republic of Poland on a regulated stock exchange market, including income (revenue) on a disposal of such securities or instruments as well as the exercise of the rights attached thereto.

The rules governing the payment and remittance of tax are presented in the section: "*—Remittance and payment of tax on income from dividends and other revenues from a share in the profits of legal persons*" and "*—Remittance and payment of tax on income of corporate income taxpayers subject to limited tax liability in Poland (i.e. those not having their registered office or place of management in Poland)*".

Remittance and payment of tax

Remittance and payment of tax on income from the disposal of securities for consideration

Personal Income Taxpayers

General rules

Income earned on the disposal of securities for consideration does not trigger an obligation of the tax remitter to deduct the tax nor does it trigger the obligation to remit tax advances during the fiscal year. After the end of the fiscal year, the taxpayer, generally on the basis of personalised information on the amount of income generated provided by natural persons carrying out business operations, legal persons and their business units and organisational units without legal personality by the end of February of the year following the fiscal year (however, the lack of receipt of such information has no effect on the obligations mentioned below), is required to report the income generated during the fiscal year on the disposal of securities for consideration and – where taxable income was generated – calculate the relevant income tax charge in a tax return reporting his/her income earned (loss incurred) during the fiscal year (Article 30b Section 6 in conjunction with Article 45 Section 1a item 1 of the PIT Act). The return referred to in the preceding paragraph should be filed no earlier than on 15 February and no later than on 30 April of the year following the fiscal year in which the revenues on the disposal of securities for consideration were earned. All returns filed earlier will be deemed as filed on 15 February of the year following the fiscal year in which the revenues on the disposal of securities for consideration were earned. By the deadline for the submission of this return, the taxpayer should pay the due tax as disclosed in the tax return.

If tax is payable in Poland in respect of disposal of securities by a natural person subject to limited tax liability in Poland, such natural person may be required to register for taxation purposes in Poland and may be responsible for paying such tax and for meeting any applicable filing requirements. In such case, above regulations relating to reporting such income would apply accordingly.

Income from the disposal of shares in a real property company

In case the company whose shares are being disposed of can be qualified as a "real property company" within the meaning of Article 5a item 49 of the PIT Act, additional tax remitter's obligations regarding disposal of shares in a real property company may apply.

Real property company should be understood as an entity other than a natural person (individual) that is obliged to prepare a balance sheet in accordance with accounting regulations, where:

(a) in the case of entities that commence their business activity – as at the first day of the tax year (and if the real property company is not an income taxpayer – as at the first day of the financial year) at least 50% of the market value of assets equals, directly or indirectly, to the market value of real properties located in the territory of the Republic of Poland or rights to such real properties and the market value of those real properties exceeds PLN 10,000,000 or an equivalent of such an amount converted at an average exchange rate for foreign currencies published by the National Bank of Poland on the last business day preceding the first day of the tax year,

(b) in the case of entities other than entities that commence their business activity – as at the last day of the year preceding the tax year (and if the real property company is not an income taxpayer – as at the last day of the year preceding the financial year) at least 50% of the carrying amount of assets equals, directly or indirectly, to the carrying amount of real properties located in the territory of the Republic of Poland or rights to such real properties and the carrying amount of those real properties exceeds PLN 10,000,000 or an equivalent of such an amount converted at an average exchange rate for foreign currencies published by the National Bank of Poland as at the last business day preceding the last day of the tax year or the financial year, respectively, and in the year preceding the tax year or the financial year, respectively, taxable revenue (and if the real property company is not an income taxpayer – revenue recognised in the net financial result) from rental, subrental, lease, sublease, or other similar agreements or from the transfer of ownership in relation to real properties or rights to real properties referred to in Article 3 Section 2b item 6 of the PIT Act, and from shares in other real property companies, constitute at least 60% of total taxable revenues or revenues recognised in the net financial result, respectively (Article 5a item 49 of the PIT Act).

Pursuant to Article 41 Section 4f of the PIT Act, the real property company whose shares, all rights and duties, participation titles or rights of a similar character are transferred, shall be obliged to pay, to the account of the competent tax office, as a tax remitter, an income tax advance payment, said income having been earned under these grounds, in the amount of 19 per cent by the 20th day of the month following the month on which the income was earned, provided that:

(a) the party which effects the transfer is an entity not having its seat or management office in the territory of the Republic of Poland or a natural person not having his or her place of residence in the territory of the Republic of Poland and

(b) the subject of the transfer transaction is that of shares carrying at least 5 per cent of voting rights in the company or the rights and duties entitling in total to at least 5 per cent right to a share in the profit of a partnership or at least 5 per cent of the total number of participation titles or rights of a similar nature in the real property company.

The above shall also apply in the case when one subject effects more than one transaction of the transfer of shares or other rights in the real property company in the period not exceeding 12 months counted starting from the last month of the month in which they were transferred for the first time, if the conditions laid down in this provision have been fulfilled. In such a case the real property company shall be obliged to pay a tax advance payment by the 20th day of the month following the month in which the total number of the voting rights in the company whose shares were transferred, or all the rights and duties entitling to a share in profits in a partnership or the participation titles or rights of a similar character was at least 5 per cent in the period referred to in the first sentence (Article 41 Section 4g of the PIT Act).

If the real property company is not in the possession of the information on the amount of the transfer transaction, the tax advance payment shall be fixed in the amount of 19 per cent of the market value of the transferred shares, all rights and duties, participation titles or rights of a similar nature (Article 41 Section 4h of the PIT Act).

A taxpayer shall be obliged, prior to the deadline referred above, provide to the tax remitter the amount of the tax advance payment. Within the deadline for payment of the tax advance payment to the account of the tax office, the tax remitter shall be obliged to send to the taxpayer the information on the tax advance payment having been made, drawn up according to a specified standard form (Article 41 Section 4i of the PIT Act).

As at the Prospectus date, the Company is not qualifying as a real property company.

Corporate Income Taxpayers

General rules

With respect to income on the disposal of securities for consideration, the corporate income taxpayer is required to settle the tax due on the disposal of the securities, and the entity making the payment does not withhold any tax (subject to reservation below). The taxpayer should settle the due tax in its tax return on the amount of the tax income or loss generated in the relevant fiscal year (Article 27 Section 1 of the CIT Act). The deadline for filing the return is the end of the third month of the year following the fiscal year. The taxpayer is required to pay the due tax disclosed in such return by the same deadline.

If tax is payable in Poland in respect of disposal of securities by corporate income taxpayer subject to limited tax liability in Poland, such entity may be required to register for taxation purposes in Poland and may be responsible for paying such tax and for meeting any applicable filing requirements. In such case, above regulations relating to reporting such income would apply accordingly.

However, pursuant to Article 26 Section 1m of the CIT Act, if legal persons, organisational entities that have no legal personality, and natural persons who are also business entities, make any payments on account of any proceeds referred to in Article 7b Section 1 items 3-6 of the CIT Act (i.e., inter alia, proceeds from the sale of shares or proceeds from the sale of securities) to an entity which has its registered seat or management in a territory or country specified in the regulations issued on the basis of Article 11j Section 2 of the CIT Act (i.e., in a country or territory applying harmful tax competition in terms of corporate income tax), they are required, as tax remitters, to withhold a flat rate tax of 19% from the payment made thereby. In such case, Article 26 Section 1 of the CIT Act shall apply accordingly.

Income from the disposal of shares in a real property company

In case the company can be qualified as a "real property company" within the meaning of Article 4a item 35 of the CIT Act, additional tax remitter's obligations regarding disposal of shares in a real property company may apply.

Real property company should be understood as an entity other than a natural person (individual) that is obliged to prepare a balance sheet in accordance with accounting regulations, where:

(a) in the case of entities that commence their business activity – as at the first day of the tax year (and if the real property company is not an income taxpayer – as at the first day of the financial year) at least 50% of the market value of assets equals, directly or indirectly, to the market value of real properties located in the territory of the Republic of Poland or rights to such real properties and the market value of those real properties exceeds PLN 10,000,000 or an equivalent of such an amount converted at an average exchange rate for foreign currencies published by the National Bank of Poland on the last business day preceding the first day of the tax year,

(b) in the case of entities other than entities that commence their business activity – as at the last day of the year preceding the tax year (and if the real property company is not an income taxpayer – as at the last day of the year preceding the financial year) at least 50% of the carrying amount of assets equals, directly or indirectly, to the carrying amount of real properties located in the territory of the Republic of Poland or rights to such real properties and the carrying amount of those real properties exceeds PLN 10,000,000 or an equivalent of such an amount converted at an average exchange rate for foreign currencies published by the National Bank of Poland as at the last business day preceding the last day of the tax year or the financial year, respectively, and in the year preceding the tax year or the financial year, respectively, taxable revenue (and if the real property company is not an income taxpayer – revenue recognised in the net financial result) from rental, subrental, lease, sublease, or other similar agreements or from the transfer of ownership in relation to real properties or rights to real properties referred to in Article 3 Section 3 item 4 of the CIT Act, and from shares in other real property companies, constitute at least 60% of total taxable revenues or revenues recognised in the net financial result, respectively (Article 4a item 35 of the CIT Act).

Pursuant to Article 26aa Section 1 of the CIT Act, the real property company whose shares, all rights and duties, participation titles or rights of a similar character are transferred, shall be obliged to pay, to the account of the competent tax office, as a tax remitter, an income tax advance payment, said income having been earned under these grounds, in the amount of 19 per cent by the 20th day of the month following the month on which the income was earned, provided that:

(a) the party which effects the transfer is an entity not having its seat or management office in the territory of the Republic of Poland or a natural person not having his or her place of residence in the territory of the Republic of Poland and

(b) the subject of the transfer transaction is that of shares carrying at least 5 per cent of voting rights in the company or the rights and duties entitling in total to at least 5 per cent right to a share in the profit of a partnership or at least 5 per cent of the total number of participation titles or rights of a similar nature in the real property company.

The above shall also apply in the case when one subject effects more than one transaction of the transfer of shares or other rights in the real property company in the period not exceeding 12 months counted starting from the last month of the month in which they were transferred for the first time, if the conditions laid down in this provision have been fulfilled. In such a case the real property company shall be obliged to pay a tax advance payment by the 20th day of the month following the month in which the total number of the voting rights in the company whose shares were transferred, or all the rights and duties entitling to a share in profits in a partnership or the participation titles or rights of a similar character was at least 5 per cent in the period referred to in the first sentence (Article 26aa Section 2 of the CIT Act).

If the real property company is not in the possession of the information on the amount of the transfer transaction, the tax advance payment shall be fixed in the amount of 19 per cent of the market value of the transferred shares, all rights and duties, participation titles or rights of a similar nature (Article 26aa Section 3 of the CIT Act).

A taxpayer shall be obliged, prior to the deadline referred above, provide to the tax remitter the amount of the tax advance payment. Within the deadline for payment of the tax advance payment to the account of the competent tax office, the tax remitter shall be obliged to send to the taxpayer the information on the tax advance payment having been made, drawn up according to a specified standard form (Article 26aa Section 4 of the CIT Act).

As at the Prospectus date, the Company is not qualifying as a real property company.

Remittance and payment of tax on income from dividends and other revenues from a share in the profits of legal persons

The following section is a general description of the rules governing the payment and remittance of tax on income from dividends and other revenues from a share in the profits of non-Polish legal persons.

In principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other revenues from a share in the profits of non-Polish legal persons and it is the taxpayer's obligation to settle and disclose tax on such income. However, there are some doubts as to whether an exemplary catalogue of sources of income (revenue) generated in the territory of Poland by taxpayers who have no place of residence in Poland, including among others income (revenue) from securities and derivative financial instruments (other than securities) admitted to public trading in Poland on a regulated stock exchange market (Article 3 Section 2b item 5 of the PIT Act or Article 3 Section 3 items 3 of the CIT Act), does not oblige some entities registered in Poland (e.g. entities responsible for maintaining securities accounts or omnibus accounts) to collect withholding tax on foreign dividends (and other income from legal persons) paid through them. Therefore, below we additionally indicate the potential obligations imposed on these entities in the event that they are deemed to act as a tax remitter while intermediating in the payment of dividends and other income (revenues) from a share in the profits of non-Polish legal persons.

Remittance and payment of tax on income of natural persons who are subject to unlimited tax liability in Poland (i.e. persons whose place of residence for tax purposes is in Poland)

Generally, the tax should be settled and disclosed by the taxpayer in the annual tax return referred to in Article 45 Section 1 or Article 45 Section 1a of the PIT Act (Article 30a Section 11 of the PIT Act). According to Article 45 Section 3b in conjunction with Article 45 Section 1 of the PIT Act, if the tax is not withheld by the remitter, the taxpayer is required to settle and disclose the income tax due in its annual tax return by the end of April of the year following the given tax year.

In order to avoid double taxation on income (revenue) from dividends and other income (revenue) from a share in the profits of legal persons derived in other countries, the resident in Poland is allowed to deduct tax levied on the income paid in such other country in accordance with the relevant double tax treaty with the restrictions provided therein (if applicable).

If there is a Polish entity acting as a tax remitter with regard to the aforesaid income (revenue) to the taxpayer by making a disbursement or making cash or cash equivalents available to the taxpayer, then that tax remitter is required to withhold a flat rate income tax on the disbursements made (benefits delivered) (Article 41 Section 4 of the PIT Act).

There is a specific situation regarding income from securities kept in securities accounts or omnibus accounts, as defined in the Act on Trading in Financial Instruments. Under Article 41 Section 4d of the PIT Act, tax on dividends (and redeemed shares, liquidation proceeds) is withheld by entities keeping securities accounts for taxpayers, in their capacity as tax remitters, if the income (revenue) is earned in the territory of Poland and is associated with the securities registered in these accounts and, further, if the relevant payments are made to the taxpayers through these entities. The tax is withheld on the date of the distribution of the relevant funds to the holder of the securities account or omnibus account (Article 41 Section 10 of the PIT Act). As it stems from Article 41 Section 4da of the PIT Act, entities making disbursements via securities accounts or omnibus accounts are required to inform the entities keeping such securities accounts or omnibus accounts about: (i) existing relations (within the meaning of the transfer pricing provisions) between the entities making the disbursements and the taxpayers (obtaining such payments); as well as (ii) exceeding the amount of PLN 2,000,000 at least 7 days prior to the disbursement. The entity providing this information is required to update it, in the event of a change in the circumstances covered by this information (Article 41 Section 4da of the PIT Act). The entities keeping the securities or omnibus accounts are required to determine whether the amount of PLN 2,000,000 has been exceeded (without already taxed payments in accordance with Article 30a Section 2a of the PIT Act) as well as whether a relation (withing the meaning of the transfer pricing regulations) between the entities making the disbursements and the taxpayers exists (Article 41 Section 12d of the PIT Act).

The tax remitter is required to file an annual return with the relevant tax office on an appropriate form by the end of January of the year following the relevant fiscal year (Article 42 Section 1a of the PIT Act). By the end of February of the year following the relevant fiscal year, the tax remitter is required to send to the taxpayer and to the relevant tax office (here, the deadline is the end of January of the year following the relevant fiscal year) personalised information on the amount of income on an appropriate form (Article 42 Section 2 item 1 in conjunction with Article 42g Section 1 of the PIT Act). If the tax remitter discontinues its business before the lapse of the aforesaid deadlines, the tax remitter should submit the personalised information on or before the date of the discontinuation of its business (Article 42g Section 2 of the PIT Act).

If dividend income (revenue) and other revenues from a share in the profits of legal persons are distributed to taxpayers that own rights to securities recorded in omnibus accounts and the identity of such taxpayers was not disclosed to the tax remitter pursuant to the procedure set out in the Act on Trading in Financial Instruments, the tax is withheld at the rate of 19% of the total income (revenue) remitted by the tax remitter to all of the taxpayers through the holder of the omnibus account (Article 30a Section 2a of the PIT Act). If the remitter makes a distribution pursuant to the above procedure, he is not obligated to prepare personalised information on the amount of income with respect to such taxpayers (Article 42 Section 8 of the PIT Act), whereas the taxpayers are obligated to disclose the amount of such income in their annual tax returns (Article 45 Section 3c of the PIT Act).

The tax remitter is required to act with due diligence in verifying the conditions for the application of a lower tax rate or an exemption or refraining from withholding the tax under the provisions of the tax law. When assessing whether due diligence has been exercised, the nature and the scale of the tax remitter’s activity, as well as the tax remitter’s relationship with the taxpayer (within the meaning of Article 23m Section 1 item 5 of the PIT Act) shall be taken into account (Article 41 Section 4aa of the PIT Act). Moreover, the PIT Act sets out certain limitations on applying tax rates, exemptions or refraining from withholding tax under special provisions of the law or double taxation conventions (see “*—Limitations on applying tax rates, exemptions or refraining from withholding tax under special provisions of the law or double taxation conventions afforded to personal income taxpayers subject to either limited or unlimited tax liability, and the refund of tax paid on disbursements made*” below).

In accordance with Article 75 § 1 of the Tax Ordinance, if a taxpayer is uncertain as to whether a tax collected by a tax remitter is due or whether the amount of the collected tax is adequate, he may submit a request to confirm a tax overpayment.

Remittance and payment of tax on income of natural persons who are subject to limited tax liability in Poland (i.e. persons whose place of residence for tax purposes is not in Poland)

Generally, the above rules governing the remittance and payment of tax on dividend income (revenue) and other revenues from a share in the profits of legal persons also apply to income earned by natural persons subject to taxation only on the income (revenue) generated in the territory of the Republic of Poland (limited tax liability).

If the tax is paid by the taxpayer, such natural person may be required to register for taxation purposes in Poland and may be responsible for paying such tax and for meeting any applicable filing requirements.

If the tax is paid by tax remitter, the abovementioned rules governing the remittance and payment of tax – as in case of disbursements for the benefit of natural persons subject to unlimited tax liability (concerning *inter alia* applying regulations resulting from double taxation conventions, acting with due diligence in verifying the preferential rules, filing annual tax returns, limitations on applying preferential rules etc.) – are applied accordingly.

Limitations on applying tax rates, exemptions or refraining from withholding tax under special provisions of the law or double taxation conventions afforded to personal income taxpayers subject to either limited or unlimited tax liability, and the refund of tax paid on disbursements made

The PIT Act imposes certain limitations on applying tax rates, exemptions or refraining from withholding tax under special provisions of the law or double taxation conventions.

According to Article 41 Section 12 of the PIT Act, if the total amount of disbursements (benefits) paid or made available to a related taxpayer in relation to the titles referred to in Article 30a Section 1 item 1-5a of the PIT Act (in particular from dividends and other revenue from a share in the profits of legal persons), and with respect to a taxpayer being subject to limited tax liability in the territory of Poland – also in relation to the titles referred to in Article 29 Section 1 item 1 of the PIT Act (*inter alia*, certain revenues from personally performed activities, interest, other than as stipulated in Article 30a Section 1, or copyrights), exceeds in the fiscal year the amount of PLN 2,000,000, the tax remitter is required to withhold income tax at the tax rates referred to in Article 29 Section 1 and Article 30a Section 1 of the PIT Act in respect of any excess above the amount of PLN 2,000,000 (i.e. with respect to dividends and other revenue from a share in the profits of legal persons – the 19% tax rate), and any tax rates, exemptions or the refraining from withholding tax under special provisions of the law or double taxation conventions are disallowed. However, the above does not apply to dividends and other revenues from a share in profits of legal persons (set out in Article 30a Section 1 item 4 of the PIT Act) paid for the benefit of taxpayers being Polish tax residents.

The above-mentioned mechanism will also apply to payments that have not been recognised as the payments specified in Article 29 Section 1 item 1 and Article 30a Section 1 items 1-5a of the PIT Act without justified economic reasons.

A tax remitter, when verifying the conditions for applying a preferential tax rate, an exemption or refraining from withholding must act with due diligence and take into account the nature and the scale of the taxpayer's activity as well as the existence of relations (within the meaning of the transfer pricing regulations) between the taxpayer and the tax remitter (Article 41 Section 4aa of the PIT Act).

This limitation does not apply if the tax remitter makes a statement(s), on the terms and in accordance with the procedure set out in the PIT Act, confirming that the tax remitter has in place the documents required by tax law for the application of a tax rate or an exemption or not withholding the tax based on special provisions of the law or double taxation conventions, and that after an appropriate enquiry, the tax remitter is not aware of any reason to believe that any circumstances exist precluding the application of such tax rate or exemption or not withholding the tax (Article 41 Section 15 of the PIT Act).

The PIT Act also provides for a procedure in which the obligation to remit tax does not apply in view of an existing binding opinion on a preference with respect to the application of WHT at a reduced rate/an exemption (opinion on preference) obtained by the taxpayer, tax remitter or an entity making disbursement of receivables through entities keeping security accounts or omnibus accounts in accordance with the PIT Act (Article 41 Section 12b of the PIT Act).

The PIT Act also describes the procedure pursuant to which a taxpayer or – in certain situations – a tax remitter, may obtain a refund of tax withheld due to the limitation set out in Article 41 Section 12 of the PIT Act.

An application for a tax refund can be filed by:

- a taxpayer, including a taxpayer subject to limited tax liability in the territory of Poland, who generates revenue taxable in accordance with the provisions of the PIT Act in connection with the receipt of the amount due on which the tax was withheld;
- a tax remitter if the tax remitter paid the tax from its own proceeds and incurred the economic burden of such tax

(Article 44f Section 2 of the PIT Act).

The PIT Act specifies in detail the scope of documents that should accompany the application in order to enable its verification, as well as the actions that the tax authority may take in order to verify whether the application for a tax refund is justified.

Remittance and payment of tax on income of corporate income taxpayers subject to unlimited tax liability in Poland (i.e. those having their registered office or place of management in Poland)

Generally, the tax should be settled and disclosed by the taxpayer in the annual tax return referred to in Article 27 Section 1 of the CIT Act by the end of the third month of the year following the given fiscal year.

In order to avoid double taxation on income (revenue) from dividends and other income (revenue) from a share in the profits of legal persons derived in other countries, the corporate income taxpayer is allowed to deduct tax levied on the income paid in such other country in accordance with the relevant double tax treaty with the restrictions provided therein (if applicable) or to apply tax exemption resulting from Article 20 Section 3 of the CIT Act.

Although in principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other income from a share in the profits of non-Polish legal persons, separate rules might apply to income from securities held in securities or omnibus accounts with the remitter being obliged to pay the withholding tax. In such cases, investors should seek advice from their tax advisors.

If there is a Polish entity acting as a tax remitter with regard to the income (revenue) from dividends and other income (revenue) from a share in the profits of legal persons, then that tax remitter is required to withhold a flat rate income tax on the disbursements made. The tax remitter is required to act with due diligence in verifying the conditions for the application of a lower tax rate or an exemption or refraining from withholding the tax under special provisions of the law or double taxation conventions. In the assessment of whether due diligence has been exercised, the character and the scale of the tax remitter's activity, as well as the tax remitter's relationship with the taxpayer (within the meaning of Article 11a Section 1 item 5 of the CIT Act), should be taken into account.

However, for the limitations on the ability to refrain from withholding the tax under the relevant double taxation convention, or on the application of exemptions or rates under special provisions of the law or double taxation conventions (see "—*Limitations on applying tax rates, exemptions or refraining from withholding tax under special provisions of the law or double taxation conventions afforded to personal income taxpayers subject to either limited or unlimited tax liability, and the refund of tax paid on disbursements made*" above).

Pursuant to Article 26 Section 2c item 2 of the CIT Act, with respect to the revenues referred to in Article 7b Section 1 item 1 letter a, b, e and g of the CIT Act (including among others: dividends, balance sheet surpluses in cooperatives, revenue from the redemption of shares or from decreasing their value, revenue received in connection with the liquidation of a legal person or a partnership referred to in Article 1 Section 3 of the CIT Act, and additional payments received in the case of the merger or division of companies) from securities recorded in securities accounts or omnibus accounts, the obligation to collect the flat rate tax referred to in Article 26 Section 1 of the CIT Act applies to the entities keeping the securities or omnibus accounts where the disbursement is effected through such entity. Those entities, acting as tax remitters, collect the flat rate tax on the date of making the funds available to the holder of the securities account or omnibus account.

As it stems from Article 26 Section 2ca of the CIT Act, entities making disbursements via securities or omnibus accounts are required to inform the entities keeping such securities accounts or omnibus accounts about: (i) existing relations (within the meaning of the transfer pricing provisions) between the entities making the disbursements and the taxpayers (obtaining such payments); as well as (ii) exceeding the amount of PLN 2,000,000 at least 7 days prior to the disbursement.

Pursuant to Article 26 Section 2ed of the CIT Act, entities keeping securities accounts or omnibus accounts are required to determine whether the amount of PLN 2,000,000 has been exceeded as well as whether a relation (withing the meaning of the transfer pricing regulations) between the entities making the disbursements and the taxpayers exists. Entities keeping securities accounts or omnibus accounts do not have to take into account disbursements that were subject to taxation on the basis of Article 26 Section 2a of the CIT Act.

In accordance with Article 75 § 1 of the Tax Ordinance, if a taxpayer is uncertain as to whether a tax collected by a tax remitter is due or whether the amount of the collected tax is adequate, such taxpayer may submit a request to confirm tax overpayment.

Remittance and payment of tax on income of corporate income taxpayers subject to limited tax liability in Poland (i.e. those not having their registered office or place of management in Poland)

Generally, the above rules governing the remittance and payment of tax on dividend income (revenue) and other revenues from a share in the profits of legal persons also apply to income earned by corporate income taxpayers subject to taxation only on the income (revenue) generated in the territory of the Republic of Poland (limited tax liability).

In case the tax is paid by the taxpayer, such taxpayer may be required to register for taxation purposes in Poland and may be responsible for paying such tax and for meeting any applicable filing requirements.

If the tax is paid by tax remitter, the abovementioned rules governing the remittance and payment of tax – as in case of disbursements for the benefit of corporate income taxpayers subject to unlimited tax liability (concerning inter alia applying regulations resulting from double taxation conventions, acting with due diligence in verifying the preferential rules, filing annual tax returns, limitations on applying preferential rules etc.) – are applied accordingly.

Limitations on the ability to refrain from withholding tax under a relevant double taxation convention and applying exemptions or rates under special provisions of the law or double taxation conventions afforded to corporate income taxpayers subject to either limited or unlimited tax liability, and the refund of tax paid on disbursements made

The CIT Act imposes certain limitations on refraining from withholding tax under a relevant double taxation convention and on applying exemptions or rates under special provisions of the law or double taxation conventions.

Pursuant to Article 26 Section 2e of the CIT Act, if the total amount of disbursements – made for the benefit of related parties (within the meaning of the transfer pricing regulations) being non-Polish tax residents, in relation to income (revenue) from dividends and other revenue from a share in the profits of legal persons, and in relation to the titles referred to in Article 21 Section 1 item 1 of the CIT Act (i.e. revenues related to interest, copyright and neighbouring rights, rights to inventions, trademarks and ornamental designs, as well as the sale of these rights, receivables due for access to confidential recipes or production processes, for the right to use an industrial facility, including a vehicle, a commercial or scientific device, for information related to the obtained expertise in a branch of industry, trade or science (know-how))

– exceeds PLN 2,000,000 (or such other limit determined by applying the principles referred to in Article 26 Section 2i and 2j of the CIT Act), the tax remitter is required to withhold, on the date of the disbursement, a flat rate income tax on such disbursement at the rate set out in Article 22 Section 1 of the CIT Act (or Article 21 Section 1 item 1 respectively), without the ability to refrain from withholding such tax on the basis of the relevant double taxation convention being excluded, and without applying any exemptions or rates under special provisions of the law or double taxation conventions.

The above-mentioned mechanism will also apply to payments that have not been recognised as the payments specified in Article 21 Section 1 item 1 and Article 22 Section 1 of the CIT Act without justified economic reasons.

This limitation does not apply if the tax remitter makes a statement(s), on the terms and in accordance with the procedure set out in the CIT Act, confirming that the tax remitter has in place the documents required by tax law for the application of a tax rate or exemption or not withholding tax based on special provisions of the law or double taxation conventions, and that after an appropriate enquiry the tax remitter is not aware of any reason to believe that any circumstance exists precluding the application of such tax rate, exemption or not withholding the tax (Article 26 Section 7a of the CIT Act).

The CIT Act also provides for a procedure in which the obligation to remit tax does not apply in view of an existing binding opinion on a preference with respect to the application of WHT at a reduced rate/an exemption (opinion on preference) obtained by the taxpayer, tax remitter or an entity making disbursement of receivables through entities keeping security accounts or omnibus accounts in accordance with the CIT Act (Article 26 Section 2g of the CIT Act).

The provisions of the CIT Act also provide for a procedure pursuant to which the taxpayer or – in certain cases – the tax remitter, may obtain a refund of the tax withheld due to the limitation set out in Article 26 Section 2e of the CIT Act.

An application for a tax refund can be filed by:

- the taxpayer, including a taxpayer subject to limited tax liability in the territory of Poland, who generates revenue taxable in accordance with the provisions of the CIT Act in connection with the receipt of the amount due on which the tax was withheld; and

- the tax remitter, if the tax remitter paid the tax from its own proceeds and incurred the economic burden of such tax

(Article 28b Section 2 of the CIT Act).

The CIT Act specifies in detail the scope of documents that should accompany the application in order to enable its verification, and the actions that the tax authority may take in order to verify whether the application for a tax refund is justified.

Transfer tax (tax on civil law transactions) payable on the sale of securities

Transfer tax is payable on agreements concerning the sale or exchange of property or property rights (including securities) if the subject of such agreements is property situated in the territory of the Republic of Poland, or the property rights are exercised within the territory of the Republic of Poland (Article 1 Section 1 item 1 letter a in conjunction with Article 1 Section 4 of the Transfer Tax Act). An exchange agreement is also subject to taxation if at least one of the things being exchanged is located in the territory of Poland, or one of the property rights is exercised in the territory of Poland (Article 1 Section 4a of the Transfer Tax Act).

As a rule, the sale of shares and rights to shares of foreign (non-Polish) company are considered as rights exercisable outside of Poland. These rights are considered to be subject to the Transfer Tax Act only if the buyer has its place of residence or registered office in Poland, and the transaction is performed in Poland (Article 1 Section 4 item 2 of the Transfer Tax Act). Such transactions are subject to transfer tax at the rate of 1%.

The tax base is the market value of the property or the property rights (Article 6 Section 1 item 1 of the Transfer Tax Act). The tax liability resulting from a sale agreement is borne by the buyer and arises upon the finalisation of the civil law transaction (Article 3 Section 1 item 1 and Article 4 item 1 of the Transfer Tax Act). Taxpayers are required to file, without any additional request from the tax office, a transfer tax return and calculate and remit the due tax within 14 days following the day on which the tax liability arose. This obligation does not apply if the transaction is executed in the form of a notarial deed where the transfer tax is collected by the notary who, in this case, acts as the tax remitter (Article 10 Section 1 and 2 of the Transfer Tax Act). A taxpayer may file a collective transfer tax return on an official form and calculate and pay the tax by the seventh day of the month following the month in which the tax obligation arose if in the month concerned the taxpayer effected at least three civil law transactions involving a sale of property rights and the last of these transactions is completed no later than 14 days after the first one (Article 10 Section 1a of the Transfer Tax Act).

An exemption from the transfer tax applies to a sale of property rights constituting financial instruments: (i) to investment companies and foreign investment companies; (ii) executed through investment companies and foreign investment companies; (iii) executed in organised trading; or (iv) executed outside organised trading by investment companies and foreign investment companies which acquired such property rights in organised trading, as defined in the Act on Trading in Financial Instruments (Article 9 item 9 of the Transfer Tax Act).

Inheritance and donation tax on the acquisition of securities by natural persons

Inheritance and donation tax is charged on the acquisition by natural persons of property located and property rights exercised within the territory of the Republic of Poland (including securities) by way of, among others, inheritance, ordinary legacy, further legacy, *legacy per vindicationem*, bequest, donation or donor’s order (Article 1 Section 1 of the Inheritance and Donation Tax Act). The tax liability is borne by the person acquiring the property or property rights (Article 5 of the Inheritance and Donation Tax Act), and it may arise at different times, depending on the manner of such acquisition (Article 6 of the Inheritance and Donation Tax Act).

Pursuant to Article 7 Section 1 of the Inheritance and Donation Tax Act, the tax base is, usually, the value of the acquired things and property rights, after the deduction of any debts and encumbrances (net value), determined as at the date of acquisition and the market prices prevailing on the date on which the tax obligation arises.

The amount of tax depends on the degree of kinship or other legal relationship between the donor and the recipient or bequeathed and heir. The tax rates grow progressively from 3% to 20% of the tax base, depending on the tax group in which the transferee qualifies. There is a tax-free amount defined for each of these groups.

Unless the tax is collected by the tax remitter, taxpayers are required to file, within one month of the date on which the tax liability arose, a tax return disclosing the acquisition of property or property rights on an appropriate form with the head of the relevant tax office (Article 17a Section 1 and 2 of the Inheritance and Donation Tax Act). The tax is payable within 14 days of delivering a decision assessing the amount of the head of the tax office on the tax liability.

Securities acquired by the closest relatives (a spouse, descendants, ascendants, stepchildren, siblings, stepparents) are tax-exempt subject to filing an appropriate notice with the head of the relevant tax office in due time (Article 4a Section 1 item 1 of the Inheritance and Donation Tax Act). The aforementioned exemption applies if, at the time of acquisition, the acquirer was a citizen of the Republic of Poland, or an EU Member State or a European Free Trade Association member state being a party to the EEA Agreement or was a resident of the Republic of Poland or such state (Article 4 Section 4 of the Inheritance and Donation Tax Act).

The tax is not charged on the acquisition of property rights exercised in the territory of the Republic of Poland (including securities) if on the date of such acquisition neither the transferee nor the testator (or intestate) were Polish citizens and had no place of permanent residence or registered office in the territory of the Republic of Poland (Article 3 Section 1 of the Inheritance and Donation Tax Act).

Provisions on tax remitter liability

Pursuant to Article 30 § 1 and § 3 of the Tax Ordinance, a tax remitter who fails to exercise the obligation to compute, collect or pay any tax to the appropriate tax authority has unlimited liability for the tax which has not been withheld or for the amount of withheld tax which has not been paid. The above-mentioned provision does not apply when separate legal provisions provide otherwise or when the tax was not withheld at the fault of the taxpayer. In such cases, the appropriate tax authority issues a decision about the taxpayer's liability. The taxpayer's liability can be established in a decision assessing the amount of the tax liability (Article 30 § 5 of the Tax Ordinance). On the basis of Article 30 § 5b of the Tax Ordinance, if the tax has not been remitted due to the failure to the fulfil obligations set out in Article 41 Section 4da of the PIT Act and Article 26 Section 2ca of the CIT Act due to the inconsistency of the information provided on the basis of these provisions with reality, the entity that made the payment through the entities keeping the securities accounts or omnibus accounts shall be responsible for the unremitted tax. The taxpayer's liability cannot be excluded or limited pursuant to Article 30 § 5 of the Tax Ordinance if: (i) the taxpayer and the tax remitter were related parties within the meaning of Article 23m Section 1 item 4 of the PIT Act or Article 11a Section 1 item 4 of the CIT Act; (ii) the tax remitter or the taxpayer was a controlled or controlling entity as regards control as defined in Article 30f Section 3 item 3 of the PIT Act or Article 24a Section 3 item 3 of the CIT Act; (iii) the tax remitter or the taxpayer has a tax residence, place of registration, registered office or management in a country or territory practicing harmful tax competition in terms of personal income tax and corporate income tax; (iv) the tax remitter or the taxpayer has a tax residence, place of registration, registered office or management in a country or territory which has not signed any ratified international convention with Poland, in particular a double taxation convention, and for which the European Union has not ratified any international convention which would give a basis for obtaining tax information from the tax authorities of that state; (v) the tax remitter or the taxpayer was managed or controlled, directly or indirectly, or had contractual or actual relations, including as the founder, sponsor or beneficiary, with any foundation or trust or other entity or title of fiduciary nature; or (vi) the tax remitter failed to fulfil the obligation with respect to an entity for which no sufficient information is publicly available to establish the shareholder, stockholder or entity with similar rights which holds at least 10% of the capital or at least 10% of the votes in its supervisory bodies, governing bodies or managing bodies, or at least a 10% share of the profits; (vii) the tax remitter is a real property company within the meaning of Article 5a item 49 of the PIT Act or Article 4a item 35 of the CIT Act.

Provisions on Mandatory Disclosure Rules

Council Directive (EU) 2018/822 amending Directive 2011/16/EU ("**MDR Directive**") as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements, provides for mandatory disclosure of cross-border arrangements by intermediaries or taxpayers to the tax authorities and mandates automatic exchange of this information among the EU Member States. The stated purpose of MDR Directive is to enhance transparency, reduce uncertainty over beneficial ownership and dissuade intermediaries from designing, marketing and implementing harmful tax structures.

In Poland the mandatory disclosure rules (MDR) for both domestic and cross-border tax-planning arrangements (schemes) were introduced as of 1 January 2019. With respect to cross-border arrangements, the MDR law in Poland implements the above-mentioned MDR Directive.

The Polish MDR law has a much wider scope in comparison to the MDR Directive and includes an extended definition of reportable tax arrangements so that it comprises not only cross-border, but also domestic tax arrangements. These domestic tax arrangements have a defined threshold of value – i.e. if the arrangement meets any of the thresholds defined in these hallmarks, it is considered reportable. These hallmarks essentially refer to two types of arrangements: (i) ones that impact deferred tax asset or liabilities and (ii) ones that include payments to Polish non-residents. In the latter group the hallmarks cover among other events in which (i) income (revenue) of the non-resident taxpayer resulting from or expected in connection with the arrangement exceed in aggregate during the calendar year the amount of PLN 25 million or (ii) the difference between Polish income tax that would be due from the Polish non-resident relevant taxpayer had the non-resident been Polish tax resident and the tax actually payable income tax in the country of residence of the relevant taxpayer exceeds in aggregate during the calendar year the amount of PLN 5 million.

ADDITIONAL INFORMATION

Documents available for inspection

The following documents will be available to the public on the website of the Company (www.zabkagroup.com) throughout the validity of the Prospectus (which is twelve months from the date of this Prospectus): (i) the Articles of Association; and (ii) the Consolidated Financial Statements.

From the date of its publication, and throughout the time it remains valid, the Prospectus, with all of the supplements approved by the CSSF and update reports related thereto, if any, as well as the information regarding the Final Price for the Offer Shares, the final number of the Offer Shares in the Offering and the final number of the Offer Shares offered to specific investor categories, will be available electronically on the Company's website (www.zabkagroup.com).

Independent auditors

The Company appointed Ernst & Young S.A., with its registered office at 35E, Avenue J.F. Kennedy, L-1855 Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de commerce et des sociétés de Luxembourg*) under number B 47771, as its independent auditor (*réviseur d'entreprises agréé*) ("**E&Y**").

Ernst & Young S.A. – *Cabinet de révision agréé* is a member of the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises*), which is the Luxembourg member of the International Federation of Accountants, and is registered in the public register of approved audit firms held by the *Commission de Surveillance du Secteur Financier* as the competent authority for public oversight of approved statutory auditors and audit firms.

The Annual Financial Statements included in this Prospectus have been audited by E&Y. E&Y issued its audit report on the Annual Financial Statements as included herein (see "*Historical Financial Information—The auditor's report on the Annual Financial Statements*"), which includes its audit opinion on the audit of the Annual Financial Statements. Apart from the Annual Financial Statements, no information set forth in this Prospectus has been audited by an independent audit firm.

The Interim Financial Statements, included elsewhere in this Prospectus, have been reviewed by E&Y, as stated in the report appearing herein (see "*Historical Financial Information—The report on review of the Interim Financial Statements*"). E&Y has neither audited and nor expressed an audit opinion on the Interim Financial Statement. Accordingly, the degree of reliance on E&Y's report on such information should be restricted in light of the limited nature of the review procedures applied.

During the period covered by the Consolidated Financial Statements, there were no instances of the resignation of an independent audit firm/independent auditor and no independent audit firm/independent auditor was dismissed. During the period covered by the Consolidated Financial Statements, there were no instances of a failure to appoint an independent audit firm/independent auditor for the next financial year.

Entities involved in the Offering

There are no conflicts of interest between the natural and legal persons involved in the Offering that could materially affect the Offering. It is the intention of the Selling Shareholders to sell no more than 345,000,000 Offer Shares, including all Sale Shares and any Over-Allotment Shares (please see: "*Major Shareholders and Selling Shareholders—The Selling Shareholders*").

The entities referred to below are involved in the Offering.

Managers

The Joint Global Coordinators and the Joint Bookrunners are: (i) Goldman Sachs Bank Europe SE, with its registered office in Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany; and (ii) J.P. Morgan SE, with its registered office in Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany.

PKO Securities acts as the Offering Agent in relation to the Offering in Poland and the Joint Bookrunner.

The Joint Bookrunners are: (i) Banco Santander, S.A. with its registered office in Paseo de Pereda 9-12, 390004 Santander, Spain; (ii) Bank Polska Kasa Opieki S.A. – Biuro Maklerskie Pekao with its registered office Warsaw, address: ul. Żubra 1, 01-066 Warsaw, Poland; (iii) BNP PARIBAS with its registered office in 16 Boulevard des Italiens, 75009 Paris, France; (iv) CVC Capital Markets S.à r.l. with its registered office in 29 Avenue de la Porte Neuve, L 2227 Luxembourg; (v) Morgan Stanley & Co. International plc with its registered office in 25 Cabot Square, E14 4QA London, United Kingdom; (vi) Pekao Investment Banking S.A. with its registered office in Warsaw, address: ul. Żubra 1, 01-066 Warsaw, Poland; and (vii) Santander Bank Polska S.A. – Santander Biuro Maklerskie with its registered office in Warsaw, address: al. Jana Pawła II 17, 00-854 Warsaw, Poland.

The Co-Bookrunners are: (i) ING Bank N.V. with its registered office in Bijlmerdreef 106, 1102 CT Amsterdam, The Netherlands; (ii) mBank S.A. with its registered office in Warsaw, address: ul. Prosta 18, 00-850 Warsaw, Poland; and (iii) Trigon Dom Maklerski S.A. with its registered office in Warsaw, address: ul. Puławska 2, 02-566 Warsaw, Poland.

The Joint Global Coordinators are providing services to the Selling Shareholders and the Company in connection with the Offering, including services related to the preparation, management and execution of the Offering. The Joint Global

Coordinators as well as the Joint Bookrunners and the Co-Bookrunners are responsible for coordinating the marketing efforts with respect to the Offering, coordinating contacts and arranging meetings with Institutional Investors, organising the book-building process, as well as other tasks that are typically performed by investment companies acting as managers in public share offerings.

The Offering Agent's services include the provision of assistance with respect to the settlement of the Offering, the registration of the Shares with the securities depository operated by the NDS and the admission and introduction of the Shares to trading on the regulated market operated by the WSE.

None of Managers holds any Shares.

The remuneration of the Managers is closely related to the proceeds from the sale of the Offer Shares (see "*Additional Information—Costs of the Offering—Commission of the Managers*").

Legal counsel to the Company and the Principal Selling Shareholder

Legal services to the Company and the Principal Selling Shareholder are provided by: GREENBERG TRAURIG Nowakowska-Zimoch Wysokiński sp.k. (with its registered office in Warsaw, address: Chmielna 69, 00-801 Warsaw, Poland) as to matters of Polish law; Freshfields Bruckhaus Deringer LLP (with its registered office in London, address: 100 Bishopsgate, London EC2P 2SR, United Kingdom) as to matters of U.S. and English law; and Elvinger Hoss Prussen société anonyme (with its registered office in Luxembourg, address: 2, place Winston Churchill, L-1340 Luxembourg) as to matters of Luxembourg law (jointly, the "**Company's counsels**").

Additionally, the Company's counsels have rendered and may render in the future other legal services in favour of the Company, the Group, the Selling Shareholders or the Managers within the scope of the activities conducted by the Company, the Group, the Selling Shareholders or the Managers on the basis of legal services agreements.

The remuneration of the Company's counsels does not depend on the proceeds from the Offering. The Company's counsels do not hold any material interests in the Company and, specifically, as at the date of this Prospectus, none of them holds any Shares.

Legal counsel to the Managers

In connection with the Offering, legal services to the Managers are provided by: Baker McKenzie Krzyżowski i Wspólnicy sp. k. (with its registered office in Warsaw, address: Rondo 1, 00-124 Warsaw, Poland) as to matters of Polish law; Allen Overy Shearman Sterling LLP (with its registered office in London, address: One Bishops Square, London E1 6AD, United Kingdom), as to matters of U.S. and English law; and Allen Overy Shearman Sterling LLP, S.C.S. (with its registered office in Luxembourg, address: 5, Avenue John F. Kennedy, L-1855, Luxembourg, Grand Duchy of Luxembourg), as to matters of Luxembourg law (jointly, the "**Managers' counsels**").

Additionally, the Managers' counsels may render in the future legal services in favour of the Company, the Group or the Selling Shareholders within the scope of the activities conducted by the Company, the Group or the Selling Shareholders on the basis of legal services agreements.

The remuneration of the Managers' counsels does not depend on the proceeds from the Offering. The Managers' counsels do not hold any material interests in the Company and, specifically, as at the date of this Prospectus, none of them holds any Shares.

Public takeover bids

In the financial year ended 31 December 2023 and in the period after that date and until the date of this Prospectus, the Shares have not been subject to any public takeover bids.

Costs of the Offering

Commission of the Managers

In exchange for the services rendered in connection with the Offering, the Selling Shareholders have agreed to pay to the Managers a total commission (assuming payment in full of any discretionary fee) of up to 2.7913% of the gross proceeds of the Offering, including the gross proceeds of the exercise of the Over-Allotment Option, defined as the Institutional Investor Offer Price multiplied by the aggregate number of Institutional Sale Shares finally sold to Institutional Investors.

Other costs

The Company estimates that the total costs related to the Offering (other than the commissions to be paid out to the Managers that will be paid by the Selling Shareholders) that will be incurred by the Company will be in the range of approximately PLN 35 million and PLN 40 million, which will comprise, among others: (i) the cost of drafting the Prospectus; (ii) the costs and expenses related to the organisation of meetings with investors (early-look meetings and investor education), pilot fishing and the roadshow; (iii) the fees and the costs and expenses of the legal counsel to the Company; (iv) the costs of accounting services; (v) the costs of PR services pertaining to the Offering, as well as the costs of advertising and promoting the Offering; (vi) the costs of the development of the corporate website of the Company in relation to the Offering; (vii) the costs regarding the preparation and/or update of the OC&C Report; (viii) the costs of the settlement of the Offering; and (ix) any fees payable to the CSSF, the NDS and the WSE.

Neither the Selling Shareholders, nor the Company will collect any fees from investors placing purchase orders for the Offer Shares. Nonetheless, the amount paid by an investor purchasing the Offer Shares may be increased by a potential commission of the member of the Retail Syndicate accepting their purchase order in accordance with the rules in place in such member of the Retail Syndicate.

ABBREVIATIONS AND DEFINITIONS

Capitalised terms not otherwise defined in the Prospectus will have the meanings assigned thereto below, unless the context requires otherwise.

Accounting Act	the Polish Act dated 29 September 1994 on accounting, as amended.
Act on Combating Late Payment in Commercial Transactions	the Polish Act dated 8 March 2003 on combating late payment in commercial transactions, as amended.
Act on Counteracting the Unfair Use of a Contractual Advantage in Trading in Agricultural and Food Products	the Polish Act dated 17 November 2021 on Counteracting the Unfair Use of a Contractual Advantage in Trading in Agricultural and Food Products, as amended.
Act on Goods and Services Tax (VAT)	the Polish Act dated 11 March 2004 on goods and services tax (VAT), as amended.
Act on Investment Funds	the Polish Act dated 27 May 2004 on investment funds and the management of alternative investment funds, as amended.
Act on Personal Data Protection	the Polish Act dated 10 May 2018 on personal data protection, as amended.
Act on Public Offering	the Polish Act dated 29 July 2005 on public offering, the conditions governing the introduction of financial instruments to organised trading, and public companies, as amended.
Act on Statutory Auditors	the Polish Act dated 11 May 2017 on statutory auditors, audit firms and public oversight, as amended.
Act on Supervision over the Capital Market	the Polish Act dated 29 July 2005 on supervision over the capital market, as amended.
Act on Tax on Inheritances and Donations	the Polish Act dated 28 July 1983 on inheritance and donations tax, as amended.
Act on Control of Certain Investments	the Polish Act dated 24 July 2015 on the control of certain investments, as amended.
Act on Trading in Financial Instruments	the Polish Act dated 29 July 2005 on trading in financial instruments, as amended.
Acting in Concert Agreement	the arrangements referred to in Article 87 Section 1 (5) and (6) of the Act on Public Offering.
Allotment Date	the date of the final allotment of the Offer Shares to investors.
Alternative Trading System	an off-exchange trading venue organised by an Investment Firm or a company operating a regulated market.
Amended Act on Packaging	the Polish Act dated 13 July 2023 amending the act on packaging and packaging waste management and certain other acts, implementing Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment.
Amended Sunday Trading Ban	the Polish Act dated 14 October 2021 on amending the Sunday Trading Ban.
Amphibian, Selling Shareholder IV	Amphibian 2 S.à r.l., a private limited liability company (société à responsabilité limitée), registered in Luxembourg with its registered office at 23, rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg, registered with the RCS under number B288093.
Amphibian Investments	Amphibian Investments S.à r.l., a private limited liability company (*société à responsibilité limitée*) registered in Luxembourg, with its registered office at

	14, rue Edward Steichen, L-2540 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B215488.
Annual Financial Statements	the audited consolidated financial statements as at 31 December 2023, 2022 and 2021 and for the 12-month periods ended 31 December 2023, 2022 and 2021 of the Company prepared for the purposes of the Offering and the Prospectus in compliance with the IFRS.
APM, Alternative Performance Measure	alternative performance measure within the meaning of the ESMA Guidelines on Alternative Performance Measures.
Articles of Association	the articles of association of the Company, in the form that will be adopted further to the Conversion EGM.
Audit Committee	the audit committee of the Company.
Authorised Capital	the authorised capital of the Company.
Board Meeting	the meeting of the Board of Directors.
Board of Directors	the board of directors of the Company.
CAGR	Compound Annual Growth Rate.
CEO	the chief executive officer of the Company.
Chairperson	the chairperson of the Board of Directors.
CIT Act	the Polish Act dated 15 February 1992 on corporate income tax, as amended.
Civil Code	the Polish Act dated 23 April 1964 – the Civil Code, as amended.
CLTV/CAC	means gross margin generated over the next 4 quarters by new customers acquired in the reporting quarter (CLTV) divided by direct marketing costs (excluding department costs) from a given quarter divided by the number of new customers acquired in a quarter (CAC).
Co-Bookrunners	ING Bank N.V., mBank S.A. and Trigon Dom Maklerski S.A.
Code of Civil Procedure	the Polish Act dated 17 November 1964 – the Code of Civil Procedure, as amended.
Collective Management Act	the Polish Act dated 15 June 2018 on collective management of copyright and related rights, as amended.
Commercial Companies Code, CCC	the Polish Act dated 15 September 2000 – Commercial Companies Code, as amended.
Commission Delegated Regulation (EU) 2017/568	Commission Delegated Regulation (EU) 2017/568 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the admission of financial instruments to trading on regulated markets.
Company, Zabka Group	Zabka Group, a public limited liability company (*société anonyme*), with its registered office in Luxembourg.
Competition and Consumer Protection Act	the Polish Act dated 16 February 2007 on competition and consumer protection, as amended.
Concentration Control Regulation	Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the FC Merger Regulation).
Consolidated Financial Statements	means the Interim Financial Statements and the Annual Financial Statements.

Conversion Agreement	a conversion agreement dated 2 December 2021.
Conversion EGM	means the resolution of the General Meeting resolving to convert the Existing Shares into the Shares.
Copyright Law	the Polish Act dated 4 February 1994 on copyright and neighbouring, as amended.
CSSF	the Luxembourg Financial Supervision Authority (*Commission de Surveillance du Secteur Financier*).
CVC Fund VI	collectively, CVC Capital Partners VI (A) L.P., CVC Capital Partners VI (B) L.P., CVC Capital Partners VI (C) L.P., CVC Capital Partners VI (D) S.L.P., CVC Capital Partners VI Associates L.P. and CVC Capital Partners Investment Europe VI L.P.
DCO, Digital Customer Offering	an advanced digital offering of the Group which includes D2C meal solutions (Maczfit), a SaaS-enabled D2C meal marketplace (Dietly), eGrocery businesses (delio, Jush!) and autonomous stores (Nano).
Dietly	Masterlife Solutions sp. z o.o., with its registered office in Warsaw.
DRIM	DRIM Daniel Distributie FMCG S.R.L. with its registered office in Argeselu Village, Maracineni Commune (Romania).
E&Y	Ernst & Young S.A., with its registered office in Luxembourg.
EBRD, Selling Shareholder III	The European Bank for Reconstruction and Development, an international organisation formed by treaty with its headquarters at 5 Bank Street, London, E14 4BG, United Kingdom.
EC Merger Regulation	Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings, as amended.
EEA	the European Economic Area, the area of free trading comprising the countries of the European Union and the European Free Trade Association (excluding Switzerland).
Entrepreneurs' Law	the Polish Act dated 6 March 2018 on entrepreneurs, as amended.
Environmental Protection Law	the Polish Act dated 27 April 2001 on environmental protection, as amended.
ESMA	the European Securities and Market Authority.
ESMA Guidelines on Alternative Performance Measures	the ESMA Guidelines on Alternative Performance Measures of 5 October 2015, Ref. No. ESMA/2015/1415en).
EU	the European Union.
EURIBOR	a daily reference rate of interest accruing on deposits and loans on the Eurozone interbank market.
euro or EUR	the currency introduced upon the commencement of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community.
European Commission	the executive authority of the EU that also represents the interests of the EU as a whole.
European Parliament	a representative authority of the EU, an equivalent of a single-chamber parliament, the members of which are elected by the citizens of the EU Member States for a five-year term.
Eurostat	the statistical office of the European Union.

Excise Duty Act	the Polish Act dated 6 December 2008 on Excise Duty.
Existing Shares	the 2,604,016,020 shares with a value of EUR 0.01 (one euro cent) each, all fully subscribed for and entirely paid up and divided into 52,927,471 class A ordinary shares, 8,610,989 class B ordinary shares, 2,505,139,020 class A preference shares and 37,338,540 class B preference shares in the Company as at the date of the Prospectus.
FTE	full-time equivalent employees.
GAAR	General Anti-Abuse Rules.
GDP	gross domestic product.
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).
General Meeting	the ordinary (annual) or extraordinary General Meeting of the Company.
Group	the Company and its Subsidiaries (including the period prior to the incorporation of the Company on 2 December 2021).
GUS	the Central Statistical Office in Poland (*Główny Urząd Statystyczny*).
Heket Holdings S.à r.l.	Heket Holdings S.à r.l., a private limited liability company (*société à responsibilité limitée*) registered in Luxembourg with its registered office at 20, avenue Monterey L-2163 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B212652.
Heket Investments S.à r.l.	Heket Investments S.à r.l., a private limited liability company (*société à responsibilité limitée*) registered in Luxembourg with its registered office at 20 Avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B212657.
Heket Topco S.à r.l., Selling Shareholder I, Principal Selling Shareholder	Heket Topco S.à r.l., a private limited liability company (*société à responsibilité limitée*) registered in Luxembourg with its registered office at 29, Avenue de la Porte-Neuve, L-2227 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B262589.
Historic MIP	means a long-term incentive plan, under which the key management of the Group were given the opportunity to indirectly acquire certain instruments in Heket Investments S.à r.l.; the Historic MIP was, following the reorganisation of the Group, transposed from the level of Heket Investments S.à r.l. to the level of the Company.
IAS	the International Accounting Standards adopted and approved by the EU.
IFRS	the International Financial and Reporting Standards, the IAS and their interpretations adopted and approved by the European Union.
Insolvency Proceedings	the type of proceeding indicated in the insolvency laws of the Grand Duchy of Luxembourg.
Institutional Investors	collectively, the International Institutional Investors and Institutional Investors participating in the Polish Offering.
Institutional Investors Offer Price	the final offer price per Offer Share for Institutional Investors.

Interim Financial Statements	the reviewed consolidated financial statements as at 30 June 2024 and for the six-month periods ended 30 June 2024 of the Company prepared for the purposes of the Offering and the Prospectus in compliance with the IFRS.
International Institutional Investors	(i) certain QIBs participating in the Offering in reliance on Rule 144A, or (ii) in the EEA (outside of Poland), qualified investors as defined under Article 2 of the Prospectus Regulation; (iii) in the United Kingdom, qualified investors within the meaning of the assimilated Regulation (EU) 2017/1129 as it forms part of domestic UK law by virtue of the European Union (Withdrawal) Act 2018, and (iv) other persons invited by any of the Joint Bookrunners to take a part in the book-building process and participating in the Offering in reliance on Regulation S, or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.
International Offering	the offering in the United States to certain persons reasonably believed to be QIBs as defined in and in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the offering to certain other Institutional Investors outside of the United States and Poland in accordance with Regulation S under the U.S. Securities Act.
Investment Firm	a brokerage house (*dom maklerski*), bank carrying on brokerage activity (*bank prowadzący działalność maklerską*), foreign investment firm (*zagraniczna firma inwestycyjna*) carrying on brokerage activity within the territory of the Republic of Poland, and a foreign legal person with its seat within the territory of a non-member country carrying on brokerage activity within the territory of the Republic of Poland.
Investors	the Institutional Investors and Retail Investors together.
Joint Bookrunners	the Joint Global Coordinators, together with Banco Santander, S.A. (“**Banco Santander**”), Bank Polska Kasa Opieki S.A. – Biuro Maklerskie Pekao (“**Biuro Maklerskie Pekao**”), BNP PARIBAS (“**BNP PARIBAS**”), CVC Capital Markets S.à r.l. (“**CVC Capital Markets**”), Morgan Stanley & Co. International plc (“**Morgan Stanley**”), Pekao Investment Banking S.A. (“**Pekao Investment Banking**”), Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Biuro Maklerskie w Warszawie (“**PKO Securities**” and “**Offering Agent**”), Santander Bank Polska S.A. – Santander Biuro Maklerskie (“**Santander Poland**”), acting as joint bookrunners for the Offering.
Joint Global Coordinators	Goldman Sachs Bank Europe SE and J.P. Morgan SE, acting as joint global coordinators for the Offering.
Legal Reserve	the Company’s legal reserve.
Listing Date	expected first day of trading of the Shares on the WSE.
Lite e-Commerce	Lite e-Commerce sp. z o.o. with its registered office in Warsaw.
Luxembourg	the Grand Duchy of Luxembourg.
Luxembourg Company Law	the Luxembourg law of 10 August 1915 on commercial companies, as amended.
Luxembourg Mandatory Squeeze-Out and Sell-Out Law	the Luxembourg law of 21 July 2012 on the mandatory squeeze-out and sell-out of securities of companies currently admitted or previously admitted to trading on a regulated market or having been offered to the public, as amended.
Luxembourg Prospectus Law	the Luxembourg law of 16 July 2019 on prospectuses for securities (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières*), as amended.
Luxembourg Takeover Law	the Luxembourg law of 19 May 2006 on takeover bids, as amended.
Luxembourg Tax Laws	any tax laws, regulations, practice and court decisions in effect in Luxembourg as at the date of this Prospectus.

Luxembourg Transparency Law	the Luxembourg law of 11 January 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market, as amended.
Maczfit Foods	Maczfit Foods sp. z o.o., with its registered office in Warsaw.
Majority Selling Shareholders	the Selling Shareholder I, the Selling Shareholder II and the Selling Shareholder III.
Management	the Board of Directors and the management board of Żabka Polska.
Management Board of the NDS	the management board of the National Depository of Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) in Warsaw.
Management Board of the WSE	the management board of the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*).
Management Committee	the management committee (*comité de direction*) appointed by the Board of Directors on 20 June 2024.
Managers	the Joint Bookrunners, together with the Co-Bookrunners.
Market Abuse Directive	Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (Market Abuse Directive), as amended.
Market Abuse Regulation, the MAR	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) 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. Text with EEA relevance, as amended.
Market and Issuers Regulation	the regulation of the Minister of Finance of Poland of 25 April 2019 regarding the detailed requirements that must be satisfied by a market of official stock exchange quotations and the issuers of securities admitted to trading on such market.
Maximum Price	the maximum price per Sale Share for the Retail Investors, being the top of the Offer Price Range.
MDR Directive	Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.
Member State	a Member State of the EU.
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending directive 2002/92/EC and Directive 2011/61/EU.
MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 and local implementing measures.
National Court Register	the National Court Register (*Krajowy Rejestr Sądowy*).
NBP	the National Bank of Poland (*Narodowy Bank Polski*).
NDS	the National Depository of Securities in Poland (*Krajowy Depozyt Papierów Wartościowych S.A.*), and, unless the context requires otherwise, the depository system operated by such company.
NDS Detailed Rules	the detailed rules of the operation of the National Depository of Securities effective as at the date of this Prospectus.

NDS Rules	the rules of the National Depository of Securities valid as at the date of this Prospectus.
New Growth Engines	The segment includes operations conducted using the latest technologies, including, in particular, online sales technology. The segment is composed of activities of the following companies: Maczfit Foods sp. z o.o. (production and D2C (Direct-to-Customer), sales of ready-to-eat meals), Cool-Logistics sp. z o.o. (logistics services for Maczfit), Food Property Investment sp. z o.o. (warehouse management for Maczfit), Masterlife Solutions sp. z o.o. (Dietly, SaaS marketplace services for D2C ready meals services, as well as SaaS services and software for D2C ready meals manufacturers, who in many cases are also vendors on the dietly.pl marketplace), Lite Group consisting of Lite e-commerce sp. z o.o., Lite 24 sp. z o.o. and Bocastonby Investments sp. z o.o. (q-commerce services), Żabka Nano sp. z o.o. and Żabka Deutschland GmbH (fully autonomous stores) and, since 2024, Zabka International S.a.r.l and Romanian companies.
OC&C	OC&C Strategy Consultants.
OC&C Report	information on the market and industry prepared by OC&C at the request of the Company for, among others, the purposes of this Prospectus.
OECD	Organisation for Economic Cooperation and Development.
OFE	an open pension fund (Otwarty fundusz emerytalny).
OFE Act	the Polish Act dated 28 August 1997 on the organisation and operation of pension funds, as amended.
Offer Price Range	offer price range of PLN 20.00-21.50 per one Offer Share determined for the purpose of the book-building process.
Offer Shares	collectively, the Sale Shares and Over-Allotment Shares.
Offering	the Polish Offering and the International Offering.
Offering Agent, PKO Securities	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Biuro Maklerskie w Warszawie, with its registered office in Warsaw, address: ul. Puławska 15, 02-515 Warsaw, Poland, acting as the Offering Agent in connection with the Offering.
OJ	the Official Journal of the European Union.
Order	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Over-Allotment Option	the option which has been granted by the Selling Shareholder I and the Selling Shareholder III exercisable by the Stabilising Manager for up to 30 days following the Listing Date to borrow (for settlement purposes and the delivery of the Over-Allotment Shares to the Institutional Investors) and further to purchase the Over-Allotment Shares (in order to settle such loan of the Over-Allotment Shares) (representing up to a maximum of 15% of the total number of Sale Shares), solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilisation transactions.
Over-Allotment Period	the period of up to 30 calendar days from the date of the Listing Date.
Over-Allotment Shares	ordinary shares in the Company without a nominal value representing up to a maximum of 15% of the total number of the Sale Shares in respect of which the Selling Shareholder I and the Selling Shareholder III are granting the Stabilising Manager the option to borrow and further to purchase pursuant to the Over-Allotment Option.

Parent-Subsidiary Directive	European Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.
PCAOB Standards	the Public Company Accounting Oversight Board.
PFIC	a passive foreign investment company.
PFSA	the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*).
PG Investment Company 1113B S.à r.l., Selling Shareholder II	PG Investment Company 1113B S.à r.l., a private limited liability company (*société à responsibilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 35D, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, registered with the RCS under number B262636.
Pharmaceutical Law	the Polish Act dated 6 September 2001 on the pharmaceutical law, as amended.
PIT Act	the Polish Act dated 26 July 1991 on personal income tax act, as amended.
PLN, zł or Polish złoty	the Polish złoty, the lawful currency of Poland.
Polish Institutional Offering	the offering of the Offer Shares in Poland to the Institutional Investors on the terms and conditions set forth in this Prospectus.
Polish Offering	the offering to Retail Investors and Institutional Investors in Poland.
President of the UOKiK	the President of the Office of Competition and Consumer Protection (*Prezes Urzędu Ochrony Konkurencji i Konsumentów*).
Prevention of Alcoholism Act	the Polish Act dated 26 October 1982 on Upbringing in Sobriety and Counteracting Alcoholism, as amended.
Pricing Agreement	the pricing agreement to the Underwriting Agreement setting forth the Final Price of the Offer Shares and the final number of the Offer Shares to be offered in the Offering to each category of investors.
Pricing Date	the date on which the Retail Investors Offer Price, Institutional Investors Offer Price and the final number of the Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered to various categories of investors will be determined by the Company and the Principal Selling Shareholder and the Joint Global Coordinators.
Prospectus	this document, which constitutes a prospectus in a form of a single document within the meaning of the Prospectus Regulation on the basis of which upon its approval by the CSSF and publication, the Company will conduct the Offering and seek the WSE Admission.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
QIBs	qualified institutional buyers as defined in Rule 144A.
RCS	means the commercial register of Luxembourg *(Registre de Commerce et des Sociétés, Luxembourg*).
Real GDP	means an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year (expressed in base-year prices), calculated by dividing nominal GDP over a GDP deflator.

Recast Brussels Regulation 1215/2012	Regulation No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.
Regulation (EC) Adopting Certain International Accounting Standards	Commission Regulation (EC) No. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as amended.
Regulation 2019/980	Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004.
Regulation S	Regulation S under the U.S. Securities Act.
Relevant State	any member state of the European Economic Area.
Restricted Managers	means jointly the following members of the Management Committee: Tomasz Suchański, Adam Manikowski, Tomasz Blicharski, Anna Grabowska, Jolanta Bańczerowska, Marta Wrochna-Łastowska and Wojciech Krok and certain other managers of the Group not being members of the Management Committee, and/or their holding vehicles; and each a "**Restricted Manager**".
Restricted Persons	means (i) Selling Shareholder V and (ii) the Restricted Managers, and each of them a "**Restricted Person**".
Retail Investors	investors authorised to purchase the Sale Shares pursuant to this Prospectus who are natural persons (individuals), corporate entities (legal persons) and non-corporate entities other than individuals (an organisational unit without legal personality).
Retail Investors Offer Price	the final offer price per Sale Share for the Retail Investors.
Retail Offering	the public offering of the Sale Shares to the Retail Investors in Poland pursuant to this Prospectus.
Retail Syndicate	the Offering Agent and other Investment Firms authorised in Poland to accept subscriptions for the Sale Shares in Retail the Offering that concluded relevant agreements with the Principal Selling Shareholder.
RP	the Republic of Poland (*Rzeczpospolita Polska*).
Rule 144A	Rule 144A under the U.S. Securities Act.
Sale Shares	up to 300,000,000 ordinary shares in the Company without a nominal value, offered by the Selling Shareholders in the Offering.
Sale and Leaseback Transaction	a sale and leaseback transaction of the Group logistic centre built in Małopole executed in 2022.
Selected Key Managers	means jointly the following members of the Management Committee: Tomasz Suchański, Adam Manikowski, Tomasz Blicharski, Anna Grabowska, Marta Wrochna-Łastowska and Wojciech Krok and two other managers of the Group not being members of the Management Committee, and/or their holding vehicles; and each a Selected Key Manager.
Selected Key Managers' Shares	the Shares held by the Selected Key Managers as at the Listing Date and as a result of post Listing Date transfer of shares from Selling Shareholder IV to the Selected Key Managers (if any such transfer occurs).
Selling Managers	the following Directors and members of the Management Committee: Tomasz Suchański, Adam Manikowski, Tomasz Blicharski, Anna Grabowska, Jolanta Bańczerowska, Marta Wrochna-Łastowska and Wojciech Krok and certain other

	managers of the Group or their holding vehicles who transferred their Shares to Amphibian based on the agreement between the Selling Managers and Amphibian.
Selling Shareholder V	Jacques de Vaucleroy, with professional address at 2, rue Jean Monnet L-2180 Luxembourg, Grand Duchy of Luxembourg.
Selling Shareholders	jointly, Selling Shareholder I, Selling Shareholder II, Selling Shareholder III, Selling Shareholder IV and Selling Shareholder V.
Settlement of the Offering	date of the settlement of the last transfer of the Offer Shares in the Offering from the Selling Shareholders to the Investors.
SFA	an English-law senior facilities agreement dated 12 April 2017.
Share Premium Account	a share premium account of the Company.
Shareholder Rights Law	the Luxembourg law of 1 August 2019 on the exercise of certain rights of shareholders at general meetings of listed companies, as amended.
Shareholders Agreements	means the shareholders agreements concluded by each of the original shareholders of Heket Investments S.à r.l. and Heket Holdings S.à r.l. together with the shareholders of the Company, i.e. Heket Topco S.à r.l., PG Investment Company 1113B S.à r.l., EBRD and the Historic MIP participants in connection with their investment in the Company.
Shares	all of the shares in the share capital of the Company as converted at the Conversion EGM into one class of ordinary shares with no nominal value, including the Offer Shares.
Stabilising Manager	Goldman Sachs Bank Europe SE.
Stabilising Regulation	the Market Abuse Regulation and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and the stabilisation of financial instruments.
Subsidiaries	the indirect and direct subsidiaries of the Company from time to time.
Substitute Investors	Institutional Investors (both those who participated in the book-building process and those who did not) who duly submitted and paid for the purchase orders in response to the Offering Agent's invitations (acting on behalf of the Joint Bookrunners) to purchase the Offer Shares with respect to which the Retail Investors or the Institutional Investors have withdrawn their acceptance for the purchase of or subscription for shares in the Offering pursuant to Article 23, item 2 of the Prospectus Regulation, did not submit their purchase order in response to invitations or did not pay for the submitted purchase orders on time.
Sunday Trading Ban	the Polish Act dated 10 January 2018 on Restrictions on Trading on Sundays, Holidays and Certain Other Days.
Takeover Directive	Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 on takeover bids.
Tax on Civil Law Transactions Act	the Polish Act dated 9 September 2000 on tax on civil law transactions, as amended.
Tax Ordinance, Tax Code	the Polish Act dated 29 August 1997 – the Tax Ordinance, as amended.
TCG	tax capital group.
Treaty on the EU	the Treaty on the European Union dated 7 February 1992.

UK	the United Kingdom.
UKE	Office of Electronic Communications (*Urząd Komunikacji Elektronicznej*).
U.S. Exchange Act	the United States Securities Exchange Act of 1934, as amended.
U.S. GAAP	the United States Generally Accepted Accounting Principles.
U.S. GAAS	the United States Generally Accepted Auditing Standards.
U.S. Holder	a beneficial owner of Offer Shares that is or is treated as, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state thereof or the District of Columbia; (iii) a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "U.S. persons" (within the meaning of Section 7701(a)(30) of the U.S. Internal Revenue Code of 1986, as amended or (2) was in existence on August 20, 1996, and has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes; or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.
U.S. Investment Company Act	the United States Investment Company Act of 1940, as amended.
U.S. Securities Act	the United States Securities Act of 1933, as amended.
Underwriter	each Manager in the performance of its obligations under the Underwriting Agreement.
Underwriting Agreement	the conditional underwriting agreement executed in connection with the Offering between the Selling Shareholders, the Company and the Managers.
United States of America, United States or USA	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia.
UODO	President of the Personal Data Protection Office (*Prezes Urzędu Ochrony Danych Osobowych*).
UOKiK	Office of Competition and Consumer Protection (*Urząd Ochrony Konkurencji i Konsumentów*).
USD, U.S. Dollar or $	the lawful currency of the United States of America.
VAT	the goods and services tax imposed on the terms and within the scope as provided in the Act on Goods and Services Tax (VAT).
WIBOR	the *Warsaw Interbank Offered Rate,* the daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Warsaw wholesale money market.
WSE	the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) and, unless the context requires otherwise, the regulated market operated by such company.
WSE Admission	the admission and introduction of the Shares to trading on the regulated (main) market operated by the WSE.
WSE Best Practices	"*Code of Best Practices for WSE Listed Companies 2021*", which constitutes a set of rules and recommendations regarding corporate governance applicable to companies listed on the WSE.
WSE Rules	the Warsaw Stock Exchange regulations in the wording established by Resolution No 1/110/2006 of the WSE supervisory board of 4 January 2006, as amended.

Zabka International	Zabka International S.à r.l., a private limited liability company (*société à responsibilité limitée*) registered in Luxembourg with its registered office at Rue Jean Monnet 2, 2180 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés) under number B 283681.
ZUS	the Polish Social Security Office (*Zakład Ubezpieczeń Społecznych*).
Żabka Internal Inflation	refers to Żabka's internal or shelf inflation, calculated based on Żabka's weighted average product mix.
Żabka Polska, Żabka	Żabka Polska sp. z o.o., with its registered office in Poznań.

GLOSSARY OF INDUSTRY TERMS

Capitalised industry terms not defined in this Prospectus have the meanings given below unless the context indicates otherwise.

ACIT	Advanced Customer Insight Tool.
BREEAM Certification	a renown certificate used to specify and measure the sustainability performance of buildings, ensuring that projects meet sustainability goals and continue to perform optimally over time.
cPPA	Corporate Power Purchase Agreement.
D2C	a business model where companies sell their products directly to consumers.
DAM	direct addressable market.
Dark store	a retail outlet or distribution centre that caters exclusively to online shopping. A dark store is generally a warehouse that can either be used to facilitate a “click-and-collect” service, where a customer collects an item they have ordered online, or as an order fulfilment platform for online sales.
ESG	Environmental, Social and Corporate Governance.
FMCG	the Fast-Moving Consumer Goods.
GHG Protocol	GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.
GRI	Global Reporting Initiative – the independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts.
HPP	High pressure processing – a natural method in which fruits and vegetables are processed under very high pressure—no heat involved. Using this method allows the juice to maintain the quality and nutrients of its ingredients, unlike heat pasteurization.
QMS	Quick Meal Solutions.
QSR	Quick Service Restaurant.
SaaS	software as a service, a part of cloud computing services and a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted.
SASB	the Sustainability Accounting Standards Board, a non-profit organization founded in 2011, creates and maintains industry-specific standards that guide companies’ disclosure of financially material sustainability information to investors and other financial stakeholders.
SDG	Sustainable Development Goals.
SKU	stock keeping unit.
SOC	Security Operation Centre.
Software-Defined Wide Area Network (SD-WAN) technology	an automated, programmatic approach to managing enterprise network connectivity and circuit costs. It extends software-defined networking (SDN) into an application that businesses can use to quickly create a smart hybrid WAN.
TAM	total addressable market.

HISTORICAL FINANCIAL INFORMATION

The auditor's report on the Annual Financial Statements

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Independent auditor's report

To the Shareholders of
Zabka Group S.A.
2, rue Jean Monnet
L-2180 Luxembourg

Opinion

We have audited the consolidated financial statements of Zabka Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021, and the consolidated statements of profit and loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended 31 December 2023 and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial positions of the Group as at 31 December 2023, 31 December 2022 and 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended 31 December 2023 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 2 of the consolidated financial statements, which describes that the consolidated financial statements have been prepared solely for inclusion in a prospectus for an envisaged upcoming capital market transaction (offering of Zabka Group S.A.'s shares on the Warsaw Stock Exchange) of the Group. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Alban Aubrée

Luxembourg, 30 September 2024

Annual Financial Statements

ZABKA GROUP S.A. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023, DECEMBER 31, 2022 AND DECEMBER 31, 2021

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Note		01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
5.1	Revenue	19 805 851	16 003 432	12 493 370
5.2	Cost of sales	(16 272 830)	(13 014 213)	(10 119 668)
	Gross profit on sales	**3 533 021**	**2 989 219**	**2 373 702**
5.2	Marketing costs	(224 926)	(211 941)	(133 576)
5.2	General and administrative costs	(329 238)	(316 833)	(222 488)
5.2	Costs of technology, innovation and development	(230 483)	(178 260)	(124 019)
5.3	Other operating income	30 760	88 476	24 418
5.3	Other operating costs	(33 546)	(25 617)	(18 065)
6.7, 6.8	Expected credit losses on trade receivables and other financial assets	(5 977)	(10 456)	(18 236)
	Operating profit before depreciation and amortisation (EBITDA)	**2 739 611**	**2 334 588**	**1 881 736**
6.2-6.4	Depreciation and amortisation	(1 359 247)	(1 114 732)	(915 408)
	Operating profit	**1 380 364**	**1 219 856**	**966 328**
5.4	Financial income	141 553	41 498	66 188
	Interest income	*47 618*	*10 072*	*65 320*
	Other	*93 935*	*31 426*	*868*
5.4	Financial costs	(1 011 763)	(712 556)	(383 298)
	Interest costs	*(950 073)*	*(688 063)*	*(345 248)*
	Other	*(61 690)*	*(24 493)*	*(38 050)*
6.8	Expected credit losses on loans	(466)	-	-
	Profit before tax	**509 688**	**548 798**	**649 218**
5.5	Income tax expense	(153 395)	(165 096)	(153 893)
	NET PROFIT	**356 293**	**383 702**	**495 325**
	Attributable to equity holders of the parent	353 724	382 333	487 301
	Attributable to non-controlling interests	2 569	1 369	8 024

	OTHER COMPREHENSIVE INCOME			
	Items that will be reclassified to profit or loss:	(18 150)	(20 307)	(3 628)
	Exchange differences on translation of foreign operations	*825*	*(20 307)*	*(3 628)*
8.1	*Cash flow hedge*	*(18 975)*	*-*	*-*
5.5	Income tax relating to other comprehensive income that will be reclassified to profit or loss	3 605	-	-
	Items that will not be reclassified to profit or loss:	524	(424)	327
6.14	*Actuarial gains/ (losses) on employee benefits*	*524*	*(424)*	*327*
5.5	Income tax relating to other comprehensive income that will not be reclassified to profit or loss	(99)	81	(62)
	Other comprehensive income net of tax	**(14 120)**	**(20 650)**	**(3 363)**

	TOTAL COMPREHENSIVE INCOME	**342 173**	**363 052**	**491 962**
	Total comprehensive income attributable to:	342 173	363 052	491 962
	Equity holders of the parent	*339 604*	*361 683*	*484 010*
	Non-controlling interests	*2 569*	*1 369*	*7 952*
	Weighted average number of ordinary shares (million)	59.9	59.9	59.5
5.6	Basic earnings per share (in PLN)	5.44	5.95	6.78
5.6	Diluted earnings per share (in PLN)	5.30	5.79	6.56

Material accounting policies and other explanatory notes to the Consolidated Financial Statements attached on pages 10 to 119 are an integral part of these consolidated financial statements.

(in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note		31.12.2023	31.12.2022	31.12.2021
6.1	Goodwill	3 387 269	3 387 269	3 387 269
6.2	Other intangible assets	1 009 677	873 349	736 694
6.3	Property, plant and equipment	3 392 284	2 844 656	2 313 567
6.4	Right-of-use assets	3 728 150	3 324 395	2 872 370
5.5	Deferred tax assets	42 419	52 744	-
6.8	Loans granted	201 368	1 049	-
6.8	Shares and stocks	18 831	18 831	14 754
6.8	Other financial assets	22 342	19 056	20 067
6.10	Other non-financial assets	10 143	8 838	6 596
	Non-current assets	**11 812 483**	**10 530 187**	**9 351 317**
6.6	Inventory	774 687	595 941	424 570
6.9	Right of return assets	11 259	13 186	13 454
6.7	Trade receivables	2 079 482	1 662 984	1 263 112
5.5	Income tax receivables	69	5 360	1
6.8	Loans granted	5 479	4 566	3 964
6.8	Other financial assets	82 202	72 207	14 532
6.10	Other non-financial assets	155 869	131 308	125 519
7.4	Cash and cash equivalents	649 139	280 704	483 199
	Current assets	**3 758 186**	**2 766 256**	**2 328 351**
	Total assets	**15 570 669**	**13 296 443**	**11 679 668**
7.3	Loans and borrowings	5 044 955	3 392 712	3 698 182
6.4	Lease liabilities	3 368 458	3 030 589	2 565 458
6.11	Liability for a written put option over non-controlling interest	-	101 367	98 948
6.14	Employee benefits liabilities	3 096	4 356	3 688
6.12	Other financial liabilities	25 785	155	1 997
5.5	Deferred tax liabilities	107 528	95 264	148 115
6.15	Other non-financial liabilities and deferred income	55	78	100
	Non-current liabilities	**8 549 877**	**6 624 521**	**6 516 488**
7.3	Loans and borrowings	173 414	481 820	342 660
6.4	Lease liabilities	644 105	568 250	496 208
6.12	Trade payables and other financial liabilities	4 742 258	4 477 574	3 754 409
6.11	Liability for a written put option over non-controlling interest	120 684	2 297	4 140
6.13	Refund liabilities	278 596	225 729	155 434
5.5	Income tax liabilities	4 392	207 202	112 787
6.14	Employee benefits liabilities	109 174	90 421	56 460
6.16	Contract liabilities	18 788	12 017	7 178
6.15	Other non-financial liabilities and deferred income	28 406	28 570	16 499
6.17	Provisions	2 846	2 770	700
	Current liabilities	**6 122 663**	**6 096 650**	**4 946 475**
	Total liabilities	**14 672 540**	**12 721 171**	**11 462 963**

(in PLN thousand, unless otherwise stated)

Note		31.12.2023	31.12.2022	31.12.2021
	NET ASSETS	**898 129**	**575 272**	**216 705**
7.2	Share capital	119 790	119 790	119 790
7.2	Share premium	8 114 482	8 382 934	8 382 934
7.2	Legal reserve	268 486	34	34
6.11	Put option reserves	(112 001)	(95 254)	(92 138)
	Retained earnings	(7 447 360)	(7 801 084)	(8 183 417)
	Exchange differences on translation of foreign operations	(30 125)	(30 950)	(10 643)
	Actuarial gains/ (losses)	227	(198)	145
8.1	Cash flow hedge	(15 370)	-	-
	Equity attributable to owners of the parent	**898 129**	**575 272**	**216 705**
	Non-controlling interests	-	-	-
	Total equity	**898 129**	**575 272**	**216 705**

Material accounting policies and other explanatory notes to the Consolidated Financial Statements attached on pages 10 to 119 are an integral part of these consolidated consolidated financial statements.

(in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

Note		01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Profit before tax	**509 688**	**548 798**	**649 218**
	Adjusted for:			
6.2-6.4	Depreciation and amortisation	1 359 247	1 114 732	915 408
	(Gains) / Losses due to foreign exchange differences	(121 476)	(17 308)	2 024
7.5	(Gains) / Losses from investing activities	7 106	(61 296)	5 638
5.4	Valuation of derivatives	28 872	(5 030)	-
5.4	Net interest (income) / cost	902 455	677 991	279 928
5.4	Revision of estimated cash flows	(43)	(10 923)	22 575
	Changes in working capital and provisions:	(197 500)	148 113	278 699
7.5	*Receivables*	*(439 844)*	*(411 819)*	*(251 689)*
6.6	*Inventory*	*(178 746)*	*(171 371)*	*(94 960)*
6.9	*Right of return assets*	*1 927*	*268*	*(7 425)*
7.5	*Payables (except loans and borrowings)*	*339 234*	*540 140*	*607 742*
6.13	*Refund liabilities*	*52 867*	*70 295*	*24 830*
6.16	*Contract liabilities*	*6 771*	*4 839*	*1 265*
7.5	*Prepayments and deferred income*	*20 215*	*113 691*	*645*
6.17	*Provisions*	*76*	*2 070*	*(1 709)*
	Other	(655)	3 669	562
5.5	Income tax paid	(308 397)	(200 097)	(84 426)
	Net cash flows from operating activities	**2 179 297**	**2 198 649**	**2 069 626**
	CASH FLOWS FROM INVESTING ACTIVITIES			
7.5	Purchase of property, plant and equipment and intangible assets	(1 473 130)	(1 323 913)	(1 060 122)
	Proceeds from sale of property, plant and equipment and intangible assets	7 890	340 319	33 951
	Acquisition of subsidiaries and non-controlling interests, net of cash	(2 430)	(4 160)	(286 740)
	Purchase of investment in unrelated equity	-	-	(1 000)
6.8	Loans granted	(202 707)	(15 903)	(19 793)
	Repayments from loans granted	14 259	14 263	290
6.8	Other investments (term deposits)	47 039	(47 039)	-
	Interest received	33 834	5 642	266
	Other flows	-	556	(130)
	Net cash flows from investing activities	**(1 575 245)**	**(1 030 235)**	**(1 333 278)**
	CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from the increase in share capital	-	-	293
7.3	Repayment of lease liabilities	(639 197)	(556 595)	(469 681)
7.3	Lease interest paid	(246 767)	(177 512)	(143 340)
7.3	Proceeds from loans and borrowings	5 278 472	151 082	419 577
7.3	Repayment of loans and borrowings	(3 795 967)	(318 082)	(276 832)
	Interest rate cap settlement	(19 353)	-	-
	Other interest paid	(812 805)	(469 802)	(159 267)
	Net cash flows from financing activities	**(235 617)**	**(1 370 909)**	**(629 250)**
	NET CHANGE IN CASH AND CASH EQUIVALENTS	**368 435**	**(202 495)**	**107 098**
7.4	Cash and cash equivalents at the beginning of the period	280 704	483 199	376 101
7.4	Cash and cash equivalents at the end of the period	649 139	280 704	483 199

Material accounting policies and other explanatory notes to the Consolidated Financial Statements attached on pages 10 to 119 are an integral part of these consolidated financial statements.

(in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Put option reserve	Contribution from the owners of the parent	Retained earnings	Exchange differences on translation of foreign operations	Actuarial gains/ (losses)	Cash flow hedge	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Note	**7.2**	**7.2**	**7.2**	**6.11**					**8.1**			
As of 01.01.2023	119 790	8 382 934	34	(95 254)	-	(7 801 084)	(30 950)	(198)	-	**575 272**	-	**575 272**
Total comprehensive income for the period	-	-	-	-	-	353 724	825	425	(15 370)	**339 604**	2 569	**342 173**
Net profit / (loss) for the period	-	-	-	-	-	*353 724*	-	-	-	***353 724***	*2 569*	***356 293***
Other comprehensive income for the period	-	-	-	-	-	-	*825*	*425*	*(15 370)*	***(14 120)***	-	***(14 120)***
Non-available reserve	-	(268 452)	268 452	-	-	-	-	-	-	**-**	-	**-**
Put option over non-controlling interest	-	-	-	(16 747)	-	-	-	-	-	**(16 747)**	(2 569)	**(19 316)**
As of 31.12.2023	**119 790**	**8 114 482**	**268 486**	**(112 001)**	**-**	**(7 447 360)**	**(30 125)**	**227**	**(15 370)**	**898 129**	**-**	**898 129**

(in PLN thousand, unless otherwise stated)

	Share capital	Share premium	Legal reserve	Put option reserve	Contribution from the owners of the parent	Retained earnings	Exchange differences on translation of foreign operations	Actuarial gains/ (losses)	Cash flow hedge	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Note	**7.2**	**7.2**	**7.2**	**6.11**					**8.1**			
As of 01.01.2022	119 790	8 382 934	34	(92 138)	-	(8 183 417)	(10 643)	145	-	**216 705**	-	**216 705**
Total comprehensive income for the period	-	-	-	-	-	382 333	(20 307)	(343)	-	**361 683**	1 369	**363 052**
Net profit / (loss) for the period	-	-	-	-	-	*382 333*	-	-	-	***382 333***	*1 369*	***383 702***
Other comprehensive income for the period	-	-	-	-	-	-	*(20 307)*	*(343)*	-	***(20 650)***	-	***(20 650)***
Put option over non-controlling interest	-	-	-	(3 116)	-	-	-	-	-	**(3 116)**	(1 369)	**(4 485)**
As of 31.12.2022	**119 790**	**8 382 934**	**34**	**(95 254)**	**-**	**(7 801 084)**	**(30 950)**	**(198)**	**-**	**575 272**	**-**	**575 272**

(in PLN thousand, unless otherwise stated)

	Share capital	Share premium	Legal reserve	Put option reserve	Contribution from the owners of the parent	Retained earnings	Exchange differences on translation of foreign operations	Actuarial gains/ (losses)	Cash flow hedge	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Note	**7.2**	**7.2**	**7.2**	**6.11**	**7.3**				**8.1**			
As of 01.01.2021	10 795	1 068 876	34	-	12 255	182 518	(7 091)	(116)	-	**1 267 271**	19 797	**1 287 068**
Total comprehensive income for the period	-	-	-	-	-	487 301	(3 552)	261	-	**484 010**	7 952	**491 962**
Net profit / (loss) for the period	-	-	-	-	-	*487 301*	-	-	-	***487 301***	*8 024*	***495 325***
Other comprehensive income for the period	-	-	-	-	-	-	*(3 552)*	*261*	-	***(3 291)***	*(72)*	***(3 363)***
Redemption of the YFPES's	-	-	-	-	(12 255)	12 255	-	-	-	**-**	-	**-**
Transaction with non-controlling interest	-	-	-	(92 138)	-	-	-	-	-	**(92 138)**	(1 327)	**(93 465)**
Acquisition of subsidiaries	-	-	-		-	-	-	-	-	**-**	*9 623*	***9 623***
Put option over non-controlling interest	-	-	-	*(92 138)*	-	-	-	-	-	***(92 138)***	*(10 950)*	***(103 088)***
Reorganisation of the Group (Note 3)	108 995	7 314 058	-	-	-	(8 865 491)	-	-	-	**(1 442 438)**	(26 422)	**(1 468 860)**
Incorporation of Zabka Group S. A.	*119 790*	*8 382 934*	-	-	-	-	-	-	-	***8 502 724***	-	***8 502 724***
Reorganisation of the Group	*(10 795)*	*(1 068 876)*	-	-	-	*(8 865 491)*	-	-	-	***(9 945 162)***	*(26 422)*	***(9 971 584)***
As of 31.12.2021	**119 790**	**8 382 934**	**34**	**(92 138)**	**-**	**(8 183 417)**	**(10 643)**	**145**	**-**	**216 705**	**-**	**216 705**

Material accounting policies and other explanatory notes to the Consolidated Financial Statements attached on pages 10 to 119 are an integral part of these financial statements.

(in PLN thousand, unless otherwise stated)

1. GENERAL INFORMATION

Basic information about the Group's parent company

Name	Zabka Group société anonyme (parent company)
Headquarters	20, avenue Monterey, L-2163 Luxembourg (until April 1, 2024) 2, rue Jean Monnet, L-2180 Luxembourg (from April 1, 2024)
Registration	the municipality of Luxembourg-City, Grand Duchy of Luxembourg
Duration of the Group	Indefinite
Activities of the Group	• Establishing, developing and managing retail stores, • trade in groceries and industrial products and related services on the Polish market, • holding of participating interests, in any form whatsoever, • ownership, administration, development and management of its portfolio, • other business and management consultancy.

The Consolidated Financial Statements of Zabka Group S.A. (and its subsidiaries, together hereinafter referred to as Zabka Group or the Group) cover the years ended on December 31, 2023, December 31, 2022 and December 31, 2021.

Zabka Group S.A. (the Company) was incorporated on December 2, 2021 as a public limited liability company "société anonyme" within the definition in the Luxembourg Law of 10 August 1915, as amended, on commercial companies for an unlimited period of time. The Company's registered office is established in Luxembourg City.

Zabka Group S.A. succeeded the former parent company of the Group, Heket Holdings S.à r.l., following the Group's internal reorganisation process whereby the former shareholders of Heket Holdings S.à r.l. contributed in kind its entire share capital against new shares issued by Zabka Group S.A. Effectively, the Consolidated Financial Statements of Zabka Group S.A. are a continuation of Heket Holdings S.à r.l.'s (former parent's) Consolidated Financial Statements as detailed further in note 3. The financial year of the Company runs from the 1st of January to the 31st of December.

In 2022 Zabka Group S.A. continued the process of legal reorganisation. The reorganisation was performed in order to simplify the shareholding structure. On January 3, 2022, Zabka Group's S.A. subsidiary Heket Holding S.à r.l merged with Amphibian Investments S.à r.l., with Heket Holding S.à r.l being the surviving entity. On January 3, 2022 Heket Holdings S.à r.l merged with Heket Investments S.à r.l and, as a result of the upstream merger, Heket Holdings S.à r.l remained the sole surviving entity.

Subsequently, on May 18, 2022 Żabka Polska sp. z o.o. merged with Heket Holdings S.à r.l. (downstream merger) with Żabka Polska being the surviving entity. In return, all shares in Żabka Polska sp. z o.o. were allocated to the sole shareholder of the acquired company – Zabka Group S.A. The merger took place in accordance with a resolution of the Extraordinary General Meeting of Żabka Polska sp. z o.o. dated February 14, 2022 and a resolution of the sole shareholder of Heket Holdings S.à r.l. adopted on the same day. As a result of the merger, Żabka Polska sp. z o.o. entered into all the rights and obligations of the acquired company, and the acquired company was dissolved.

The parent company of Zabka Group S.A. is Heket Topco S.à r.l. The ultimate shareholders of the Company are limited partnerships with CVC Capital Partners VI Limited acting as General Partner.

(in PLN thousand, unless otherwise stated)

The composition of the Company's Board of Directors

As of December 31, 2023:

Carmen André	from February 7, 2022 till May 2, 2024
Caroline Goergen	from December 2, 2021 till May 2, 2024
Maciej Krzysztof Godek	from July 29, 2022 till May 2, 2024

As of the date of signing the Consolidated Financial Statement:

Tomasz Suchański	from May 3, 2024
István Szőke	from May 3, 2024
Krzysztof Krawczyk	from May 3, 2024
Stephan Schäli	from May 3, 2024
Giulia Fitzpatrick	from May 3, 2024
Olga Grygier-Siddons	from May 3, 2024

Authorisation for issue of the Consolidated Financial Statements

These Consolidated Financial Statements were prepared to be filed together with the prospectus concerning the initial public offering of shares on the Warsaw Stock Exchange and were authorised by the Board of Directors of the Company together with the Prospectus on September 30, 2024.

2. BASIS FOR THE PREPARATION AND APPLICATION OF ACCOUNTING POLICIES

This chapter sets out the basis for preparation of the Consolidated Financial Statements and Group's material accounting policies, which apply to the consolidated financial statements. This section also explains the new accounting standards as well as the amendments and interpretations that the Group has adopted in 2022 and 2023 or will adopt in subsequent years.

The material accounting policies applied in the preparation of these Consolidated Financial Statements are presented in the following notes. These policies were applied consistently for all the years presented, except for the first-time application of the new standards and interpretations described in this note.

Basis for the preparation of the Consolidated Financial Statements and statement of compliance

These Consolidated Financial Statements include the financial statements of Żabka Group S.A. and the financial statements of its controlled entities (subsidiaries) prepared for the years ended December 31, 2023, December 31, 2022, and December 31, 2021 and were prepared for the purpose of including into the prospectus concerning the initial public offering of the Company's shares on the Warsaw Stock Exchange. These Consolidated Financial Statements contain additional disclosures, in particular segment information and earnings per share, and other improvements in comparison with statutory financial statements prepared for the respective years covered by these Consolidated Financial Statements.

The financial information related to the years ended 31 December 2022 and 31 December 2021 has been prepared based on the facts and circumstances in existence at the date of issuance of the annual consolidated financial statements of each respective year and has not been adjusted for subsequent events.

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS EU", "IFRS"), which are effective for annual periods beginning on or after 1 January 2023.

These Financial Statements have been prepared on the historical cost basis, except for financial assets and liabilities measured at fair value, as described in note 8.1. These Consolidated Financial Statements are presented in Polish zlotys ("PLN"), and all values, unless otherwise stated, are given in thousands of PLN.

These Consolidated Financial Statements have been prepared under the assumption that the Group will continue their operations as a going concern. When assessing the Group's ability to continue as a going concern, the Management considered the existing and anticipated risks and circumstances described below.

The Group's current liabilities exceeded its current assets by: as at December 31, 2023 PLN 2 364 477 thousand, as at December 31, 2022 PLN 3 330 394 thousand, as at December 31, 2021 PLN 2 618 124 thousand. The Group recorded PLN 356 293 thousand net profit for 2023 financial year and the Group's net operating cash inflow amounted to PLN 2 179 297 thousand. The negative working capital is typical for the fast-moving consumer goods (FMCG) industry, where the level of inventory and receivables is minimised, and suppliers offer goods with deferred payment terms. Overall, the Group had a positive operating cash flow.

Significant part of negative cash flows from investing activities can be explained by the fact that the Group is dynamically developing the Ultimate Convenience, increasing the number of operating stores and their profitability. The process of investing into stores is fully under control of the Group and may be slowed down by the Management decision. If necessary, the Group is able to redirect cash from those operations for other purposes. The total amount of the investment planned for 2024 does not differ significantly from previous years.

According to its business plan, the Group has financial stability and no liquidity issues. Actual results are in line with the results included in the Management's forecast.

As at December 31, 2023, the Group had unused factoring limits, unused overdraft limits and unused investment loan limits with the total amount of PLN 1.5 billion (December 31, 2022: PLN 0.8 billion; December 31, 2021: PLN 1.0 billion). As at December 31, 2023, the terms of the loan agreements have not been breached and in the Management's opinion, there is no risk of termination of these agreements within 12 months from the reporting date. The Management assumed that the Group will be able to use the concluded factoring agreements for at least the next 12 months to the same extent as at the end of 2023.

Detailed information on liquidity risk management is included in note 8.2.

The Management believes that the combination of these initiatives will provide the Group with the necessary liquidity and that there is no going concern threat.

These financial statements are based on current expectations and projections. As of the date of these financial statements, all the operations are based on the assumption that the business will be continued and that these financial statements have been prepared on a going concern basis that contemplates the realization of assets and settlement of liabilities and commitments in the ordinary course of business.

Macroeconomic environment

The ongoing war in Ukraine has resulted in a number of factors that negatively affected the Group and its business environment. Precise assessment of this impact is difficult, as phenomena such as increase in inflation and interest rates, varying movements in exchange rates and energy prices, and disrupted supply chains depend not only on variables related to the ongoing hostilities and sanctions imposed on Russia, but also on the response of central banks in their monetary policies, the response of state governments in their fiscal policies and the long-term effects of the COVID-19 pandemic. On the other hand, the influx of 1-1.5 million refugees from Ukraine to Poland has boosted consumption and thus contributed to the Group's sales.

A separate group of threats related to the Group's cyber security, triggered by the ongoing war in Ukraine and the growing use of information technology also exists. The Group has not seen an increased scale of cyber attacks, due to preventive measures taken, including blocking communications with servers in the Russian and Belarusian territories. However, the Group cannot be ruled out as a target of such attacks in the future.

The Group is responding to the dynamically changing environment and the potential consequences that the changing macroeconomic situation may have on the Group. The Group has implemented processes, which identify risks related to factors described above and then takes appropriate action to the identified and assessed risks. For this purpose, the Group has analysed and assessed the following risks, among others:

- changes in the interest rates level,
- currency risk,
- liquidity risk,
- the risk of adverse legislative and regulatory changes,
- the risk of an increase in the cost of purchasing electricity,
- the risk of a new competitor entering the market,
- the risk of unavailability of raw materials, resources and services needed to conduct business,
- the risk of limited availability and increased costs of key services from suppliers,
- changes in consumer behaviour due to competition actions and changes in consumer sentiment,
- risks associated with the development of new business activities,
- network cyberattacks.

After analysing the above risks, the Group has taken actions to reduce their impact. These actions are adequate to the assessment of the particular risk and the degree of its non-acceptance. Detailed information on financial risk management is provided in note 8.2.

As a part of building the Group’s resilience to the volatility of the business environment, a business continuity management system is being developed. As a part of analyses and tests, threats that could interrupt the Group’s operational processes are identified.

Management assessed that the above risks do not have a significant impact on the Group's operations and do not affect the Group's ability to continue as a going concern. In addition, Management found no material impact on the valuation of assets and liabilities.

Accounting policy

Consolidation and business mergers/acquisitions

Subject to the adjustments made to ensure compliance with IFRS, the financial statements of the subsidiaries are prepared for the same reporting period as the parent's financial statements, by using uniform accounting policies, and with accounting policies which are consistently applied to economic events and transactions of a similar nature.

Any balances and transactions of significant value between Group companies, including unrealised gains from transactions within the Group, were fully eliminated. Unrealised losses are eliminated unless they indicate evidence of impairment.

Subsidiaries are consolidated from the date when the Group assumes control over them and cease to be consolidated when the control is lost. The parent controls if it:

- has power over a given entity,
- is exposed or has rights to variable returns from its involvement with a given entity,
- has the ability to use power to affect the amount of the returns.

The Group verifies its control of other entities if there is an indication of change of one or more of the above conditions for exercising control.

If the Group holds less than a majority of voting rights in an investee but the voting rights held are sufficient to direct activities of this entity unilaterally, this means that the Company has control of it. When assessing whether the Group's voting rights in a given entity are sufficient to have control, the Group considers all relevant circumstances, including:

- the portion of the voting rights held compared to the total number of shares and the degree of dispersion of voting rights held by other shareholders,
- potential voting rights held by the Group, other shareholders and other parties,
- rights arising from other contractual arrangements, and
- additional circumstances that may demonstrate that the Group does or does not have the ability to direct relevant actions in decision-making moments, including voting patterns observed at previous shareholder meetings.

Changes in share ownership by the parent which do not result in loss of control over the subsidiary are recognised as equity transactions. In such cases, in order to reflect changes in relative equity interests in the subsidiary, the Group adjusts the carrying amount of the non-controlling interests.

Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised in equity and attributed to the parent's owners.

The Group accounts for business combinations using the acquisition method. As at the date of obtaining control, the Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquired entity. The Group measures the identifiable assets acquired and liabilities assumed at their fair values as at the date of obtaining control.

If the initial accounting settlement of a business combination is not completed before the end of the reporting period in which the combination occurred, the Group presents approximate amounts for items whose settlement has not been completed. The accounting process ends when the Group receives the information it sought about facts or circumstances that existed as of the acquisition date or becomes convinced that no further information can be obtained. The period lasts no longer than twelve months from the date of acquisition.

The consideration transferred in a business combination is measured at fair value calculated as the sum, determined as of the acquisition date, of the fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the previous owners of the acquiree and the equity interests issued by the acquirer. Changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date, if they are the result of additional information obtained by the acquirer after the acquisition date but that existed as of the acquisition date, are measured as period adjustments and are adjusted retrospectively.

If the contingent consideration is classified as equity, the Group does not re-measure it and its subsequent settlement is accounted for within equity. Contingent consideration within the scope of the International Financial Reporting Standard 9 *Financial instruments* ("IFRS 9") or outside the scope of IFRS 9 is measured at fair value at each reporting date, and changes in fair value are recognised in profit or loss.

Transaction costs associated with acquisitions are recognised in profit or loss as incurred.

As of the acquisition date, the Group measures non-controlling interests in the acquiree that, in the event of liquidation of the acquiree, entitle their holders to a pro rata share of the net assets of the acquiree. Non-controlling interests are measured either at fair value or at a proportionate share (representing a non-controlling interest) in the identifiable net assets of the acquiree.

Amounts based on professional judgement

Business combination under common control

Common control transactions between parties that are businesses are recognised as capital re-organization. In its consolidated financial statements, the parent incorporates the assets and liabilities of the existing entity at their pre-combination carrying amounts without fair value uplift. The pre-combination book values are not those from the highest level of common control. Instead, they should reflect the carrying values in the books of the existing entity. This is based on the fact that there is no substantive economic change. In essence, the combination of the two entities reflects the results and financial position of the existing business. All that changes is the structure of the group.

No new goodwill is recorded. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in equity (which could impact distributable profits, depending on local legislation). This rule applies regardless of whether the remuneration was for shares or cash.

The consolidated financial statements of the parent company include the full-year results of the acquired entity (including comparative data), even if the business combination of the entities may have occurred during the year, or include results from the date of the entity's accession to the group, whichever is later.

Identification of non-controlling interests

When less than 100% of the acquiree's shares is acquired in an acquisition and the remaining shares of the acquiree have been put under a put option (put option), the Group makes a judgement as to whether the risks and rewards of holding the put option shares are attributable to the noncontrolling interest or the parent. The Group recognises noncontrolling interests on a partial basis if the risks and rewards of ownership remain with the non-controlling interests. The Group does not recognise non-controlling interests if the risks and rewards of ownership have been transferred to the parent. In making its judgement, the Group considers the following criteria, among others: whether the put option has a call option symmetrical to it, i.e., based on the same (symmetrical) terms and conditions, whether the price of the shares covered by the put option is fixed, whether the legal owners of the shares has voting rights and rights to receive dividend.

Estimates

The fair value of the contingent payment depending on the future financial results

The terms of the agreement for the contingent consideration that the acquirer provides in exchange for the acquired entity may require estimates. Estimates are necessary, in particular, when the value of contingent consideration is not a fixed amount, but depends on the acquiree's future revenues, the level of normalised EBITDA or other values. The Group determine the amount of future financial results based on prepared budgets and planned cash flows for future years. If the consideration is long-term, the fair value of the contingent consideration is adjusted by a discount to present value. The discount rate should take into account any factors that may affect the probability that the obligation will or will not be fulfilled.

Information on the option obligation to purchase non-controlling interests is presented in note 6.11. Changes during the year due to the non-controlling interests are presented in the consolidated statements of changes in equity.

The functional currency and the presentation currency of the Consolidated Financial Statements

Accounting policy

Translation of items expressed in foreign currencies

Group's presentation currency is Polish zloty (PLN). Functional currency of the entities located in Poland is PLN. Functional currency of the entities located in Luxembourg (holding entities) and Germany (minor operations) is EUR. Functional and presentation currencies are different because vast majority of the operations of the Group are conducted in PLN.

For entities who have PLN as a functional currency, transactions denominated in currencies other than PLN are translated into Polish zlotys using the average exchange rate established for a given currency by the National Bank of Poland on the day preceding the transaction date.

As at the reporting date, monetary assets and liabilities expressed in currencies other than PLN are translated into Polish zlotys using the average exchange rate established by the National Bank of Poland for a given currency at the end of the reporting period. The resulting exchange differences are recognised respectively as financial income or financial cost or, in cases specified in the accounting policies, are capitalised in the cost of assets.

Non-monetary foreign currency assets and liabilities recognised at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated using the foreign exchange rate prevailing on the date of the fair value measurement. Gains and losses on translation of non-monetary assets and liabilities measured at fair value are recognised in correspondence with gains and losses on the change in fair value of a given asset, meaning that translation gains and losses are posted to other comprehensive income or profit or loss, depending on where the change in fair value is recognised. The accounting policy relating to fair value measurement is presented the note 8.1.

During consolidation, the assets and liabilities of foreign operations are translated into Polish zlotys at the exchange rate applicable on the reporting date (using the average exchange rate of the National Bank of Poland), while their statements of profit or loss and other comprehensive income are translated using the annual average rate of the National Bank of Poland. Exchange differences resulting from translation are recognised in other comprehensive income. Upon disposal of a foreign entity, exchange differences accumulated in equity and relating to a given foreign entity are reclassified from equity to the profit and loss account.

(in PLN thousand, unless otherwise stated)

The presentation currency of these Consolidated Financial Statements is the Polish zloty.

The following exchange rates were used for translation purposes of items for the consolidated statement of profit or loss and other comprehensive income:

	2023	2022	2021
USD	4.2030	4.4615	3.8647
EUR	4.5437	4.6876	4.5670
GBP	5.2230	5.4989	5.3144

The following exchange rates were used for reporting date valuation purposes:

	31.12.2023	31.12.2022	31.12.2021
USD	3.9350	4.4018	4.0600
EUR	4.3480	4.6899	4.5994
GBP	4.9997	5.2957	5.4846

Material amounts based on professional judgements and estimates

In the process of applying the accounting principles (policy) the Management has made some judgements, estimates and assumptions that affect the presented revenues, costs, assets and liabilities. Uncertainties in these assumptions and estimates may result in adjustments to the carrying amounts in the future.

For a clearer meaning and better understanding of the information presented in these Consolidated Financial Statements, the judgements (J) and estimates (E) made are presented in relevant notes in accordance with the table below.

Note	Title	J	E
2	Consolidation and business mergers/acquisitions	X	X
5.1	Revenue	X	X
5.5	Taxation	X	X
6.2	Other intangible assets	X	X
6.3	Property, plant and equipment		X
6.4	Right of use assets and lease liabilities	X	X
6.5	Impairment of non-financial fixed assets		X
6.7	Trade receivables		X
6.8	Loans granted, shares, stocks and other financial assets		X
6.11	Liability for a written put option over non-controlling interest		X
6.12	Trade payables and other liabilities	X	X
8.1	Financial instruments	X	X
9.2	Share-based payments	X	X

The most material judgements and estimates are indicated in the following table.

Note	Title	J	E
5.1	Revenue: Determining the performance obligations Determining the date of fulfilment of performance obligations	X	
5.1	Revenue: Estimating of variable consideration for price discounts granted		X
6.2	Other intangible assets - Cloud computing arrangements: Determining whether cloud computing arrangements contain a software licence intangible asset Determining of costs meeting the capitalisation criteria	X	
6.4	Right-of-use assets and lease liabilities: Sale and leaseback transactions		X
6.5	Impairment of non-financial fixed assets		X
6.7	Trade receivables: Accounting for factoring arrangements	X	X
6.11	Liability for a written put option over noncontrolling interest	X	
6.12	Trade payables and other liabilities: Recognition and presentation of settlements for reverse factoring	X	
8.1	Financial instruments: Recognition and valuation of vPPA contracts		X

Climate-related matters

The general level of climate risk for the Group in the short term (2024-2025) is lower than in the medium and long term. This is primarily due to the more predictable environment, the decarbonisation and pro-efficiency measures already undertaken by the Group i.e. in the adopted Responsibility Strategy (ESG) and climate targets validated by Science Based Target initiative (SBTi), and the anticipated increased regulatory pressure related to the implementation of climate targets at the EU level.

In 2023, the Group signed three Virtual Purchase Power Agreements (vPPA): (1) a 10-year contract that will provide more than 0.5 TWh of electricity generated by the photovoltaic group for the duration of the agreement, and (2) two 15-year contracts that will provide more than 1.7 TWh of electricity from photovoltaic and wind farms for the duration of the agreement. Ensuring an adequate volume of renewable energy has a positive impact on the achievement of decarbonisation objectives and reduces the price risk associated with purchasing guarantees of origin as the method of supplying renewable electricity. The impact of the vPPAs on the Consolidated Financial Statements is described in note 8.1.

In 2023, the Group expanded its portfolio of financing instruments, for which interest rates depend on meeting ESG targets (including decarbonisation), used for the Group's operations: (1) reducing emissions by 25% in its operations by 2026 compared to the 2020 base year, (2) reducing emissions per PLN million of sales revenue by 70% in franchisees' stores by 2026 compared to the 2020 base year. Linking credit margin to ESG targets is not an embedded derivative, as the indicators of sustainability are non-financial variables specific to the Group.

The Group monitors the latest domestic and foreign regulations on climate protection. The Group will be required to prepare a report in accordance with the requirements of the Corporate Sustainability Reporting Directive (CSRD) in 2026 for the financial year 2025 assuming the current private Company status or in 2025 for the financial year 2024 assuming that the Company is public. The Group is conducting preparations related to the implementation of the Directive, including an assessment of dual materiality, as well as an analysis of gaps in the scope of disclosures in relation to the Group's strategic and operational objectives. The work will result in an action plan for identified gaps to be implemented in 2024 and 2025 and a CSRD-compliant report, as well as an external verification of the data presented in the disclosure, in accordance with the criteria defined in the Directive.

When preparing these financial statements, the Group took into account climate change, in particular judgements and estimates in relation to the following areas:

- measurement of fair value and value in use, in particular for the purposes of impairment tests. The Group assessed situations where climate risks could have a significant impact, e.g. introducing regulations reducing emissions, which may increase the cost of sales and other costs. These assumptions were included in the cash flow projections,
- determining the useful life of property, plant and equipment,
- expected credit losses on financial assets,
- provisions,
- going concern assumption.

Currently, the impact of climate issues is not material to the Group's Consolidated Financial Statements.

Changes in accounting and presentation principles
The accounting principles (policies) applied to prepare these Consolidated Financial Statements for the year ended December 31, 2023 and December 31, 2022, are consistent with those applied in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2021 except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after January 1, 2023 or January 1, 2022, described below and changes in the presentation of liabilities related to franchisee deposits.

The new or amended standards and interpretations that were applicable for the first time in 2023 did not have a material impact on the Group's Consolidated Financial Statements. They include:

Standard	Change	Description of the change
IFRS 17	*Insurance Contracts*	IFRS 17 *Insurance Contracts* replaced IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e. life insurance, property insurance, direct insurance and reinsurance contracts), regardless of the nature of the entity that undertakes them, as well as to certain guarantees and investment contracts with discretionary participation features. The Standard provides several exceptions to the application of the recognition rules.
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	The amendments introduce a new definition of "Accounting estimates" and clarify the distinction between changes in estimates and accounting principles (policy) and corrections of errors. They also specify how the entities apply valuation techniques and use inputs to determine estimates. The amendments apply to changes in accounting principles and changes in accounting estimates that occur on or after January 1, 2023.
IAS 1, Practice Statement 2	*Presentation of Financial Statements: Disclosure of Accounting Principles (Policy)*	The amendments to IAS 1 and Practice Statement 2 *Making Materiality Judgements* are intended to enhance the usefulness of accounting principles (policy) disclosures by replacing the requirement for entities to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies and by adding guidance on how entities apply the materiality principle when making disclosure decisions of accounting principles (policy). With regard to the above amendments, the Group has assessed the nature and extent of the disclosures of its accounting principles in these Consolidated Financial Statements.
IAS 12	*Income Taxes: Deferred Tax on Assets and Liabilities Arising from a Single Transaction*	The amendments have limited the scope of the initial recognition exception provided by that Standard so that it no longer applies to transactions that result in the simultaneous occurrence of equal taxable and deductible temporary differences. The above amendment does not affect the carrying amount of deferred tax assets and liabilities recognised in the consolidated statement of financial position, but is reflected in the note 5.5 Taxation.
IAS 12	*Income Taxes: International Tax Reform - Pillar Two Model Rules*	The amendments temporarily and mandatorily exempt entities from recognising and disclosing deferred taxes resulting from the implementation of the Pillar Two Model Rules. At the same time, additional disclosure requirements were imposed: - disclosure that the exemption for the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes has been applied, - disclosure of the current tax expense related to Pillar Two income taxes, - for periods in which Pillar Two legislation has been (substantively) enacted but is yet to take effect for the entity: disclosures of known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes. The impact of the above amendments on these Consolidated Financial Statements is described in note 5.5.

(in PLN thousand, unless otherwise stated)

The new or amended standards and interpretations that were applicable for the first time in 2022 also did not have a material impact on the Group's Consolidated Financial Statements. They include:

Standard	Change	Description of the change
IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*	As part of the amendments, the provision for deducting from the cost of an item of property, plant, and equipment any proceeds of the sale of items produced in the course of bringing the asset to the location and condition necessary for it to be capable of operating (for example, trial production made during testing) was removed. At the same time, it is clarified that the Group recognises the proceeds from selling any such items, and the cost of those items, in profit or loss in accordance with applicable Standards. The Group measures the costs of those items applying the measurement requirements of IAS 2. The Group applies these amendments retrospectively, but only to items of property, plant, and equipment that are in the location and conditions necessary for them to be capable of operating in the manner intended by the Management on or after the beginning of the earliest period presented in the financial statements in which the Group first applied the amendments.
IAS 37	*Onerous contracts – Costs of Fulfilling a Contract*	The amendments clarify that for onerous contracts, the costs of fulfilling a contract include both the incremental costs of fulfilling that contract, e.g., direct labour and materials, and an allocation of other costs that relate directly to fulfilling contracts - for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others. The Group applied these amendments to contracts for which it has not yet fulfilled all obligations, on the date of the beginning of the annual reporting period in which it applies these amendments for the first time (January 1, 2022). The Group has not restated the comparative figures.
IFRS 3	*Business Combinations - Reference to the Conceptual Framework*	The amendments are intended to replace the reference to the previous version of the Conceptual Framework issued by the IASB (1989 Conceptual Framework) concerning the current version published in March 2018 (Conceptual Framework), without significantly changing the requirements contained therein. The amendments introduce an exception to the recognition principle under IFRS 3 to avoid the issue of potential 'day two' gains and losses on liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies if they occurred separately. The exception requires the Group to apply the criteria under IAS 37 or IFRIC 21, as applicable (instead of the requirements under the Conceptual Framework) to determine whether a present obligation exists as of the acquisition date. At the same time, the amendments introduce a new paragraph to IFRS 3 clarifying that contingent assets do not qualify for recognition at the acquisition date. The amendments apply prospectively. Earlier application is permitted if, at the same time or earlier, the Entity also uses all of the amendments contained in the Amendments to References to the Conceptual Framework References in IFRS Standards (March 2018).

(in PLN thousand, unless otherwise stated)

IFRS 1	*First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter*	The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
IFRS 9	*Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities*	The amendment clarifies the fees that the Group includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. The Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Group first applies the amendment.
IFRS 16	*Illustrative examples to IFRS 16 Leases: Lease incentives*	The amendment removes illustrative example no. 13 on lessor payments related to leasehold improvements. This will avoid ambiguity in the approach to lease incentives when applying IFRS 16.
IAS 41	*IAS 41 Agriculture: Taxation in fair value measurements*	The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been issued but are not yet effective in accordance with the European Union regulations.

New standards and interpretations published but not yet effective
The standards and interpretations that have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, and have not yet come into force are listed below with their potential impact on the Group's Consolidated Financial Statements:

New standards and interpretations endorsed in the European Union
Amendments to IAS 1: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* and *Classification of Liabilities as Current or Non-current - Deferral of Effective Date* and *Non-current Liabilities with Covenants* (issued on January 23, 2020 and July 15, 2020 and October 31, 2022, respectively) – effective for financial years beginning on or after January 1, 2024;

Amendments to IFRS 16 Leases: *Lease liability in a Sale and Leaseback* (issued on September 22, 2022) – effective for financial years beginning on or after January 1, 2024;

New standards and interpretations not endorsed in the European Union yet
IFRS 14 *Regulatory Deferral Accounts* (issued on January 30, 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard - effective for financial years beginning on or after January 1, 2016;

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on September 11, 2014) – the effective date was deferred indefinitely by IASB;

Amendments to IAS 7: *Statement of Cash Flows* and IFRS 7: *Financial Instruments: Disclosures: Supplier Finance Arrangements* (issued on May 25, 2023) – effective for financial years beginning on or after January 1, 2024;

Amendments to IAS 21: *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability* (issued on August 15, 2023) – effective for financial years beginning on or after January 1, 2025;

IFRS 18 *Presentation and disclosure in financial statements* (issued on 9 April 2024) – effective for financial years beginning on or after 1 January 2027;

IFRS 19: *Subsidiaries without Public Accountability: Disclosures* (issued on 9 May 2024) – effective for financial years beginning on or after 1 January 2027;

Amendments to IFRS 9 and IFRS: *Amendments to the Classification and Measurement of Financial Instruments* (issued on 30 May 2024) – effective for financial years beginning on or after 1 January 2026;

Annual Improvements Volume 11 (issued on 18 July 2024) – effective for financial years beginning on or after 1 January 2026.

The above-mentioned amendments to IAS 7 and IFRS 7: *Supplier Finance Arrangements* clarify disclosure requirements to enhance current requirements to help users of financial statements to understand the impact of supplier finance arrangements on an entity's liabilities, cash flows and liquidity risk exposure. Amendments to IAS 7 and IFRS 7 will result in additional disclosures on supplier finance arrangements, including inter alia: the terms and conditions of the arrangements, the carrying amounts of the financial liabilities that are part of a supplier finance arrangement, carrying amounts for which suppliers have already received payment from the finance providers, the range of payment due dates for both the financial liabilities under a supplier finance arrangement and comparable trade payables that are not part of such an arrangement as well as the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

Management does not expect the introduction of the other standards and interpretations to have a material impact on the Group's accounting principles (policy).

Effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

(in PLN thousand, unless otherwise stated)

3. COMPOSITION OF THE GROUP AND CHANGES IN THE FINANCIAL YEAR

This chapter presents the subsidiaries that are part of the Zabka Group and describes the changes that occurred during the financial year, including the acquisition and merger of business entities.

List of subsidiaries included in the Group as at December 31, 2023, as at December 31, 2022 and as at December 31, 2021:

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 31 December		
							2023	2022	2021
Żabka Polska sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	franchiser of retail stores	Register of Entrepreneurs of the National Court Register kept by the District Court Nowe Miasto and Wilda in Poznań, the 8th Commercial Division of the National Court Register	Zabka Group S.A.	subsidiary	February 10, 2017	100%	100%	100%
Retail Technology Investments sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	activities related to IT consultancy	Register of Entrepreneurs of the National Court Register kept by the District Court Nowe Miasto and Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	April 16, 2012	100%	100%	100%
Logistic Property Investment sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	real estate construction	Register of Entrepreneurs of the National Court Register kept by the District Court Kraków - Śródmieście in Kraków, the 11th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	September 16, 2020	100%	100%	100%
Żabka Automatic Logistics sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	warehousing and storage of goods	Register of Entrepreneurs of the National Court Register kept by the District Court Nowe Miasto and Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	October 8, 2020	100%	100%	100%

24 Consolidated Financial Statements of Żabka Group for the years ended December 31, 2023, December 31, 2022 and December 31, 2021 (in PLN thousand, unless otherwise stated)

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 31 December 2023	2022	2021
Żabka Property Fund sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	rental and management of own or leased real estate	Regional Court Poznań - Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	March 12, 2021	100%	100%	100%
Żabka Development sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	rental and management of own or leased real estate	Regional Court Poznań - Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	March 12, 2021	100%	100%	100%
Żabka Construction sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	real estate construction	Regional Court Poznań - Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	March 12, 2021	100%	100%	100%
Kalestico Investments sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	real estate construction	Regional Court Poznań - Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	September 6, 2023	100%	0%	0%
Żabka Nano sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	sales of merchandise	Regional Court Poznań - Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	April 12, 2021	100%	100%	100%
Lite e-commerce sp. z o.o.	Al. Jerozolimskie 44, 00-024 Warszawa	sales of merchandise	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	May 24, 2021	100%	100%	100%
Lite 24 sp. z o.o.	Al. Jerozolimskie 44, 00-024 Warszawa	sales of merchandise	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Lite e-commerce sp. z o.o	subsidiary	May 24, 2021	100%	100%	100%

(in PLN thousand, unless otherwise stated)

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 31 December		
							2023	2022	2021
Bocastonby Investments sp. z o.o.	Al. Jerozolimskie 44, 00-024 Warszawa	retail sale of tobacco products in specialised stores	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Lite e-commerce sp. z o.o	subsidiary	June 6, 2023	100%	0%	0%
Maczfit Foods sp. z o.o.	Branickiego 17, 02-972 Warszawa	production of ready meals (box diets)	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	April 29, 2021	95%	95%	95%
Zabka Deutschland GmbH (formerly Catch a Box GmbH)	Storkower Strasse 115A, 10407 Berlin	distribution of ready meals (box diets)	Register of Entrepreneurs kept by the District Court Charlottenburg under the number HRB 207749B, Germany	Żabka Polska sp. z o.o	subsidiary	April 29, 2021	100%	95%	95%
Masterlife Solutions sp. z o.o.	Chłodna 51, 00-867 Warszawa	software related activities connected with catering platform Dietly	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	May 28, 2021	62%	62%	62%
Food Property Investment sp. z o.o.	Stanisława Matyi 8, 61-586 Poznań	real estate construction	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 12 Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	March 9, 2022	100%	100%	0%

(in PLN thousand, unless otherwise stated)

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 31 December		
							2023	2022	2021
Żabka BS sp. z o.o. (formerly Baceno sp. z o.o.)	Stanisława Matyi 8, 61-586 Poznań	rental and management of own or leased real estate	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 12 Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	November 9, 2023	100%	0%	0%
Cool-Logistics sp. z o.o.	Podleśna 30, 05-532 Baniocha	transport of goods	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Retail Technology Investments sp. z o.o.	subsidiary	March 4, 2022	100%	100%	0%
Froo Romania Holding S.A. (formerly Castle Romanian Holdco S.R.L.)	133 Calea Serban Voda, Bucharest	activities of holding companies	Trade Registry Office attached to the Bucharest Tribunal	Żabka Polska sp. z o.o	subsidiary	December 14, 2023	100%	0%	0%
Heket Investments S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	other activities supporting financial services	The Trade and Companies Register of Luxembourg with the number B212 657	Heket Holdings S.à r.l.	subsidiary	February 8, 2017	0%	0%	100%
Heket Holdings S.à r.l	Luxembourg, Grand Duchy of Luxembourg	other activities supporting financial services	The Trade and Companies Register of Luxembourg with the number B212 652	Zabka Group S.A.	subsidiary	December 2, 2021	0%	0%	100%
Amphibian Investments S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	other activities supporting financial services	The Trade and Companies Register of Luxembourg with the number B 215 488	Zabka Group S.A.	subsidiary	November 20, 2020	0%	0%	100%

Establishment of the Group and its reorganisation in 2021 and 2022

In December 2021, the Group underwent a process of legal reorganisation. This process included the formation of a new parent company Zabka Group S.A. in Luxembourg, as well as a broader reshuffling of the existing holding entities' structure.

On December 2, 2021, the former shareholders of Heket Holdings S.à r.l., Amphibian Investments S.à r.l. and Heket Investments S.à r.l. proceeded to the contribution in kind of the shares of those entities to the new parent company Zabka Group S.A. at a total value of EUR 2 167 million (PLN 9 967 million) against issue of new shares by Zabka Group S.A.. This contribution resulted in the share capital of Zabka Group S.A. of EUR 1 848 million (PLN 8 503 million) to be divided into 61.5 million ordinary shares with a nominal value of EUR 0.01 (PLN 0.046) each, 2 543 million preferred shares with a nominal value of EUR 0.01(PLN 0.046) each and share premium totalling EUR 1 822 million (PLN 8 383 million). Following the above transaction Zabka Group S.A. became the new parent of the entire Zabka Group. The remaining amount of contributed shares was financed by Zabka Group S.A. as debt.

The transaction of an acquisition by Zabka Group S.A. of 100% interest in Heket Holding S.à r.l is treated as a reorganisation of the Group due to the fact that:

- the new parent entity was added to an existing Group and there is no change in the substance of the reporting entity,
- the assets and liabilities of the new Group and the original Group are the same immediately before and after the reorganisation, and
- the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original Group and the new Group immediately before and after the reorganisation.

The reorganisation was accounted for by incorporating into the consolidated financial statements of Zabka Group S.A. the assets and liabilities of the pre-existing Group at their carrying values from the consolidated financial statements of the pre-existing Group prepared in accordance with IFRS. Any difference between the cost of the transaction and the carrying value of the net assets of pre-existing Group is a reorganisation difference which was recorded directly in equity (in retained earnings).

Zabka Group S.A. had no material operations prior to becoming the holding company of the Group (replacing the historical parent company of the Group, Heket Holdings S.à r.l.), following the Group's internal reorganisation process in December 2021. Effectively, on the basis of business continuity, the Consolidated Financial Statements of Zabka Group S.A. are a continuation of Heket Holdings S.à r.l. (historical parent) consolidated financial statements.

Any items under the caption "Reorganisation of the Group" reflect the adjustments made for the consistent presentation of the consolidated equity of the historical parent in the consolidated equity of the new parent.

On January 3, 2022 Zabka Group S.A.'s indirect subsidiary Heket Investments S.à r.l. and its related party Amphibian Investments S.à r.l., registered in Luxembourg merged with Heket Holdings S.à r.l. (direct subsidiary) registered in Luxembourg. Subsequently, on May 18, 2022 Żabka Polska sp. z o.o. merged with Heket Holdings S.à r.l. (downstream merger) with Żabka Polska sp. z o.o. being the surviving entity. All mergers were transactions under common control.

Acquisition of Maczfit Foods sp. z o.o.

On April 29, 2021, Żabka Polska sp. z o.o. acquired 95% of shares with voting rights in the unlisted company Maczfit Foods sp. z o.o. with its headquarters in Warsaw and specialising in production of prepared meals and dishes. The consideration transferred for 95% of the shares amounted to PLN 266 000 thousand and was paid by bank transfer on the date of acquisition. Due to the fact that the risks and rewards resulting from ownership of 5% of the shares remained entirely with the current owners, the Group has recognised non-controlling interests. Non-controlling interests were measured at the value of the proportional share in the identifiable, recognised net assets of the acquiree. In addition, the Group recognised a liability for a written put option over a non-controlling interest in the amount of PLN 44 529 thousand. The option may be exercised by each party during the 3 years period from April 30, 2024 to April 30, 2027. Detailed information on the option liability is presented in note 6.11.

Acquisition of Masterlife Solutions sp. z o.o.

On May 28, 2021, Żabka Polska sp. z o.o. acquired 62% of shares with voting rights in the unlisted company Masterlife Solutions sp. z o.o. based in Warsaw, specialising in software-related activities. The consideration transferred amounted to PLN 53 041 thousand. The amount of PLN 50 041 thousand was paid by bank transfer on the date of acquisition. The fixed amount of PLN 3 000 thousand is payable by June 10, 2022. The agreement between the parties provides for additional payment, which the Group classified to the consideration transferred as a contingent consideration which ranged from PLN 0 to 7 600 thousand. The final amount of the additional payment depends on the normalized EBITDA of Masterlife Solutions sp. z o.o. for 2021 and the additional payment is due within 30 days from the calculation of the final value of the normalized EBITDA in 2021. The Company did not achieve the targeted normalized EBITDA level and therefore the settlement of the acquisition of Masterlife Solutions sp. z o.o. does not include related liability.

Due to the fact that the risks and rewards resulting from ownership of 38% of the shares remained entirely with the current owners, the Group has recognised non-controlling interests. Non-controlling interests were measured at the value of the proportional share in the identifiable, recognised net assets of the acquiree. In addition, the Group recognised a liability for a written put option over a non-controlling interest in the amount of PLN 58 559 thousand. The option may be exercised by each party within 4 years after 36 months from the date of acquisition. Detailed information on the option liability is presented in note 6.11.

The acquisitions within the Group of Maczfit Foods sp. z o.o. (the leader of the dietary catering market) and Masterlife Solutions sp. z o.o. (the owner of the Dietly.pl brand, the leader among dietary catering platforms) were the next steps in the implementation of the Group's strategy based on the expansion of the modern convenience ecosystem and the integration of e-commerce solutions. This means expanding the range of products and services that are to make customers' lives easier, especially by meeting the needs related to saving time and caring for health. The second pillar of the strategy is the development and integration of e-commerce tools. Dietly.pl and Maczfit.pl are innovative solutions that make it easier for customers to use a wide range of dietary catering. As a result of these acquisitions, the Group is becoming a leader in terms of both the offer and e-commerce tools in the rapidly growing segment of "box diets".

(in PLN thousand, unless otherwise stated)

The fair value of identifiable assets and liabilities at the acquisition date

The fair values of the identifiable assets and liabilities and goodwill recognised on the acquisition date due to acquisitions in 2021 are presented below:

	Maczfit Foods sp. z o.o.	Masterlife Solutions sp. z o.o.
Other intangible assets	67 297	11 799
Property, plant and equipment	13 135	4
Right-of-use assets	4 072	549
Loans granted	234	-
Other financial assets	1 000	-
Other non-financial assets	126	-
Total non-current assets	**85 864**	**12 352**
Inventory	3 209	-
Trade receivables	226	1 307
Other financial assets	500	-
Other non-financial assets	4 502	39
Cash and cash equivalents	26 134	3 212
Total current assets	**34 571**	**4 558**
Lease liabilities	(4 551)	(352)
Employee benefits liabilities	(259)	-
Contract liabilities	-	(4)
Deferred tax liabilities	(2 149)	(2 231)
Total non-current liabilities	**(6 959)**	**(2 587)**
Lease liabilities	(945)	(197)
Trade payables and other financial liabilities	(7 994)	(1 239)
Contract liabilities	(5 844)	(65)
Other non-financial liabilities	(3 689)	-
Total current liabilities	**(18 472)**	**(1 501)**
Identifiable net assets at fair value	**95 004**	**12 822**
Non-controlling interests	**4 750**	**4 872**
Consideration transferred	266 000	53 041
Goodwill at the acquisition date	**175 746**	**45 091**

There were no major fair value adjustments to book values on acquisition with the exception of recognition of intangible assets.

Trademarks of PLN 47 671 thousand and customer relationship of PLN 14 801 thousand were recognized in case of Maczfit Foods Sp. z o.o. while before acquisition the company had PLN 37 499 thousand of goodwill and trademarks PLN 18 576 thousand of recognised at a local level.

Trademarks (Dietly brand name) of PLN 10 037 thousand and customer relationships of PLN 1 740 thousand were recognized in case of Masterlife Solutions (no intangible assets were recognised before acquisition).

Brand names (trademarks) recognised at acquisition were valued using relief-from-royalty valuation methods, based on expected cash flows to be generated under the Maczfit and Dietly brand and on the market benchmark royalty rate for licensing brands. Forecast cashflows for years 2021-25 were based on the valuation model, with long-term growth rate of 2.5% assumed for the residual period. Benchmark royalty rate of 1.72% was based on data from Markables database. The required rate of return was estimated based on the asset financed in 10% with debt. This reflects higher risk of investing in an intangible asset than in a business.

Customer relationships were valued using the multiperiod excess earnings method, based on forecast EBITDA to be generated by Maczfit and Masterlife customers (as at 30 April 2021), adjusted for capital asset charges and TAB. Forecast cashflows for years 2021-25 were based on historical revenues per client and historical monthly churn. Contributory asset charges were included for fixed assets, trademark, net working capital and assembled workforce. The required rate of return was estimated based on the asset financed in 10% with debt. This reflects higher risk of investing in an intangible asset than in a business.

Goodwill recognised on acquisition represents expected synergies within the wider Group, intellectual capital and managerial and executive talent.

Both for Maczfit Foods sp. z o.o. and Masterlife Solutions sp. z o.o., the fair value of receivables does not differ significantly from the gross value of receivables resulting from concluded contracts. Information about other intangible assets recognised on both acquisitions (trademarks and relationships with customers) is presented in note 6.2. The accounting for acquisitions has been finalised.

Cash outflow from acquisitions (included in investing activities)
The cash outflow due to main acquisitions of companies in 2021 is presented below:

	Maczfit Foods sp. z o.o.	**Masterlife Solutions sp. z o.o.**
Net cash acquired with a subsidiary	26 134	3 212
Cash paid	(266 000)	(50 041)
Net cash outflow	**(239 866)**	**(46 829)**

The difference between the fair value of shares (PLN 53 041 thousand) and the cash paid (PLN 50 041 thousand) in the acquisition of Masterlife Solutions sp. z o.o. results from the deferred payment of PLN 3 000 thousand payable by June 10, 2022.

From the date of acquisition to December 31, 2021, the acquired companies generated revenue of PLN 122 716 thousand (Maczfit Foods sp. z o.o.) and PLN 8 048 thousand (Masterlife Solutions sp. z o.o.).

If the acquisition date for all business combinations carried out during the year was the beginning of the annual reporting period, the acquired companies would have generated revenue of PLN 173 337 thousand (Maczfit Foods sp. z o.o.) and PLN 13 032 thousand (Masterlife Solutions sp. z o.o.).

Acquisition-related costs amounted to PLN 14 879 thousand in 2021 and were recognised in costs of technology, innovation and development in the consolidated statement of profit or loss and other comprehensive income.

4. SEGMENTS

The following section presents the Group's results by segment for the years ended December 31, 2023, December 31, 2022 and December 31, 2021. Disclosures relate to revenues generated by reportable operating segments, significant expense items and segment results.

The Group identifies reportable operating segments taking into account factors such as the nature of their business activities, the existence of managers responsible for them and information reviewed by the Management.

The "Ultimate Convenience" segment covers operations of all stores under the "Żabka" brand and real estate operations related directly to the store business including the sale of the automated warehouse and the property management (Logistic Property Investment sp. z o.o. and most of companies from the Property Fund Group: Żabka Property Fund sp. z o.o., Żabka Development sp. z o.o., Żabka Construction sp. z o.o. and Kalestico Investments sp. z o.o.).

The "New Growth Engines" segment includes operations conducted using the latest technologies, including, in particular, online sales technology. The segment is composed of activities of the following companies: Maczfit Foods sp. z o.o. (production and D2C (Direct-to-Customer), sales of ready-to-eat meals), Cool-Logistics sp. z o.o. (logistics services for Maczfit), Food Property Investment sp. z o.o. (warehouse management for Maczfit), Masterlife Solutions sp. z o.o. (Dietly, SaaS marketplace services for D2C ready meals services, as well as SaaS services and software for D2C ready meals manufacturers, who in many cases are also vendors on the dietly.pl marketplace), Lite Group consisting of Lite e-commerce sp. z o.o., Lite 24 sp. z o.o. and Bocastonby Investments sp. z o.o. (q-commerce services), Żabka Nano sp. z o.o. and Żabka Deutschland GmbH (fully autonomous stores).

The Group's other activities are combined under "Corporate Functions and Other". Corporate functions include central functions such as finance, HR, IT, PR strategy, risk management and compliance. These are activities relevant to both operating segments: "Ultimate Convenience" and "New Growth Engines" but are not allocated to these segments, as the Management does not apply such allocation and evaluates the performance of operating segments separately from the corporate component. This is in line with how the Group is organised for management purposes and how responsibility for individual activities and functions is allocated among the Management members.

The Management does not analyse operating segments in terms of the value of assets and the value of liabilities.

Financial income and expenses and income taxes are not allocated to individual segments.

Assessment of the Group's financial performance is made mainly on the basis of Adjusted EBITDA. This indicator should be viewed as an addition to, and not a substitute for, the results of operations presented under IFRS. Adjusted EBITDA is not defined in the EU IFRS and may be calculated differently by other entities. The reconciliation and definitions used by the Group are presented in the current note.

EBITDA is one measure of the efficiency of the business presented in the consolidated statement of profit or loss and other comprehensive income. The Group defines EBITDA as net income/(loss) for the reporting period before the effect of income taxes, financing activities and depreciation and amortisation expense.

Adjusted EBITDA is one of the main performance measures of the Group's operations, which is used by the Management in the day-to-day management of the Group and decision-making process. The Group defines this measure as EBITDA adjusted by costs from the following categories:

1. Costs related to changes in the ownership structure and obtaining financing.
2. Funds spent on ensuring business continuity in the face of unforeseen events within the Group's environment, protection of employees, franchisees and society – in 2023 they represent mostly additional costs incurred in connection with the war in Ukraine and the related increase in energy prices caused by the energy crisis, in 2021-2022 incremental costs incurred by the Group related to the Covid-19 pandemic that can be separated from the costs of normal operations, mainly included support costs for various stakeholders of the Group (including employees and franchisees), sanitation costs and donation costs.
3. Group reorganization costs – costs related to the reorganisation of the Group performed in the periods under review including the development of the Group's long-term strategy and resources for business expansion, the set-up of new companies as well as implementation pillars of the ESG strategy, in particular advisory and consulting fees.

4. Result on the disposal of property, plant and equipment and right of use – result on sale and liquidation of tangible fixed assets and right of use assets, the impairment charge and fixed assets derecognised as a result of stocktake (the category does not include the result of transactions carried out as part of the Group's core business).
5. Incentive schemes and additional compensation in connection with the termination of cooperation with key employees – costs related to additional remuneration for key managerial staff related to the change of shareholders, including exit bonuses, incentive schemes, share-based payments and additional remuneration of key management personnel in connection with the termination of cooperation.
6. Transaction costs in respect of M&A – incremental costs directly related to the development of new types of business, including acquisition costs (due diligence and advisory costs).

The financial information reported for each reportable operating segment is determined in line with IFRS (including, in particular, the manner in which income and individual expense items are determined).

Inter-segment transactions are eliminated upon consolidation and reflected in the 'consolidation eliminations' column. The Group accounts for intersegment sales/transfers and costs as if the sales/transfers or costs were to third parties on an arm's-length basis in a manner similar to transactions with third parties. The intersegment transactions are accounted in line with IFRS.

The Group operates mainly in Poland (a small part of its business is conducted in Germany through its subsidiary Zabka Deutschland GmbH (formerly Catch a Box)). Revenues and non-current assets attributed to foreign countries are immaterial.

(in PLN thousand, unless otherwise stated)

The tables below present a reconciliation of the segment data to the Consolidated Financial Statements.

				2023				
Note	**Item**	**Total**	**Adjustments**	**Total**	**Ultimate Convenience**	**New Growth Engines**	**Corporate Functions and Other**	**Consolidation Eliminations**
	Revenue from sales to external customers	**19 805 851**	588	**19 805 263**	19 334 822	469 925	516	-
	Revenue from inter-segment sales	**-**	-	**-**	59 303	4 753	3 017	(67 073)
5.1	**Total revenue**	**19 805 851**	**588**	**19 805 263**	**19 394 125**	**474 678**	**3 533**	**(67 073)**
5.2	Cost of sales	**(16 272 830)**	(51 237)	**(16 221 593)**	(15 861 013)	(420 971)	(5 338)	65 729
5.2	Marketing costs	**(224 926)**	(862)	**(224 064)**	(182 658)	(42 083)	(511)	1 188
5.2	General and administrative costs	**(329 238)**	(20 335)	**(308 903)**	(103 723)	(39 388)	(165 210)	(582)
5.2	Costs of technology, innovation and development	**(230 483)**	(17 372)	**(213 111)**	(45 312)	(38 041)	(128 050)	(1 708)
5.3	Other operating income	**30 760**	12 151	**18 609**	16 116	116	2 390	(13)
5.3	Other operating costs	**(33 546)**	(17 416)	**(16 130)**	(12 636)	(1 205)	(2 287)	(2)
6.7	Expected credit losses on trade receivables and other financial assets	**(5 977)**	-	**(5 977)**	(4 930)	(783)	(249)	(15)
	Operating profit before depreciation and amortisation (Adjusted EBITDA)			**2 834 094**	**3 199 969**	**(67 677)**	**(295 722)**	**(2 476)**
	Adjustments		(94 483)	**(94 483)**				
	Operating profit before depreciation and amortisation (EBITDA)	**2 739 611**		**2 739 611**				
	Depreciation and amortisation	**(1 359 247)**						
5.4, 6.8	Profit/ (Loss) on financial activity	**(870 676)**						
	Profit before tax	**509 688**						
5.5	Income tax expense	**(153 395)**						
	Net profit	**356 293**						
	Adjustments:							
	1) Costs related to changes in the ownership structure and obtaining financing	15 993						
	2) Funds spent on ensuring business continuity in the face of unforeseen events within the Group's environment, protection of employees, franchisees and society	32 195						
	3) Group reorganisation costs	37 240						
	4) Result on disposal of property, plant and equipment and right of use	4 011						
	5) Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	2 676						
	6) Transaction costs in respect of M&A	2 368						
	Adjustments	**94 483**						

(in PLN thousand, unless otherwise stated)

				2022				
Note	**Item**	**Total**	**Adjustments**	**Total**	**Ultimate Convenience**	**New Growth Engines**	**Corporate Functions and Other**	**Consolidation Eliminations**
	Revenue from sales to external customers	**16 003 432**	695	**16 002 737**	15 716 945	282 763	3 029	-
	Revenue from inter-segment sales	**-**	-	**-**	28 205	411	330	(28 946)
5.1	**Total revenue**	**16 003 432**	**695**	**16 002 737**	**15 745 150**	**283 174**	**3 359**	**(28 946)**
5.2	Cost of sales	**(13 014 213)**	(5 400)	**(13 008 813)**	(12 751 927)	(283 184)	(14)	26 312
5.2	Marketing costs	**(211 941)**	(194)	**(211 747)**	(171 475)	(39 625)	(1 125)	478
5.2	General and administrative costs	**(316 833)**	(60 695)	**(256 138)**	(80 083)	(25 665)	(150 867)	477
5.2	Costs of technology, innovation and development	**(178 260)**	(6 330)	**(171 930)**	(39 387)	(31 015)	(101 534)	6
5.3	Other operating income	**88 476**	771	**87 705**	86 242	689	955	(181)
5.3	Other operating costs	**(25 617)**	(12 749)	**(12 868)**	(9 998)	(569)	(2 302)	1
6.7	Expected credit losses on trade receivables and other financial assets	**(10 456)**	-	**(10 456)**	(9 726)	(913)	183	-
	Operating profit before depreciation and amortisation (Adjusted EBITDA)			**2 418 490**	**2 768 796**	**(97 108)**	**(251 345)**	**(1 853)**
	Adjustments		(83 902)	**(83 902)**				
	Operating profit before depreciation and amortisation (EBITDA)	**2 334 588**		**2 334 588**				
	Depreciation and amortisation	**(1 114 732)**						
5.4, 6.8	Profit/ (Loss) on financial activity	**(671 058)**						
	Profit before tax	**548 798**						
5.5	Income tax expense	**(165 096)**						
	Net profit	**383 702**						
	Adjustments:							
	1) Costs related to changes in the ownership structure and obtaining financing	26 285						
	2) Funds spent on ensuring business continuity in the face of unforeseen events within the Group's environment, protection of employees, franchisees and society	13 468						
	3) Group reorganisation costs	7 466						
	4) Result on disposal of property, plant and equipment and right of use	4 885						
	5) Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	23 679						
	6) Transaction costs in respect of M&A	8 119						
	Adjustments	**83 902**						

(in PLN thousand, unless otherwise stated)

				2021				
Note	**Item**	**Total**	**Adjustments**	**Total**	**Ultimate Convenience**	**New Growth Engines**	**Corporate Functions and Other**	**Consolidation Eliminations**
	Revenue from sales to external customers	**12 493 370**	273	**12 493 097**	12 354 502	136 443	2 152	-
	Revenue from inter-segment sales	**-**	-	**-**	1 212	381	-	(1 593)
5.1	**Total revenue**	**12 493 370**	**273**	**12 493 097**	**12 355 714**	**136 824**	**2 152**	**(1 593)**
5.2	Cost of sales	**(10 119 668)**	(7 668)	**(10 112 000)**	(10 021 882)	(90 962)	(4)	848
5.2	Marketing costs	**(133 576)**	15	**(133 591)**	(123 771)	(9 727)	(93)	-
5.2	General and administrative costs	**(222 488)**	(63 359)	**(159 129)**	(50 001)	(7 764)	(101 790)	426
5.2	Costs of technology, innovation and development	**(124 019)**	(23 528)	**(100 491)**	(32 336)	(13 095)	(55 060)	-
5.3	Other operating income	**24 418**	919	**23 499**	15 502	88	7 909	-
5.3	Other operating costs	**(18 065)**	(11 204)	**(6 861)**	(5 685)	(26)	(1 150)	-
6.7	Expected credit losses on trade receivables and other financial assets	**(18 236)**	-	**(18 236)**	(10 141)	(28)	(8 067)	-
	Operating profit before depreciation and amortisation (Adjusted EBITDA)			**1 986 288**	**2 127 400**	**15 310**	**(156 103)**	**(319)**
	Adjustments		(104 552)	**(104 552)**				
	Operating profit before depreciation and amortisation (EBITDA)	**1 881 736**		**1 881 736**				
	Depreciation and amortisation	**(915 408)**						
5.4, 6.8	Profit/ (Loss) on financial activity	**(317 110)**						
	Profit before tax	**649 218**						
5.5	Income tax expense	**(153 893)**						
	Net profit	**495 325**						
	Adjustments:							
	1) Costs related to changes in the ownership structure and obtaining financing	20 333						
	2) Funds spent on ensuring business continuity in the face of unforeseen events within the Group's environment, protection of employees, franchisees and society	27 965						
	3) Group reorganisation costs	14 666						
	4) Result on disposal of property, plant and equipment and right of use	3 459						
	5) Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	17 837						
	6) Transaction costs in respect of M&A	20 292						
	Adjustments	**104 552**						

5. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

5.1. Revenue

Accounting policy

The Group recognises revenue in a way to reflect the delivery of the promised goods or services to the customer in an amount that reflects the remuneration to which - in accordance with the Group's expectations - will be entitled to in exchange for these goods or services. When recognising the revenues, the principles presented below also apply.

Franchise agreements

The main source of the Group's revenues are contracts concluded with franchisees under which the Group, among other things, sells goods, rents out stores with equipment and provides the know-how. The Group identifies one performance obligation under the contracts with the franchisees based on the conducted analysis, which revealed a high correlation between the sale of goods and the delivery of services, their mutual integration and matching.

Revenue is recorded as goods are delivered. Revenue from services that accompany sale of physical goods to the franchisee is, in principle, dependent on the turnover of physical goods and is not separate from that revenue stream. Their value is part of the variable remuneration per performance obligation under the franchise agreement.

The goods offered by the Group are often sold with retrospective discounts and rebates based largely on quantitative indicators, i.e., the value of goods sold by the franchisee. The Group includes part or all of the variable remuneration, relating to retrospective granted price discounts, in the transaction price if the uncertainty about the amount of variable remuneration has ceased. There are further payments made to the franchisee related to the refunds and franchises subventions that are recognised as a deduction of revenue.

The franchisee is obliged to pay for the goods delivered by the Group or the services provided on the next day after the sale of the goods or the provision of the service to the customer.

Financial liabilities between the Group and the franchisee are settled after the end of each calendar month during the term of the agreement.

In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

All franchise contracts are concluded under the same conditions and are related to the operation of stores under the "Żabka" brand.

Sales of catering products – Maczfit foods business

The Group recognises revenue based on product delivery. All operations related to the production process and almost all distribution are carried out by the Group. Nutrition plans are offered on a subscription basis. Subscription periods are determined by customers. Revenue is recognised upon monthly product delivery to the customers. Revenues related to future deliveries are recognised as contract liabilities.

Agent's consideration

The Group is a party to contracts in which it acts as an intermediary, i.e., it ensures that goods or services are provided by another entity (franchisee). As a result, the Group recognises revenue in the amount of the commission to which it will be entitled, in line with Group's expectations, in exchange for the provision of goods or services by the franchisee. The Group's fee or commission might be the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party. The Group discloses that revenue stream as commissions, including among others: electronic and postal services.

In addition, the Group acts as an intermediary for two smaller revenue streams: revenue from the Dietly.pl marketplace - taking commissions on catering orders through Dietly.pl not directly from the catering provider, and revenue from CRM payment processing - taking commissions on online payments made by customers ordering catering (CRM subscribers) directly from the catering provider. In both streams, recognised revenues are net of expenses. These combined revenue streams are included as software services in the Revenue by category table.

Incremental costs of obtaining a contract

The incremental costs of obtaining a contract with a customer (e.g., franchisee) are recognised by the Group as an asset within intangible assets if the Group expects to recover these costs. Incremental costs of obtaining a contract are those costs incurred by the Group in order to obtain a contract with a customer (e.g., a franchisee), which the Group would not have incurred if the contract had not been obtained (e.g., a success fee for the recruiter). Costs to obtain a contract that would have been incurred regardless of whether the contract has been obtained, are recognised as a cost when incurred, unless these costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The asset is amortised on a systematic basis, considering the period of providing the customer with the goods or services to which it relates. The Group updates the amortisation period to reflect a significant change in the expected period of providing the customer with the goods or services to which the asset relates.

Values based on professional judgement

The application of the International Financial Reporting Standard 15 *Revenue from contracts with customers* ("IFRS 15") requires the Group to exercise various judgements, including determining whether the criteria for recognising a contract with a customer are met, identifying individual performance obligations, determining when performance obligations are satisfied, selecting the method of measuring the progress towards satisfaction of performance obligations and the method of estimating the stand-alone selling price of a good or service, and whether the collectability of an amount of consideration is probable.

Determining the performance obligations

The main source of the Group's revenues are contracts with franchisees. Under these contracts, the Group has identified one performance obligation, and therefore the entire consideration received from franchisees is assigned to one performance obligation. To assess whether there are one or more performance obligations in agreements with franchisees, the Group has performed an analysis required by IFRS 15 focusing, inter alia, on the assessment of the correlation of the sale of goods with the provision of services, the occurrence of integration or specific matching for the assessed components. The group concluded that due to the significant interdependence, integration and alignment there is one service obligation.

Determining the date of fulfilment of performance obligations

For the purposes of determining the date of fulfilment of performance obligations, the Group has analysed the following criteria and conditions:

- transfer of legal title,
- transfer of physical possession and confirmation of receipt,
- transfer of significant risks and benefits,
- limitations in the right to return.

In the Group's opinion, the performance obligation under the agreements with franchisees in relation to goods is satisfied at the time of delivery of the goods to the store, because this is the point in time when the franchisee obtains control over the goods, i.e., has the possibility to use them directly (physical disposal and title deed ownership) and obtains basically all benefits (e.g., from sale) and takes over the risks (e.g., due to theft and limited right of return) arising from these goods.

Determining whether the Group acts as a principal or an agent

According to IFRS 15, in the event that another entity is involved in providing goods or services to the customer, the Group determines whether the nature of the Group's promise is a performance obligation to provide the specified goods or services itself (in this case, the Group is the principal) or to arrange for those goods or services to be provided by another entity (in this case, the Group acts as an agent).

The Group has identified contracts under which it acts as an agent, because it does not control specific goods or services provided by other entities, it does not bear the risk of storing stocks, it does not bear the main responsibility for fulfilling the promise to provide a specific good or service, and it does not freely set the price. The Group, as an intermediary, among other things, organizes the settlement system and ensures the provision of services by franchisees to clients on behalf of providers of such services as betting in games of chance, small payments, money transfers.

Estimates

Estimating of variable consideration for price discounts granted and the right to return goods in the event of termination of the franchise agreement

Under the franchise agreement, the Group grants franchisees price discounts, the amount of which depends on the turnover made by the franchisee. In the event of termination of the franchise agreement, franchisees also have the right to return goods of full value.

Therefore, at the end of each reporting period, the Group estimates the amount of remuneration to which it will be entitled in exchange for the transfer of the promised goods or services to the franchisee, taking into account the offered retrospective discounts and expected returns of goods and includes part or all of the variable remuneration in the transaction price only to the extent that there is a high probability that a significant part of the amount of previously recognised accumulated revenues will not be reversed. The amount of the variable remuneration is estimated using the expected value due to the large number of contracts with franchisees.

(in PLN thousand, unless otherwise stated)

When a contract grants a customer the option to acquire additional goods or services, such an option is treated as a separate performance obligation if it gives 'a material right' to the customer. In other words, when it is different from a regular marketing/promotional offer. If this is the case, the customer has in substance prepaid for goods or services to be delivered in the future.

The Group estimates the stand-alone selling price (SSP) of an option in order to allocate a part of transaction price to this option as it is treated as a separate performance obligation.

Revenue relating to the option is recognised when future goods or services are transferred or when the option expires. Also refer to the accounting policy on refund liability in note 6.13.

Revenue by category

Revenue	Value			Share %		
	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Franchise	19 243 975	15 656 035	12 302 954	97.2	97.8	98.5
Own stores and wholesale	129 939	53 396	17 106	0.7	0.3	0.1
Revenue from sale of products	326 904	224 196	122 532	1.7	1.4	1.0
Commissions from agency services	57 494	40 322	37 739	0.3	0.3	0.3
Software services	24 774	18 547	7 986	0.1	0.1	0.1
Other	22 765	10 936	5 053	0.1	0.1	0.0
Revenue	**19 805 851**	**16 003 432**	**12 493 370**	**100**	**100**	**100**

Revenue by segments

Revenue	2023					
	Total	Ultimate Convenience	New Growth Engines	Corporate Functions and Other	Adjustments	Consolidation Eliminations
Franchise	**19 243 975**	19 258 242	-	-	33	(14 300)
Own stores and wholesale	**129 939**	61 485	109 798	-	554	(41 898)
Revenue from sale of products	**326 904**	-	326 962	-	-	(58)
Commissions from agency services	**57 494**	57 494	-	-	-	-
Software services	**24 774**	-	24 774	-	-	-
Other	**22 765**	16 904	13 144	3 533	1	(10 817)
Revenue	**19 805 851**	**19 394 125**	**474 678**	**3 533**	**588**	**(67 073)**

Revenue	2022					
	Total	Ultimate Convenience	New Growth Engines	Corporate Functions and Other	Adjustments	Consolidation Eliminations
Franchise	**15 656 035**	15 660 075	784	-	695	(5 519)
Own stores and wholesale	**53 396**	36 456	37 078	-	-	(20 138)
Revenue from sale of products	**224 196**	-	224 349	-	-	(153)
Commissions from agency services	**40 322**	40 322	-	-	-	-
Software services	**18 547**	-	18 547	-	-	-
Other	**10 936**	8 297	2 416	3 359	-	(3 136)
Revenue	**16 003 432**	**15 745 150**	**283 174**	**3 359**	**695**	**(28 946)**

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			2021			
Revenue	**Total**	**Ultimate Convenience**	**New Growth Engines**	**Corporate Functions and Other**	**Adjustments**	**Consolidation Eliminations**
Franchise	**12 302 954**	12 298 655	5 325	-	61	(1 087)
Own stores and wholesale	**17 106**	16 422	684	-	-	-
Revenue from sale of products	**122 532**	-	122 913	-	-	(381)
Commissions from agency services	**37 739**	37 739	-	-	-	-
Software services	**7 986**	-	7 774	-	212	-
Other	**5 053**	2 898	128	2 152	-	(125)
Revenue	**12 493 370**	**12 355 714**	**136 824**	**2 152**	**273**	**(1 593)**

Revenues from sales under the franchise agreement include all fees from franchisees, revenues from the sale of goods and revenues from store space with equipment subleased to franchisees. Revenues from own stores and wholesale include Żabka Nano autonomous stores sales.

The increase in revenue in 2023 was attributable, among other things, to an increase in a number of stores. As at December 31, 2023, the Żabka chain consisted of 10 014 stores, with 1 100 new stores opened in 2023, (increase by 11%) and revenue growth per franchisee/store. The increase was driven by a mix of traffic and basket growth. In 2023, the Group had to face an extremely difficult macroeconomic conditions in this area, mitigating the effects of high inflation and reduced spending power through promotional offers in selected product categories. The increase in revenue in previous years also results from the increase in the number of stores as follows: in the financial year ended at December 31, 2022:13%, in the financial year ended at December 31, 2021:15%.

All revenues are revenues from contracts with customers within the meaning of IFRS 15.

The value of the costs of obtaining franchise agreements is presented in note 6.2 Other intangible assets.

5.2. Costs by nature

Accounting policy

Cost of sales

Cost of sales include:

- cost of goods, including the amount of any write-downs to net realizable value and inventory losses,
- distribution costs,
- operating and maintenance costs of stores (including repair and renovation costs, utility costs),
- costs of external services (including remuneration of the agents running own stores of the Group).

All expenses are recognised when incurred unless they meet specific capitalization criteria.

Cost of goods

When goods are sold, the carrying amount of these goods is determined using the weighted average method and recognised as a cost in the period in which the respective revenues are recognised.

The amount of any write-downs of the value of inventory to the level of net realizable value and all losses in inventory are recognised as a cost of goods sold in the period in which the write-down or loss took place. Reversal of the write-down of inventory, resulting from the increase in their net realizable value, is recognised as a decrease of a cost of goods sold in the period in which the reversal of the write-down took place.

Marketing costs

Marketing costs include expenditure on advertising activities aimed at mass recipients (mass media) and individual recipients (advertising at points of sale). Such costs include among others:

- remuneration of employees,
- costs of materials and external services (including, advertising costs).

General and administrative costs

General and administrative costs include the costs of managing the overall business of the Group and the Group's general costs. Such costs include, among others:

- administrative costs,
- representation costs,
- insurance costs.

(in PLN thousand, unless otherwise stated)

Costs of technology, innovation and development

The costs of technology, innovation and development are recognised by the Group as:

- costs related to new technologies and IT, including salaries and advisory services,
- costs of innovative projects (e.g., related to artificial intelligence), mainly including salaries and external services,
- Group development costs, including expansion of operations, costs of the introduction of new products and services and an increase in the number of stores, as well as remuneration and external services costs.

Although the Group does not have a specific department dedicated to research and development, such activities are performed throughout the organization. Development expenditure that meets the capitalization criteria is recognised as an intangible assets. Research and development expenditure that does not meet the capitalization criteria is recognised as an expense as incurred in the staff or other costs.

Development work is the practical application of research findings or other knowledge to plan or design the production of new or substantially improved materials, devices, products, technological processes, systems or services. The Group's development costs relate to production of software containing new or significantly improved functionalities by the technology department and incurred before the software is launched. The value of development work is measured based on expenditures incurred, in particular staff costs and related charges for the employees involved in a project, costs of contractors, costs of third-party services and other project costs.

Unsuccessful developments are expensed on a one-off basis at the time a decision is made to terminate the project.

	01.01.2023 - 31.12.2023				
	Cost of sales	Marketing costs	General and administrative costs	Costs of technology, innovation and development	Total
Cost of goods sold	(14 138 328)	-	-	-	**(14 138 328)**
Materials and energy used	(764 979)	(455)	(6 606)	(2 049)	**(774 089)**
External services	(1 113 863)	(22 365)	(88 553)	(168 394)	**(1 393 175)**
Taxes and fees	(5 163)	(3)	(2 616)	-	**(7 782)**
Employee benefits costs	(224 373)	(18 910)	(185 895)	(57 414)	**(486 592)**
Other costs by nature	(26 124)	(183 193)	(45 568)	(2 626)	**(257 511)**
Operating costs	**(16 272 830)**	**(224 926)**	**(329 238)**	**(230 483)**	**(17 057 477)**

	01.01.2022 - 31.12.2022				
	Cost of sales	Marketing costs	General and administrative costs	Costs of technology, innovation and development	Total
Cost of goods sold	(11 426 858)	-	-	-	**(11 426 858)**
Materials and energy used	(476 202)	(558)	(7 665)	(1 959)	**(486 384)**
External services	(911 150)	(7 294)	(85 698)	(115 515)	**(1 119 657)**
Taxes and fees	(3 750)	(2)	(1 776)	-	**(5 528)**
Employee benefits costs	(184 964)	(20 335)	(154 461)	(58 755)	**(418 515)**
Other costs by nature	(11 289)	(183 752)	(67 233)	(2 031)	**(264 305)**
Operating costs	**(13 014 213)**	**(211 941)**	**(316 833)**	**(178 260)**	**(13 721 247)**

(in PLN thousand, unless otherwise stated)

	01.01.2021 - 31.12.2021				
	Cost of sales	Marketing costs	General and administrative costs	Costs of technology, innovation and development	Total
Cost of goods sold	(9 063 268)	-	(1 564)	-	**(9 064 832)**
Materials and energy used	(297 576)	(226)	(8 095)	(1 136)	**(307 033)**
External services	(625 431)	(2 683)	(75 637)	(84 936)	**(788 687)**
Taxes and fees	(3 818)	(7)	(3 989)	(1)	**(7 815)**
Employee benefits costs	(121 783)	(11 238)	(108 008)	(35 983)	**(277 012)**
Other costs by nature	(7 792)	(119 422)	(25 195)	(1 963)	**(154 372)**
Operating costs	**(10 119 668)**	**(133 576)**	**(222 488)**	**(124 019)**	**(10 599 751)**

Costs of external services consist of mainly transport, logistics, PP&E repairs and maintenance, IT and communication services and remuneration of the agents running own stores of the Group.

5.3. Other operating income and costs

Accounting policy

Group results are also affected by other operating income and other operating costs that include income and costs from activities that are not the Group's core operating activities.

The key components of other non-core activities mainly include gains and losses resulting from disposal of assets, asset impairment losses, donations and litigation provisions. Accounting policy related to impairment is discussed in note 6.5.

Donations

Donations include transfers of cash and other assets, services and promises made by the Group. Donation costs are donations made for support of Ukraine, due to the ongoing war, and for support of charitable organizations. Donations either in cash or assets are recognised as cost in the period it is given or payable.

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
OTHER OPERATING INCOME			
Profit on disposal of assets	3 006	65 207	-
Intangible assets	*20*	*-*	-
Property, plant and equipment	*2 986*	*542*	-
Gain on sale and leaseback transactions	*-*	*64 665*	-
Remeasurement and termination of lease contracts	11 069	46	4 392
Recovered receivables impaired as at subsidiary acquisition	1 484	1 406	2 147
Refund of losses and contractual penalties received	4 023	4 825	4 611
Indemnities from insurers received	4 291	2 694	1 794
Sale of materials	2 877	11 286	7 965
Donations received	776	600	-
Other	3 234	2 412	3 509
Total other operating income	**30 760**	**88 476**	**24 418**

(in PLN thousand, unless otherwise stated)

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
OTHER OPERATING COSTS			
Loss on disposal and liquidation of assets	(3)	-	(1 347)
Property, plant and equipment	*(3)*	*-*	*(1 347)*
Remeasurement and termination of lease contracts	(15)	(1 587)	-
Impairment loss	(15 646)	(3 436)	(6 428)
Intangible assets	*(4 501)*	*(843)*	*-*
Property, plant and equipment	*(8 006)*	*(2 593)*	*(6 428)*
Right to use assets	*(3 139)*	*-*	*-*
Donations	(24)	(5 385)	-
Damage covered by insurance	(5 386)	(4 238)	(3 269)
Provisions for litigation	(176)	(2 201)	(455)
Membership fees	(1 464)	(921)	(764)
Other	(10 832)	(7 849)	(5 802)
Total other operating costs	**(33 546)**	**(25 617)**	**(18 065)**

Gain on sale and leaseback transaction achieved in 2022 relates to the gain realised on the sale and leaseback of Group's warehouse described in note 6.4.

5.4. Financial income and costs

Accounting policy

Financial income and costs are related to the financial activities conducted by the Group, that include transactions such as loans, borrowings, sale and purchase of financial instruments.

Interest income is accrued using the effective interest method, which uses the rate that exactly discounts estimated future cash inflows over the expected life of the financial instruments to the net carrying amount of the financial asset.

The costs of debt interest payable are determined based on the effective interest rate as well.

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
FINANCIAL INCOME			
Interest	47 618	10 072	65 320
Loans	*10 575*	*447*	*62 741*
Deposits and bank accounts	*33 939*	*5 245*	*380*
Income from discount on receivables and liabilities	*2 634*	*3 943*	*1 820*
Other	*470*	*437*	*379*
Other	93 935	31 426	868
Foreign exchange gains	*93 371*	*18 197*	*234*
Revision of estimated contractual cash flows	*62*	*11 941*	*449*
Gain on valuation and settlement of other financial instruments	*21*	*99*	*-*
Other	*481*	*1 189*	*185*
Total financial income	**141 553**	**41 498**	**66 188**

(in PLN thousand, unless otherwise stated)

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
FINANCIAL COSTS			
Interest	(950 073)	(688 063)	(345 248)
Lease agreements	*(246 850)*	*(176 839)*	*(143 347)*
Borrowings	*(820)*	*-*	*-*
YFPEC's	*-*	*-*	*(542)*
Bank loans	*(505 559)*	*(345 572)*	*(168 184)*
Other liabilities	*(195 159)*	*(163 242)*	*(32 710)*
Cost of discount on receivables and liabilities	*(1 685)*	*(2 410)*	*(465)*
Other	(61 690)	(24 493)	(38 050)
Foreign exchange losses	*-*	*(1 715)*	*(2 037)*
Bank loans	*(30 886)*	*(11 002)*	*(8 113)*
Commissions	*(1 801)*	*(3 659)*	*(3 617)*
Cost of valuation and settlement of other financial instruments	*(26)*	*(684)*	*(794)*
Revision of estimated contractual cash flows	*(105)*	*(1 018)*	*(23 024)*
Loss on valuation and settlement of derivatives	*(28 872)*	*(5 030)*	*(111)*
Other	*-*	*(1 385)*	*(354)*
Total financial costs	**(1 011 763)**	**(712 556)**	**(383 298)**
NET FINANCIAL INCOME / COSTS	**(870 210)**	**(671 058)**	**(317 110)**

Foreign exchange gains/losses mainly relate to the reporting date valuation of bank loans, lease liabilities and loans granted.

Interest presented under other liabilities mainly includes interest on factoring.

Non-interest finance costs included in the "Other" category, such as bank loans and commissions, mainly consist of amortised bank commissions for arranging and providing the revolving credit facility, undrawn credit facilities as well as fees for bank guarantees provided to the Group's suppliers.

Loss on valuation and settlement of derivatives includes the valuation of forward contracts and options, as well as the ineffective portion of cash flow hedges in the amount of PLN 7 125 thousand in the year 2023. Detailed information on hedge accounting is described in note 8.1.

5.5. Taxation

Accounting policy

Current tax liabilities and receivables for the current and previous periods are measured at the amounts of the expected payment to the tax authorities (subject to reimbursement from tax authorities) using tax rates and tax regulations that have been enacted or substantively enacted at the reporting date.

For financial reporting purposes, deferred tax is calculated using the liability method on all temporary differences as at the reporting date between the tax base of assets and liabilities and their carrying amount as shown in these Consolidated Financial Statements.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

The unrecognised deferred tax asset is subject to reassessment at each reporting date and is recognised to the extent that it is probable that the future taxable profit will be available, allowing the asset to be recovered.

Deferred tax assets are also recognised for unused tax losses and are recognised only when it is probable that taxable income will be generated in the future, allowing the temporary differences or tax credits to be utilised on the same type of tax.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax regulations) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income relating to items recognised in other comprehensive income or directly in equity relating to items recognised directly in equity. The Group offsets deferred tax assets with deferred tax liabilities if and only if it has a legally enforceable right to offset current tax receivables and current tax liabilities, and deferred tax is related to the same taxpayer and the same tax authority.

If, in the Group's opinion, it is probable that a taxation authority will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group determines taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the tax treatment approach planned or used in its tax return.

If the Group determines that it is unlikely that a taxation authority will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of uncertainty in determining taxable profit (tax loss), unused tax losses, unused tax credits or tax rates by using most likely scenario or using the expected value, whichever method better predicts the resolution of the uncertainty.

Values based on professional judgement

Uncertain tax treatment

Regulations concerning value added tax, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in a lack of appropriate benchmarks, inconsistent interpretations and few established precedents that may be followed. The applicable regulations also contain uncertainties, resulting in differences in opinions as to the legal interpretation of tax regulations, both between government bodies and government bodies and companies.

Tax and other settlements (for example, customs or foreign currency settlements) may be subject to inspection by authorities that are entitled to impose high penalties and fines, and any additional tax liabilities calculated as a result must be paid together with high interest. These conditions mean that the tax risk in Poland is greater than in countries with more established tax systems.

Consequently, the amounts presented and disclosed in these Consolidated Financial Statements may change in the future as a result of the final decision of the tax inspection authority.

As of July 15, 2016, amendments to the Tax Ordinance Act were introduced in Poland to reflect the provisions of the General Anti-avoidance Rule (GAAR). GAAR is targeted to prevent the origination and use of fictitious legal structures designed to avoid paying tax in Poland. GAAR defines tax evasion as an activity performed primarily for the purpose of obtaining a tax advantage, contrary in the given circumstances to the object and purpose of the provisions of the tax act.

According to GAAR, such an activity does not result in obtaining a tax advantage if the mode of operation was artificial. Any instances of (i) unreasonable division of operations, (ii) the involvement of agents despite the lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, and (iv) other activities similar to those previously mentioned, may be treated as an indication of the existence of artificial activities subject to GAAR. The regulations require considerable judgment in assessing the tax implications of individual transactions.

The GAAR clause should be applied to transactions performed after its effective date and to transactions that were carried out before the effective date of the GAAR clause, but for which tax gains were or are still achieved after the effective date of the clause. The implementation of the above provisions enables Polish tax inspection authorities to question the legal arrangements and agreements implemented by taxpayers, such as the restructuring and reorganisation of the Group.

The Group discloses and measures current and deferred assets or liabilities using the requirements of IAS 12 *Income Taxes* ("IAS 12") based on taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into consideration uncertainties related to tax settlements. When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of a transaction, the Group recognises these settlements taking into account the assessment of uncertainty (note 9.1).

Estimates

Deferred tax asset

The Group recognises a deferred tax asset based on the assumption that sufficient taxable profits will be generated in the future that will allow for its use. A deterioration in the future taxable profits may render this assumption unreasonable.

(in PLN thousand, unless otherwise stated)

Current tax

Income tax expense

Main components of the income tax cost for the period ended as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 are as follows:

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Current tax	(127 741)	(272 812)	(164 092)
Deferred tax	(22 148)	107 797	10 137
Income tax in the statement of profit or loss and other comprehensive income	**(149 889)**	**(165 015)**	**(153 955)**
Profit / Loss	*(153 395)*	*(165 096)*	*(153 893)*
Other comprehensive income	*3 506*	*81*	*(62)*

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Income tax in profit or loss	**(127 741)**	**(272 812)**	**(164 092)**
Change in income tax receivables / liabilities	(197 519)	89 056	79 507
The balance of receivables / (liabilities) at the beginning of the period	*(201 842)*	*(112 786)*	*(33 279)*
The balance of (receivables) / liabilities at the end of the period	*4 323*	*201 842*	*112 786*
Offsetting the overpayment of other taxes towards the income tax liability	527	-	-
Other	16 336	(16 341)	159
Income tax in the statement of cash flows (paid)	**(308 397)**	**(200 097)**	**(84 426)**

The item 'Other' includes, among others, interest on tax arrears in the amount of PLN 16 462 thousand relating to the tax burden of the taxpayer Heket Investment S.à r.l. recognised on the basis of the result of the customs and tax inspection described later in this note, which was paid in 2023.

Effective tax rate reconciliation

The reconciliation of the income tax on the gross financial result before taxation according to the statutory tax rate and the income tax calculated according to the effective tax rate of the Group is as follows:

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Profit before tax	**509 688**	**548 798**	**649 218**
Tax rate	25%	25%	25%
Tax according to the tax rate	**(127 422)**	**(137 200)**	**(161 915)**
Correction by:			
Permanent differences between accounting regulations and tax law	(54 146)	(61 629)	(24 267)
Interest and exchange differences on loans and advances received	*(45 566)*	*(46 683)*	*(21 517)*
Other	*(8 580)*	*(14 946)*	*(2 750)*
Deferred tax assets not recognised on temporary differences (tax losses not to be recovered)	(31 568)	(19 939)	(2 950)
Effect of lower tax rates in Poland	30 275	53 882	35 610
Effect of tax relief due to business in Special Economic Zone	725	43 690	-
Other	28 741	(43 900)	(371)
Income tax in profit or loss	**(153 395)**	**(165 096)**	**(153 893)**
Effective tax rate	*30.1%*	*30.1%*	*23.7%*

Permanent differences between the accounting and tax law relate mainly to interest and exchange differences on bank loans and borrowings received. The costs of debt financing obtained in order to acquire shares, in accordance with Polish regulations (Art. 16 sec. 1 point 13e) of the Polish Corporate Income Tax Act, do not constitute tax deductible costs.

Deferred tax

The table below presents the items from which the deferred income tax results.

(in PLN thousand, unless otherwise stated)

The abbreviations used mean:

CSoFP Consolidated statement of financial position
NPL Net profit/ (loss)
OCI Other comprehensive income
OB Opening balance of acquired subsidiaries

	31.12.2023		31.12.2022		31.12.2021		
	Deferred tax included in:		Deferred tax included in:		Deferred tax included in:		
	CSoFP	NPL	CSoFP	NPL	CSoFP	NPL	OB.
DEFERRED TAX ASSETS							
Accrued interest on borrowings received at effective interest method	5 142	2 392	2 750	2 744	6	6	-
Unbilled revenue	(1 828)	(1 828)	-	-	-	-	-
Unbilled revenue reductions	4 389	(518)	4 907	(1 066)	5 973	1 784	-
Unbilled rebates for franchisees	70 940	26 626	44 314	10 701	33 613	6 146	-
Refund liability	52 994	10 105	42 889	13 357	29 532	4 717	-
Revaluation of financial instruments as a result of modification of cash flows	-	-	-	(3 772)	3 772	3 772	-
Allowance for expected credit losses on receivables	19 845	(1 631)	21 476	(185)	21 661	1 025	-
Expected credit losses on loans	514	111	403	(2 032)	2 527	(60)	-
Impairment of property, plant and equipment	4 169	2 020	2 149	653	1 496	(298)	-
Impairment of shares	1 282	292	990	277	713	114	-
Impairment of inventory	807	38	769	348	421	(598)	-
Temporary difference in property, plant and equipment and intangible assets	15 923	85	15 838	2 842	12 996	(3 249)	4 956
Provisions and accruals	94 469	23 002	71 467	40 909	30 558	7 418	1 589
Settlement of trade discounts and rebates	8 514	3 183	5 331	(114)	5 445	2 531	-
Lease liability*	763 262	88 226	675 036	100 821	574 215	66 959	-
Foreign exchange gains and losses	99	(1 147)	1 246	1 244	2	(48)	-
Carry-forward of unused tax losses	3 581	2 131	1 450	1 226	224	184	-
Special economic zone tax relief	31 608	(8 950)	40 558	40 558	-	-	-
Valuation of derivatives	1 020	371	649	649	-	-	-
Other	3 408	2 223	1 185	400	785	4	-
Deferred tax assets	**1 080 138**	**146 731**	**933 407**	**209 560**	**723 939**	**90 407**	**6 545**

(in PLN thousand, unless otherwise stated)

	31.12.2023		31.12.2022			31.12.2021	
DEFERRED TAX LIABILITIES							
Right of return assets	(2 139)	366	(2 505)	51	(2 556)	(1 410)	-
Accrued interest on bank loans at effective interest method and revaluation of financial instruments as a result of modification of cash flows	(7 180)	(6 485)	(695)	8 079	(8 774)	2 935	-
Accrued interest on loans at effective interest method and foreign exchange gains and losses	61	1 656	(1 595)	23 752	(25 439)	380	-
Unbilled revenue	(5 972)	(3 669)	(2 303)	(1 211)	(1 092)	(699)	-
Unbilled revenue reductions	(377)	(377)	-	86	(86)	(86)	-
Temporary difference in property, plant and equipment and intangible assets	(302 921)	(34 149)	(268 772)	(22 251)	(246 521)	(10 638)	(10 710)
Subscription fees settlement and other non-financial assets	(4 218)	(1 946)	(2 272)	(133)	(2 139)	(2 139)	-
Settlement of trade discounts and rebates	(97 645)	(36 863)	(60 782)	(15 650)	(45 132)	(4 174)	-
Right of use assets*	(714 128)	(82 628)	(631 500)	(94 380)	(537 120)	(64 724)	-
Foreign exchange gains and losses	(7 583)	(7 352)	(231)	(83)	(148)	(144)	-
Discount of the deposit received	-	1 751	(1 751)	(1 751)	-	-	-
Provision for invoices	-	667	(667)	(667)	-	-	-
Non-interest costs related to loans	(2 139)	(810)	(1 329)	(1 329)	-	-	-
Other	(4 560)	(2 594)	(1 525)	3 724	(3 013)	491	-
Deferred tax liabilities	**(1 148 801)**	**(172 433)**	**(975 927)**	**(101 763)**	**(872 020)**	**(80 208)**	**(10 710)**
Set-off amount	1 080 138	146 731	933 407	(101 763)	723 939	(80 208)	6 545
NET DEFERRED TAX ASSETS/ (LIABILITIES)	**(68 663)**	**(25 702)**	**(42 520)**	**107 797**	**(148 081)**	**10 199**	**(4 165)**

(in PLN thousand, unless otherwise stated)

	31.12.2023		31.12.2022		31.12.2021		
	Deferred tax included in:		Deferred tax included in:		Deferred tax included in:		
	CSoFP	OCI	CSoFP	OCI	CSoFP	OCI	OB.
DEFERRED TAX ASSETS							
Actuarial gains and losses	(53)	(99)	47	81	(34)	(62)	-
Cash flow hedge	3 606	3 605	-	-	-	-	-
Deferred tax assets	**3 553**	**3 506**	**47**	**81**	**(34)**	**(62)**	**-**
NET DEFERRED TAX ASSETS/ (LIABILITIES)	**3 553**	**3 506**	**47**	**81**	**(34)**	**(62)**	**-**

	31.12.2023	31.12.2022	31.12.2021
TOTAL NET DEFERRED TAX ASSETS/ (LIABILITIES)	**(65 109)**	**(42 520)**	**(148 115)**
Deferred tax assets in CSoFP	*42 419*	*52 744*	*-*
Deferred tax liabilities in CSoFP	*(107 528)*	*(95 264)*	*(148 115)*

* The Group applied the amendment to IAS 12 effective January 1, 2023 at all reporting dates presented in these Consolidated Financial Statements. As a result, deferred tax assets and liabilities related to leases were recognised separately. Before the change, the Group reported these items net as assets (as at December 31, 2022: PLN 43 536 thousand; as at December 31, 2021: PLN 37 095 thousand) based on the difference between lease liabilities and right of use assets. Due to the offsetting of deferred tax assets and liabilities, the change had no impact on deferred tax values presented in the statement of financial position and the statement of profit or loss and other comprehensive income.

On November 14, 2023, Żabka Polska sp. z o.o. and four subsidiaries entered into a Tax Group Agreement, with 2024 being the first year of the Tax Group's existence. The Tax Group has become the corporate income tax payer in place of the previous five corporate income tax paying companies, with Żabka Polska sp. z o.o. acting as the parent of the Tax Group.

The Group recognised the deferred tax asset for tax loss for the financial years ended December 31, 2023, December 31, 2022, and December 31, 2021 in several subsidiaries. These companies or Tax Capital Group (in case of companies that have joined the Group) may reduce income in the next 5 consecutive tax years by the amount of the reported loss, provided that the amount of the reduction in any of these years does not exceed 50% of the amount of this loss. These companies will generate enough revenue to offset tax losses over 5 years according to the budgets.

Tax losses of subsidiaries for which a deferred tax asset has not been recognised amount to PLN 166 147 thousand for 2023, PLN 104 942 thousand for 2022 and PLN 15 526 thousand for 2021. Under the applicable tax laws, the tax losses of these companies can be used over the period of 5 years. Unrecognized deferred tax asset resulting from those tax losses amounts to PLN 31 568thousand as at December 31, 2023, PLN 19 939 thousand as at December 31, 2022, and PLN 2 950 thousand as at December 31, 2021.

On February 15, 2023 one of the Group's subsidiaries received the decision from the Tax Office, being a result of the inspection related to the reliability of fulfilling the obligation to pay corporate income tax on the income under Polish regulations referred to in Art. 21 of the Act of February 15, 1992 on corporate income tax for the years 2018 and 2019 (in particular with regard to the capitalisation of interest on the loan received by the subsidiary from its direct shareholder Heket Investments S.à r.l.) that was initiated on February 10, 2021.

Despite Żabka Polska sp. z o.o. providing documentation showing that Heket Investments S.à r.l. had actual operations in Luxembourg, the authority disputed the right to apply the interest exemption. The authority concluded that Heket Investments S.à r.l. was acting only as an intermediary with respect to the financing provided to Żabka Polska sp. z o.o. in 2017.

The Group disagrees with the authority's position as to the obligation to collect tax on capitalised and paid interest. However, the Group and its subsidiary, as a tax payer, decided to comply with the inspection result and pay PLN 43 496 thousand (increased by the late payment interest in the amount of PLN 17 740 thousand at the time of payment). At the same time Żabka Polska sp. z o.o., as the legal successor of the taxpayer i.e. Heket Investments S.à r.l., has applied to the authority for a declaration of overpayment and tax refund. The proceedings of this case have not been resolved yet.

On November 5, 2020 one of the Group's subsidiaries received a decision on support, entitling it to a long-term corporate income tax relief for the Group's new investment. On October 31, 2023 an amended decision was issued, extending the deadline to meet the conditions of the original decision. Public support depends on fulfilment of the following conditions:
1. the entity has to create at least 30 new workplaces by December 31, 2023 and maintain this level for 5 consecutive years,
2. the entity has to incur qualifying investment costs in the amount at least PLN 180 000 thousand by June 30, 2024,
3. the maximum level of qualifying costs amounts to PLN 234 000 thousand,
4. other minor qualitative conditions related mainly to the development of the R&D activities, creation new workplaces for skilled and highly paid specialists, pursuit of activities with minor impact on the environment and support in education and improving qualifications.

In the Management's opinion, as at the reporting date, there is reasonable assurance that the conditions for obtaining the tax relief have been met, taking into account the degree of realisation. Accordingly, the Group recognised a deferred tax asset arising from the unused tax relief available as at the reporting date for incurred qualified costs, to the extent that it is probable that future taxable income will be available against which it can be utilised. The amount of PLN 31 608 thousand recognised as at December 31, 2023 (PLN 40 558 thousand as at December 31, 2022) was determined based on tax budgets for the next 5 years using the best available knowledge of the economic content of events and tax regulations.

The support received is conditional and is associated with the probability of the occurrence of tax inspections. If the entity fails to fulfil the relevant requirements, the decision on support may be revoked, resulting in the obligation to pay outstanding tax liabilities with interest. The decision may be revoked if the entity:
1. ceases business activities specified in the decision on support in the area indicated in the decision, or
2. violates the conditions specified in the support decision, or
3. fails to address deficiencies in the implementation of the conditions referred to in point 2, as found during the inspection, in due time.

Accordingly, the amounts disclosed in the Consolidated Financial Statements may change at a later date, once their final amount is determined by the tax authorities.

International Tax Reform — Pillar Two rules – Amendments to IAS 12
The Group is within the scope of the EU Pillar Two rules. Pillar Two legislation was enacted in Luxembourg, Germany and Romania and came into effect for fiscal years starting on or after 31 December 2023. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Group is in the process of assessing its exposure to the Pillar Two legislation in the jurisdictions where it is present. Based on preliminary testing under the OECD Transitional Safe Harbour Rules, the Group expects that the jurisdictions where it is present could benefit from such safe harbour rules, meaning that no additional taxes are expected to be due under the Pillar Two rules. The Group will continue to monitor and analyse the development of the Pillar Two rules in each of the covered jurisdictions (legislative process in Poland is still pending) and the analysis will be updated accordingly.

(in PLN thousand, unless otherwise stated)

5.6. Earnings per share

Accounting policy

Basic earnings per share is calculated by dividing the net profit for a given period by the weighted average number of ordinary shares of Zabka Group outstanding during the given period.

Diluted earnings per share is calculated by dividing the net profit for a given period by the weighted average number of ordinary shares outstanding during the period adjusted for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The calculation of the basic and diluted earnings per share is presented below.

	2023	2022	2021
The number of shares used as the denominator of the formula			
Weighted average number of shares	59 895 279	59 895 279	59 466 477
Diluting effect of call options	1 643 181	1 643 181	2 071 983
Diluted weighted average number of shares	61 538 460	61 538 460	61 538 460
Earnings per share			
Net profit attributable to the equity holders of the parent	353 724	382 333	487 301
Adjustment for effects of preference shares classified as equity	(27 608)	(25 890)	(83 847)
Net profit attributable to ordinary equity holders of the parent	326 116	356 443	403 454
Basic earnings per share in PLN	5.44	5.95	6.78
Diluted earnings per share in PLN	5.30	5.79	6.56

In the period between the balance sheet date and the date of approval of these Consolidated Financial Statements, there were no other transactions involving ordinary shares or potential ordinary shares.

(in PLN thousand, unless otherwise stated)

6. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1. Goodwill

Accounting policy

Goodwill on acquisition of a business is initially measured at cost, being the amount of the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and in the case of a business combination achieved in stages, the fair value at the date of acquisition of the interest in the acquiree previously held by the acquirer over the fair value of the acquired identifiable assets, liabilities and contingent liabilities determined as at the date of acquisition.

Goodwill is not amortised. As at the acquisition date, goodwill acquired is allocated to each of the cash generating units (CGU) that may benefit from the synergies of the business combination. An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which goodwill has been allocated.

Goodwill as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 by acquisitions:

Note		Żabka Polska S.A.	Maczfit Foods sp. z o.o.	Masterlife Solutions sp. z o.o.	Total goodwill
	CGU	Ultimate Convenience	Maczfit Foods activity	Masterlife Solutions activity	
	Acquisition date	April 2017	April 2021	May 2021	
	As at 01.01.2023	**3 166 432**	**175 746**	**45 091**	**3 387 269**
3	Acquisitions	-	-	-	**-**
	Impairment loss for the year	-	-	-	**-**
	As at 31.12.2023	**3 166 432**	**175 746**	**45 091**	**3 387 269**
	Gross carrying amount	*3 166 432*	*175 746*	*45 091*	***3 387 269***
	Accumulated impairment	-	-	-	**-**

Note		Żabka Polska S.A.	Maczfit Foods sp. z o.o.	Masterlife Solutions sp. z o.o.	Total goodwill
	CGU	Ultimate Convenience	Maczfit Foods activity	Masterlife Solutions activity	
	Acquisition date	April 2017	April 2021	May 2021	
	As at 01.01.2022	**3 166 432**	**175 746**	**45 091**	**3 387 269**
3	Acquisitions	-	-	-	**-**
	Impairment loss for the year	-	-	-	**-**
	As at 31.12.2022	**3 166 432**	**175 746**	**45 091**	**3 387 269**
	Gross carrying amount	*3 166 432*	*175 746*	*45 091*	***3 387 269***
	Accumulated impairment	-	-	-	**-**

Note		Żabka Polska S.A.	Maczfit Foods sp. z o.o.	Masterlife Solutions sp. z o.o.	Total goodwill
	CGU	Ultimate Convenience	Maczfit Foods activity	Masterlife Solutions activity	
	Acquisition date	April 2017	April 2021	May 2021	
	As at 01.01.2021	**3 166 376**	**-**	**-**	**3 166 376**
3	Acquisitions	56	175 746	45 091	**220 893**
	Impairment loss for the year	**-**	**-**	**-**	-
	As at 31.12.2021	**3 166 432**	**175 746**	**45 091**	**3 387 269**
	Gross carrying amount	*3 166 432*	*175 746*	*45 091*	***3 387 269***
	Accumulated impairment	-	-	-	**-**

On April 20, 2017, the Group purchased all the shares in Żabka Polska S.A. The purchased company establishes, develops and manages grocery stores, offering cooperation based on a franchise agreement, trades in food products and provides services related to this activity on the Polish market.

The rise in goodwill in 2021 was due to the Group's acquisition of Maczfit Foods sp. z o.o. in April 2021, that specializes in diet catering, ready meals, and meals manufacturing. In May 2021, the Group also acquired Masterlife Solutions sp. z o.o., a diet catering platform and software business.

Goodwill is not amortised for both accounting and income tax purposes. Information on the impairment tests performed is presented in note 6.5.

6.2. Other intangible assets

Accounting policy

The Group identifies and recognises an intangible asset when the following criteria are met: it is identifiable, it is controlled by the Group as a result of past events and from which the Group is expected to obtain future economic benefits. Intangible assets acquired in a separate transaction or developed (if they meet the recognition criteria for development costs) are initially measured at cost. The cost of intangible assets acquired in a business combination is equal to their fair value as at the acquisition date.

After initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses. Expenditure incurred on internally generated intangible assets, except for capitalised development costs, are not capitalised and are charged against profit in the period in which they were incurred.

The initial value of software licenses and copyrights recognised as intangible assets also includes costs incurred in implementing, coding, configuring, or customizing the software.

In case of cloud computing arrangements, the Group recognises an intangible asset when both the definition and the criteria for recognition are met, in particular when it receives a resource that it can control.

One situation in which an intangible asset for a software licence is recognised in a cloud computing arrangement is when both of the following are met at the inception of the arrangement:

- the Group has the contractual right to take possession of the software during the hosting period without significant penalty, and
- it is feasible for the Group to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

A contract that conveys to the Group only the right to receive access to the supplier's application software in the future is a service contract, for which costs are expensed when the service is received. If the Group pays a supplier before receiving a service, it recognises a prepayment asset.

Where costs incurred to configure or customise cloud computing arrangements, which do not give rise to an intangible asset, result in the creation of a resource that is identifiable, and from which the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits (in particular: development of a new software or new functionalities to existing software) costs are recognised as a separate intangible software asset.

Where costs incurred to configure or customise do not result in the recognition of a separate intangible software asset, then those costs that provide the Group with a distinct service (in addition to the cloud computing service) are recognised as expenses when the supplier provides the service. When such costs incurred do not provide a distinct service, costs are recognised as expenses over the duration of the cloud computing arrangement.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite. Intangible assets with a finite useful life are amortised throughout their useful life and tested for impairment each time when there is an indicator of impairment (more information in note 6.5). Both period and method of amortisation of intangible assets with a finite useful life are reviewed at least once at the end of each financial year.

Intangible assets with an indefinite useful life as well as those that are no longer in use are tested for impairment each year in relation to individual assets or at the level of the cash generating unit (more information in note 6.5).

The policies applied in relation to the Group's intangible assets are summarised as follows:

Software, copyrights and other licenses - for licenses used on the basis of a fixed-term contract, the estimated useful life takes into account the additional period for which the use may be extended. Amortisation is recognised using the straight-line method. Assets with an indefinite useful life are not amortised or revalued.

Trademarks - the useful life is indefinite, except for the trademark "Freshmarket", for which the useful life lasted until September 30, 2020. The amortisation of the "Freshmarket" trademark was recognised using the straight-line method. Assets with an indefinite useful life are not amortised or revalued.

Relationships with franchisees and customers - the estimated useful life is based on the expected period of cooperation. An amortisation method reflecting the realisation of benefits recognised as an intangible asset is used.

Gains or losses resulting from the derecognition of intangible assets from the balance sheet are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss upon their derecognition from the balance sheet.

Borrowing costs

Borrowing costs are capitalised as part of the cost of intangible assets. Borrowing costs include interest calculated using the effective interest rate method and finance costs under lease contracts as well as foreign exchange differences arising in connection with external financing to the extent they are regarded as an adjustment to the interest cost.

Capitalisation rules apply only for qualified assets with specified sources of financing.

Values based on professional judgement

Cloud computing arrangements

In relation to cloud computing arrangements the Management has made judgements in the following areas:

- Determining whether cloud computing arrangements contain a software licence intangible asset.

The Group evaluates a cloud computing arrangement to determine if it provides a resource that the Group can control. One situation when the Group determines that a software licence intangible asset exists in a cloud computing arrangement is when both of the following are met at the inception of the arrangement:

- the Group has the contractual right to take possession of the software during the hosting period without significant penalty, and
- It is feasible for the Group to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

If the Group acquires only the right to future services in the form of access to standard software in the cloud (i.e. subscription), the Group does not recognise any intangible assets and recognises periodic payments as costs over the subscription period.

- Determining of costs meeting the capitalisation criteria.

The Group evaluates whether the configuration and customisation associated with cloud computing arrangements which do not give rise to an intangible asset result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits. In particular, a customisation that results in development of new functionalities to existing on-premise software owned by the Group and development of bridging modules/interfaces may result in a separate intangible asset to be recognised. Costs that are capitalisable for developing software or obtaining a software licence included in a cloud computing arrangement include payroll and payroll related costs (benefits) for employees who are directly involved with and who devote time to developing the cloud computing system, to the extent the time is directly attributed to preparing the asset for use.

Estimates

Amortisation rates

The amortisation rates are determined on the basis of the expected period of economic useful lives of intangible assets. The annual amortisation rates for software, copyrights and other licences and costs of obtaining franchise agreements are within the 20-50% range. The amortisation period for relationships with franchisees is 7 years and for relationships with customers 5 years. The Group reviews the applied useful lives based on current estimates.

(in PLN thousand, unless otherwise stated)

	Software, copyrights and other licences	Trademarks	Relationships with franchisees	Relationships with customers	Costs of obtaining franchise agreements	Intangible assets under construction	Total
Net carrying amount as at 01.01.2023	**285 081**	**335 903**	**16 000**	**11 057**	**32 122**	**193 186**	**873 349**
Gross carrying amount	*512 137*	*367 908*	*429 000*	*16 541*	*72 415*	*194 029*	***1 592 030***
Accumulated amortisation	*(227 056)*	*(32 005)*	*(413 000)*	*(5 484)*	*(40 293)*	-	***(717 838)***
Accumulated impairment	-	-	-	-	-	(843)	**(843)**
NET CARRYING AMOUNT AS AT 01.01.2023	**285 081**	**335 903**	**16 000**	**11 057**	**32 122**	**193 186**	**873 349**
Additions	47 786	-	-	-	20 790	234 727	**303 303**
Disposals	-	-	-	-	-	-	**-**
Gross carrying amount	*(8 721)*	-	-	-	-	*(843)*	***(9 564)***
Accumulated amortisation	*8 721*	-	-	-	-	-	***8 721***
Accumulated impairment	-	-	-	-	-	*843*	***843***
Transfers from intangible assets under construction	158 654	-	-	-	-	(158 654)	**-**
Amortisation	(128 339)	-	(10 000)	(3 308)	(20 827)	-	***(162 474)***
Impairment loss for the year	-	-	-	-	-	(4 501)	***(4 501)***
Net carrying amount as at 31.12.2023	**363 182**	**335 903**	**6 000**	**7 749**	**32 085**	**264 758**	**1 009 677**
Gross carrying amount	*709 856*	*367 908*	*429 000*	*16 541*	*93 205*	*269 259*	***1 885 769***
Accumulated amortisation	*(346 674)*	*(32 005)*	*(423 000)*	*(8 792)*	*(61 120)*	-	***(871 591)***
Accumulated impairment	-	-	-	-	-	*(4 501)*	***(4 501)***

	Software, copyrights and other licences	Trademarks	Relationships with franchisees	Relationships with customers	Costs of obtaining franchise agreements	Intangible assets under construction	Total
Net carrying amount as at 01.01.2022	**197 935**	**335 903**	**33 000**	**14 365**	**19 114**	**136 377**	**736 694**
Gross carrying amount	*337 486*	*367 908*	*429 000*	*16 541*	*43 933*	*136 377*	***1 331 245***
Accumulated amortisation	*(139 551)*	*(32 005)*	*(396 000)*	*(2 176)*	*(24 819)*	-	***(594 551)***
NET CARRYING AMOUNT AS AT 01.01.2022	**197 935**	**335 903**	**33 000**	**14 365**	**19 114**	**136 377**	**736 694**
Additions	20 636	-	-	-	28 482	213 406	**262 524**
Disposals	(1 739)	-	-	-	-		**(1 739)**
Transfers from intangible assets under construction	155 755					(155 755)	**-**
Amortisation	(87 505)	-	(17 000)	(3 308)	(15 474)	-	**(123 287)**
Impairment loss for the year	-	-	-	-	-	(843)	**(843)**
Net carrying amount as at 31.12.2022	**285 082**	**335 903**	**16 000**	**11 057**	**32 122**	**193 185**	**873 349**
Gross carrying amount	*512 138*	*367 908*	*429 000*	*16 541*	*72 415*	*194 028*	***1 592 030***
Accumulated amortisation	*(227 056)*	*(32 005)*	*(413 000)*	*(5 484)*	*(40 293)*	-	***(717 838)***
Accumulated impairment	-	-	-	-	-	*(843)*	***(843)***

(in PLN thousand, unless otherwise stated)

	Software, copyrights and other licences	Trademarks	Relationships with franchisees	Relationships with customers	Costs of obtaining franchise agreements	Intangible assets under construction	Total
Net carrying amount as at 01.01.2021	**122 585**	**278 195**	**62 000**	**-**	**12 421**	**83 724**	**558 925**
Gross carrying amount	*206 669*	*310 200*	*429 000*	*-*	*28 719*	*83 724*	***1 058 312***
Accumulated amortisation	*(84 084)*	*(32 005)*	*(367 000)*	*-*	*(16 298)*	*-*	***(499 387)***
NET CARRYING AMOUNT AS AT 01.01.2021	**122 585**	**278 195**	**62 000**	**-**	**12 421**	**83 724**	**558 925**
Acquisition of subsidiaries	4 847	57 708	-	16 541	-	-	**79 096**
Additions	4 565	-	-	-	15 214	174 775	**194 554**
Disposals	(717)	-	-	-	-	-	**(717)**
Gross carrying amount	*(717)*	*-*	*-*	*-*	*-*	*-*	***(717)***
Accumulated amortisation	*-*	*-*	*-*	*-*	*-*	*-*	***-***
Transfers from intangible assets under construction	122 122	-	-	-	-	(122 122)	**-**
Amortisation	(55 467)	-	(29 000)	(2 176)	(8 521)	-	**(95 164)**
Net carrying amount as at 31.12.2021	**197 935**	**335 903**	**33 000**	**14 365**	**19 114**	**136 377**	**736 694**
Gross carrying amount	*337 486*	*367 908*	*429 000*	*16 541*	*43 933*	*136 377*	***1 331 245***
Accumulated amortisation	*(139 551)*	*(32 005)*	*(396 000)*	*(2 176)*	*(24 819)*	*-*	***(594 551)***

Increases in intangible assets for the years ended December 31, 2023, December 31, 2022, and December 31, 2021 are mainly due to purchase of licenses, computer programmes and copyrights, in particular related to the implementation of franchisee applications and additional SAP modules.

In connection with the acquisition of shares in Żabka Polska S.A. in April 2017, the following intangible assets were recognised:
- trademarks that include the trademarks "Żabka", "Zielone Okienko", "Freshmarket", and
- relationships with franchisees, which include commercial relationships between the acquired company and franchisees running stores.

In connection with the acquisition of shares in Maczfit Foods sp. z o.o. the Group recognised:
- the“Maczfit” trademark and,
- relations with customers through Maczfit’s website and mobile application.

In connection with the acquisition of shares in Masterlife Solutions sp. z o.o. the Group recognised:
- the “Dietly” trademark and,
- relations with customers through Dietly’s online comparison engine.

Consolidated Financial Statements of Żabka Group for the years ended December 31, 2023, December 31, 2022 and December 31, 2021 (in PLN thousand, unless otherwise stated)

The table below presents their description, fair value as at the acquisition date and a carrying amount as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021.

Position	Description	Fair value at the acquisition date	Carrying amount as at 31.12.2023	31.12.2022	31.12.2021
„Żabka"	Trademarks used by stores engaged in retail trade in food, alcohol and tobacco products, managed by the Group	277 000	277 000	277 000	277 000
„Freshmarket"		32 000	-	-	-
„Zielone okienko"	Services provided under the "Zielone Okienko" trademark include: payment acceptance services that enable customers to pay bills in Żabka stores, photocopying services, prepayments for mobile telephone	1 200	1 200	1 200	1 200
„Maczfit"	Trademark used by internet website and mobile application used to deliver professional dietary catering	47 671	47 671	47 671	47 671
„Dietly"	Trademark used by comparison website that helps customers to find and order the most accurate dietary catering	10 037	10 037	10 037	10 037
Trademarks total		**367 908**	**335 908**	**335 908**	**335 908**
Relationships with franchisees	Commercial relations of Żabka Polska S.A. with franchisees running stores	429 000	6 000	16 000	33 000
Relationships with franchisees total		**429 000**	**6 000**	**16 000**	**33 000**
Relationships with customers of "Maczfit"	B2C relations of Maczfit Foods sp z o.o. with customers of its internet website and mobile application "Maczfit"	14 801	6 908	9 868	12 828
Relationships with customers of "Dietly"	B2B relations of Masterlife Solutions sp. z o.o. with customers of "Dietly" comparison website	1 740	841	1 189	1 537
Relationships with customers total		**16 541**	**7 749**	**11 057**	**14 365**

The Group determines indefinite useful life for the trademarks: "Żabka", "Zielone Okienko", "Maczfit"and "Dietly".

In connection with the assumption of an indefinite useful life for the above-mentioned trademarks, the Group performed an impairment test - details are presented in note 6.5.

The "Freshmarket" trademark was fully amortised at the end of September 2020 due to the completed chain remodelling process.

Description of collaterals established on intangible assets
A registered pledge was established on intangible assets in particular on trademarks in favour of a syndicate of banks based on the concluded loan agreement (for more information, see note 7.3).

6.3. Property, plant and equipment

Accounting policy
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The initial cost of an item of property, plant and equipment includes its purchase price increased by all costs directly attributable to bringing the asset to working condition for its intended use. The cost also includes the cost of replacing components of machines and devices when incurred, if the recognition criteria are met. Costs incurred after the date of putting the fixed asset into use, such as maintenance and repair costs, are charged to profit or loss when incurred.

The Group recognises expenditure on the adaptation of rented premises (leasehold improvements) as property, plant and equipment.

Property, plant and equipment, at the time of their purchase, are divided into components that represent items of significant value, for which a separate useful life can be allocated. Major overhauls also represent an asset component.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset, amounting to:

Type	Period
Land	No depreciation
Buildings and structures	10-22 years
Machines, devices and other:	
Machines and technical devices including:	3-10 years
Air-conditioning devices	5 years
Refrigerating racks	8 years
Refrigerating units and installations	10 years
Alarm systems	10 years
Office equipment	5 years
Vehicles	5 years
Computers	3 years
Leasehold improvements	10 years

The residual value and depreciation method of assets are reviewed annually and, if necessary, adjusted prospectively. The useful life is reviewed monthly and, if necessary, the amount of depreciation is adjusted from the beginning of the following month.

An item of property, plant and equipment may be derecognised from the balance sheet after it is sold or when no economic benefits are expected from the further use of such an asset. Any profits or losses resulting from derecognition of a given asset from the balance sheet (calculated as the difference between any net disposal proceeds and the carrying amount of a given item) are recognised in profit or loss for the period in which derecognition takes place.

Assets under construction relate to property, plant and equipment under construction or assembly and are recognised at purchase price or cost of construction, less any impairment losses. If the purchase price or cost of construction includes variable / contingent consideration, the Group takes into account the fair value of all contingent consideration in the initial measurement of the asset. Fixed assets under construction are not depreciated until the construction is completed and the fixed asset is ready to be used.

Property, plant and equipment also include advances paid for fixed assets or fixed assets under construction.

Borrowing costs

Borrowing costs are capitalised as part of the cost of property, plant and equipment. Borrowing costs include interest calculated using the effective interest rate method and finance costs under lease contracts as well as foreign exchange differences arising in connection with external financing to the extent they are regarded as an adjustment to the interest cost.

Capitalisation rules apply only for qualified assets with specified sources of financing.

Values based on professional judgement and estimates

Depreciation rates

The depreciation rates are determined based on the expected economic useful lives of property, plant and equipment. The Group reviews the applied economic useful lives based on current estimates.

(in PLN thousand, unless otherwise stated)

	Land	Buildings and structures	Machines, devices and other	Assets under construction	Total
Net carrying amount as at 01.01.2023	**3 094**	**619 440**	**1 556 892**	**665 230**	**2 844 656**
Gross carrying amount	*3 094*	*895 254*	*2 586 579*	*666 236*	***4 151 163***
Accumulated depreciation	*-*	*(275 814)*	*(1 020 224)*	*-*	***(1 296 038)***
Accumulated impairment	*-*	*-*	*(9 463)*	*(1 006)*	***(10 469)***
NET CARRYING AMOUNT AS AT 01.01.2023	**3 094**	**619 440**	**1 556 892**	**665 230**	**2 844 656**
Additions	48 878	633	3 893	994 320	**1 047 724**
Disposals	-	(684)	(2 155)	(2 159)	**(4 998)**
Gross carrying amount	*-*	*(38 188)*	*(33 139)*	*(3 165)*	***(74 492)***
Accumulated depreciation	*-*	*37 504*	*30 983*	*-*	***68 487***
Accumulated impairment	*-*	*-*	*-*	*1 006*	***1 006***
Transfer from assets under construction	-	191 604	896 664	(1 088 268)	**-**
Depreciation	-	(109 438)	(377 678)	-	**(487 116)**
Impairment loss for the year	-	-	(7 981)	-	**(7 981)**
Net carrying amount as at 31.12.2023	**51 972**	**701 555**	**2 069 634**	**569 123**	**3 392 284**
Gross carrying amount	*51 972*	*1 049 303*	*3 453 997*	*569 123*	***5 124 395***
Accumulated depreciation	*-*	*(347 748)*	*(1 366 919)*	*-*	***(1 714 667)***
Accumulated impairment	*-*	*-*	*(17 444)*	*-*	***(17 444)***

	Land	Buildings and structures	Machines, devices and other	Assets under construction	Total
Net carrying amount as at 01.01.2022	**33 613**	**488 846**	**1 326 380**	**464 728**	**2 313 567**
Gross carrying amount	*33 613*	*703 139*	*2 069 950*	*465 734*	***3 272 436***
Accumulated depreciation	*-*	*(214 293)*	*(736 700)*	*-*	***(950 993)***
Accumulated impairment	*-*	*-*	*(6 870)*	*(1 006)*	***(7 876)***
NET CARRYING AMOUNT AS AT 01.01.2022	**33 613**	**488 846**	**1 326 380**	**464 728**	**2 313 567**
Additions	3 094	28 695	2 770	1 135 083	**1 169 642**
Disposals	(33 613)	(187 695)	(1 247)	(373)	**(222 928)**
Gross carrying amount	*(33 613)*	*(212 669)*	*(44 260)*	*(373)*	***(290 915)***
Accumulated depreciation	*-*	*24 974*	*43 013*	*-*	***67 987***
Transfer from assets under construction	-	376 089	558 119	(934 208)	**-**
Depreciation	-	(86 495)	(326 537)	-	**(413 032)**
Impairment loss for the year	-	-	(2 593)	-	**(2 593)**
Net carrying amount as at 31.12.2022	**3 094**	**619 440**	**1 556 892**	**665 230**	**2 844 656**
Gross carrying amount	*3 094*	*895 254*	*2 586 579*	*666 236*	***4 151 163***
Accumulated depreciation	*-*	*(275 814)*	*(1 020 224)*	*-*	***(1 296 038)***
Accumulated impairment	*-*	*-*	*(9 463)*	*(1 006)*	***(10 469)***

(in PLN thousand, unless otherwise stated)

	Land	Buildings and structures	Machines, devices and other	Assets under construction	Total
Net carrying amount as at 01.01.2021	**33 613**	**430 759**	**1 225 626**	**97 721**	**1 787 719**
Gross carrying amount	*33 613*	*584 115*	*1 746 622*	*102 038*	***2 466 388***
Accumulated depreciation	-	*(153 356)*	*(515 874)*	-	***(669 230)***
Accumulated impairment	-	-	*(5 122)*	*(4 317)*	***(9 439)***
NET CARRYING AMOUNT AS AT 01.01.2021	**33 613**	**430 759**	**1 225 626**	**97 721**	**1 787 719**
Acquisition of subsidiaries	-	2 238	10 901	-	**13 139**
Additions	-	-	-	894 450	**894 450**
Disposals	-	(773)	(35 662)	(349)	**(36 784)**
Gross carrying amount	-	*(13 307)*	*(80 430)*	*(7 804)*	***(101 541)***
Accumulated depreciation	-	*12 534*	*44 086*	-	***56 620***
Accumulated impairment	-	-	*682*	*7 455*	***8 137***
Transfer from assets under construction	-	130 093	392 857	(522 950)	**-**
Depreciation	-	(73 471)	(264 912)	-	**(338 383)**
Impairment loss for the year	-	-	(2 430)	(4 144)	**(6 574)**
Net carrying amount as at 31.12.2021	**33 613**	**488 846**	**1 326 380**	**464 728**	**2 313 567**
Gross carrying amount	*33 613*	*703 139*	*2 069 950*	*465 734*	***3 272 436***
Accumulated depreciation	-	*(214 293)*	*(736 700)*	-	***(950 993)***
Accumulated impairment	-	-	*(6 870)*	*(1 006)*	***(7 876)***

The value of interest on loans capitalised under property, plant and equipment amounted to PLN 5 224 thousand (in 2022: PLN 1 848 thousand and in 2021: PLN 140 thousand).

Increases in property, plant and equipment in 2021-2023 mainly include purchases related to the investment in the automated warehouse, acquisition of equipment for new stores and costs for remodelling and modernisation in existing locations. Additionally, in 2023 the Group purchased land for a new logistics center.

The 2022 disposals include the automated warehouse transaction presented in note 6.4.

The table below presents the carrying amount of prepayments for future deliveries of property, plant and equipment and the carrying amount of assets not invoiced classified as assets under construction, over which the Group exercised control as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 (the carrying amount of assets not invoiced is charged to the Group's liabilities):

	31.12.2023	31.12.2022	31.12.2021
Advances for future deliveries	56 910	146 948	69 732
Assets not invoiced	144 394	169 092	91 950

Most of the assets under construction are expenditure related to the adaptation of new "Żabka" stores and the replacement of equipment operating in the chain of stores.

Description of collaterals established on property, plant and equipment
Registered pledge was established on all property, plant and equipment in favour of the syndicate of banks pursuant to the concluded loan agreement (for more information, see note 7.3).

6.4. Right-of-use assets and lease liabilities

Accounting policy
In the case of lease, rental and other agreements that fall under the definition of lease in accordance with the requirements of the International Financial Reporting Standard 16 Leases ("IFRS 16"), the Group recognises right-of-use assets (ROU) due to the right to use the underlying assets and, on the other side, lease liabilities due to lease payments.

The assets used by the Group on the basis of lease agreements include, among others: stores, office space, logistic centres, warehouses, cars, equipment (including payment terminals).

(in PLN thousand, unless otherwise stated)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The depreciation period corresponds to the term of the contract or estimates of the lease term for contracts concluded for an indefinite period (more on in the section significant values based on professional judgement), which is:

Type	Period
Buildings and structures	10-15 years
Vehicles	3-5 years
Machines, devices and other	5 years
Contracts concluded for an indefinite period, for which the lease term is estimated	10 years

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventory) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group applies the exemptions provided for in IFRS 16 and does not recognise right-of-use assets in the case of short-term leases and leases involving low-value assets. Short-term leases are defined as leases that have a term of no more than 12 months at the commencement date including periods for which the lease can be extended if the lessee is reasonably certain to exercise the right and does not include an option to purchase the underlying asset. The short-term lease exemption is made by class of underlying asset to which the right of use relates. Low value assets are those which, when new, do not exceed USD 5 thousand (as at December 31, 2023: PLN 20 thousand, as at December 31, 2022: PLN 22 thousand and as at December 31, 2021: PLN 20 thousand) and simultaneously analyses the nature of the asset in order to assess whether a leased asset qualifies for the low-value asset exemption. The amount of USD 5 thousand, is not a quantitative threshold but an example to illustrate a general principle. The types of assets that qualify for the low-value asset exemption might change over time if, due to technological or market developments, the price of a particular type of asset changes. The assessment of whether an underlying asset is of low-value is performed on a lease-by-lease basis. A lease does not qualify as a lease of a low-value asset if a lessee sub-leases, or expects to sub-lease, the leased asset.

If the class of assets includes service components considered by the Group to be insignificant, the Group applies a practical expedient and treats the lease and non-lease components together as one combined lease component and treats as lease payments also the fees assigned to non-lease components.

In the case of a lease modification that is not recognised as a separate lease, on the date of the modification, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate and recognises the remeasurement of the lease liability by decreasing in the carrying amount of a right-of-use asset to reflect the partial or full termination of a lease for lease modifications that decrease the scope of the lease. The Group recognises in the profit or loss any gain or loss relating to the partial or full termination of the lease.

Sale and leaseback transactions

In situations where the Group transfers an asset to another entity and leases that asset back from the buyer-lessor, the Group assesses whether the transfer of the asset constitutes a sale within the meaning of IFRS 15.

If the transfer of an asset is a sale, the Group as the seller-lessee determines right-of-use asset under the leaseback in proportion to the previous carrying amount of the asset, which relates to the right-of-use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. Any below-market payments are recognised as prepaid lease payments, and above-market payments are recognised as additional financing provided by the buyer-lessor.

If the transfer of an asset is not a sale, the Group continues to recognise the transferred asset and also recognises a financial liability corresponding to the proceeds of the transfer.

Values based on professional judgement

The application of IFRS 16 requires the Group to make various judgements, including determining which contracts meet the definition of a lease, which parameters (including the amount of the lease payments, length of the lease term, or the discount rate) should be used to measure the lease liability and whether there are indicators that it is necessary to reassess the lease term, discount rate or variable lease payments.

Lease term

Some lease contracts include options to extend or terminate the lease. The Group also concludes contracts for an indefinite period. Management makes a judgement to determine the period over which it can be assumed with reasonable certainty that such contracts will be continued.

The Group determines the lease term taking into account the non-cancellable period of the lease during which the Group has the right to use the underlying asset, together with:

- the periods for which the lease can be extended, if it can be assumed with reasonable certainty that the Group will exercise this right, and
- the periods during which the lease may be terminated if it can be assumed with reasonable certainty that the Group will not exercise this right.

When assessing the length of the non-cancellable lease period and determining the lease term, the Group takes into account the terms of the agreement and past practices regarding leases of a particular type of assets.

When assessing the probability of exercising the contract extension option, the Group considers all relevant facts and circumstances that give rise to the existence of economic incentives to exercise or not to exercise such an option, including, for example, the importance of the underlying asset to the Company's operations or costs relating to the termination of the lease, including reallocation costs and costs of identifying another underlying asset suitable for the lessee's needs. When assessing the probability of exercising the option to terminate the lease, the Group considers all relevant facts and circumstances that create an economic incentive for exercising such an option.

For such indefinite leases, the Group determines the lease term based on economic considerations (leasehold improvements and their depreciation period) and adopts a 10-year lease term for such leases.

Sale and leaseback transactions

Determining whether the transaction should be accounted for as a sale and leaseback, the Group as the seller-lessee applies the requirements in IFRS 15 on when an entity satisfies a performance obligation by transferring control of an asset. Making this judgement, the Group considers all relevant facts and circumstances. Indicators of the transfer of control include in particular: having a present right to payment for the asset, the transfer of legal title of an asset, the transfer of physical possession of the asset, the transfer of the significant risks and rewards of ownership of an asset, the customer's acceptance of an asset. If the Group as the seller-lessee has a substantive repurchase option for the underlying asset or if the lease term is for the major part of the economic life of the asset, no sale has occurred because the buyer-lessor has not obtained control of the asset.

Non-lease components

The subject of judgement is to determine whether a given contract contains non-lease components which, in accordance with the accounting policy selected by the Group for a given asset class, should be separated or treated together with the lease component as a single lease component for the purposes of recognising the contract in accordance with IFRS 16.

Rental of stores to franchisees

As described in note 5.1, the Group rents out stores to franchisees as a part of its services offering. Due to integration of the rental component with other services offered, the Group assumes existence of one performance obligation for such services and recognises rental revenues in accordance with IFRS 15.

Estimates

(in PLN thousand, unless otherwise stated)

Lessee's incremental borrowing rate

The Group determines the lessee's incremental borrowing rate (IBR) as the sum of the risk-free rate and the Group's credit risk premium.

The Group determines the risk-free rate based on the available interest rate curves (yields on treasury bonds) corresponding to the currencies in which the lease contracts are denominated and the maturity periods of cash flows resulting from the concluded contracts.

The Group defines the risk premium as the credit margin for the financial liabilities contracted on market terms in the period preceding the valuation.

Right-of-use assets

	Buildings and structures	Vehicles	Machines, devices and other	Total
Net carrying amount as at 01.01.2023	**3 209 080**	**89 953**	**25 362**	**3 324 395**
Gross carrying amount	*5 165 004*	*151 369*	*37 550*	***5 353 923***
Accumulated depreciation	*(1 955 924)*	*(61 416)*	*(12 188)*	***(2 029 528)***
NET CARRYING AMOUNT AS AT 01.01.2023	**3 209 080**	**89 953**	**25 362**	**3 324 395**
New lease agreements and modifications	1 102 416	52 572	9 217	**1 164 205**
Termination of lease agreements	(40 738)	(6 727)	-	**(47 465)**
Gross carrying amount	*(200 657)*	*(30 730)*	-	***(231 387)***
Accumulated depreciation	*159 919*	*24 003*	-	***183 922***
Depreciation	(654 221)	(45 561)	(10 595)	***(710 377)***
Impairment loss for the year	(2 699)	-	-	***(2 699)***
Exchange differences	91	-	-	***91***
Net carrying amount as at 31.12.2023	**3 613 929**	**90 237**	**23 984**	**3 728 150**
Gross carrying amount	*6 066 763*	*173 211*	*46 767*	***6 286 741***
Accumulated depreciation	*(2 450 135)*	*(82 974)*	*(22 783)*	***(2 555 892)***
Accumulated impairment	*(2 699)*	-	-	***(2 699)***

	Buildings and structures	Vehicles	Machines, devices and other	Total
Net carrying amount as at 01.01.2022	**2 794 679**	**55 294**	**22 397**	**2 872 370**
Gross carrying amount	*4 328 991*	*101 317*	*24 820*	***4 455 128***
Accumulated depreciation	*(1 534 312)*	*(46 023)*	*(2 423)*	***(1 582 758)***
NET CARRYING AMOUNT AS AT 01.01.2022	**2 794 679**	**55 294**	**22 397**	**2 872 370**
New lease agreements and modifications	993 761	64 132	12 730	**1 070 623**
Termination of lease agreements	(39 401)	(1 397)	-	**(40 798)**
Gross carrying amount	*(157 748)*	*(15 254)*	-	***(173 002)***
Accumulated depreciation	*118 347*	*13 857*	-	***132 204***
Reclassification	-	1 174	-	**1 174**
Depreciation	(539 959)	(29 250)	(9 765)	**(578 974)**
Net carrying amount as at 31.12.2022	**3 209 080**	**89 953**	**25 362**	**3 324 395**
Gross carrying amount	*5 165 004*	*151 369*	*37 550*	***5 353 923***
Accumulated depreciation	*(1 955 924)*	*(61 416)*	*(12 188)*	***(2 029 528)***

(in PLN thousand, unless otherwise stated)

	Buildings and structures	Vehicles	Machines, devices and other	Total
Net carrying amount as at 01.01.2021	**2 465 258**	**38 916**	**505**	**2 504 679**
Gross carrying amount	*3 594 654*	*72 545*	*657*	***3 667 856***
Accumulated depreciation	*(1 129 396)*	*(33 629)*	*(152)*	***(1 163 177)***
NET CARRYING AMOUNT AS AT 01.01.2021	**2 465 258**	**38 916**	**505**	**2 504 679**
Acquisition of subsidiaries	4 767	37	-	**4 804**
New lease agreements and modifications	803 006	39 549	24 163	**866 718**
Termination of lease agreements	(19 520)	(2 243)	-	**(21 763)**
Gross carrying amount	*(73 436)*	*(10 814)*	-	***(84 250)***
Accumulated depreciation	*53 916*	*8 571*	-	***62 487***
Depreciation	(458 832)	(20 965)	(2 271)	**(482 068)**
Net carrying amount as at 31.12.2021	**2 794 679**	**55 294**	**22 397**	**2 872 370**
Gross carrying amount	*4 328 991*	*101 317*	*24 820*	***4 455 128***
Accumulated depreciation	*(1 534 312)*	*(46 023)*	*(2 423)*	***(1 582 758)***

The value of depreciation capitalised in the initial value of leasehold improvements for the year ended December 31, 2023amounted to PLN 720 thousand, for the year ended December 31, 2022 PLN 561 thousand and for the year ended December 31, 2021 PLN 207 thousand.

Lease liabilities

	2023	2022	2021
As at January 1st	**3 598 839**	**3 061 665**	**2 686 416**
Increase due to acquisition of subsidiaries	-	-	6 228
New lease agreements and modifications	1 160 569	1 132 729	866 718
Termination of lease agreements	(56 048)	(39 257)	(26 617)
Payments	(885 965)	(734 107)	(613 021)
Interest cost	246 850	176 839	143 350
Exchange differences	(51 682)	970	(1 408)
As at December 31st	**4 012 563**	**3 598 839**	**3 061 666**
Current	*644 105*	*568 250*	*496 208*
Non-current	*3 368 458*	*3 030 589*	*2 565 458*

In 2022, the Group completed a sale and leaseback transaction of one of its logistics centers built by the subsidiary. Proceeds from the sale are included in cash flow from investing activities amounting to PLN 338 736 thousand. The result of the transaction is presented in note 5.3. As the transfer of the warehouse constituted a sale under IFRS 15, the Group recognised an asset under the lease contract in proportion to the previous carrying amount of the warehouse, which relates to the right-of-use asset retained by the Group and the lease liability. The lease term was assumed to be the basic term under the lease contract, which is for 15 years. Under the contract, this period can be extended by a total of 10 years. The change in the applied discount rate by 1 p.p. would result in a change in profit on sale of approximately PLN 4m.

Increases in the right-of-use assets in 2021-2023 are mainly due to new contracts and modifications to existing leases of stores, logistics centres and the Group's headquarters, as well as car and forklift. The decrease is mainly related to the termination of store lease contracts. Store lease contracts are usually concluded for 10 years. In the case of contracts with indefinite period, the Group treats them as having a 10-year contractual term in line with the other contracts. The Group determines the lease term, for contracts concluded for an indefinite period, based on economic considerations (leasehold improvements and the period of their amortisation).

Impact on the consolidated statement of profit or loss and other comprehensive income

The table below presents the amounts resulting from concluded lease contracts, recognised in the consolidated statement of profit or loss and other comprehensive income.

(in PLN thousand, unless otherwise stated)

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Depreciation of right-of-use assets	(710 377)	(578 974)	(482 068)
Impairment of right-of-use assets	(2 699)	-	-
Interest on lease liabilities	(246 850)	(176 839)	(143 350)
Exchange differences	51 682	(970)	1 408
Short-term leases	(4 644)	(3 453)	(2 903)
Gain on sale and leaseback	-	70 574	-
Gain or loss on remeasurement and termination of lease agreements	8 339	(1 541)	4 392
The impact of lease contracts on profit (loss) before tax	**(904 549)**	**(691 203)**	**(622 521)**

Regarding the sale and leaseback of the logistics center, in 2022 the Group recognised only the amount of profit that relates to the rights transferred to the buyer-lessor.

The short term leases are presented within the general and administrative costs or cost of sales depending on the nature of the lease subject.

Impact on the consolidated statement of cash flows
The table below presents the amounts resulting from the concluded lease contracts included in the consolidated statement of cash flows:

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Operating activities	(4 644)	(3 453)	(2 903)
Financial activities	(885 964)	(734 107)	(613 021)
Payment of the principal amount	*(639 197)*	*(556 595)*	*(469 681)*
Interest paid	*(246 767)*	*(177 512)*	*(143 340)*
Impact of lease agreements on cash flows	**(890 608)**	**(737 560)**	**(615 924)**

Cash flows resulting from lease contracts recognised as a part of operating activities mainly relate to payments resulting from short-term lease contracts and lease contracts for which the underlying asset is considered low value, that the Group recognises in a simplified manner.

6.5. Impairment of non-financial assets

Accounting policy

At each reporting date, the Group assesses whether there are any indicators that any of the non-financial fixed assets may be impaired.

Due to the intangible assets with indefinite useful lives (trademarks) and goodwill recognised as a result of business combinations, the Group performs an annual impairment test to assess whether the entire cash-generating unit, to which non-financial assets are also allocated, has been impaired.

If such an indication exists, or in case an annual impairment test is required, the Group estimates the recoverable amount of a given asset being the higher of its fair value less costs to sell and its value in use.

When a given non-financial non-current asset does not generate cash inflows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

However, when the Group intends to sell or liquidate such an asset, the Group determines its recoverable amount based on the fair value less costs to sell and recognises an appropriate impairment loss.

Impairment losses of non-financial assets are recognised as costs in the statement of profit or loss and other comprehensive income.

An impairment loss recognised for goodwill is not reversed in subsequent period.

The reversal of an impairment loss of assets other than goodwill is preceded by an analysis of the occurrence of an indication for the reversal of the impairment, and in the event of its occurrence, the carrying amount of the asset is increased to its recoverable amount. The increased amount shall not exceed the carrying amount of the asset that would have been determined (after depreciation or amortisation) if no impairment loss had been recognised for this asset in previous years. The reversal of an impairment loss of an asset is recognised immediately as income.

(in PLN thousand, unless otherwise stated)

Values based on professional judgement and estimates

Impairment of non-financial assets

The Group carried out impairment tests for goodwill, other intangible assets (brands and trademarks), right-of-use assets and property, plant and equipment, which required estimating the recoverable amount. The recoverable amount of cash-generating units was determined based on the calculation of the fair value, which required the use of assumptions. The assumptions applied, along with the explanation and analysis of the sensitivity of the recoverable amount to the change in the assumptions applied, are presented in this note.

With respect to non-financial non-current assets that do not generate cash inflows independently and which the Group intends to sell or liquidate, the Group recognised impairment losses as at December 31, 2023 , as at December 31, 2022, and as at December 31, 2021 which are disclosed in note 6.3 . While with regard to goodwill and other intangible assets with an indefinite useful life, the Group performed an impairment test.

Goodwill and other intangible assets with an indefinite useful life arising from acquisition of Żabka Polska S.A. were assigned to one cash-generating unit - the Ultimate Convenience - due to the adopted strategy and implementation by the Group to unify the stores visualisation and trademark used.

Goodwill and other intangible assets with an indefinite useful life resulting from the acquisition of Maczfit Foods sp. z o.o. and Masterlife Soultions sp. z o.o. in 2021 have been allocated to two separates cash-generating units - Maczfit Foods business and Masterlife Solutions business.

The Group's Management assumes that the market value of the trademarks "Żabka", "Zielone Okienko" "Maczfit" and "Dietly" will increase in the future. The Group does not intend to discontinue or significantly limit the activities carried out under the above-mentioned trademarks.

The recoverable amount estimated for the purposes of the test was determined on the basis of fair value less costs to sell. The fair value was calculated using a cash flow forecast based on financial budgets approved by the Management for a five-year period, consistent with the planning horizon of the Group's owners and lenders.

The table below presents the carrying amounts of cash-generating units tested for impairment as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021.

CGU	31.12.2023	31.12.2022	31.12.2021
Ultimate Convenience	5 087 656	3 738 973	3 752 544
Maczfit Foods activity	287 683	277 862	289 428
Masterlife Solutions activity	60 056	65 187	61 242
Total net carrying value	**5 435 395**	**4 082 022**	**4 103 214**

As at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 the recoverable amount of individual cash generating units, including goodwill and other intangible assets with an indefinite useful life exceeded their carrying amount. Information on intangible assets with an indefinite lives is disclosed in note 6.2.

(in PLN thousand, unless otherwise stated)

Key assumptions used to calculate the recoverable amount

	Ultimate Convenience		
	31.12.2023	**31.12.2022**	**31.12.2021**
The rate of increase in revenues during the budget period	10.0% - 16.0%	13.0% - 28.0%	15.0% - 22.0%
Operating profit margin:			
during the budget period	*8.0% - 9.0%*	*7.0% - 11.0%*	*6.0% - 11.0%*
during the residual period	*9.0%*	*11.0%*	*7.0%*
Discount rate:			
before tax	*10.7%*	*12.2%*	*9.4%*
after tax	*8.7%*	*10.0%*	*7.5%*
The growth rate used to estimate cash flows in the residual period	2.5%	2.5%	2.5%

The Group expects to grow its revenue primarily through new store openings and increased sales of existing network driven by continuous improvement of the offer for customers.

	Maczfit Foods activity		
	31.12.2023	**31.12.2022**	**31.12.2021**
The rate of increase in revenues during the budget period (CAGR)	12.6%	20.3%	39.0%
Operating profit margin:			
during the budget period	*4.0% - 13.0%*	*3.3% - 8.2%*	*15.7% - 19.8%*
during the residual period	*13.0%*	*14.0%*	*15.0%*
Discount rate:			
before tax	*15.2%*	*15.6%*	*14.8%*
after tax	*12.3%*	*12.6%*	*12.0%*
The growth rate used to estimate cash flows in the residual period	2.5%	2.5%	2.5%

2021 WACC rate reflected the increased risk in the context of the Maczfit business as a new business area for the Group.

	Masterlife Solutions activity		
	31.12.2023	**31.12.2022**	**31.12.2021**
The rate of increase in revenues during the budget period (CAGR)	21.9%	21.0%	59.0%
Operating profit margin:			
during the budget period	*28.4% - 29.7%*	*19.8% - 32.4%*	*32.6% - 46.8%*
during the residual period	*29.7%*	*30.0%*	*33.4%*
Discount rate:			
before tax	*15.2%*	*15.6%*	*14.8%*
after tax	*12.3%*	*12.6%*	*12.0%*
The growth rate used to estimate cash flows in the residual period	5.0%	2.5%	2.5%

Żabka Polska sp. z o.o.
Żabka stores revenue growth rate adopted by the Group in the budget period is based on the increases achieved in previous years and it reflects the planned increase in the number of stores. The number of stores at the end of 2023 was 10 014. The Group plans to open an average of about 1 000 stores per year over the next 5 years. Discount rates reflect the Management's estimation of the risk specific to the Group inherent in the cash flow forecast. This is the benchmark used by the Management to assess operating efficiency (performance) and to evaluate future investment proposals. Cash flows after the five-year period are estimated using a growth rate at the level of Poland's long-term inflation target.

Management believes that any reasonable possible change in any of the key assumptions will not cause the carrying amount of the assets tested to significantly exceed its recoverable amount.

Maczfit Foods sp. z o.o.

The Maczfit Foods impairment test is based on certain key assumptions, including revenue growth, that is driven by the company's pricing strategy, marketing efforts and product portfolio adjustments to meet evolving customer needs. The forecasted revenue growth rates are based on the product planned market penetration, estimated rate of product loss, and general trends in Poland towards healthy lifestyles and fitness, supported by an increasing consumer affluence. The company's business plan is to invest in acquisition of new customers, and gradual restoration of business profitability in 2025-2027 (the forecast period). Higher margins will be achieved primarily through (i) greater market penetration and customer growth; (ii) gradual diversification and price increases; (iii) cost optimization; (iv) own products supplied through own logistics network, and (v) moderate capital expenditures and achieving required net working capital. The Group recognizes that achieving the CAGR mentioned above is contingent on reaching revenue growth targets in 2024. Based on the strategy the Group assumes higher revenue growth in the first 2 years and lower revenue growth in the remaining budgeted period.

Management believes that any reasonable possible change in any of the key assumptions will not cause the carrying amount of the assets tested to significantly exceed its recoverable amount.

Masterlife Solutions sp. z o.o.

The ready meals segment in Poland's direct-to-consumer (D2C) market, in which Masterlife Solutions (operator of Dietly.pl) operates, has several characteristics that are conducive to market penetration, including a highly fragmented D2C seller base, D2C merchants' focus on production while outsourcing many other elements of the value chain, and high internet adoption in Poland with a penetration rate of approximately 90%. The business model of Dietly, which combines a leading software as a service model (SaaS) and marketplace software provider expertise, offers an attractive mix of subscription and take rate commission, supported by a high-growth profitable platform. This is reflected in the platform's high EBITDA margin, which is above the Group's EBITDA margin at the consolidated level. Management believes that any reasonably possible change in any of the key assumptions will not cause the carrying amount of the assets tested to significantly exceed its recoverable amount.

The Group anticipates that Dietly will transition from an early-stage marketplace to a mature platform, requiring bolstering its lead generation capabilities and expanding its services (e.g. logistics, pricing/profit management) in response to market trends. Additionally, the Group expects Dietly's already advanced SaaS software to continue its steady growth.

The Group's investment (through Żabka Polska sp. z o.o.) in Lite e-commerce group (Lite e-commerce sp. z o.o. and Lite24 sp. z o.o.)

The Lite e-commerce group was established in 2021 as the Group's response to the fast-growing q-commerce segment. The group introduced two brands in the market: Żabka Jush!, launched in 2021, offering around 2 500 products that can be ordered through a dedicated app and delivered within 15 minutes; and Delio, launched in 2022, offering a wider range of around 5 000 products. These initiatives are part of the Group's digitalization strategy in the retail sector and aim to provide customers with a convenient and fast shopping experience. Lite e-commerce benefits from the Group's scale of operations, which includes access to know-how, suppliers, a logistics network, and marketing. This is because most of the products offered by Lite group are supplied by the same suppliers as for traditional stores operating under the Żabka brand.

The Group management team regularly (on a monthly basis) analyses the key financial and non-financial indicators of Jush and Delio q-commerce services. The Group successfully launched the service in Warsaw and Cracow including creating applications and websites and opening a number of "dark stations". The Group also established a customer base and has achieved a high rate of repeat purchases indicating customer retention. It has also experienced growth in Gross Merchandise Value (GMV) and revenue from both services. As a result, the Lite group is expected to achieve its long-term strategic goals expressed in the Value Creation Plan, and the Group's investments will continue in the coming years. The focus will be on increasing the scale of operations, optimising promotion and customer acquisition costs, and building cost efficiencies by reducing the unit cost of transport, reducing warehouse waste, and optimising staffing.

Accordingly, as at 31 December 2023, the Management did not identify indications of impairment of the investment in Lite e-commerce group.

6.6. Inventory

Accounting policy

(in PLN thousand, unless otherwise stated)

Inventory is measured at the lower of two values: the cost of inventory and its net realisable value.

The cost of each inventory component includes all purchase costs, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. In determining the purchase price, discounts, rebates and other similar items are deducted. The purchase price is measured net of value added taxes.

The purchase price of goods is determined using the weighted average method, and the cost of materials is measured using the weighted average method or "first in, first out" depending on the nature and destination of the materials.

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete the sale.

The write-down of materials is presented on a net basis i.e. increase and reversal of write-downs are presented combined in the statement of profit or loss and other comprehensive income under the item ‘Other operating costs’.

The write-down of merchandise inventories is presented on a net basis in the consolidated statement of profit or loss and other comprehensive income under the item ‘Cost of sales’.

	31.12.2023	31.12.2022	31.12.2021
Materials	19 168	16 186	20 194
Merchandise	751 757	571 868	405 943
Advances for deliveries	8 007	11 932	-
Total inventory (gross)	**778 932**	**599 986**	**426 137**
Revaluation write-down	(4 245)	(4 045)	(1 567)
Total inventory (net)	**774 687**	**595 941**	**424 570**

The table below presents changes in the write-down of inventory:

	31.12.2023	31.12.2022	31.12.2021
Write-downs on inventory at the beginning of the period	**4 045**	**1 565**	**5 361**
Increase	3 025	3 466	817
Utilised	(706)	(685)	(2 190)
Reversed	(2 119)	(301)	(2 423)
Write-downs on inventory at the end of the period	**4 245**	**4 045**	**1 565**

Inventory write-down mainly applies to merchandise and its reversal resulted from the negotiated possibility of returning goods to suppliers or acquiring new opportunities for their sale.

Description of collaterals established on inventory
Registered pledge was established on all inventory in favour of the syndicate of banks based on the concluded loan agreement (for more information, see note 7.3).

6.7. Trade receivables

Accounting policy
Trade receivables are recognised and carried at the amounts originally invoiced, taking into account the allowance for expected lifetime credit losses. Receivables are adjusted for expected discounts, rebates and settlements based on offset arrangements with franchisees.

If the effect of the time value of money is significant, the value of receivables is determined by discounting the estimated future cash flows to the present value, using a discount rate reflecting current market assessments of the time value of money. If discounting is used, any increase in the receivable due to the passage of time is recognised as financial income.

Contract assets and receivables
Under contract assets, the Group recognises rights to consideration in exchange for the goods or services it has transferred to the customer, if the right is subject to a condition other than the passage of time (for example, the entity's future performance). The Group assesses the impairment of a contract asset in the same way as for a financial asset in accordance with IFRS 9.

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The Group recognises the rights to consideration in exchange for goods or services that have been transferred to the customer as receivables, if the right is unconditional (the only condition for the payment to be made is the lapse of a specified period of time). The Group recognises a receivable in accordance with IFRS 9. Upon initial recognition of receivables, any differences between the measurement of receivables in accordance with IFRS 9 and the corresponding amount of revenues previously recognised are presented by the Group as a cost (impairment loss).

Expected credit losses

In the case of trade receivables, the Group measures the loss allowance for expected credit losses in an amount equal to the lifetime expected credit losses.

Values based on professional judgement

Accounting for factoring arrangements

As part of the working capital management, the Group uses a factoring agreement in relation to its receivables, under which it submits selected sales invoices for some franchisees for factoring. Receivables as well as rights under the trade receivables insurance policy are subject to assignment to the factor and are in 90% financed by the factor. Considering the potential impact of this type of agreement on the consolidated statement of cash flows and the consolidated statement of financial position, the Group makes a judgement as to whether, regarding the use of factoring, qualification exists for derecognition of receivables.

The receivables that are the subject to factoring do not expire because the franchisees are still owed the entire amount due and are obliged to pay it back on the agreed date. The Group is responsible for collecting the receivables and transferring them to the factoring company, whereby the assignment of the receivables means that the Group transfers the rights to receive cash flows from these receivables. The Group has mitigated its credit risk exposure by using factoring services, where the factor assumes a majority of the credit risk for the receivables sold. However, the Group is still exposed to the risk of late payments from the buyers, as it incurs interest expense paid to the factor. Despite this, the Group's exposure to credit losses is limited to only 10% of the receivables' value, as the factor assumes the remaining credit risk. In the Group's opinion, the Group neither transfers nor retains substantially all the risks and rewards associated with factoring receivables. When assessing the transfer of risks and rewards, the Group compares its exposure, before and after the transfer, with the variability in the amount and timing of net cash flows of the transferred asset.

As a result of concluding a receivable factoring transaction, the Group's exposure to credit risk is reduced, but not completely eliminated. In line with Group's judgement, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the transferred asset and retains control (taking into account no practical possibility of selling the insured receivables by the factor) of the transferred asset and therefore recognises the transferred asset to the extent of its continuing involvement, i.e. in the amount of 10 % of the value of the receivable.

Estimates

Impairment of trade receivables

The Group uses a provision matrix to measure the allowance for expected credit losses in relation to trade receivables. In order to determine expected credit losses, trade receivables have been grouped based on the similarity of credit risk characteristics.

The Group uses its historical credit loss data, the history regarding cooperation with debtors and the security held, adjusted for the impact of forward-looking information as appropriate.

When assessing the future economic conditions, the Group focuses on economic factors such as change in GDP ratio and how it affects unemployment rates which in turn affect the overall capacity of its debtors to pay off their debts. Additionally, those ratios are considered at the regional level to account for regional differences in Poland.

	31.12.2023	31.12.2022	31.12.2021
Trade receivables (gross)	2 156 703	1 736 990	1 329 340
Loss allowance for expected credit losses	(77 221)	(74 006)	(66 228)
Trade receivables (net)	**2 079 482**	**1 662 984**	**1 263 112**

There is no significant concentration of credit risk in the Group. Credit risk related to receivables is minimised due to the large number of customers. Moreover, receivables are mostly secured with inventory located in "Żabka" stores. As a result, in the view of the Management, there is no additional credit risk beyond the level determined by the loss allowance for expected credit losses. Information on the Group's exposure to credit risk related to trade receivables is presented in note 8.2.

(in PLN thousand, unless otherwise stated)

The table below presents changes in the loss allowance for expected credit losses:

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Loss allowance for expected credit losses at the beginning of the period	**(74 006)**	**(66 228)**	**(52 115)**
Increase	(13 804)	(16 322)	(21 882)
Utilised	2 729	2 821	3 825
Reversed	7 860	5 723	3 944
Loss alowance for expected credit losses at the end of the period	**(77 221)**	**(74 006)**	**(66 228)**

Information on the presentation of settlements due to factoring of receivables and insurance of receivables is presented in note 6.8.

Receivables from franchisees are insured and this fact has been reflected in the calculation of allowance for expected credit losses.

6.8. Loans granted, shares, stocks and other financial assets

Accounting policy

Loans granted

The loans granted by the Group mainly relate to loans to other related entities.

Loans granted are classified as financial assets measured at amortised cost because they passed the SPPI test and are reported as held to collect cash flows in line with the business model.

At each reporting date, the Group assesses whether the credit risk related to the loans granted has increased significantly since its initial recognition. In order to make such an assessment, the Group compares default risk for a given loan as at the reporting date with default risk for that loan as at the date of initial recognition, taking into account reasonable and supportable information that is available without undue cost or effort and that indicates a significant increase in credit risk from the initial recognition. If, as at the reporting date, the credit risk related to a loan has not increased significantly since its initial recognition, the Group measures the loss allowance for expected credit losses for this loan in the amount equal to 12-month expected credit losses. If credit risk has increased significantly since the initial recognition, the Group measures loss allowance for expected credit losses in an amount equal to lifetime expected credit losses.

The Group measures expected credit losses on loans granted on the basis of the estimated probability of default determined based on credit default swap (CDS) quotations and on statistical market data on the recovery of unsecured corporate debt.

Shares and stocks

The item shares and stocks consists of shares in entities not listed on public securities markets. The Group has classified these financial instruments as assets at fair value and has not elected to measure them through other comprehensive income.

Other financial assets

Other financial assets consist of, in particular, deposits paid relating to long-term store lease contracts.

Other financial assets also include receivables subject to factoring. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of transferred receivables and retains control over them, it continues to recognise them to the extent of its continuing involvement in them. These receivables are due from the factor and therefore are not included in trade receivables.

Also included within other financial assets are deposits with an original maturity of more than three months, not classified as cash and cash equivalents.

The description of the Group's accounting policies relating to financial instruments is presented in note 8.1.

Estimates

Impairment of loans granted

The loans granted by the Group mainly relate to loans other related entities that are not listed on public securities markets and do not have external credit ratings. The assessment of loans default is therefore mainly related to the assessment of the operating activities of these entities and their financial situation.

The Group estimates the potential credit rating for related entities based on the historical financial data of these entities and the credit ratings of companies with a similar profile and financial situation and uses such rating to calculate the allowance for expected credit losses. Due to the similar credit risk characteristics, all loans are grouped together for the expected loss estimation. The amount of the borrowers expected credit loss due to default was estimated by the Group on the basis of historical repayment statistics and forward-looking information.

Loans granted

	31.12.2023	31.12.2022	31.12.2021
Loans granted to other related enities	201 368	1 049	-
Non-current loans granted	**201 368**	**1 049**	**-**
Loans granted to other related enities	1 048	-	-
Loans to franchisees	3 548	4 566	3 964
Other	883	-	-
Current loans granted	**5 479**	**4 566**	**3 964**
LOANS GRANTED	**206 847**	**5 615**	**3 964**

The table below presents items recognised as loans granted in the consolidated statement of financial position and their carrying amount as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021:

	Type of relation	The date the loan was granted	Loan amount (in thousands)	Currency	Maturity date	Interest	31.12.2023	31.12.2022	31.12.2021
Loan 1	Other related parties	21.09.2022	220	EUR	31.12.2024	EURIBOR + margin	-	1 049	-
Loan 2	Other related parties	03-04.04.2023	44 072	EUR	03-04.04.2026	Fixed	201 368	-	-
Non-current loans granted							**201 368**	**1 049**	-
Loan 1	Other related parties	21.09.2022	220	EUR	31.12.2024	EURIBOR + margin	1 048	-	-
Loan 2	Other	19.06.2023	46	EUR	29.02.2024	WIBOR + margin	396	-	-
Loan 3	Other	16.10.2023	395	PLN	29.02.2024	WIBOR + margin	218	-	-
Loan 4	Other	24.11.2023	270	PLN	29.02.2024	WIBOR + margin	269	-	-
Loans to franchisees						Fixed	3 548	4 566	3 964
Current loans granted							**5 479**	**4 566**	**3 964**

All loans were granted on market conditions.

(in PLN thousand, unless otherwise stated)

The table below presents changes in the loss allowance for expected credit losses for loans granted:

	31.12.2023	31.12.2022	31.12.2021
Loss allowance for expected credit losses at the beginning of the period	-	-	**(11 479)**
Settlement resulting from the reorganisation	-	-	11 479
Increase	(486)	-	-
Reversed	20	-	-
Loss allowance for expected credit losses at the end of the period	**(466)**	**-**	**-**

Shares and stocks

The table below presents shares and stocks as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021:

	31.12.2023	31.12.2022	31.12.2021
Shares and stocks in non-related entities	18 831	18 831	14 754
Biały Obrus sp. z o.o.	*1 000*	*1 000*	*1 000*
AiFi Inc	*7 831*	*7 831*	*3 754*
Synerise S.A.	*10 000*	*10 000*	*10 000*
Shares and stocks	**18 831**	**18 831**	**14 754**

Information on the measurement is presented in note 8.1.

Other financial assets

The table below presents other financial assets as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021:

	31.12.2023	31.12.2022	31.12.2021
Deposits	21 374	19 056	15 989
Derivatives	968	-	-
Simple agreement for future equity	-	-	4 078
Non-current other financial assets	**22 342**	**19 056**	**20 067**
Security deposits	4 825	18 094	-
Receivables from the factor	13 609	5 974	9 286
Investment deposits	-	47 039	5 246
Receivables from proceedings to secure claims	60 648	-	-
Other	3 120	1 100	-
Current other financial assets	**82 202**	**72 207**	**14 532**
OTHER FINANCIAL ASSETS	**104 544**	**91 263**	**34 599**

In July 2023, cash held in bank accounts of one of the Group companies (PLN 55 427 thousand and EUR 1 201 thousand) was seized based on the decision of the Regional Court in Kraków of June 17, 2023 granting security in connection with a lawsuit brought by a building contractor against the Group company. In the Group's opinion, the building contractor's claims were not legitimate so the decision of the Regional Court in Krakow was appealed by the Group company in its entirety on the basis of a complaint filed in July 2023. In addition, the proceedings to secure claims (such as the seizure made) were also appealed on by the Group company on the basis of a complaint filed in July 2023. What followed is an out-of-court settlement reached on December 22, 2023 and the withdrawal of the lawsuit on January 3, 2024, the cash was fully returned after the reporting date, as described in note 9.7.

Current security deposits as at December 31, 2022 include a warranty deposit and deposits in the amount of PLN 13 188 thousand related to the sale and leaseback transaction of one of the Group's warehouses described in note 6.4 (settled in 2023).

Receivables from the factor presented among other financial assets represent the Group's continuing involvement in the receivables financed by the factor. The total amount of these receivables as at December 31, 2023 was PLN 136 091 thousand, including PLN 122 482 thousand financed by the factor. The total amount of these receivables as at December 31, 2022 was PLN 59 737 thousand, including PLN 53 763 thousand financed by the factor. The total amount of these receivables as at December 31, 2021 was PLN 92 861 thousand, including PLN 83 575 thousand financed by the factor.

(in PLN thousand, unless otherwise stated)

"Simple agreement for future equity" (SAFE) is an agreement that provides the Group (investor) with rights to future equity in another company. In exchange for providing financing to the company at the time of signing, the investor is granted the right to receive shares in the company at a later date, subject to certain contractually agreed-upon events. The investment is carried at fair value through the consolidated statement of profit or loss.

The table below presents changes in loss allowance for other financial assets:

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Loss allowance for expected credit losses from other financial assets at the beginning of the period	**(265)**	**(408)**	**(110)**
Increase	(33)	-	(298)
Utilised	5	-	-
Reversed	-	143	-
Loss allowance for expected credit losses from other financial assets at the end of the period	**(293)**	**(265)**	**(408)**

The loss allowance for other financial assets relates to the deposit.

6.9. Right of return assets

Accounting policy

Right of return assets

A right of return asset (and corresponding adjustment to cost of goods sold) is recognised for the right to recover the goods from the franchisees.

	31.12.2023	31.12.2022	31.12.2021
Right of return assets	11 259	13 186	13 454
Total right of return assets	**11 259**	**13 186**	**13 454**

6.10. Other non-financial assets

Accounting policy

Other non-financial assets

Other non-financial assets include, in particular, prepayments and receivables from tax authorities. Receivables from tax authorities are presented under other non-financial assets, except for corporate income tax receivables, which are presented as a separate item in the consolidated statement of financial position.

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Other non-financial assets

	31.12.2023	31.12.2022	31.12.2021
Prepayments	9 210	7 961	6 596
Arrangement fees and commitment fees of revolving loan facility	*7 381*	*7 449*	*4 873*
Software	*567*	*132*	*-*
Insurance premiums	*123*	*70*	*8*
Marketing and advertisements	*65*	*79*	*53*
Other	*1 074*	*231*	*1 662*
Other	933	877	-
Non-current other non-financial assets	**10 143**	**8 838**	**6 596**
Prepayments	25 057	22 931	16 953
Arrangement fees and commitment fees of revolving loan facility	*7 222*	*3 103*	*3 198*
Software	*13 051*	*12 880*	*11 827*
Insurance premiums	*1 858*	*2 770*	*445*
Marketing and advertisements	*1 186*	*2 320*	*418*
Other	*1 740*	*1 858*	*1 065*
Receivables from tax authorities	115 321	81 456	108 528
Non-financial assets relating to advances	14 751	26 136	-
Other	740	785	38
Current other non-financial assets	**155 869**	**131 308**	**125 519**
OTHER NON-FINANCIAL ASSETS	**166 012**	**140 146**	**132 115**

Receivables from tax authorities mainly include receivables from value added tax. The amount resulting from the difference between liabilities and receivables due to value added tax is paid to relevant tax authorities on a monthly basis.

The net amount of value added tax recoverable or payable to the tax authorities is recognised in the consolidated statement of financial position as part of receivables or liabilities.

Non-financial assets relating to advances include advances for services and amounts of value-added tax on advances paid for which no advance invoice had been received by the reporting date.

6.11. Liability for a written put option over non-controlling interest

Accounting policy

The Group conducts an assessment to determine if it has ownership of the shares subject to the put option. If the Group does not have ownership, non-controlling interests are recognised, and the Group undertakes additional analysis to identify any other liabilities associated with these interests. A contract requiring an entity to purchase its own equity instruments in exchange for cash or another financial asset gives rise to a financial liability. The Group classifies put options as contracts giving rise to a financial liability. Under the put option, the option holder makes an offer to acquire non-controlling interests from the existing owners in exchange for a particular price. If a symmetrical call option exists, which is an offer made by existing shareholders to sell shares to the parent, in addition to the put option, a synthetic forward is created. When a synthetic forward is created, the liability that arises from it is initially recorded at the present value of the purchase price, and a corresponding entry is made in the controlling interests' equity as a put option reserve. This results in the settlement of the non-controlling interests. The synthetic forward liability is then measured at the present value of the purchase price. Subsequent changes in the carrying amount of the liability are recognised directly in equity as a put option reserve.

Profits or losses of the subsidiary continue to be allocated to the non-controlling interests recognised in connection with the shares covered by the put option. At the end of each reporting period, non-controlling interests are reclassified as put option reserve.

(in PLN thousand, unless otherwise stated)

Estimates

Determining the amount of the liability for a written put option over non-controlling interest

The Group recognised an option liability for a purchase of non-controlling interests during the period covered by the Consolidated Financial Statements.

Determining the amount of the option liability requires an estimate of:

- valuation of the option liability depending on, among other things, revenue or normalised EBITDA as of the last day of the period of twelve full calendar months preceding the moment of option valuation, i.e. acceptance of the offer to buy or sell and the estimate of net debt as of the moment of option valuation,
- determination of the most probable moment of option exercise in the time frame indicated in the agreement with the owners of the shares covered by the option commitment.

Determining the discount rate to establish present value of the liability

When determining the discount rate for calculating the present value of the liability, the Group takes into account its credit risk (creditworthiness) and other factors that could impact the likelihood of a liability being met.

The following table shows the option liability to purchase non-controlling interest by acquisition as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021:

	31.12.2023	31.12.2022	31.12.2021
Acquisition of Maczfit Foods sp. z o.o.	-	62 962	40 389
Acquisition of Masterlife Solutions sp. z o.o.	-	38 405	58 559
Non-current liability for a written put option over non-controlling interest	**-**	**101 367**	**98 948**
Acquisition of Maczfit Foods sp. z o.o.	65 861	2 297	4 140
Acquisition of Masterlife Solutions sp. z o.o.	54 823	-	-
Current liability for a written put option over non-controlling interest	**120 684**	**2 297**	**4 140**
Liability for a written put option over non-controlling interest	**120 684**	**103 664**	**103 088**

Acquisition of Maczfit Foods sp. z o.o.

The liability for an option to buy out non-controlling interests was recognised due to the acquisition of Maczfit Foods sp. z o.o. on April 29, 2021. As part of the acquisition, the Group acquired 95% of the shares in the target company. The remaining 5% of shares in Maczfit Foods sp. z o.o. were covered by the put option, according to which the Group submitted an unconditional and irrevocable offer to purchase the remaining 5% of shares from the current shareholder. At the same time, the existing shareholder submitted to the Group an unconditional and irrevocable offer to sell (call option) the remaining 5% of shares in Maczfit Foods sp. z o.o. Both options are symmetrical. They can be realised at the same time (3- year period from April 30, 2024 to April 30, 2027) and for the same price.

The option price, in accordance with the agreement between the parties, is based on the revenues of Maczfit Foods sp. z o. o. for 12 full calendar months preceding the option exercise date.

The value of the option amounted to: as at December 31, 2023: 65 861 thousand, as at December 31, 2022: 65 259 thousand, and as at December 31, 2021: 44 529 thousand.

Acquisition of Masterlife Solutions sp. z o.o.

The liability for an option to buy out non-controlling interests was recognised due to the acquisition of Masterlife Solutions sp. z o.o. on May 28, 2021. As part of the acquisition, the Group acquired 62% of the shares in the target company. The remaining 38% of shares in Masterlife Solutions sp. z o.o. were covered by the put option, according to which the Group submitted an unconditional and irrevocable offer to purchase the remaining 38% of shares from the current shareholders. At the same time, each of the existing partners submitted to the Group an unconditional and irrevocable sale offer (call option) of the remaining 38% of shares in Masterlife Solutions sp. z o.o. in total. Both options are symmetrical. They can be realised at the same time (a period of 4 years after 36 months from the date of purchase) and for the same price.

The option price, in accordance with the agreement between the parties, is determined on the basis of the Masterlife Solutions sp. z o.o. valuation model, calculated as the product of normalised EBITDA in the period of 12 full calendar months preceding the option exercise date and the net debt.

The value of the option amounted to: as at December 31, 2023: 54 823 thousand, as at December 31, 2022: 38 405 thousand, and as at December 31, 2021: 58 559 thousand.

6.12. Trade payables and other financial liabilities

Accounting policy

Current liabilities due to deliveries and services are presented as trade payables.

Presentation of settlements for reverse factoring

Trade payables subject to reverse factoring are presented within trade payables and other liabilities if, due to submission for reverse factoring, the nature of the liability has not changed significantly.

Presentation of settlements due to factoring of receivables

Regarding factored trade receivables, the factor authorised the Group to perform activities aimed at collecting the receivables purchased by the factor. The Group (the factoring agent) took on itself to transfer to the factor all benefits received from the Group's customers for the repayment of the factored receivables. The Group presents liabilities to the factor in this respect as other liabilities.

The description of the presentation of settlements due to factoring of receivables is presented in note 6.8.

Non-invoiced liabilities

Non-invoiced liabilities are accruals directly related to operating activities as well as general management. The condition for recognising a non-invoiced liability (accruals) in the accounting books is:

- an event that requires the Group to pay for goods or services that have been received or supplied and which have not been invoiced or formally agreed with the supplier, where
- it is reasonable and, at the same time, possible to reliably estimate the costs (or losses) necessary to meet the Group's obligations.

Values based on professional judgement and estimates

Recognition and presentation of settlements for reverse factoring

As part of the working capital management, the Group uses reverse factoring agreements in relation to its liabilities, under which it submits invoices relating to purchases from selected suppliers for factoring. Considering the potential impact of such agreements on the consolidated statement of cash flows and the consolidated statement of financial position, the Group makes a judgement on whether the nature of the liability changes significantly due to the use of factoring and whether it is necessary to change its presentation to debt liabilities (for both the statement of financial position presentation and the classification of payments made in the statement of cash flows). In making this judgement, the Group analyses and takes into account the agenda decision of the IFRS Interpretations Committee published in December 2020 regarding reverse factoring and its presentation in the Consolidated Financial Statements.

In making this judgement, the Group analysed the nature of liabilities covered by the reverse factoring. These liabilities are part of the working capital used in the normal operating cycle of the Group, because they are actually an obligation to make payments for the delivery of goods in the course of current operating activities, on terms agreed with suppliers. For the purpose of calculating covenants, liabilities covered by the reverse factoring are not considered as debt. Moreover, under reverse factoring there is no obligation to provide additional collaterals specific to loans and similar debt instruments - the factor requires a blank promissory note. Comparing this security with other securities required by the financing entities, it is a typical security for trade payables (in the case of debt liabilities, tangible security on the Group's assets is most often required). In addition, the counterparty retains its obligations to perform the contract as a supplier (e.g. in relation to guarantees), and reverse factoring from the Group's perspective is not only aimed at reducing the cost of trade interest, but also at facilitating payments from an operational point of view due to the supplier fragmentation (the factor acts as the paying agent).

In line with the Group's judgement, the liabilities subject to reverse factoring do not differ significantly from the liabilities for deliveries and services to suppliers, as long as the total repayment period does not exceed the agreed terms with suppliers and the period of financing by the factor does not exceed 180 days. The Group presents liabilities due to reverse factoring as part of trade liabilities and other financial liabilities. Taking into account the judgement related to the classification of liabilities due to reverse factoring, for the purposes of disclosure, the Group treats liabilities to the factor as a separate class of liabilities. This is because legally these obligations are owed to the factor and not to the supplier. At the same time, payments to the factor are presented in the consolidated statement of cash flows as part of net cash flows from operating activities, as they are de facto payments for the supply of goods.

(in PLN thousand, unless otherwise stated)

	31.12.2023	31.12.2022	31.12.2021
Derivatives	25 314	-	-
Non-invoiced liabilities	412	105	120
Other	59	50	1 877
Non-current other financial liabilities	**25 785**	**155**	**1 997**
Trade payables	1 872 693	1 653 725	1 281 396
related to supplies and services	*1 659 882*	*1 376 057*	*1 114 952*
related to purchase of property, plant and equipment and intangible assets	*212 811*	*277 668*	*166 444*
Derivatives	-	3 417	-
Trade payables covered by reverse factoring	2 444 351	2 429 431	2 258 977
related to supplies and services	*2 433 718*	*2 407 488*	*2 230 430*
related to purchase of property, plant and equipment and intangible assets	*10 633*	*21 943*	*28 547*
Non-invoiced liabilities	253 088	253 035	134 829
Liabilities related to franchisee deposits	67 011	55 759	48 246
Liabilities to the factor (factoring of receivables)	57 515	36 237	6 425
Liabilities due to share acquisition	-	-	3 000
Other	47 600	45 970	21 536
Current trade payables and other financial liabilities	**4 742 258**	**4 477 574**	**3 754 409**
TOTAL TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES	**4 768 043**	**4 477 729**	**3 756 406**

The derivatives item includes embedded derivatives that are part of virtual Power Purchase Agreements ("vPPAs"), which are hedging instruments in applied cash flow hedge accounting. Details of this item are described in note 8.1.

Non-invoiced liabilities relate primarily to electricity, marketing and logistics, as well as store and headquarters maintenance.

The other item mainly consists of Group's settlements relating to being an agent in case of some services provided by franchisees: newspaper delivery, lottery services and minor bill payments. In addition, the item other includes liabilities resulting from the incentive scheme described in note 9.2. As at December 31, 2023 the current portion of these liabilities amounted to PLN 16 466 thousand, as at December 31, 2022 PLN 19 828 thousand and as at December 31, 2021 PLN 0 thousand.

6.13. Refund liabilities

Accounting policy

The Group recognises a refund liability if, after receiving a consideration, it expects to refund some or all of that consideration to the customer. Refund liability is measured at the amount of the consideration received (or receivables) to which - as expected by the Group - it is not entitled in exchange for the goods or services provided due to rebates and discounts or the return of goods (i.e. in the amount not recognised in the transaction price). Refund liability (and the corresponding change in the transaction price and the resulting change in the contract liability) is updated at the end of each reporting period in line with changing circumstances.

	31.12.2023	31.12.2022	31.12.2021
Rebates	252 485	196 288	130 368
Right to return the merchandise	15 278	18 293	18 506
"Żappka" programme	10 833	11 148	6 560
Refund liabilities	**278 596**	**225 729**	**155 434**

(in PLN thousand, unless otherwise stated)

The Group is the organiser of the "Żappka" programme, the purpose of which is to enable its participants to take advantage of promotions available in "Żabka" stores. Programme participants are awarded with the loyalty points (Żappsy), that are exchanged for vouchers entitling to the awards issued by the franchisees. In connection with that, the Group undertakes franchisee reimbursement for the goods sold (the amount of the payment received or the amount due), that the Group will not be entitled for in the exchange for goods handed over by franchisees to programme participants. When determining the value of the liability, the Group takes into account the expectations as to the extent of use of points by programme participants and the value of the reimbursement due to the franchisees.

6.14. Employee benefits liabilities

Accounting policy

The Group pays employees the following benefits that may result in liabilities towards employees at the reporting date:

- salaries and social security contributions (except for retirement and disability insurance),
- paid absences,
- incentive bonuses, cash rewards,
- additional benefits,
- retirement and disability benefits,
- posthumous benefits.

In compliance with the applicable laws in effect, the Group pays retirement and disability pension contributions determined by the gross salary for each employee to the Social Insurance Institution (ZUS). The Group is required to pay contributions as they fall due only for the period of the person's employment. The Group has no legal or constructive obligation to pay future benefits. If the Group ceases to employ plan members, it has no obligation to pay the benefits earned by its own employees in previous years. For this reason, these benefits are a defined contribution plan. The Group's obligation under those plans for each period is determined by the amounts to be contributed for the year. Under International Accounting Standard 19 *Employee benefits* ("IAS 19"), no actuarial assumptions are required to measure the obligation or cost and there is no possibility of any actuarial gain or loss.

The Group's employees are entitled to retirement and disability benefits, therefore, a liability for retirement and disability is created. Retirement and disability benefits are paid when retirement or disability occur. The retirement and disability severance pay is due for an amount corresponding to one month's salary, regardless of the length of service of the given person in the Group. According to IAS 19, retirement benefits are post-employment defined benefit plans. The Group also creates a provision for posthumous benefits, which are due for the amount that depends on the length of service, in accordance with the provisions of the Labour Code. The present value of these liabilities is calculated by an independent actuary. The accrued liabilities are equal to discounted payments to be made in the future, taking into account employee rotation, and relate to the period until the reporting date. Both demographic and employment rotation information are based on historical data. Re-measurement of employee benefit obligations related to defined benefit plans, including actuarial gains and losses, is recognised in other comprehensive income and is not subject to subsequent reclassification to profit or loss.

	31.12.2023	31.12.2022	31.12.2021
Provision for retirement, disability and posthumous benefits	2 428	2 338	1 648
Other	668	2 018	2 040
Non-current employee benefits liabilities	**3 096**	**4 356**	**3 688**
Liabilities to employees in respect of remuneration and functions performed	94 698	76 872	45 993
Liabilities for paid absences	14 105	13 275	10 294
Provision for retirement, disability and posthumous benefits	371	274	173
Current employee benefits liabilities	**109 174**	**90 421**	**56 460**
EMPLOYEE BENEFITS LIABILITIES	**112 270**	**94 777**	**60 148**

(in PLN thousand, unless otherwise stated)

Provision for retirement, disability and posthumous benefits

The table below presents changes in the provision for retirement and disability benefits as well as posthumous benefits:

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Provision for retirement, disability and posthumous benefits at the beginning of the period	**2 612**	**1 821**	**1 766**
Costs included in the financial result	818	462	467
Interest cost	*169*	*61*	*26*
Current and past service costs	*649*	*401*	*441*
Actuarial (gains) / losses recognised in other comprehensive income	(524)	424	(327)
Paid benefits	(107)	(95)	(85)
Provision for retirement, disability and posthumous benefits at the end of the period	**2 799**	**2 612**	**1 821**
Current	*371*	*274*	*173*
Non-current	*2 428*	*2 338*	*1 648*

Key assumptions used to measure the provision for retirement, disability and posthumous benefits

	31.12.2023	31.12.2022	31.12.2021
Discount rate	5.0%	6.8%	3.6%
Projected inflation rate	2.5%	2.5%	2.5%
Employee turnover rate depending on age	0.9% - 11.7%	0.9%-11.2%	0.9% - 11.6%
Projected wage growth rate	8.0%	10.0%	7.1%
Average age of employees	35	35	36

Sensitivity to changes in assumptions

The table below presents the impact of the changes to key assumptions used for measurement of the retirement provision, disability and posthumous benefits as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021:

		31.12.2023	31.12.2022	31.12.2021
Discount rate	- 0.25 p.p.	775	76	55
	+ 0.25 p.p.	(720)	(73)	(53)
Employee turnover rate	- 0.25 p.p.	490	39	28
	+ 0.25 p.p.	(468)	(38)	(27)

6.15. Other non-financial liabilities and deferred income

Accounting policy

Deferred income

If there is a reasonable certainty that the grant will be received and that all related conditions will be met, then government grants are recognised at their fair value.

If a grant relates to an asset, then its fair value is recognised as deferred income, and then gradually, by equal annual amortisation, is recognised in profit or loss over the estimated useful life of the related asset.

Other non-financial liabilities

Other non-financial liabilities consist mainly of particular public law liabilities. Other non-financial liabilities are recognised at the amount due.

(in PLN thousand, unless otherwise stated)

Other non-financial liabilities and deferred income

	31.12.2023	31.12.2022	31.12.2021
Non-current deferred income	**55**	**78**	**100**
CURRENT DEFERRED INCOME	**795**	**1 088**	**466**
TOTAL DEFERRED INCOME	**850**	**1 166**	**566**

	31.12.2023	31.12.2022	31.12.2021
Non-current other non-financial liabilities	**-**	**-**	**-**
Liabilities from social insurance and personal income tax	26 841	25 808	15 782
Excise duty liabilities	6	24	30
VAT liabilities	701	1 582	-
Other	63	68	221
Current other non-financial liabilities	**27 611**	**27 482**	**16 033**
OTHER NON-FINANCIAL LIABILITIES	**27 611**	**27 482**	**16 033**
Current	28 406	28 570	16 499
Non-current	55	78	100
Total other non-financial liabilities and deferred income	**28 461**	**28 648**	**16 599**

6.16. Contract liabilities

Accounting policy

Contract liabilities

The Group recognises contract liabilities when there is an obligation to provide goods or services to the customer for which the Group has received consideration (or the amount is due) from the customer.

Contract liability

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Contract liability at the beginning of the period	**12 017**	**7 178**	**-**
Acquisition of subsidiaries	-	-	5 844
Prepayments received from customers	243 714	12 017	7 178
Recognised as revenue in the period	(236 943)	(7 178)	(5 844)
Contract liability at the end of the period	**18 788**	**12 017**	**7 178**

6.17. Provisions

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) resulting from past events, and when it is probable that the settlement of this obligation will result in an outflow of resources embodying economic benefits and the amount of this obligation can be reliably estimated. If the Group expects that some or all of the provision will be reimbursed, for example under an insurance contract, then the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will actually take place. The cost related to any provision is presented in the consolidated statement of profit or loss and other comprehensive income less or net of any reimbursement.

If the effect of the time value of money is significant, the amount of the provision is determined by discounting the expected future cash flows to the present value, using a discount rate that reflects the current market assessments of the time value of money and the possible risk specific to the liability. If discounting is used, the increase in the provision due to the passage of time is recognised as a financial cost.

(in PLN thousand, unless otherwise stated)

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Provisions at the beginning of the period	**2 770**	**700**	**2 150**
Increase	302	2 219	207
Utilised	(183)	(15)	(170)
Reversed	(43)	(134)	(1 487)
Provisions at the end of the period	**2 846**	**2 770**	**700**
Current	*2 846*	*2 770*	*700*

The provisions recognised as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 include provisions for litigation.

The table below summarizes court cases for which a provision was recognised (probable outflow of resources embodying economic benefits) and those for which provision was not recognised (outflow of resources embodying economic benefits is not probable) as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021:

	31.12.2023	31.12.2022	31.12.2021
An outflow of resources embodying economic benefits is probable			
Number of lawsuits	11	10	7
The value of liabilities for individual lawsuits	2 - 2 636	2 - 2 636	2-392
The value of the provision	2 846	2 770	700
An outflow of resources embodying economic benefits is not probable			
Number of lawsuits	11	6	5
The value of liabilities for individual lawsuits	8 - 70	8 - 70	10-433
Total value of lawsuits for which no provisions were recognised	1 836	189	664

7. DEBT AND CAPITAL MANAGEMENT

7.1. Capital management

The main objective of the Group's capital management is to maintain a good credit rating and safe capital ratios that would support the Group's operating activities and increase the value for its shareholders.

The Group manages the capital structure and introduces changes to it as a result of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may change the dividend payment to shareholders, return capital to shareholders or issue new shares. In the reporting periods ended as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 no changes were made to the objectives, rules and processes in this area.

The Group monitors equity using the leverage ratio, which is the ratio of net debt to total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings and lease liabilities, less cash and cash equivalents. Equity comprises of equity attributable to owners of the parent. The leverage ratio at the Group is significantly impacted by long-term lease and rental contracts.

Note		31.12.2023	31.12.2022	31.12.2021
7.3	Loans and borrowings	5 218 369	3 874 532	4 040 842
	Bank loans	*5 196 354*	*3 874 532*	*4 040 842*
	Borrowings	*22 015*	*-*	*-*
6.4	Lease liabilities	4 012 563	3 598 839	3 061 666
7.4	Less cash and cash equivalents	(649 139)	(280 704)	(483 199)
	Net debt	**8 581 793**	**7 192 667**	**6 619 309**
7.2	Equity	898 129	575 272	216 705
	Equity and net debt	**9 479 922**	**7 767 939**	**6 836 014**
	Leverage ratio	**91%**	**93%**	**97%**

The Group actively manages the level of the leverage ratio as part of liquidity management as described in note 9.2. The Group monitors liquidity risk with a specific focus on interest payable within the next 12 months and both short and long-term instalments payable. Liquidity is monitored with support of the periodic liquidity planning tool. This tool takes into account the maturity / maturity dates of both liabilities and financial assets (e.g. receivables, other financial assets) and forecast cash flows from operating activities.

7.2. Equity

Share capital
As at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 the share capital was PLN 119 790 thousand, which comprised of 2 604 016 020 shares with a nominal value of EUR 0.01 each. All shares have been fully paid up and have been issued on December 2, 2021:

Share classes	Issue date	Number	Value in EUR thousand	Value in PLN thousand
Class A Ordinary Shares	2 December 2021	52 927 471	529	2 435
Class B Ordinary Shares	2 December 2021	8 610 989	86	396
Class A Preference Shares	2 December 2021	2 505 139 020	25 051	115 241
Class B Preference Shares	2 December 2021	37 338 540	373	1 718
Total		**2 604 016 020**	**26 039**	**119 790**

The shares are divided into classes of shares which are ordinary or preference. Each share has the same par value and each share entitles to one vote.

Preference shares have priority over ordinary shares in the event of: repurchases and cancellations of shares, liquidation of the Company, payments of dividends, interim dividends, distribution of share premium, assimilated premium and other distributable reserves.

The Group performed an analysis of the classification and measurement of the preference shares between equity and liability instruments or a combination of the two as per the guidance outlined in the International Accounting Standard 32 *Financial instruments: Presentation* ("IAS 32"). The Group concluded that as per the rights and obligations related to the preference shares, payment of dividend as well as the redemption of the preference shares is at the sole discretion of the Group. As such, the Group has concluded that the preference shares should be classified as equity instruments and measured at their nominal value.

Share premium and legal reserve

As at December 31, 2021 and December 31, 2022, share premium amounts to PLN 8 382 934 thousand (EUR 1 822 298 thousand) and results from the surplus of the share issue price over the share nominal value. The Company was incorporated on December 2, 2021 with an issued and fully paid-up share capital amounting to EUR 26 039 thousand represented by 2 604 016 021 shares with a nominal value of EUR 0.01 each.

On March 20, 2023 the Group entered into certain transactions assimilated to the financial assistance in accordance with Articles 430-19, 430-20, 430-21 and 430-23 of the Luxembourg Law of 10 August 1915 (the "Financial Assistance"). Under the Financial Assistance, in accordance with article 430-19 (1) 3 of the Luxembourg Law of 10 August 1915, the Group created a reserve unavailable for distribution (other non-available reserve) for an amount of PLN 255 067 thousand, that shall increase by the accrued interest amount. It is reclasiffied from share premium to legal reserve. As at December 31, 2023, the share premium amounts to PLN 8 114 482 thousand and the legal reserve amounts to PLN 268 486 thousand.

7.3. Debt

Accounting policy

The Group classifies liabilities due to loans, borrowings and leases as debt.

Upon initial recognition, all bank loans, borrowings and debt securities are recognised at fair value, less costs related to obtaining the loan or borrowing.

After the initial recognition, interest-bearing loans, borrowings and debt securities are measured at amortised cost using the effective interest rate method.

When determining the amortised cost, the costs related to obtaining the loan or borrowing as well as discounts or premiums obtained in relation to the liability are taken into account.

In the case of floating-rate financial liabilities, periodic reassessment of cash flows is performed to reflect changes in market interest rates, including those resulting from changes in margins and it alters the effective interest rate.

Any gains or losses are recognised in profit or loss when a liability is derecognised from the balance sheet and as a result of the settlement using the effective interest rate method.

The description of the accounting policy applied and the judgements and estimates made in relation to lease liabilities are presented in note 6.4.

Values based on professional judgement and estimates

Maturity date and market interest rate used for YFPECs calculation

As at the inception date of YFPECs, the Group performed an analysis on the classification and accounting treatment of these instruments. Using the guidance in IAS 32 on the classification of financial instruments, the Group concluded that the YFPECs should be classified as a liability as the terms and conditions do not give it the right to redeem the YFPECs other than in cash. The Group also concluded that the difference between the present and the future value of the liability should be accounted for as a part of equity and treated as contribution from the parent company. As at December 31, 2021 the Group made a judgement regarding:

- market interest rate used for the calculation and the estimated value at the level of the interest rate of a similar loan agreement,
- the expected maturity date which was 17 April 2022, while maturity date agreed in the terms and conditions of the contract is 18 April 2027.

(in PLN thousand, unless otherwise stated)

The reconciliation of changes in liabilities resulting from financial activities is presented below:

	Bank loans	Loans	Lease liabilities	Total
As at 01.01.2023	**3 874 532**	**-**	**3 598 839**	**7 473 371**
Monetary changes				
Cash inflows	5 254 885	23 587	-	**5 278 472**
Payment	(4 377 194)	(2 392)	(885 964)	**(5 265 550)**
Capital repayment	*(3 794 412)*	*(1 555)*	*(639 197)*	***(4 435 164)***
Repayment of capitalised bank commission	*(1 138)*	*-*	*-*	***(1 138)***
Interest paid	*(581 644)*	*(837)*	*(246 767)*	***(829 248)***
Non-monetary changes				
Accrued interest	510 783	820	246 850	**758 453**
Exchange differences from valuation	(67 454)	-	(51 682)	**(119 136)**
Expected cash flow changes	44	-	-	**44**
Other non-monetary changes	758	-	1 104 520	**1 105 278**
As at 31.12.2023	**5 196 354**	**22 015**	**4 012 563**	**9 230 932**
Current	*169 391*	*4 023*	*644 105*	***817 519***
Non-current	*5 026 963*	*17 992*	*3 368 458*	***8 413 413***

	Bank loans	Loans	Lease liabilities	Total
As at 01.01.2022	**4 040 842**	**-**	**3 061 666**	**7 102 508**
Monetary changes				
Cash inflows	151 082	-	-	**151 082**
Payment	(652 879)	-	(734 107)	**(1 386 986)**
Capital repayment	(318 082)	-	(556 595)	***(874 677)***
Interest paid	(334 797)	-	(177 512)	***(512 309)***
Non-monetary changes				
Accrued interest	347 420	-	176 839	**524 259**
Exchange differences from valuation	-	-	966	**966**
Expected cash flow changes	(10 931)	-	-	**(10 931)**
Other non-monetary changes	(1 002)	-	1 093 475	**1 092 473**
As at 31.12.2022	**3 874 532**	**-**	**3 598 839**	**7 473 371**
Current	481 820	-	568 250	***1 050 070***
Non-current	*3 392 712*	-	*3 030 589*	***6 423 301***

	Bank loans	Loans	Lease liabilities	Total
As at 01.01.2021	**3 837 104**	**7 647**	**2 686 416**	**6 531 167**
Monetary changes				
Cash inflows	419 577	-	298	**419 875**
Payment	(400 891)	-	(613 021)	**(1 013 912)**
Capital repayment	(276 832)	-	(469 681)	***(746 513)***
Interest paid	(124 059)	-	(143 340)	***(267 399)***
Non-monetary changes				
Increase due to acquisition of a subsidiary	-	-	5 678	**5 678**
Accrued interest	168 324	542	143 347	**312 213**
Exchange differences from valuation	-	(22)	(1 408)	**(1 430)**
Expected cash flow changes	22 795	230	-	**23 025**
Other non-monetary changes	(6 067)	(8 397)	840 356	**825 892**
As at 31.12.2021	**4 040 842**	**-**	**3 061 666**	**7 102 508**
Current	342 660	-	496 208	***838 868***
Non-current	*3 698 182*	-	*2 565 458*	***6 263 640***

Other non-monetary changes in loans in 2021 relate to redemption of preferred equity certificates (PEC's).

Other non-monetary changes in lease liabilities result from new lease contracts and from modification and remeasurement of lease contracts to reflect changes in lease payments. Other information on the lease liabilities is presented in note 6.4. Whereas, income, costs, gains and losses from financial instruments (including loans, borrowings and lease liabilities) are presented in note 8.1.

Detailed information on loan and bank loan agreements is presented in the table below:

Type	Lender	The date of conclusion of the contract	Loan / borrowing amount (in thousands)	Currency	Interest*	Repayment method	Maturity date	31.12.2023	31.12.2022	31.12.2021
Bank loan (tranche A)	Syndicate of banks	12.04.2017	575 000	PLN	WIBOR + margin	semi-annual instalments starting from June 30, 2018	20.04.2023	-	116 097	238 384
Bank loan (tranche B)	Syndicate of banks	12.04.2017	1 675 000	PLN	WIBOR + margin	one-time repayment	20.04.2024	-	1 674 550	1 675 003
Bank loan (tranche A2)	Syndicate of banks	19.07.2019	452 000	PLN	WIBOR + margin	semi-annual instalments starting from December 31, 2019	20.04.2023	-	136 441	232 036
Bank loan (tranche B2)	Syndicate of banks	19.07.2019	1 355 500	PLN	WIBOR + margin	one-time repayment	20.04.2024	-	1 355 236	1 358 623
Bank loan for refinancing capital expenditure	Syndicate of banks	11.10.2019	175 000	PLN	WIBOR + margin	semi-annual instalments starting from December 31, 2021	20.04.2023	-	104 984	156 754
Bank loan (tranche A) - additional	Syndicate of banks	04.12.2020	125 000	PLN	WIBOR + margin	semi-annual instalments starting from June 30, 2021	20.04.2023	-	43 727	86 671
Bank loan (tranche B) - additional	Syndicate of banks	04.12.2020	275 000	PLN	WIBOR + margin	one-time repayment	20.04.2024	-	274 943	275 755
Bank loan (tranche 1)	Bank	14.07.2021	4 974	PLN	WIBOR + margin	semi-annual instalments	30.11.2027	3 652	4 455	4 308
Bank loan (tranche 2)	Bank	14.07.2021	14 603	PLN	WIBOR + margin	semi-annual instalments	30.11.2027	11 081	13 605	13 308
Bank loan (tranche 3)	Bank	14.07.2021	91 049	PLN	WIBOR + margin	semi-annual instalments	30.11.2027	71 927	89 055	-
Bank loan (tranche 4)	Bank	14.07.2021	34 916	PLN	WIBOR + margin	semi-annual instalments	30.11.2027	30 938	-	-
Bank loan	Bank	24.09.2021	7 981	PLN	WIBOR + margin	one-time repayment	15.09.2023	-	7 940	-

Type	Lender	The date of conclusion of the contract	Loan / borrowing amount (in thousands)	Currency	Interest*	Repayment method	Maturity date	31.12.2023	31.12.2022	31.12.2021
Bank loan	Bank	24.09.2021	3 507	PLN	WIBOR + margin	one-time repayment	15.09.2023	-	3 484	-
Overdraft	Syndicate of banks	12.04.2017	50 015	PLN	WIBOR + margin	on a regular basis with the inflows to the account	20.04.2023	-	50 015	-
Bank loan (tranche A)	Syndicate of banks	09.01.2023	1 200 000	PLN	WIBOR + margin	semi-annual instalments starting from June 30, 2024	23.01.2029	1 183 135	-	-
Bank loan (tranche A)	Syndicate of banks	09.01.2023	55 819	EUR	EURIBOR + margin	semi-annual instalments starting from June 30, 2024	23.01.2029	239 232	-	-
Bank loan (tranche B1)	Syndicate of banks	09.01.2023	1 500 000	PLN	WIBOR + margin	one-time repayment	23.07.2029	1 476 609	-	-
Bank loan (tranche B1)	Syndicate of banks	09.01.2023	130 245	EUR	EURIBOR + margin	one-time repayment	23.07.2029	557 501	-	-
Bank loan (tranche B2)	Syndicate of banks	09.01.2023	1 300 000	PLN	WIBOR + margin	one-time repayment	23.07.2029	1 279 727	-	-
Bank loan (tranche 1)	Bank	24.05.2023	152 602	PLN	WIBOR + margin	semi-annual instalments starting from June 30, 2024	24.05.2029	152 089	-	-
Bank loan (tranche 1)	Bank	24.05.2023	3 692	EUR	EURIBOR + margin	semi-annual instalments starting from June 30, 2024	24.05.2029	16 073	-	-
Bank loan (tranche 2)	Bank	24.05.2023	157 392	PLN	WIBOR + margin	semi-annual instalments starting from June 30, 2024	24.05.2029	157 793	-	-
Bank loan (tranche 2)	Bank	24.05.2023	3 808	EUR	EURIBOR + margin	semi-annual instalments starting from June 30, 2024	24.05.2029	16 597	-	-
Non-bank borrowing	Financing entity	18.05.2023	19 091	PLN	WIBOR 1M + margin	monthly instalments starting from July 25, 2023	25.06.2028	17 818	-	-
Non-bank borrowing	Financing entity	20.06.2023	4 496	PLN	WIBOR 1M + margin	monthly instalments starting from August 15, 2023	15.07.2028	4 197	-	-
TOTAL LOANS AND BANK LOANS								**5 218 369**	**3 874 532**	**4 040 842**

* Under the signed bank loan agreements, the Group may choose a one-month, three-month or six-month interest period or another period agreed with the lenders. The interest rate as at December 31, 2023 and as at December 31, 2022 was WIBOR 1M + margin. As at December 31, 2021, the interest rate was WIBOR 6M + margin.

In 2022 the change in interest period occurred and the result has been disclosed in note 5.4.

Credit facility agreement concluded on April 12, 2017
The Group repaid this credit facility in 2023.

On April 12, 2017, the Group signed a loan agreement with a syndicate of banks for the total amount of PLN 2 700 000 thousand. The contract included the following items:
- tranche A in the amount of PLN 575 000 thousand,
- tranche B in the amount of PLN 1 675 000 thousand,
- revolving loan in the amount of PLN 450 000 thousand.

The Group took out tranches A and B on April 19, 2017.

On July 19, 2019, the Group signed an annex to the loan agreement with the bank syndicate, pursuant to which it was given the opportunity to draw two further loan tranches, i.e.:
- tranche A2 for PLN 452 000 thousand,
- tranche B2 for PLN 1 355 500 thousand.

The Group took out tranches A2 and B2 on July 16, 2019.

On October 11, 2019, the Group, under an agreement concluded with a banking syndicate on April 12, 2017, took out a loan for refinancing capital expenditure for PLN 123 716 thousand. On January 31, 2020, the last tranche was drawn under the loan for refinancing capital expenditure for PLN 51 284 thousand.

Pursuant to the loan agreement dated July 19, 2019 with a bank syndicate, on December 4, 2020, the Group applied for two additional tranches within the allocated credit limit, i.e.:
- tranche A in the amount of PLN 125 000 thousand,
- tranche B in the amount of PLN 275 000 thousand.

As part of the additional credit limit described above, the Group might borrow up to ten tranches, within three months from the date of acceptance of the application. As at December 31, 2022, the two tranches listed above were drawn in full, i.e. up to the amount of the allocated credit limit.

The loan agreement of April 12, 2017 concluded with a banking syndicate also included a revolving loan in the amount of PLN 450 000 thousand. As at December 31, 2022, this credit was used in the form of an overdraft in the amount of PLN 50 015 thousand and in the form of bank guarantees provided to support the Group's liabilities in the amount of PLN 13 345 thousand (December 31, 2021: the amount of credit used for bank guarantees provided to support the Group's liabilities was PLN 65 661 thousand).

As at December 31, 2022, the Group also had an additional credit limit for bank guarantees granted to the vast majority of suppliers as security for the performance of commercial contracts in the amount of PLN 125 000 thousand (December 31, 2021: PLN 25 000 thousand). The amount drawn under the limit was PLN 86 505 thousand (December 31, 2021: PLN 19 921 thousand).

In 2022 the Group has established the following securities for the benefit of the syndicate of banks:
- registered and financial pledges over the share capital of Żabka Polska sp. z o.o.,
- registered pledge of any inter-company loans granted to Żabka Polska sp. z o.o.,
- pledge over bank accounts,
- statement on voluntary submission to execution;

Żabka Polska sp. z o.o. has established the following securities and pledges:
- assignment between Żabka Polska sp. z o.o. and the security agent in relation to the of Żabka Polska sp. z o.o. rights under the subsidiary acquisition documents and any security agreements concluded by Żabka Polska sp. z o.o.,
- registered and financial pledges on significant bank accounts,
- registered pledge on bank accounts,
- registered pledge on the enterprise of Żabka Polska sp. z o.o.,
- declared voluntary submission to enforcement,

- registered pledge under Polish law over intangible assets in particular over significant trademarks owned by Żabka Polska sp. z o.o. and registered in Poland,
- assignment of all material loans granted by the Company and insurance policies of Żabka Polska sp. z o.o.

The loan agreement obliged the Group to meet specific financial covenants (e.g. leverage ratio and interest cover ratio) and introduces restrictions on the payment of dividends and repayment of intra-group liabilities. As at December 31, 2022 and December 31, 2021, the financial ratios were met.

Credit facility agreement concluded on January 9, 2023
On January 9, 2023, Żabka Group S.A. and Żabka Polska sp. z o.o. concluded a new credit facility agreement with a bank syndicate for the amount of PLN 5 110 000 thousand and EUR 186 064 thousand. The first tranches under the new credit facility agreement were drawn on January 23, 2023 in the amount of PLN 4 000 000 thousand and EUR 186 063 thousand.

On February 10, 2023, the credit facility agreement was extended by an additional PLN 140 000 thousand under an Incremental Facility to refinance capital expenditure. Under the credit facility agreement of January 9, 2023, tranches A, the Capex tranche and the Incremental Facility to refinance capital expenditure will be repaid in semi-annual instalments starting from June 2024, and the last instalment will be repaid in January 2029. Tranches B will be repaid on a one-off basis in July 2029.

As at December 31, 2023, the agreement included the following credit facilities:
- tranche A PLN of PLN 1 200 000 thousand – credit facility drawn in full,
- tranche A EUR of EUR 55 819 thousand – credit facility drawn in full,
- tranche B1 PLN of PLN 1 500 000 thousand – credit facility drawn in full,
- tranche B1 EUR of EUR 130 245 thousand – credit facility drawn in full,
- tranche B2 PLN of PLN 1 300 000 thousand – credit facility drawn in full,
- Capex tranche of PLN 610 000 thousand – undrawn credit facility,
- Incremental Facility Capex tranche of PLN 140 000 thousand – undrawn credit facility,
- revolving loan tranches totalling PLN 500 000 thousand – PLN 55 thousand drawn in connection with the provision of bank guarantees for the Company's liabilities.

In connection with the execution of the credit facility agreement, the Group provided the following security for the security agent:
- registered and financial pledges over bank accounts,
- registered pledges over the Group's assets,
- registered pledges under Polish law over intangible assets, in particular over significant trademarks owned by the Group and registered in Poland,
- registered pledge over Group shares,
- declaration of voluntary submission to enforcement,
- assignment in relation to the Group's rights under the subsidiary acquisition documents and any security agreements concluded by the Group,
- assignments of all material (in terms of value) contracts concluded by the Group, in particular loans granted by the Group, and insurance policies.

The credit facility agreement obliges the Group to meet specific financial covenants (regarding the leverage ratio, interest cover ratio, etc.) and introduces restrictions on the payment of dividends. As at December 31, 2023, all financial covenants were fulfilled.

Credit facility agreement concluded on May 24, 2023
On May 24, 2023, the Group entered into a credit facility agreement with a bank to finance and refinance capital expenditure up to a total maximum amount of PLN 309 994 thousand and EUR 7 500 thousand.

On October 19, 2023, the Group drew the first tranche of the credit facility provided under the agreement, in the amount of PLN 152 602 thousand and EUR 3 692 thousand. On December 8, 2023, the Group drew a second tranche of the credit facility, in the amount of PLN 157 392 thousand and EUR 3 808 thousand, thus drawing down the entire amount available under the agreement.

In accordance with the terms of the credit facility agreement, the debt under the credit facility will be repaid in semi-annual principal instalments starting from June 2024, and the last instalment will be repaid in May 2029.

In connection with the execution of the credit facility agreement, the Group has provided, through the security agent for the bank, the same security as in the case of the bank syndicate.

The credit facility agreement obliges the Group to meet specific financial covenants (regarding the leverage ratio, interest cover ratio, etc.) and introduces restrictions on the payment of dividends. As at December 31, 2023 all financial covenants were fulfilled.

Export Credit Facility Agreement (ECA) concluded on July 14, 2021
On July 14, 2021, Żabka Automatic Logistics sp. z o.o. (ŻAL), as borrower, entered into an export credit agreement (as amended and/or restated) governed by English law (the "ECA") with a bank acting as Mandated Lead Arranger, Agent and ECA Agent (the "ECA Agent") and certain other financial institutions. The ECA is an ESG-linked product. Pursuant to the ECA, a term facility for a total amount not exceeding PLN 184 600 thousand was made available to ŻAL (the "Facility"). As at December 31, 2023 the outstanding balance of the facility was PLN 117 598 thousand, as at December 31, 2022: PLN 117 115 thousand, and as at December 31, 2021: PLN 17 616 thousand.

The facility agreement benefits from the same security package as the security packaged securing the senior facilities agreement dated January 9, 2023 and the export credit cover.

Term facility and VAT facility agreement concluded on September 24, 2021
On 24 September 2021, Żabka Construction sp. z o.o. and Żabka Development sp. z o.o., as borrowers and guarantors, entered into a term facility and VAT facility agreement governed by Polish law (the "ZPF Facility Agreement") with a bank acting as the original lender, authorised lead arranger and agent. Under the agreement, Żabka Construction and Żabka Development have access to term facilities of up to PLN 210 000 000, and VAT facilities of up to PLN 50 000 000.

The purpose of such financing is the purchase and/or construction of properties where Żabka convenience stores operate or will operate. Such stores can be sold to an investor. No tranches have been drawn as at December 31, 2021. As at December 31, 2022 PLN 11 487 thousand has been drawn. The Group repaid this credit facility in 2023.

Non-bank borrowings
Non-bank borrowings include sale and leaseback transactions for which the transfer of assets is not a sale within the meaning of IFRS 15 because control of underlying assets does not pass to the buyer-lessor. Therefore, these transactions are accounted for as financing transactions secured by fixed assets.

Amendments to the credit facility agreements made after the reporting date are described in note 9.7. Events after the reporting date.

As at December 31, 2023 the amount of bank and insurance guarantees issued at the request of Żabka Polska sp. z o.o. amounted to PLN 165 641 thousand (PLN 99 850 thousand as at December 31, 2022, and PLN 85 598 thousand as at December 31, 2021). The guarantees issued were unconditional and constituted, to a large extent, security for the proper performance of the agreements concluded by the company.

Yield free preferred equity certificates ("YFPECs")
On 13 April 2017, the Group issued 1 250 000 000 yield free preferred equity certificates ("YFPECs") each having a par value of EUR 0.01. These YFPECs are free of interest. The maturity date was December 2, 2021, while maturity date agreed in the terms and conditions of the contract is April 18, 2027. As at the inception date, the Group performed an analysis on the accounting treatment of these instruments and concluded that the difference between the present and the future value of the liability should be accounted for as part of equity. This difference was moved to the retained earnings after the redemption of the YFPES's. The Group proceeded with the following redemption:

- On 17 November 2017 redemption of 780 000 000 YFPECs,
- On 17 September 2019, redemption of 287 424 326 YFPECs,
- On 2 December 2021, redemption of 182 575 674 YFPECs.

As at December 31, 2023, December 31, 2022 and December 31, 2021 the outstanding YFPECs amounts to PLN 0 thousand.

(in PLN thousand, unless otherwise stated)

7.4. Cash and cash equivalents

Accounting policy

Cash and cash equivalents disclosed in the consolidated statement of financial position and the consolidated statement of cash flows include cash at bank and in hand as well as short-term deposits with an original maturity of three months or less.

Cash at bank bears interest at variable interest rates, the amount of which depends on the interest rate on overnight bank deposits. Short-term deposits are made for various periods, from one day to one month, depending on the Group's current demand for cash, and bear interest at the interest rates set for them.

Accounting policy for financial instruments is presented in note 8.1.

	31.12.2023	31.12.2022	31.12.2021
Cash at bank	649 055	280 650	483 163
Cash in hand	84	54	36
Cash and cash equivalents	**649 139**	**280 704**	**483 199**
Fair value	649 139	280 704	483 199

Cash is a collateral for a bank loan, pursuant to the terms of the loan agreement (as described in note 7.3). Information on the risks to which cash is exposed is presented in note 8.2.

7.5. Explanatory notes to the consolidated statement of cash flows

The tables below explain the differences between changes in some of the items in the consolidated statement of financial position and changes presented in the consolidated statement of cash flows.

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in receivables presented in the consolidated statement of financial position	**(452 174)**	**(471 012)**	**(261 877)**
(increase) / decrease in trade receivables	*(416 533)*	*(408 702)*	*(241 419)*
(increase) / decrease in receivables due to other long-term receivables	*(3 420)*	*696*	*(2 525)*
(increase) / decrease in receivables due to other short-term receivables	*(32 221)*	*(63 006)*	*(17 933)*
Increase due to acquisition of subsidiaries	-	-	6 886
Effect of receivables discount and interest	2 634	(2 410)	(79)
Effect of offsetting trade receivables with deductions for granted loans	-	-	3 381
Receivables from proceedings to secure claims	60 793	-	-
Receivables due to cash deposits	(46 011)	47 039	-
Receivables from deposits related to sale&leaseback transactions	(6 054)	13 188	-
Other	968	1 376	-
(Increase) / decrease in receivables presented in the consolidated cash flow statement	**(439 844)**	**(411 819)**	**(251 689)**

(in PLN thousand, unless otherwise stated)

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in payables except loans and borrowings, presented in the consolidated statement of financial position	**307 647**	**653 500**	**661 984**
increase / (decrease) in trade payables and other financial liabilities	*256 783*	*603 612*	*645 728*
increase / (decrease) in long-term financial liabilities	*33 243*	*3 741*	*-*
increase / (decrease) in liabilities due to employee benefits	*17 493*	*34 628*	*13 241*
increase / (decrease) in other non-financial liabilities	*128*	*11 519*	*3 015*
Increase due to acquisition of subsidiaries	-	(1 370)	(12 932)
Change in capital expenditure liabilities	62 030	(108 402)	(28 547)
Change in liabilities accounted for in other comprehensive income	524	(429)	327
Effect of discounting liabilities	(1 684)	3 943	1 820
Change in accruals due to factoring interest	235	(10 504)	(3 312)
Payables related with borrowings	-	-	(8 397)
Valuation of forward contract	-	-	-
Valuation of derivatives	(29 518)	3 417	-
Deferred payment for share acquisition	-	-	(3 000)
Other	-	(15)	(201)
Increase / (decrease) in payables presented in the consolidated cash flow statement	**339 234**	**540 140**	**607 742**

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in contract liabilities presented in the consolidated statement of financial position	**6 771**	**4 839**	**7 178**
Increase / (decrease) in contract liabilities	*6 771*	*4 839*	*7 178*
Change due to acquisition of subsidiaries	-	-	(5 913)
Increase / (decrease) in contract liabilities presented in the consolidated cash flow statement	**6 771**	**4 839**	**1 265**

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in prepayments, accruals and deferred income presented in the consolidated statement of financial position	**(3 194)**	**114 931**	**34**
(increase) / decrease in prepayments	*(3 166)*	*(9 968)*	*(197)*
increase/ (decrease) in accrued expenses	*(315)*	*609*	*-*
increase/ (decrease) in deferred income	*287*	*124 290*	*231*
Change as a result of settlement of the merger of companies	-	-	807
Non-interest loan-related costs	23 409	(592)	(188)
Other	-	(648)	(8)
(Increase) / decrease in the balance of prepayments, accruals and deferred income presented in the consolidated statement of cash flows	**20 215**	**113 691**	**645**

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Purchase of property, plant and equipment and intangible assets			
Additions of property, plant and equipment resulted from subsidiary acquisition	-	-	(92 279)
Additions of property, plant and equipment	(1 047 724)	(1 170 353)	(881 296)
Additions of intangible assets	(303 303)	(262 523)	(115 457)
Change in capital expenditure payables	(62 029)	108 402	28 547
Depreciation charge capitalised as leasehold improvements	719	561	363
Seizure of funds in proceedings to secure claims of a building contractor	(60 793)	-	-
Purchase of property, plant and equipment and intangible assets presented in the consolidated cash flow statement	**(1 473 130)**	**(1 323 913)**	**(1 060 122)**

(in PLN thousand, unless otherwise stated)

	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
(Gains) / Losses from investing activities			
(Gains) / Losses on disposal and liquidation of property, plant and equipment	6 639	(70 234)	5 294
Loss allowance for expected credit losses on loans	-	-	234
Impairment of property, plant and equipment	(1 026)	3 437	-
Other	1 493	5 501	110
(Gains) / losses from investing activities presented in the consolidated cash flow statement	**7 106**	**(61 296)**	**5 638**

Information on cash flows resulting from concluded lease agreements is presented in note 6.4.

8. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND LIQUIDITY MANAGEMENT

8.1. Financial instruments

Accounting policy

Financial assets

Classification of financial assets

Financial assets are classified into the following measurement categories:
- measured at amortised cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The Group classifies a financial asset based on its business model of financial asset management and the asset's contractual cash flow characteristics of the financial asset (the so-called "SPPI criterion"). The Group reclassifies investments in debt instruments when and only when the business model for managing these assets changes.

Initial recognition measurement (except for certain trade receivables)

At initial recognition the Group measures a financial asset at its fair value, which in the case of financial assets not measured at fair value through profit or loss is increased by transaction costs that can be directly attributed to the acquisition of these financial assets.

Derecognition

Financial assets are derecognised when:
- the contractual rights to receive cash flows from financial assets expire or
- contractual rights to obtain cash flows from financial assets are transferred and the Group transfers substantially all risks and rewards of ownership.

Measurement subsequent to initial recognition

For the purposes of measurement subsequent to initial recognition, financial assets are classified into one of the four categories:
a. debt instruments measured at amortised cost,
b. debt instruments measured at fair value through other comprehensive income,
c. equity instruments measured at fair value through other comprehensive income,
d. financial assets measured at fair value through profit or loss.

The Group does not currently have any instruments classified under B or C.

A. Debt instruments - financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:
- the financial asset is held according to a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are only payments of principal and interest on the principal amount outstanding.

To the category of financial assets measured at amortised cost, the Group classifies:
- trade receivables,
- borrowings that meet the SPPI classification test, which, according to the business model, are reported as held to collect the contractual cash flows,
- cash and cash equivalents.

Interest income is calculated using the effective interest rate method and is presented in the consolidated statement of comprehensive income under "Financial income".

B. Debt instruments - financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
- the financial asset is held in the 'hold to collect and sell' business model (business model whose objective is achieved by both collecting contractual cash flows and selling financial assets), and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are only payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange differences and impairment gains and losses are recognised in profit or loss and calculated in the same way as for financial assets measured at amortised cost. Other changes in fair value are recognised in other comprehensive income. Upon derecognition of a financial asset, the total profit or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Interest income is calculated using the effective interest rate method and is presented in the consolidated statement of comprehensive income under "Financial income".

There are no such instruments held by the Group as at the reporting dates.

C. Equity instruments - financial assets measured at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election to recognise in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading or is not a contingent consideration recognised by the acquirer in a business combination to which International Financial Reporting Standard 3 *Business combinations* ("IFRS 3") applies. This choice is made separately for each equity instrument. Cumulative gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss. Dividends are recognised in the consolidated statement of comprehensive income when the entity's right to receive the dividend arises, unless the dividends obviously represent the recovery of part of the investment costs.

There are no such instruments held by the Group as at the reporting dates.

D. Financial assets measured at fair value through profit or loss

Financial assets that do not meet the criteria of measurement at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. The gain or loss on the measurement of debt investments at fair value is recognised in profit or loss (financial income or financial costs). The Group classifies equity investments at fair value through profit and loss.

The Group includes shares and stocks as well as factoring receivables in this category. In the Group's opinion, the carrying amount of factoring receivables does not differ from the fair value due to the short term and high credit rating of franchisees covered by factoring.

Dividends are recognised in the consolidated statement of profit or loss and other comprehensive income when the Group's right to receive a dividend arises.

In a situation where the Group:
- has a valid legal title to set off the recognised amounts, and
- intends to settle the net amount or simultaneously realizes the asset and the liability,

the financial asset and the financial liability are offset and disclosed in the consolidated statement of financial position in the net amount.

Expected credit losses

At each reporting date, the Group recognises a loss allowance for expected credit losses related to the financial asset. The Group estimates that the credit risk associated with a financial instrument has increased significantly since its initial recognition if the delay in payment is more than 90 days.

The Group has not identified cases of a significant increase in credit risk related to financial instruments.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Assets recognised at amortised cost

At each reporting date, the Group recognises a loss allowance for expected credit loss on a financial instrument in an amount equal to the lifetime expected credit loss, if the credit risk associated with a given financial instrument has increased significantly since the initial recognition, regardless of whether it was assessed individually or collectively - taking into account all reasonable and supportable information, including forward-looking information.

If, as at the reporting date, the credit risk related to a financial instrument has not significantly increased since the initial recognition, the Group measures the allowance for expected credit loss for that financial instrument in the amount equal to a 12-month expected credit loss.

The Group always measures the loss allowance at an amount equal to expected lifetime credit loss in relation to:
- trade receivables or contract assets resulting from transactions that are within the scope of IFRS 15,
- lease receivables resulting from transactions conducted under IFRS 16.

The Group measures expected credit losses on financial instruments in a way that reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- time value of money, and

- reasonable and supportable information that is available without undue cost or effort at the reporting date regarding past events, current conditions and forecasts of future economic conditions.

When assessing the future economic conditions, the Group focuses on economic factors such as change in GDP ratio and how it affects unemployment rates which in turn affect the overall capacity of its debtors to pay off their debts towards the Group. Additionally those ratios are considered at the regional level to account for differentiation of regions in Poland.

The Group recognises an impairment gain or loss of expected credit losses (or the amount of the reversed provision) that is required to adjust the loss allowance for expected credit loss, in profit or loss. The Group assesses the risk or probability of a credit loss occurring, taking into account the possibility of a credit loss occurrence and the possibility of no credit loss occurring, even if the probability of a credit loss occurrence is very low.

Financial liabilities

Financial liabilities measured at fair value through profit or loss include financial liabilities measured in such a manner at initial recognition or thereafter in accordance with paragraph 6.7.1 of IFRS 9 and financial liabilities that must meet the definition of held for trading in IFRS 9. Financial liabilities are classified as held for trading if they are contracted with an intention to buy them back in the near future.

Financial liabilities may be initially classified as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases; or (ii) the liabilities are part of a group of financial liabilities that are managed and measured at fair value, in accordance with a documented risk management strategy; or (iii) the financial liabilities contain an embedded derivative that should be separately recognised.

As at reporting dates, no financial liabilities were classified as measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss are measured at fair value, taking into account their market value as at the reporting date, excluding sales transaction costs. Changes in the fair value of these instruments are recognised in profit or loss as financial costs or income.

Other financial liabilities different than financial instruments measured at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

The Group derecognises a financial liability from its balance sheet when the liability expires - that is, when the obligation specified in the contract is fulfilled, cancelled or it expires. The replacement of the previous debt instrument by an instrument with substantially different terms and conditions between the same entities is recognised by the Group as the expiration of the original financial liability and the recognition of a new financial liability.

Similarly, significant modifications to the terms of an agreement relating to an existing financial liability are recognised by the Group as the expiration of the original and recognition of a new financial liability. The difference of the respective carrying amounts arising from the replacement is recognised in profit or loss.

Derivatives

The Group classifies a financial instrument or other contract within the scope of IFRS 9 as a derivative if:

- its value changes in response to the change in the value of the underlying instrument,
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors,
- it is settled at a future date.

The Group separates embedded derivatives from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks inherent in the host contract and the host contract is not measured at fair value through profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are considered effective hedges.

Derivatives classified as held for trading are measured at fair value at initial recognition and subsequently at fair value through profit or loss.

Hedge accounting

The Group applies hedge accounting in accordance with IFRS 9 for its cash flow hedges. A cash flow hedge is a hedge against exposure to cash flow variability that is attributable to a specific risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group applies cash flow hedging to mitigate the energy price volatility risk associated with purchases of electricity at volatile (spot) prices. The Group uses embedded derivatives that are part of vPPAs as hedging instruments.

Virtual Power Purchase Agreements (vPPAs)

In order to implement its financial risk management strategy, the Group enters into virtual Power Purchase Agreements ("vPPAs").

Each time when the new vPPA contract is entered into, the Group performs the accounting consideration:

1. In regards to the purchase of other non-financial assets (the host contract, i.e. guarantee of origin):
   a. whether the contract has been entered into and is maintained for the purpose of receiving non-financial components according to the entity's expected needs for delivery, sale, or utilisation of these components (i.e., whether it meets the conditions of the "own-use exemption", meaning it uses non-financial positions for its own use, as per IFRS 9 paragraph 2.4. or
   b. whether the agreement falls under IFRS 9.
2. In regards to the financial settlement: whether it meets the definition of a derivative, and whether it is closely related to the host contract. Financial settlements that are not closely related, are separately recognised and measured.

In terms of vPPAs entered into, the Group concluded that the agreements meet the "the own-use exemption" criteria for the purchase of guarantees of origin. At the same time, the Group classifies financial settlement (which is contract for difference and a swap to change the price of electricity from variable to fixed) as a derivative and separates it from the host contract due to the fact that the contract for difference formula based on electricity prices is not closely related to the prices of guarantees of origin.

A contract for difference is recognised on the date on which the Group becomes a party to the contract and the contract is irrevocable (usually upon signing a vPPA). The Group designates contracts for difference entered into under vPPAs as hedging instruments in its cash flow hedge accounting.

The Group uses contracts for difference exclusively for the purpose of hedging financial risks and not for speculative purposes.

The fair values of individual classes of financial instruments

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price (i.e. the fair value of the consideration paid or received). If the fair value of a financial asset or financial liability at initial recognition differs from the transaction price, and the model for the fair value measurement of a financial instrument such as a derivative uses unobservable inputs, the Group adjusts the fair value model to defer the difference between the fair value at initial recognition and the transaction price.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities that are measured at fair value or when their fair value is disclosed in these Consolidated Financial Statements are classified in the fair value hierarchy as described below based on the lowest input data that is relevant to the fair value measurement taken as a whole:

Level 1 - Quoted (unadjusted) market prices in an active market for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level of input data that is relevant to the fair value measurement as a whole is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level of input data that is relevant to the fair value measurement as a whole is unobservable.

At each reporting date, in the case of assets and liabilities existing on individual reporting dates in these Consolidated Financial Statements, the Group assesses whether there have been transfers between the levels of the hierarchy by reassessing the classification to individual levels, taking into account the materiality of the input data from the lowest level that is significant for fair value measurements taken as a whole.

Amounts based on professional judgement

Recognition and valuation of vPPA contracts

To be able to apply hedge accounting to vPPA contracts, the Group should meet the qualifying criteria under IFRS 9. The principal component of hedge accounting is the hedging relationship. At the time the hedging relationship is established, the Group documents, among other things, the economic relationship between the hedge instruments and the hedged items, including the extent to which changes in the cash flows of the hedge instrument offset changes in the cash flows of the hedged item (hedge effectiveness).

As long as the hedge relationship meets the criteria for hedge accounting, gains or losses arising from changes in the fair value of the hedging instrument are recognised in other comprehensive income (as a separate item of equity), to the extent that the hedging instrument is an effective hedge of the related hedged item. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

Estimates

Measurement of vPPA contracts

In order to measure contracts for difference separated from vPPAs, the Group applies generally accepted valuation techniques. Future cash flows associated with commodity swaps are based on electricity prices sourced from commodity exchanges. For unobservable inputs spanning a longer time horizon, these cash flows are based on projected prices calculated by an external advisor. The valuation is based on the projected amounts of electricity to be generated by wind and solar farms.

The valuation of hedge instruments takes into account the discounted value of projected net settlements of contracts for difference under vPPAs. The valuation takes into account projected future electricity prices, the profile cost of renewable assets, credit valuation adjustment ("CVA") or debit valuation adjustment ("DVA"), and the fair value adjustment at the date of initial recognition. Contracts for difference, entered into at arm's length between unrelated parties, are classified asLevel 3 of the fair value hierarchy.

The main financial instruments used by the Group include bank loans, borrowings, lease agreements, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also has other financial instruments, such as trade receivables and liabilities that arise directly in the course of its operations.

In accordance with a policy followed by the Group currently and throughout the reporting period, the Group does not trade in financial instruments.

(in PLN thousand, unless otherwise stated)

Carrying amounts of financial instruments

The table below presents the carrying amounts of all financial instruments of the Group, broken down into individual classes and categories of assets and liabilities. The abbreviations used mean:

AC	Financial instruments valued at amortised cost
FVPL	Financial instruments valued at fair value through profit or loss
FVHA	Financial instruments valued at fair value designated for hedge accounting

Note	Item	Category	31.12.2023	31.12.2022	31.12.2021
6.8	Long-term loans granted	AC	201 368	1 049	-
6.8	Short-term loans granted	AC	5 479	4 566	3 964
6.8	Shares in non-related entities (non current)	FVPL	18 831	18 831	14 754
	Other financial assets, including:		104 544	91 263	34 599
	Simple agreement for future equity	*FVPL*	*-*	*-*	*4 078*
	Factored receivables	*AC*	*13 609*	*5 974*	*9 286*
	Other receivables	*AC*	*26 199*	*37 150*	*15 989*
	Investment deposits	*AC*	*-*	*47 039*	*-*
	CAP option	*FVPL*	*968*	*-*	*-*
	Receivables from proceedings to secure claims	*AC*	*60 648*	*-*	*-*
	Other	*AC*	*3 120*	*1 100*	*5 246*
6.7	Trade receivables	AC	2 079 482	1 662 984	1 263 112
7.4	Cash and cash equivalents	AC	649 139	280 704	483 199
	Financial assets		**3 058 843**	**2 059 397**	**1 799 628**

Note	Item	Category	31.12.2023	31.12.2022	31.12.2021
7.3	Bank loans	AC	5 196 354	3 874 532	4 040 842
	Borrowings	AC	22 015	-	-
6.4	Lease liabilities	AC	4 012 563	3 598 839	3 061 666
6.11	Liability for a written put option over non-controlling interest	FV	120 684	103 664	103 088
6.12	Trade payables and other financial liabilities	AC	4 768 043	4 477 729	3 756 406
	Trade payables	*AC*	*1 872 693*	*1 653 725*	*1 281 396*
	Trade payables covered by reverse factoring	*AC*	*2 444 351*	*2 429 431*	*2 258 977*
	Contracts for difference (virtual power purchase agreements)	*FVHA*	*25 314*	*-*	*-*
	Currency forward	*FVPL*	*-*	*3 417*	*-*
	Other	*AC*	*425 685*	*391 156*	*216 033*
	Financial liabilities		**14 119 659**	**12 054 764**	**10 962 002**

Fair values of financial instruments

According to the Group's assessment, the fair value of cash, short-term deposits, trade receivables, trade payables, bank loans, borrowings, option liabilities to purchase non-controlling interest and other financial assets and liabilities does not significantly differ from the carrying values.

The carrying amount of cash and cash equivalents and short-term bank deposits reflects their fair value due to the short maturity of these instruments.

The carrying amount of trade receivables, other receivables, liabilities and accruals approximates their fair value due to the short payment terms of these instruments.

The carrying amount of loans receivable from related entities approximates their fair value due to the market interest rate.

The carrying amount of bank loans approximates their fair value due to the variable nature of interest rates.

(in PLN thousand, unless otherwise stated)

The carrying amount of the option liability to purchase non-controlling interests approximates fair value due to its measurement at the present value of the purchase price.

The carrying amount of financial instruments measured at fair value as of the respective reporting dates is presented below:

Item	Level 1	Level 2	Level 3
31.12.2023			
Investments in equity shares	-	-	18 831
Interest rate cap	-	968	-
Contracts for difference (virtual power purchase agreements)	-	-	(25 314)

Item	Level 1	Level 2	Level 3
31.12.2022			
Investments in equity shares	-	-	18 831
Currency forward	-	(3 417)	-

Item	Level 1	Level 2	Level 3
31.12.2021			
Investments in equity shares	-	-	14 754
"Simple agreement for future equity" rights	-	-	4 078
Option for trading currency	-	19	-

"Simple agreement for future equity" (SAFE) is an agreement that provides the Group with rights to future equity in another company. For both this agreement and investments in equity shares, the Group estimated the fair value using the multiples method. The multiples method involves determining the value of an entity based on the valuation of comparable listed companies or on the basis of buy/sell transactions of similar companies in the private market. The Group uses a revenue multiplier for this purpose. Based on the valuation, the Group did not find that the fair value of the assessed items differed significantly from their carrying value.

In the years ended December 31, 2023, December 31, 2022, and December 31, 2021 there were no transfers between level 1 and level 2 of the fair value hierarchy, nor were any of the instruments moved from / to level 3 of the fair value hierarchy.

(in PLN thousand, unless otherwise stated)

Income, costs, gains and losses on financial instruments recognised in the statement of profit or loss and other comprehensive income

	Category	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Interest income/ (costs)		**(902 455)**	**(661 569)**	**(279 928)**
Trade receivables	*AC*	*(933)*	*(1 742)*	*(86)*
Other receivables	*AC*	*-*	*(232)*	*-*
Loans granted	*AC*	*10 575*	*447*	*62 741*
Cash and cash equivalents	*AC*	*33 912*	*5 188*	*(282)*
Long-term borrowings with a fixed interest rate	*AC*	*-*	*-*	*(542)*
Bank loans with variable interest rates	*AC*	*(505 559)*	*(345 572)*	*(168 184)*
Long-term borrowings with a variable interest rate	*AC*	*(820)*	*-*	*-*
Lease liabilities	*AC*	*(246 850)*	*(176 839)*	*(143 350)*
Trade payables and other financial liabilities	*AC*	*(195 132)*	*(146 762)*	*(32 048)*
Other long-term financial liabilities	*AC*	*2 352*	*3 943*	*1 823*
Profits/ (Loss) due to changes in the fair value of financial instruments		**(28 872)**	**(5 489)**	**(111)**
CAP option	*FVPL*	*(18 385)*	*(19)*	*(111)*
Currency forward	*FVPL*	*(3 362)*	*(5 012)*	*-*
Shares	*FVPL*	*-*	*(458)*	*-*
Contracts for difference (virtual power purchase agreements)	*FVHA*	*(7 125)*	*-*	*-*
Profits/ (Costs) from the revaluation of expected cash flows from financial instruments		**(43)**	**11 056**	**(23 024)**
Loans with variable interest rates	*AC*	*(43)*	*10 773*	*(23 024)*
Loans with fixed interest rates	*AC*	*-*	*283*	*-*
(Losses) from impairment		**(6 444)**	**(10 456)**	**(18 793)**
Trade receivables	*AC*	*(5 978)*	*(10 456)*	*(18 559)*
Loans granted	*AC*	*(466)*	*-*	*(234)*
Income/ (Costs) from bad debts		**831**	**(762)**	**1 008**
Trade receivables	*AC*	*831*	*(762)*	*1 008*
Profits/ (Losses) from exchange differences		**93 542**	**16 482**	**(1 803)**
Trade receivables	*AC*	*(100)*	*(52)*	*(8)*
Loans granted	*AC*	*(15 817)*	*17 778*	*(3 680)*
Cash and cash equivalents	*AC*	*(9 872)*	*(961)*	*368*
Bank loans	*AC*	*67 454*	*-*	*-*
Lease liabilities	*AC*	*51 682*	*(966)*	*1 408*
Trade payables and other financial liabilities	*AC*	*195*	*449*	*109*
Other financial assets	*FVPL*	*-*	*234*	*-*
Non-interest costs and other charges		**(32 374)**	**(15 631)**	**(11 525)**
Trade receivables	*AC*	*(89)*	*195*	*(140)*
Trade payables covered by reverse factoring	*AC*	*(1 228)*	*(2 999)*	*(3 272)*
Loans with variable interest rates	*AC*	*(31 057)*	*(12 827)*	*(8 113)*
Profits/ (Losses) from the settlement of financial instruments		**(5)**	**(298)**	**-**
Loans granted	*AC*	*-*	*(298)*	*-*
Bank loans with variable interest rates	*AC*	*(5)*	*-*	*-*

(in PLN thousand, unless otherwise stated)

Items above are recognised in the consolidated statement of profit or loss and other comprehensive income under the financial income (costs) position, except for impairment income (costs), which is presented below:

- for trade receivables - in the line " Loss allowance for expected credit losses on trade receivables" in operating activities,
- for loans granted - in the line "Loss allowance for expected credit losses on loans" in financing activities.

Virtual Power Purchase Agreements (vPPAs)

As at December 31, 2023, the Group held a portfolio of hedging instruments consisting of long-term contracts for difference separated within vPPAs. The Group uses various types of vPPAs – both baseload and pay-as-produce PPAs.

The Group enters into vPPAs, which are hybrid contracts combining a cash-settled commodity swap for the purchase of electricity, classified as a derivative, and a guarantee of origin. The Group uses the guarantees of origin for its own business purposes and applies the own-use exemption. The Group separates derivatives from host contracts and measures them separately. Contracts for difference, which are derivatives measured at fair value, are fully designated for cash flow hedge accounting as hedging instruments.

Fair value of derivatives (contracts for difference incorporated into a vPPA)

The key assumption for the valuation model is the value of the expected net cash flows from the contracts for difference, based on the prices in the contracts, forecast electricity prices and forecast energy volumes. The expected cash flows, disclosed below, have been estimated using energy price forecasts from an external advisor and, to determine the fair value of the derivative, are then subject to a calibration adjustment in accordance with the mechanism described in note 8.2).

	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted
Cash flows determined on the basis of energy price forecasts before calibration (undiscounted) as at 31.12.2023	3 764	7 677	28 823	58 002	98 266

Derivatives designated for cash flow hedge accounting as at December 31, 2023 are shown in the table below:

	Hedged item	Maturity date	Nominal value of the hedging instrument	Carrying amount of the hedging instrument		Changes in the fair value of the hedging instrument used to calculate the ineffectiveness of the hedging strategy	Changes in the fair value of the hedged item used to calculate the ineffectiveness of the hedging strategy	Cash flow hedge reserve (amount in OCI)
				Assets	Liabilities			
Commodity swap	Purchases of electricity at volatile prices	May 1, 2023 - December 31, 2033; June 27, 2023 - December 31, 2038	2285 GWh	-	25 315	25 315	(19 937)	18 975

In 2022 and 2021, the Group had no commodity swaps for the purchase of electricity.

A sensitivity analysis conducted by the Group showed that a potential long-term change of 10% in unobservable electricity price inputs used for the measurement of derivatives hedging electricity price risk, with the other parameters of the valuation model unchanged, would result in a change in the fair value of these instruments by PLN 45 651 thousand (in case of an increase of 10%) or PLN (47 795) thousand (in case of a decrease of 10%) as at December 31, 2023.

(in PLN thousand, unless otherwise stated)

The table below shows changes in the hedge reserve in equity:

	01.01.2023 - 31.12.2023			01.01.2022 - 31.12.2022			01.01.2021 - 31.12.2021		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Cash flow hedge reserve at the beginning of the period									
- energy price risk	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Effective portion of profits/(losses) on hedging instruments	(15 490)	2 943	(12 547)	-	-	-	-	-	-
Reclassification to the statement of profit or loss, adjusting:									
- Operating costs	(3 485)	662	(2 823)	-	-	-	-	-	-
Cash flow hedge reserve at the end of the period									
- energy price risk	**(18 975)**	**3 605**	**(15 370)**	**-**	**-**	**-**	**-**	**-**	**-**

The ineffective portion of cash flow hedges recognised in financial costs in 2023 amounted to PLN 7 125 thousand.

8.2. Objectives and principles of financial risk management

The table below presents the Group's exposure to financial risk and the manner in which this risk may affect the Group's future financial results.

Risk	Source of exposure	Measurement	Management method
Market risk - interest rate risk	Cash and cash equivalents with variable interest rates Financial liabilities (loans and borrowings, trade payables and other liabilities) with a variable interest rate	Sensitivity analysis	• Diversification of liabilities with fixed and variable interest rates
Market risk – foreign currency risk	Sale or purchase transactions in currencies other than the functional currency Financial assets (loans granted) in currencies other than the functional currency Financial liabilities (borrowings, lease liabilities) in currencies other than the functional currency	Sensitivity analysis	• Hedging the price with derivatives • Monitoring of planned payments in currencies other than the functional currency
Credit risk	Trade receivables Other financial assets (loans granted) Cash and cash equivalents	Age analysis Credit ratings	• Credit verification of customers before granting a trade loan • Minimising the concentration of credit risk due to the large number of customers • Most receivables secured by inventory • Monitoring the status of receivables
Liquidity risk	Financial liabilities (loans and borrowings, lease liabilities, liability for a written put option over non-controlling interest, trade payables and other liabilities, vPPA transactions)	Maturity analysis	• Monitor projected cash flows using the periodic liquidity planning tool • Conclusion of reverse factoring contracts with several factors • Maintaining unused factoring and credit limits
Market risk – volatile electricity prices (spot)*	Highly likely planned power purchase transactions at volatile price	Regression analysis Scenario analysis	• Entering into vPPAs • Applying cash flow hedge accounting

*risk recognised in the year ended December 31, 2023

The Group reviews and agrees rules for managing each of these risks - these rules are briefly discussed below. The Group also monitors market price risk with respect to all of its financial instruments.

(in PLN thousand, unless otherwise stated)

Market risk - interest rate risk

The Group's exposure to the risk of changes in interest rates results mainly from the investment of cash and the use of external financing sources. The Group manages interest costs by using both fixed and variable interest rate obligations.

Fixed rate items that are measured at amortised cost do not expose the Group to the risk of cash flow volatility or volatility of financial result as a result of changes in interest rates. Therefore, the following analysis "Interest Rate Risk - Sensitivity analysis" does not include assets and financial liabilities that bear a fixed interest rate and are measured at amortised cost.

The items exposed to the interest rate risk are presented below, taking into account the value of the variable interest rate.

	31.12.2023			31.12.2022			31.12.2021		
	Net carrying amount	including floating interest rate amount	share	Net carrying amount	including floating interest rate amount	share	Net carrying amount	including floating interest rate amount	share
Cash and cash equivalents	649 139	649 139	100%	280 704	280 704	100%	483 199	483 199	100%
Loans granted	206 847	9 473	5%	5 615	1 049	19%	3 964	-	0%
Other financial assets	104 544	334	0%	91 263	47 039	52%	34 599	-	0%
Loans and borrowings	(5 218 369)	(5 196 354)	100%	(3 874 532)	(3 874 532)	100%	(4 040 842)	(4 040 842)	100%
Trade payables and other financial liabilities	(4 768 043)	(2 444 351)	51%	(4 477 729)	(2 429 431)	54%	(3 756 406)	(2 258 977)	63%
Lease liabilities	(4 012 563)	(86 465)	2%	(3 598 839)	(88 237)	2%	(3 061 666)	(67 515)	2%

In the case of loans and borrowings, the Group is exposed to the risk of changes in the interest rate as the interest rate is based on the WIBOR and EURIBOR rates.

(in PLN thousand, unless otherwise stated)

Interest rate risk - sensitivity to changes

The table below shows the sensitivity of gross financial result to reasonably possible changes in interest rates, assuming that other factors remain unchanged, broken down into individual items exposed to interest rate risk.

	Change of interest rate	31.12.2023	31.12.2022	31.12.2021
Cash and cash equivalents	+1 p.p. (+100 bp)	6 491	2 807	4 831
	-1 p.p. (-100 bp)	(6 491)	(2 807)	(4 831)
Loans granted	+1 p.p. (+100 bp)	95	10	-
	-1 p.p. (-100 bp)	(95)	(10)	-
Other financial assets	+1 p.p. (+100 bp)	3	470	-
	-1 p.p. (-100 bp)	(3)	(470)	-
Loans and borrowings	+1 p.p. (+100 bp)	(51 964)	(38 745)	(40 408)
	-1 p.p. (-100 bp)	51 964	38 745	40 408
Trade payables and other financial liabilities	+1 p.p. (+100 bp)	(24 444)	(24 294)	(22 590)
	-1 p.p. (-100 bp)	24 444	24 294	22 590
Lease liabilities	+1 p.p. (+100 bp)	(865)	(882)	(675)
	-1 p.p. (-100 bp)	865	882	675

Market risk – foreign currency risk

The Group is exposed to the currency risk arising from transactions it executes. Such risk arises as a result of sales or purchases, due to indebtedness, loans granted, and lease contracts in currencies other than the functional currency. The Group did not conclude any material sale transactions denominated in currencies other than in the functional currency.

(in PLN thousand, unless otherwise stated)

The table below shows the sensitivity of the profit before tax (regarding the change in the carrying value of monetary assets and liabilities) and other comprehensive income of the Group to reasonably possible fluctuations in the currency exchange rate, assuming that other factors remain unchanged (in the presented years, a change in the exchange rate would not affect other comprehensive income):

	31.12.2023			31.12.2022			31.12.2021		
	Exposure in foreign currency	Changes of exchange rate +1% Profit before tax	Changes of exchange rate -1% Profit before tax	Exposure in foreign currency	Changes of exchange rate +1% Profit before tax	Changes of exchange rate -1% Profit before tax	Exposure in foreign currency	Changes of exchange rate +1% Profit before tax	Changes of exchange rate -1% Profit before tax
EUR									
Cash and cash equivalents	1 468	64	(64)	47 394	2 223	(2 223)	217	10	(10)
Loans granted	46 528	2 023	(2 023)	-	-	-	334 563	14 888	(14 888)
Trade receivables	600	26	(26)	1 203	56	(56)	-	-	-
Other financial assets	118	5	(5)	40 193	1 885	(1 885)	-	-	-
Loans received	(190 755)	(8 294)	8 294	-	-	-	-	-	-
Lease liabilities	(133 564)	(5 807)	5 807	(100 472)	(4 712)	4 712	(70 198)	(3 124)	3 124
Trade payables and other financial liabilities	(10 098)	(439)	439	(4 918)	(231)	231	(1 917)	(85)	85
Total	**(285 703)**	**(12 422)**	**12 422**	**(16 600)**	**(779)**	**779**	**262 665**	**11 689**	**(11 689)**
GBP									
Cash and cash equivalents	115	6	(6)	2	2	(2)	71	4	(4)
Total	**115**	**6**	**(6)**	**2**	**2**	**(2)**	**71**	**4**	**(4)**
USD									
Cash and cash equivalents	2 098	83	(83)	12	1	(1)	16	1	(1)
Trade receivables	87	3	(3)	-	-	-	-	-	-
Trade payables and other financial liabilities	(131)	(5)	5	194	196	192	-	-	-
Total	**2 054**	**81**	**(81)**	**206**	**197**	**191**	**16**	**1**	**(1)**

(in PLN thousand, unless otherwise stated)

Credit risk

The Group defines credit risk as the possibility of untimely or total failure of the Group's counterparty to meet its obligations, or the possibility of not recovering the funds invested. Credit risk mainly relates to trade receivables, loans granted and cash and cash equivalents in bank accounts.

The maximum exposure to credit risk as at the reporting dates as at December 31, 2023 , as at December 31, 2022 and as at December 31, 2021 is presented in the table below.

Note	Item	31.12.2023	31.12.2022	31.12.2021
6.8	Loans granted	206 847	5 615	3 964
6.8	Other non-current financial assets	22 342	19 056	20 067
6.7	Trade receivables	2 079 482	1 662 984	1 263 112
6.8	Other current financial assets	82 202	72 207	14 532
7.4	Cash and cash equivalents	649 139	280 704	483 199
	Total assets	**3 040 012**	**2 040 566**	**1 784 874**

Credit risk related to trade receivables

All customers who wish to use trade credits are subject to initial credit verification procedures. Credit risk that relates to receivables is minimised due to the large number of customers. There is no significant concentration of credit risk in the Group. In addition, receivables are mostly secured with inventory located in "Żabka" stores, and thanks to ongoing monitoring of receivables, the Group's exposure to the risk of bad debts is insignificant. The method of measuring expected credit losses in relation to trade receivables is presented in note 6.7.

The Group's exposure to credit risk is presented in the table below (due to the concentration of credit risk in relation to receivables from franchisees, the table below presents the analysis without division into individual categories):

As at 31.12.2023							
Category	**current**	**up to 30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**over 361 days**	**Total**
Gross value at risk	2 037 503	21 116	11 562	4 813	7 140	74 568	**2 156 702**
Loss allowance for expected credit losses	(3 359)	(880)	(1 188)	(1 773)	(2 991)	(67 029)	**(77 220)**
Total net value	**2 034 144**	**20 236**	**10 374**	**3 040**	**4 149**	**7 539**	**2 079 482**
Expected credit loss rate	**0%**	**4%**	**10%**	**37%**	**42%**	**90%**	**4%**

(in PLN thousand, unless otherwise stated)

As at 31.12.2022							
Category	**current**	**up to 30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**over 361 days**	**Total**
Gross value at risk	1 612 379	26 931	4 531	4 648	10 892	77 609	**1 736 990**
Loss allowance for expected credit losses	(2 272)	(523)	(1 625)	(1 987)	(3 658)	(63 941)	**(74 006)**
Total net value	**1 610 107**	**26 408**	**2 906**	**2 661**	**7 234**	**13 668**	**1 662 984**
Expected credit loss rate	**0%**	**2%**	**36%**	**43%**	**34%**	**82%**	**4%**

As at 31.12.2021							
Category	**current**	**up to 30 days**	**31-90 days**	**91-180 days**	**181-360 days**	**over 361 days**	**Total**
Gross value at risk	1 226 724	20 954	4 136	3 421	4 849	69 256	**1 329 340**
Loss allowance for expected credit losses	(1 215)	(369)	(2 006)	(2 697)	(4 340)	(55 601)	**(66 228)**
Total net value	**1 225 509**	**20 585**	**2 130**	**724**	**509**	**13 655**	**1 263 112**
Expected credit loss rate	**0%**	**2%**	**49%**	**79%**	**90%**	**80%**	**5%**

Credit risk related to cash in bank accounts and deposits included within other financial assets is limited due to the fact that the parties to the transaction are banks with high credit ratings, which are obtained from international rating agencies. Information on the allowance for expected credit losses for the loans granted is presented in note 6.8.

Liquidity risk

The Group monitors liquidity risk by using the periodical liquidity planning tool. This tool takes into account maturity / maturity dates of both liabilities and financial assets (e.g. accounts receivable, other financial assets) and forecast cash flows from operating activities.

As part of its liquidity management, the Group uses reverse factoring agreements in relation to its liabilities, under which it submits for factoring invoices relating to purchases from selected suppliers as well as a factoring agreement with regard to its receivables, under which it submits sales invoices for selected franchisees for factoring.

The Group minimises the liquidity risk resulting from the use of reverse factoring agreements by selecting reliable, long-term partners who are also lenders in syndicated agreements and by diversifying them (9 financial institutions, the involvement of none of them exceeds 20%). In line with market practice, reverse factoring agreements are entered into by the Group for an indefinite period (with one month's notice) or with a term of up to 12 months. Since the launch of the factoring programme in 2017, no financial institution has terminated its cooperation with the Group in this area (none of the agreements have been terminated). The Management assumed that the Group will be able to use the concluded factoring agreements for at least the next 12 months to the same extent as at the end of 2023.

The Group maintains unused factoring limits, an unused overdraft limit and an unused investment loan limit, which totalled PLN 1 478 301 thousand as at December 31, 2023, PLN 788 040 thousand as at December 31, 2022, and PLN 1 025 384 thousand as at December 31, 2021.

As part of the working capital management, the Group also uses a factoring agreement for its receivables, under which it factors sales invoices for selected franchisees.

(in PLN thousand, unless otherwise stated)

The amount of receivables financed by the factor as at December 31, 2023 amounted to PLN 122 482 thousand, as at December 31, 2022: PLN 53 763 thousand, and as at December 31, 2021: PLN 83 575 thousand.

In order to improve Group's liquidity sale and leaseback transactions are entered into.

The tables below present the Group's financial liabilities as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 by maturity based on contractual undiscounted payments.

Note	Item	on demand	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted	Total - carrying amount
7.3	**Loans and borrowings**	-	(310 836)	(357 400)	(2 958 845)	(4 093 855)	(7 720 936)	(5 218 369)
	Bank loans	-	*(307 920)*	*(354 484)*	*(2 937 292)*	*(4 093 855)*	*(7 693 551)*	*(5 196 354)*
	Borrowings	-	*(2 916)*	*(2 916)*	*(21 553)*	-	*(27 385)*	*(22 015)*
6.4	Lease liabilities	-	(523 357)	(452 146)	(3 416 739)	(981 067)	(5 373 309)	(4 012 563)
6.11	Liability for a written put option over non-controlling interest	-	(118 254)	(2 430)	-	-	(120 684)	(120 684)
6.12	Trade payables and other financial liabilities	-	(4 684 651)	(7 703)	(54 061)	(50 808)	(4 797 223)	(4 768 043)
	Trade payables	-	*(1 872 693)*	-	-	-	*(1 872 693)*	*(1 872 693)*
	Trade payables covered by reverse factoring	-	*(2 444 351)*	-	-	-	*(2 444 351)*	*(2 444 351)*
	*Contracts for difference (virtual power purchase agreements)**	-	*(1 470)*	*2 736*	*(13 871)*	*(29 797)*	*(42 402)*	*(25 314)*
	Other	-	*(366 137)*	*(10 439)*	*(40 190)*	*(21 011)*	*(437 777)*	*(425 685)*
	Balance at the end of the period - 31.12.2023	**-**	**(5 637 098)**	**(819 679)**	**(6 429 645)**	**(5 125 730)**	**(18 012 152)**	**(14 119 659)**

*The undiscounted cash flows relating to power purchase contracts for difference have been presented by taking into account the calibration used in the fair value valuation technique for these hedging instruments based on unobservable inputs so that on initial recognition the result of the valuation technique corresponds to the transaction price.

(in PLN thousand, unless otherwise stated)

Note	Item	on demand	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted	Total - carrying amount
7.3	**Loans and borrowings**	-	(647 731)	(192 106)	(3 517 793)	-	(4 357 630)	(3 874 532)
	Bank loans	-	*(647 731)*	*(192 106)*	*(3 517 793)*	-	*(4 357 630)*	*(3 874 532)*
6.4	Lease liabilities	-	(380 044)	(406 067)	(2 560 781)	(1 501 597)	(4 848 489)	(3 598 839)
6.11	Liability for a written put option over non-controlling interest	-	-	(2 430)	(132 732)	-	(135 162)	(103 664)
6.12	Trade payables and other financial liabilities	-	(4 425 957)	(10 170)	(39 050)	(17 723)	(4 492 900)	(4 477 729)
	Trade payables	-	*(1 650 738)*	*(3 181)*	-	-	*(1 653 919)*	*(1 653 725)*
	Trade payables covered by reverse factoring	-	*(2 429 431)*	-	-	-	*(2 429 431)*	*(2 429 431)*
	Other	-	*(345 788)*	*(6 989)*	*(39 050)*	*(17 723)*	*(409 550)*	*(394 573)*
	Balance at the end of the period - 31.12.2022	-	**(5 453 732)**	**(610 773)**	**(6 250 356)**	**(1 519 320)**	**(13 834 181)**	**(12 054 764)**

Note	Item	on demand	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted	Total - carrying amount
7.3	**Loans and borrowings**	-	(231 617)	(258 055)	(3 941 080)	(4 026)	**(4 434 778)**	**(4 040 842)**
	Bank loans	-	*(231 617)*	*(258 055)*	*(3 941 080)*	*(4 026)*	***(4 434 778)***	***(4 040 842)***
6.4	Lease liabilities	-	(353 670)	(322 961)	(1 999 811)	(1 053 019)	**(3 729 461)**	**(3 061 666)**
6.11	Liability for a written put option over non-controlling interest	-	-	(4 140)	(116 061)	-	**(120 201)**	**(103 088)**
6.12	Trade payables and other financial liabilities	-	(3 712 822)	(5 972)	(29 783)	(14 791)	**(3 763 368)**	**(3 756 406)**
	Trade payables	-	*(1 281 396)*	-	-	-	***(1 281 396)***	***(1 281 396)***
	Trade payables covered by reverse factoring	-	*(2 258 977)*	-	-	-	***(2 258 977)***	***(2 258 977)***
	Other	-	*(172 449)*	*(5 972)*	*(29 783)*	*(14 791)*	***(222 995)***	***(216 033)***
	Balance at the end of the period - 31.12.2021	-	**(4 298 109)**	**(591 128)**	**(6 086 735)**	**(1 071 836)**	**(12 047 808)**	**(10 962 002)**

Market risk – volatile electricity prices (spot)

The Group makes physical purchases of electricity consumed for business purposes at market prices (volatile prices – spot prices). To mitigate the risk of electricity price volatility resulting from purchases made at spot prices, the Group enters into vPPAs. For a detailed description of the vPPAs concluded by the Group, see note 8.1.

As part of its financial risk management strategy, the Group anticipates that in the event of a rise in electricity prices in the Polish market, the exposure arising from the Group's physical purchases of electricity at market prices will be counterbalanced by increased cash payments stemming from contracts for difference under VPPAs, and vice versa.

Upon entering into a vPPA, the Group documents the establishment of a hedge relationship and designates the contracts for difference entered into as part of vPPAs in their entirety as hedging instruments. For the fair values of derivative financial instruments designated in hedging relationships, see note 8.1.

Within each hedging relationship, the hedged item is the volatile electricity price component contained in power purchase agreements. Other risk elements driving the volatility of the purchase price are separately identifiable and reliably measurable, and are not part of the hedge (among them are electricity transmission and distribution fees, taxes, certificates, etc.). The Group believes, based on its long-term business plans, that the planned power purchase transactions covered by hedging are highly probable. Furthermore, the hedged electricity volumes do not exceed 50% of the total projected electricity consumption, as estimated by the Group using its historical consumption profile.

Volumes of hedged items are determined as at the date of designation of hedge relationships based on expected farm output and are fixed throughout the duration of the relationship. In volume terms, the hedging ratio is 100% for each designation.

An assessment of hedge effectiveness is made at the time the hedging relationship is established and regularly at each reporting date or in the event of a material change in circumstances, whichever occurs first. The existence of an economic relationship is considered and evaluated separately for each designated hedging relationship through a combination of qualitative and quantitative analysis.

In the quantitative analysis, the Group evaluates hedge effectiveness using the dollar offset method and the hypothetical derivative method: comparing changes in the fair value of the hedge instrument (the vPPA contract for difference) with changes in the fair value of the hedged item on a cumulative basis (calculated using the hypothetical derivative method).

The Group conducts a scenario analysis to check the sensitivity of the potential effectiveness of the hedge relationship to changes in the key variables of the hedge relationship (prices in the energy market, profile costs, generation volumes in the case of pay-as-produce agreements, etc.) that may lead to hedge ineffectiveness during the life of the contract and the hedging relationship.

The main causes of ineffectiveness of vPPA hedges include:
- changes in consumption cost profile or production profile,
- changes in credit risk,
- changes in the expected and actual production volume of a renewable asset (in the case of pay-as-produce agreements),
- changes in inflation above the contractual level resulting in an adjustment of the fixed vPPA price,
- difference between vPPA settlement prices and prices at which the Group purchases energy.

The sensitivity analysis carried out by the Group showed that a potential increase/decrease of 10% in electricity prices used for the measurement of derivatives hedging electricity price risk, with the other parameters of the valuation model unchanged, would result in a change in the fair value of these instruments affecting the amount of equity as at December 31, 2023 by PLN 55 556 thousand, in case of an increase of 10% or PLN (57 674) thousand, in case of a decrease of 10% and the financial result by PLN 6 301 thousand, in case of an increase of 10% or PLN (6 339) thousand, in case of a decrease of 10%.

9. OTHER NOTES

9.1. Contingent liabilities

Pursuant to the information presented in note 7.3, a registered pledge for the benefit of the banking syndicate has been established over movables and property rights.

Tax settlements

Tax settlements and other areas of activity subject to regulations (e.g. customs or foreign exchange matters) may be the subject of control of administrative authorities, which are authorised to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in the occurrence of ambiguities and inconsistencies in the applicable provisions. Frequently occurring differences in opinions as to the legal interpretation of tax regulations, both within government bodies and between government bodies and companies, create uncertainties and conflicts. Due to the above, the tax risk in Poland is significantly higher than that usually existing in countries with a more developed tax system.

Tax settlements may be inspected for a period of 5 years, starting from the end of the year in which the tax was paid. As a result of the inspections, the current tax settlements of the Group may be increased by additional tax liabilities. The Group believes that no additional provision for tax risks was required as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021.

9.2. Share-based payments

Accounting policy

The cost of transactions settled with employees in equity instruments is measured by reference to the fair value as at the date of granting rights. The measurement of transactions settled in equity instruments takes into account market vesting conditions and conditions other than vesting conditions.

The cost of transactions settled in equity instruments is recognised together with the corresponding increase in the value of equity in the period in which the conditions of effectiveness / performance and / or the rendering work or services are met, ending on the date on which specific employees will be fully entitled to benefits ("vesting date"). The cumulative cost recognised for equity-settled transactions at each reporting date up to the vesting date reflects the extent to which the vesting period has expired and the number of awards to which rights, in the opinion of the Group's Management as at that date, based on the best estimate of the number of equity instruments, will be finally acquired.

No cost is recognised for awards that are not ultimately vested, except for awards where vesting is subject to market conditions or non-vesting conditions, which are deemed to be vested regardless of whether the market conditions are met or other than vesting conditions, provided that all other conditions of effectiveness / performance and / or rendering work or services are met.

If the terms of granting equity-settled awards are modified, costs are recognised as if the terms had not changed. In addition, costs are recognised for each increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any award costs not yet recognised are immediately recognised. This also applies to awards where the conditions other than vesting conditions under the control of the Group or the employee are not met. However, if the cancelled award is replaced with a new award - defined as the replacement award on the date it was awarded, the cancelled award and the new award are treated as if they were a modification of the original award, i.e. as described in the paragraph above.

Values based on professional judgement and estimates

During 2017, the Group introduced an incentive scheme. Within the scheme key personnel (“the Management”) were given the opportunity to acquire shares in Heket Investments S.à r.l. The key personnel comprises of representatives of key personnel of Żabka Polska S.A. and representatives of key personnel of the Parent Company. The scheme was designed in such a way that it combines the profits of the managers in the program with the value of the Company and the Group, and therefore it was classified as subject to the International Financial Reporting Standard 2 *Share-based payment* ("IFRS 2"). In accordance with IFRS 2, the program was valued at fair value at the grant date, taking into account all the conditions of the program, market conditions and the risks associated with the instruments. The value of instruments granted to managers of the Group, according to the best estimate of the Management, did not differ significantly from the fair value and was the same as the value of respective instruments acquired by the majority shareholder.

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The Management considers the valuation and treatment of the granted equity instruments as a fixed pool of instruments, taking into account that the allocation and principles of allocating shares within this fixed pool are known to the participants of the program from the moment of its launch.

Consequently, subsequent changes / reallocations to such a fixed pool of equity instruments do not affect the measurement of the pool and the Group's financial statements.

The shares based scheme for the key management of the Group has been classified as equity-settled (due to the fact that the Group does not have any obligation or intention to settle the obligation arising under the program by delivering cash to the participants). In addition, as part of the program, the Group paid an "entry bonus" in the amount of PLN 22 059 thousand in 2018, which was recognised as a one-off cost.

The Group analysed the program and the prices at which the managers acquired the shares and concluded that they were acquired at their fair value as at that date. Therefore, the program had no impact on the Group's profit / loss, except for additional the one-time cash bonus of PLN 22 059 thousand paid at its beginning that was recognised as cost.

On May 26, 2021 there was a transaction between managers who take part within the program and as a result some participants of the Management Incentive Programme sold 15 098 of their vested shares in Amphibian Investments S.à r.l. (constituting in total approx. 2% of all the Amphibian shares). The Management considers value of these shares as not significant to the total value of the program, and it did not change the general setup of the program.

In December 2021, in accordance with the original rules of the program, the group of key managers did exercise the right to allocate 62 584 shares in Amphibian Investments S.à r.l. (unallocated shares). Considering that the award was treated as a fixed pool of shares as a result of the subscription, the total share of all key managers in Heket Investments S.à r.l. remained unchanged. This allocation within the fixed pool of shares had no accounting consequences.

As a part of the Group reorganisation, the ultimate shareholder of Żabka Polska became Zabka Group S.A. and the Management Incentive Programme was transposed from the level of Heket Investments S.à r.l. to the level of Zabka Group without any impact on the fair value of the programme.

The structure of shares held by key personnel as at December 31, 2023, as at December 31, 2022, and as at December 31, 2021 was as follows:

	31.12.2023	**31.12.2022**	**31.12.2021**
Purchased instruments	**Percentage**	**Percentage**	**Percentage**
Ordinary shares	13.99%	13.99%	13.99%
Preferred shares	1.47%	1.47%	1.47%

In 2021, Żabka Polska sp. z o. o. and Lite e-commerce sp. z o.o. included selected key employees of the subsidiary in an incentive programme based on IFRS 2. The programme has two components: fixed and variable. Participants in the programme acquire rights to a certain number of the company shares, which will be repurchased by the current shareholder within a certain period of time. Due to the planned settlement of the programme in 2024, its entire value was recognised as of 31 December 2023, as disclosed in note 6.12.

Consolidated Financial Statements of Zabka Group for the years ended December 31, 2023, December 31, 2022 and December 31, 2021 (in PLN thousand, unless otherwise stated)

9.3. Transactions with related parties

The tables below present transactions with related entities for particular years:

	Parent company of Zabka Group	Other related parties	Total
Transactions in the period 01.01.2023 - 31.12.2023	**-**	**9 869**	**9 869**
Interest income	-	9 869	**9 869**
As at 31.12.2023	**-**	**202 416**	**202 416**
Loans granted	-	202 416	**202 416**

	Parent company of Zabka Group	Other related parties	Total
Transactions in the period 01.01.2022 - 31.12.2022	**-**	**16**	**16**
Interest income	-	16	**16**
As at 31.12.2022	**-**	**1 048**	**1 048**
Loans granted	-	1 048	**1 048**

	Parent company of Zabka Group	Other related parties	Total
Transactions in the period 01.01.2021 - 31.12.2021	**51 591**	**9 812**	**61 403**
Interest income	52 362	9 812	**62 174**
Interest costs	(541)	-	**(541)**
Revision of estimated contractual cash flows	(230)	-	**(230)**
As at 31.12.2021	**-**	**(8 397)**	**(8 397)**
Liabilities	-	(8 397)	**(8 397)**

The terms of loans granted to related entities are presented in note 6.8. Receivables from related parties as at December 31, 2022 do not include overdue amounts.

The parent company of Zabka Group S.A. is Heket Topco S.à r.l. The ultimate controlling parties of the Company are limited partnerships with CVC Capital Partners VI Limited acting as General Partner. The terms of transactions between related entities were not more favourable than the terms of similar transactions possible to be carried out on market terms with unrelated entities.

As part of the restructuring of the Group described in note 3 the loan from the parent has been extinguished.

Members of the key management personnel include managers of the subsidiary Żabka Polska sp. z o.o.

9.4. Compensation of the key management personnel of Group

	2023	2022	2021
Short-term employee benefits (wages and salaries)	104 440	89 529	63 320
Compensation of key management personnel of the Group	**104 440**	**89 529**	**63 320**

Members of the key management personnel (managers) of the Żabka Polska sp. z o.o. were given the opportunity to acquire shares in Heket Investments S.à r.l. (now Zabka Group S.A. after the transformations described in note 3). Details of the scheme are described in note 9.2.

(in PLN thousand, unless otherwise stated)

9.5. Employment

The average number of the Group's employees for the year ended December 31, 2023 was 2 947, for the year ended December 31, 2022: 2 741, and for the year ended December 31, 2021: 2 277.

9.6. Information on the remuneration of the entity authorised to audit financial statements

	31.12.2023	31.12.2022	31.12.2021
Statutory audit of the annual financial statements	736	736	2 639
Other services	-	-	465
Auditor's remuneration	**736**	**736**	**3 104**

The entity authorised to audit the Group's financial statements in 2023, 2022 and 2021 was Ernst & Young Société anonyme.

9.7. Events after the reporting date

On January 26, 2024, previously seized cash in proceedings to secure claims in the amount of PLN 60 798 thousand was returned to a Group company, as described in note 6.8.
On February 7, 2024, in accordance with the decision of the Regional Court in Kraków, the case was discontinued.

In 2024, the Group established the following companies: Zabka International S.à r.l. (on February 12, 2024) and Froo Romania Retail S.R.L. (on January 31, 2024). In addition, Castle Romanian Holdco S.R.L was established on December 14, 2023 and renamed Froo Romania Holding S.R.L. on February 6, 2024 and renamed Froo Romania Holding S.A. on February 29, 2024.

As at December 31, 2023, the Group was a party to the conditional share purchase agreement of DRIM Daniel Distributie FMCG S.R.L., Argeşel, Romania, entered into on December 20, 2023. The completion of the transaction envisaged in the above conditional share purchase agreement was subject to the approvals of the Romanian competition and investment protection authorities and other conditions agreed between the parties in the agreement.

On February 28, 2024, Zabka International S.à r.l., with its registered office in Luxembourg, in which Zabka Group S.A. holds 100% of shares, made a cash contribution in the amount of EUR 31 905 982 to its subsidiary based in Romania - Froo Romania Holding S.A.

On February 29, 2024, Froo Romania Holding S.R.L. acquired a 36% stake in DRIM Daniel Distributie FMCG S.R.L. for a price of EUR 12 037 362. At the same time, the shareholders of DRIM Daniel Distributie FMCG S.R.L. (individuals) contributed 64% of this company's shares worth EUR 21 399 755 to Froo Romania Holding S.A. in exchange for taking up shares in the increased share capital of this company.

As part of finalizing the Closing Accounts process and negotiations with the selling party, the final price for the acquisition of shares in the company, as well as number of shares has been determined. According to the agreements, the final consideration for the acquisition of 60,0396% shares in DRIM Daniel Distributie FMCG S.R.L. consisted of:

• consideration paid in cash amounted to EUR 11 760 thousand,

• shares in Froo Romania Holding S.A. which fair value amounted to EUR 7 951 thousand.

On June 19, 2024, the Group concluded the preliminary sale agreement related to the sale and leaseback of a portfolio of 123 premises, in which Żabka stores are operated. In July and September 2024, in the performance of this framework agreement, on the terms and conditions specified therein, the Group concluded the sale agreements and the lease agreements.

On June 21, 2024, the put option over non-controlling interests in Maczfit Foods sp. z o.o. was exercised in relation to 3% of shares for the price PLN 43 315 thousand.

On January 31, 2024, the Group drew the first tranche of PLN 140 000 thousand from the Capex line with a total value of PLN 610 000 thousand (under a bank loan agreement dated January 9, 2023).

On February 29, 2024, the Group drew the first tranche of PLN 73 240 thousand from the Incremental Facility Capex line with a total value of PLN 140 000 thousand (under a bank loan agreement dated January 9, 2023).

On March 28, 2024, the Group drew the second tranche of PLN 66 760 thousand from the Incremental Facility Capex line with a total value of PLN 140 000 thousand (under a bank loan agreement dated January 9, 2023).

On March 29, 2024, the Group concluded a new Capex Facility Incremental B credit line in the amount of PLN 1 500 million. There was no utilization of this credit line.

On July 4, 2024, the Group concluded the revolving facility agreement with a total ceiling value EUR 12 000 thousand.

On July 30, 2024, the Group repaid PLN 59 000 thousand from the PLN Facility B1 line with a total value of PLN 906 000 thousand (under a bank loan agreement dated January 9, 2023).[1]

On July 31, 2024, the Group drew the third tranche of PLN 59 000 thousand from the Incremental Facility Capex line with a total value of PLN 359 000 thousand (under a bank loan agreement dated January 9, 2023).

On August 29, 2024, the Group repaid PLN 94 000 thousand from the PLN Facility B1 with a total value of PLN 812 000 thousand (under a bank loan agreement dated January 9, 2023).[1]

On August 30, 2024, the Group drew the fourth tranche of PLN 94 000 thousand from the Incremental Facility Capex line with a total value of PLN 453 000 thousand (under a bank loan agreement dated January 9, 2023).

On February 8, 2024, the Group concluded an annex to the factoring agreement prolonging the duration of this agreement until August 28, 2025.

On March 11, 2024, the Group concluded an annex to the factoring agreement, the subject of which was to increase the factoring limit by PLN 100 million.

On September 27, 2024, the Group finalized the acquisition of land located in Szymanów, Mazowieckie Voivodeship for the total transaction amount of approximately PLN 17.4 million. The Group intends to develop the land with a production facility that will be serving Maczfit's needs.

[1] total value of the facility after repayment

Board of Directors of Zabka Group S.A.

Tomasz Suchański **István Szőke** **Krzysztof Krawczyk** **Stephan Schäli** **Giulia Fitzpatrick** **Olga Grygier-Siddons**

Luxembourg, September 30, 2024

The report on review of the Interim Financial Statements

Building a better working world

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Report on review of interim condensed consolidated financial statements

To the Shareholders of
Zabka Group S.A.
2, rue Jean Monnet
L-2180, Luxembourg

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Zabka Group S.A. and its subsidiaries (the “Group”) as of 30 June 2024, which comprise the interim condensed consolidated statement of financial position as at 30 June 2024 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Alban Aubree

Luxembourg, 30 September, 2024

Interim Financial Statements

ZABKA GROUP S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Note		01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
5.1	Revenue	11 147 996	9 177 120
5.2	Cost of sales	(9 318 816)	(7 792 810)
	Gross profit on sales	**1 829 180**	**1 384 310**
5.2	Marketing costs	(130 236)	(116 796)
5.2	General and administrative costs	(175 344)	(154 850)
5.2	Costs of technology, innovation and development	(145 239)	(106 153)
	Other operating income	16 865	5 826
	Other operating costs	(14 362)	(5 333)
6.5, 6.6	Expected credit losses on trade receivables and other financial assets	(2 006)	(5 594)
	Operating profit before depreciation and amortisation (EBITDA)	**1 378 858**	**1 001 410**
6.2-6.4	Depreciation and amortisation	(804 795)	(635 737)
	Operating profit	**574 063**	**365 673**
5.3	Financial income	32 242	85 164
	Interest income	*25 504*	*20 598*
	Other	*6 738*	*64 566*
5.3	Financial costs	(516 012)	(491 758)
	Interest costs	*(491 436)*	*(461 028)*
	Other	*(24 576)*	*(30 730)*
	Expected credit losses on loans	(90)	-
	Profit/(Loss) before tax	**90 203**	**(40 921)**
	Income tax expense	(31 980)	(36 287)
	NET PROFIT/(LOSS)	**58 223**	**(77 208)**
	Attributable to equity holders of the parent	60 659	(78 228)
	Attributable to non-controlling interests	(2 436)	1 020
	OTHER COMPREHENSIVE INCOME		
	Items that will be reclassified to profit or loss:	(71 787)	(13 436)
	Exchange differences on translation of foreign operations	*(324)*	*467*
8.1	*Cash flow hedge*	*(71 463)*	*(13 903)*
	Income tax relating to other comprehensive income that will be reclassified to profit or loss	13 578	2 641
	Other comprehensive loss net of tax	**(58 209)**	**(10 795)**
	TOTAL COMPREHENSIVE INCOME/(LOSS)	**14**	**(88 003)**
	Total comprehensive income/(loss) attributable to:	14	(88 003)
	Equity holders of the parent	*2 303*	*(89 023)*
	Non-controlling interests	*(2 289)*	*1 020*
	Weighted average number of ordinary shares (million)	59.9	59.9
5.4	Basic earnings per share (in PLN)	0.78	(1.53)
5.4	Diluted earnings per share (in PLN)	0.76	(1.53)

Selected explanatory Notes to the Interim Condensed Consolidated Financial Statements attached on pages 9 to 49 are an integral part of these financial statements.

(in PLN thousand, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note		30.06.2024	31.12.2023
6.1	Goodwill	3 439 275	3 387 269
6.2	Other intangible assets	1 031 933	1 009 677
6.3	Property, plant and equipment	3 527 658	3 392 284
6.4	Right-of-use assets	4 183 192	3 728 150
	Deferred tax assets	39 994	42 419
9.2	Loans granted	-	201 368
	Shares and stocks	18 831	18 831
6.6	Other financial assets	34 333	22 342
6.7	Other non-financial assets	10 400	10 143
	Non-current assets	**12 285 616**	**11 812 483**
	Inventory	705 955	774 687
	Right of return assets	11 933	11 259
6.5	Trade receivables	2 339 222	2 079 482
	Income tax receivables	30	69
9.2	Loans granted	257 047	5 479
6.6	Other financial assets	25 270	82 202
6.7	Other non-financial assets	82 417	155 869
	Cash and cash equivalents	1 156 327	649 139
	Current assets	**4 578 201**	**3 758 186**
6.8	**Non-current assets held for sale**	**109 135**	**-**
	Total assets	**16 972 952**	**15 570 669**
7.3	Loans and borrowings	4 793 653	5 044 955
6.4	Lease liabilities	3 775 769	3 368 458
6.9	Liability for a written put option over non-controlling interest	99 942	-
	Employee benefits liabilities	3 288	3 096
6.10	Other financial liabilities	92 420	25 785
	Deferred tax liabilities	54 631	107 528
	Other non-financial liabilities and deferred income	44	55
	Non-current liabilities	**8 819 747**	**8 549 877**
7.3	Loans and borrowings	244 285	173 414
6.4	Lease liabilities	723 996	644 105
6.10	Trade payables and other financial liabilities	5 744 492	4 742 258
6.9	Liability for a written put option over non-controlling interest	110 013	120 684
	Refund liabilities	343 668	278 596
	Income tax liabilities	8 233	4 392
	Employee benefits liabilities	87 474	109 174
	Contract liabilities	26 566	18 788
	Other non-financial liabilities and deferred income	39 158	28 406
	Provisions	2 629	2 846
	Current liabilities	**7 330 514**	**6 122 663**
	Total liabilities	**16 150 261**	**14 672 540**

(in PLN thousand, unless otherwise stated)

Note		30.06.2024	31.12.2023
	NET ASSETS	**822 691**	**898 129**
	Share capital	119 790	119 790
	Share premium	8 108 354	8 114 482
7.2	Legal reserve	274 614	268 486
6.9	Put option reserve	(189 742)	(112 001)
	Retained earnings	(7 386 701)	(7 447 360)
	Exchange differences on translation of foreign operations	(30 596)	(30 125)
	Actuarial gains/ (losses)	227	227
8.1	Cash flow hedge	(73 255)	(15 370)
	Equity attributable to owners of the parent	**822 691**	**898 129**
	Non-controlling interests	-	-
	Total equity	**822 691**	**898 129**

Selected explanatory Notes to the Interim Condensed Consolidated Financial Statements attached on pages 9 to 49 are an integral part of these financial statements.

(in PLN thousand, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note		01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit/(Loss) before tax	**90 203**	**(40 921)**
	Adjusted for:		
6.2-6.4	Depreciation and amortisation	804 795	635 737
	(Gains) / Losses due to foreign exchange differences	(3 359)	(77 968)
	(Gains) / Losses from investing activities	2 929	(16 348)
5.3	Valuation of derivatives	(3 959)	16 347
5.3	Net interest (income) / cost	465 932	440 430
5.3	Revision of estimated cash flows	11 659	27
	Changes in working capital and provisions:	979 317	350 538
	Receivables	*(151 371)*	*(247 471)*
	Inventory	*120 353*	*(20 170)*
	Right of return assets	*(674)*	*3 738*
	Payables (except loans and borrowings)	*913 204*	*839 240*
	Refund liabilities	*65 072*	*33 243*
	Contract liabilities	*7 778*	*6 127*
	Prepayments and deferred income	*25 172*	*(264 180)*
	Provisions	*(217)*	*11*
	Other	(533)	(52)
	Income tax paid	(71 319)	(251 850)
	Net cash flows from operating activities	**2 275 665**	**1 055 940**
	CASH FLOWS FROM INVESTING ACTIVITIES		
	Purchase of property, plant and equipment and intangible assets	(580 784)	(655 810)
	Proceeds from sale of property, plant and equipment and intangible assets	1 500	24 063
3	Acquisition of subsidiaries and non-controlling interests, net of cash	(92 112)	-
	Loans granted	(50 770)	(196 998)
	Repayments of loans granted	5 872	7 316
	Redemption of other investments	-	47 039
	Interest received	16 133	15 902
	Net cash flows from investing activities	**(700 161)**	**(758 488)**
	CASH FLOWS FROM FINANCING ACTIVITIES		
7.3	Repayment of lease liabilities	(354 038)	(309 319)
7.3	Lease interest paid	(156 284)	(115 355)
7.3	Proceeds from loans and borrowings	580 000	4 931 056
7.3	Repayment of loans and borrowings	(800 568)	(3 767 982)
	Interest rate cap settlement	-	(19 353)
	Other interest paid	(337 426)	(428 784)
	Net cash flows from financing activities	**(1 068 316)**	**290 263**
	NET CHANGE IN CASH AND CASH EQUIVALENTS	**507 188**	**587 715**
	Cash and cash equivalents at the beginning of the period	649 139	280 704
	Cash and cash equivalents at the end of the period	1 156 327	868 419

Selected explanatory Notes to the Interim Condensed Consolidated Financial Statements attached on pages 9 to 49 are an integral part of these financial statements.

(in PLN thousand, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Put option reserve	Retained earnings	Exchange differences on translation of foreign operations	Actuarial gains/ (losses)	Cash flow hedge	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Note			7.2	6.9				8.1			
As of 01.01.2024	119 790	8 114 482	268 486	(112 001)	(7 447 360)	(30 125)	227	(15 370)	**898 129**	-	**898 129**
Total comprehensive income for the period	-	-	-	-	60 659	(471)	-	(57 885)	**2 303**	(2 289)	**14**
Net profit / (loss) for the period	-	-	-	-	*60 659*	-	-	-	***60 659***	*(2 436)*	***58 223***
Other comprehensive income for the period	-	-	-	-	-	*(471)*	-	*(57 885)*	***(58 356)***	*147*	***(58 209)***
Non-available reserve	-	(6 128)	6 128	-	-	-	-	-	**-**	-	**-**
Transaction with non-controlling interest	-	-	-	(77 741)	-	-	-	-	**(77 741)**	2 289	**(75 452)**
Acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	**-**	*57 134*	***57 134***
Put option over non-controlling interest	-	-	-	*(77 741)*	-	-	-	-	***(77 741)***	*(54 845)*	***(132 586)***
As of 30.06.2024	**119 790**	**8 108 354**	**274 614**	**(189 742)**	**(7 386 701)**	**(30 596)**	**227**	**(73 255)**	**822 691**	**-**	**822 691**

(in PLN thousand, unless otherwise stated)

	Share capital	Share premium	Legal reserve	Put option reserve	Retained earnings	Exchange differences on translation of foreign operations	Actuarial gains/ (losses)	Cash flow hedge	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Note			**7.2**	**6.9**				**8.1**			
As of 01.01.2023	119 790	8 382 934	34	(95 254)	(7 801 084)	(30 950)	(198)	-	**575 272**	-	**575 272**
Total comprehensive income for the period	-	-	-	-	(78 228)	467	-	(11 262)	**(89 023)**	1 020	**(88 003)**
Net profit / (loss) for the period	-	-	-	-	*(78 228)*	-	-	-	***(78 228)***	*1 020*	***(77 208)***
Other comprehensive income for the period	-	-	-	-	-	*467*	-	*(11 262)*	***(10 795)***	-	***(10 795)***
Non-available reserve	-	(259 431)	259 431	-	-	-	-	-	**-**	-	**-**
Put option over non-controlling interest	-	-	-	1 020	-	-	-	-	**1 020**	(1 020)	**-**
As of 30.06.2023	**119 790**	**8 123 503**	**259 465**	**(94 234)**	**(7 879 312)**	**(30 483)**	**(198)**	**(11 262)**	**487 269**	**-**	**487 269**

Selected explanatory Notes to the Interim Condensed Consolidated Financial Statements attached on pages 9 to 49 are an integral part of these financial statements.

(in PLN thousand, unless otherwise stated)

1. GENERAL INFORMATION

Basic information about the Group and the Group's parent company

Name	Zabka Group société anonyme (parent, Company)
Headquarters	20, avenue Monterey, L-2163 Luxembourg (until April 1, 2024) 2, rue Jean Monnet, L-2180 Luxembourg (from April 1, 2024)
Registration	the municipality of Luxembourg-City, Grand Duchy of Luxembourg
Duration of the Group	Indefinite
Activities of the Group	• Establishing, developing and managing retail stores, • trade in groceries and industrial products and related services, • holding of participating interests, in any form whatsoever, • ownership, administration, development and management of its portfolio, • other business and management consultancy.

The Interim Condensed Consolidated Financial Statements of Zabka Group S.A. (and its subsidiaries, together hereinafter referred to as Zabka Group or the Group) cover the six-month period ended June 30, 2024 and contain comparative information for the six-month period ended June 30, 2023 and as at December 31, 2023.

The parent company of Zabka Group S.A. is Heket Topco S.à r.l. The ultimate shareholders of the Company are limited partnerships with CVC Capital Partners VI Limited acting as General Partner.

The Board of Directors during the reporting period and until the date of signing the Interim Condensed Consolidated Financial Statements

Tomasz Suchański	from May 3, 2024
István Szőke	from May 3, 2024
Krzysztof Krawczyk	from May 3, 2024
Stephan Schäli	from May 3, 2024
Giulia Fitzpatrick	from May 3, 2024
Olga Grygier-Siddons	from May 3, 2024
Carmen André	from February 7, 2022 till May 2, 2024
Caroline Goergen	from December 2, 2021 till May 2, 2024
Maciej Krzysztof Godek	from July 29, 2022 till May 2, 2024

Authorisation for issue of the Interim Condensed Consolidated Financial Statements

These Interim Condensed Consolidated Financial Statements were authorised by the Board of Directors of the Company on September 30, 2024.

2. BASIS FOR THE PREPARATION AND APPLICATION OF ACCOUNTING POLICIES

This chapter sets out the basis for preparation of the Interim Condensed Consolidated Financial Statements and Group's material accounting policies, which apply to these consolidated financial statements. This section also explains the new accounting standards as well as the amendments and interpretations that the Group has adopted in the current financial period or will adopt in subsequent years.

2.1. Basis for the preparation of the Interim Condensed Consolidated Financial Statements and statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union ("IAS 34").

These Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Consolidated Financial Statements for the 3-years ended December 31, 2023 authorised for issue on September 30, 2024.

These Interim Condensed Consolidated Financial Statements are presented in Polish zlotys ("PLN"), and all values, unless otherwise stated, are given in thousands of PLN.

They have been prepared under the assumption that the Group will continue their operations as a going concern. When assessing the Group's ability to continue as a going concern, the Management considered the existing and anticipated risks and circumstances described below.

The Group's current liabilities exceeded its current assets by: as at June 30, 2024 PLN 2 752 313 thousand, and as at December 31, 2023 PLN 2 364 477 thousand. The negative working capital is typical for the fast-moving consumer goods (FMCG) industry, where the level of inventory and receivables is minimised, and suppliers offer goods with deferred payment terms. Overall, the Group had a positive operating cash flow.

A significant part of negative cash flows from investing activities can be explained by the fact that the Group is dynamically developing the Ultimate Convenience, increasing the number of operating stores and their profitability. The process of investing into stores is fully under control of the Group and may be slowed down by a Management decision. If necessary, the Group is able to redirect cash from those operations for other purposes. The total amount of the investment planned for 2024 does not differ significantly from previous years.

According to its business plan, the Group has financial stability and no liquidity issues. Actual results are in line with the results included in the Management's forecast.

As at June 30, 2024, the Group had unused factoring limits, unused overdraft limits and unused investment loan limits with the total amount of PLN 1.3 billion (December 31, 2023: PLN 1.5 billion). As at June 30, 2024, the terms of the loan agreements have not been breached and in the Management's opinion, there is no risk of termination of these agreements within 12 months from the reporting date. The Management assumed that the Group will be able to use the concluded factoring agreements for at least the next 12 months to the same extent as at June 30, 2024.

Detailed information on liquidity risk management is included in Note 8.2. The Management believes that the combination of these initiatives will provide the Group with the necessary liquidity and that there is no going concern threat.

These Interim Condensed Consolidated Financial Statements are based on current expectations and projections. As of the date of these Financial Statements, all the operations are based on the assumption that the business will be continued and that these Financial Statements have been prepared on a going concern basis that contemplates the realization of assets and settlement of liabilities and commitments in the ordinary course of business.

Climate-related matters

The general level of climate risk for the Group in the short term (2024-2025) is lower than in the medium and long term. This is primarily due to the more predictable operating environment, the decarbonisation and pro-efficiency measures undertaken by the Group i.e. in the adopted Responsibility Strategy (ESG) and climate targets validated by Science Based Target initiative (SBTi), and the anticipated increased regulatory pressure related to the implementation of climate-related measures at the EU level.

In the reporting period, the Group utilizes two Virtual Purchase Power Agreements (vPPA): (1) a 10-year contract that will provide more than 0.5 TWh of electricity generated by the photovoltaic power plant for the duration of the agreement, and (2) 15-year contract that will provide app. 1.2 TWh of electricity from wind farms for the duration of the agreement. Ensuring an adequate volume of renewable energy has a positive impact on the achievement of decarbonisation objectives and reduces the price risk associated with purchasing guarantees of origin as the method of supplying renewable electricity. The impact of the vPPAs is described in Note 8.1.

In the first half of the year 2024 comparing to 2023 the Group keep the same portfolio of financing instruments, for which interest rates depend on meeting ESG-related targets (including decarbonisation), used for the Group's operations, which are among others: (1) reducing emissions by 25% in its operations by 2026 compared to the 2020 base year, (2) reducing franchisee greenhouse gas emissions per PLN million of sales revenue by 70% in franchisees' stores by 2026 compared to the 2020 base year. Linking credit margin or cost to ESG targets is not an embedded derivative, as the indicators of sustainability are non-financial variables specific to the Group.

The Group monitors the latest domestic and foreign regulations on climate protection. The Group will be required to prepare a report in accordance with the requirements of the Corporate Sustainability Reporting Directive (CSRD) in 2025 for the financial year 2024 assuming that the Company is public. The Group is conducting preparations related to the implementation of the Directive, including double materiality assessment, as well as a gap analysis of the strategic disclosures in relation to the Group's operations. The work will result in an action plan for identified gaps to be implemented in 2024 and 2025 and a CSRD-aligned externally assured report.

When preparing these Interim Condensed Consolidated Financial Statements, the Group took into account climate change matters, in particular judgements and estimates in relation to the following areas:

- measurement of fair value and value in use, in particular for the purposes of impairment tests. The Group assessed situations where climate risks could have a significant impact, e.g. introducing regulations reducing emissions, which may increase the cost of sales and other costs. These assumptions were included in the cash flow projections,
- determining the useful life of property, plant and equipment,
- expected credit losses on financial assets,
- provisions,
- going concern assumption.

Currently, the impact of climate issues is not material to the Group's Interim Condensed Consolidated Financial Statements.

Macroeconomic environment

There are factors and processes in the Group's macroeconomic environment that directly and indirectly affect the Group. A precise assessment of this impact is difficult, as phenomena such as increase in inflation and interest rates, varying movements in exchange rates and energy prices, and disrupted supply chains or consumer sentiment depend on many variables including the current geopolitical situation shaped by the international policies of individual countries, the reaction of the central bank on its monetary policy, the government's actions in its fiscal, economic and social policy, legislative changes, as well as the actions of the authorities and local communities.

The Group is responding to the dynamically changing environment and the potential consequences that the changing macroeconomic situation may have on the Group. The Group has implemented processes, which identify risks related to factors described above and then takes appropriate action to the identified and assessed risks.

In the first half of 2024, the Group finalized the acquisition of the DRIM Daniel Distributie FMCG S.R.L conducting business on the Romanian market and began expanding to this market. The first convenience stores under Froo brand were opened. As a result, the Group is now also exposed to risks related to the macroeconomic environment in Romania. The Group will take actions appropriate to the scale of its involvement in order to identify and assess threats in this area.

As at the date of authorisation of these Interim Condensed Consolidated Financial Statements, Management assessed that the above risks do not have a significant impact on the Group's operations and do not affect the Group's ability to continue as a going concern. In addition, Management found no material impact on the valuation of assets and liabilities.

The presentation currency of the Interim Condensed Consolidated Financial Statements

The presentation currency of these Interim Condensed Consolidated Financial Statements is the Polish zloty.

The following exchange rates were used for translation purposes of items of the consolidated statement of profit or loss and other comprehensive income:

	01.01.2024 -30.06.2024	01.01.2023 -30.06.2023
USD	3.9936	4.2828
EUR	4.3178	4.6280
GBP	5.0526	5.2797
RON	0.8680	0.9380

The following exchange rates were used for reporting date valuation purposes:

(in PLN thousand, unless otherwise stated)

	30.06.2024	31.12.2023	30.06.2023
USD	4.0320	3.9350	4.1066
EUR	4.3130	4.3480	4.4503
GBP	5.0942	4.9997	5.1796
RON	0.8665	0.8742	0.9897

2.2. Material amounts based on professional judgements and estimates

In the process of applying the accounting principles (policy) Management has made significant judgements, estimates and assumptions that affect the presented revenues, costs, assets and liabilities. Uncertainties in these assumptions and estimates may result in material adjustments to the carrying amounts in the future. The estimates and judgments refer to the same areas as at the last year end, December 31, 2023.

Income tax

International Tax Reform — Pillar Two rules – Amendments to IAS 12 (Income taxes)
The Group is within the scope of the EU Pillar Two rules. Pillar Two legislation was enacted in Luxembourg, Germany and Romania and came into effect for fiscal years starting on or after 31 December 2023.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. The Group continues to assess its exposure to the Pillar Two legislation in the jurisdictions where it is present. Based on preliminary testing under the OECD Transitional Safe Harbour Rules, the Group expects that the jurisdictions where it is present could benefit from such safe harbour rules, meaning that no additional taxes are expected to be due under the Pillar Two rules.

The Group will continue to monitor and analyse the development of the Pillar Two rules in each of the covered jurisdictions (legislative process in Poland is still pending) and the analysis will be updated accordingly.

2.3. Changes in accounting and presentation principles

The accounting principles (policies) applied to prepare these Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2024 are consistent with those applied in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2023 except for the application of new or amended standards and interpretations applicable to financial years beginning on or after January 1, 2024, described below. The new or amended standards and interpretations that were applicable for the first time in 2024 did not have a material impact on the Group's Interim Condensed Consolidated Financial Statements. These include:

New standards and interpretations endorsed in the European Union

Amendments to International Accounting Standard 1 ("IAS 1"): *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* and *Classification of Liabilities as Current or Non-current - Deferral of Effective Date* and *Non-current Liabilities with Covenants (*issued on January 23, 2020 and July 15, 2020 and October 31, 2022, respectively)

Amendments to International Financial Reporting Standard 16 ("IFRS 16") Leases: *Lease liability in a Sale and Leaseback* (issued on September 22, 2022)

Amendments to International Accounting Standard 7 ("IAS 7"): *Statement of Cash Flows* and International Financial Reporting Standard 7 ("IFRS 7"): *Financial Instruments: Disclosures: Supplier Finance Arrangements* (issued on May 25, 2023)

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's Interim Condensed Consolidated Financial Statements. The Group has not elected to early adopt any of the standards, interpretations or amendments that have been issued but are not yet effective in accordance with the European Union regulations.

(in PLN thousand, unless otherwise stated)

3. COMPOSITION OF THE GROUP AND CHANGES IN THE REPORTING PERIOD

This chapter presents the subsidiaries that are part of the Zabka Group and describes the changes that occurred during the reporting period, including the acquisition and merger of business entities.

List of subsidiaries included in the Group as at June 30, 2024 and as at December 31, 2023:

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 30.06.2024	% of share capital owned as at 31.12.2023
Żabka Polska sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	franchiser of retail stores	Register of Entrepreneurs of the National Court Register kept by the District Court Nowe Miasto and Wilda in Poznań, the 8th Commercial Division of the National Court Register	Zabka Group S.A.	subsidiary	February 10, 2017	100%	100%
Retail Technology Investments sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	activities related to IT consultancy	Register of Entrepreneurs of the National Court Register kept by the District Court Nowe Miasto and Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	April 16, 2012	100%	100%
Logistic Property Investment sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	real estate construction	Register of Entrepreneurs of the National Court Register kept by the District Court Kraków - Śródmieście in Kraków, the 11th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	September 16, 2020	100%	100%
Żabka Automatic Logistics sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	warehousing and storage of goods	Register of Entrepreneurs of the National Court Register kept by the District Court Nowe Miasto and Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	October 8, 2020	100%	100%
Żabka Property Fund sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	rental and management of own or leased real estate	Regional Court Poznań- Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	March 12, 2021	100%	100%

(in PLN thousand, unless otherwise stated)

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 30.06.2024	31.12.2023
Żabka Development sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	rental and management of own or leased real estate	Regional Court Poznań- Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	March 12, 2021	100%	100%
Żabka Construction sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	real estate construction	Regional Court Poznań- Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	March 12, 2021	100%	100%
Kalestico Investments sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	real estate construction	Regional Court Poznań- Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	September 6, 2023	100%	100%
Żabka Nano sp. z o.o.	Stanisława Matyi 8, 61- 586 Poznań	sales of merchandise	Regional Court Poznań- Nowe Miasto i Wilda in Poznań, the 8th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	April 12, 2021	100%	100%
Lite e-commerce sp. z o.o.	Al. Jerozolimskie 44, 00-024 Warszawa	sales of merchandise	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	May 24, 2021	100%	100%
Lite 24 sp. z o.o.	Al. Jerozolimskie 44, 00-024 Warszawa	sales of merchandise	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Lite e-commerce sp. z o.o	subsidiary	May 24, 2021	100%	100%
Bocastonby Investments sp. z o.o.	Al. Jerozolimskie 44, 00-024 Warszawa	retail sale of tobacco products in specialised stores	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Lite e-commerce sp. z o.o	subsidiary	June 6, 2023	100%	100%

(in PLN thousand, unless otherwise stated)

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 30.06.2024	31.12.2023
Maczfit Foods sp. z o.o.	Branickiego 17, 02-972 Warszawa	production of ready meals (box diets)	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	April 29, 2021	98%	95%
Zabka Deutschland GmbH (formerly Catch a Box GmbH)	Storkower Strasse 115A, 10407 Berlin	distribution of ready meals (box diets)	Register of Entrepreneurs kept by the District Court Charlottenburg under the number HRB 207749B, Germany	Żabka Polska sp. z o.o	subsidiary	April 29, 2021	100%	100%
Masterlife Solutions sp. z o.o.	Chłodna 51, 00-867 Warszawa	software related activities connected with catering platform Dietly	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	May 28, 2021	62%	62%
Food Property Investment sp. z o.o.	Stanisława Matyi 8, 61-586 Poznań	real estate construction	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 12 Commercial Division of the National Court Register	Żabka Property Fund sp. z o.o.	subsidiary	March 9, 2022	100%	100%
Żabka BS sp. z o.o. (formerly Baceno sp. z o.o.)	Stanisława Matyi 8, 61-586 Poznań	rental and management of own or leased real estate	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 12 Commercial Division of the National Court Register	Żabka Polska sp. z o.o	subsidiary	November 9, 2023	100%	100%
Cool-Logistics sp. z o.o.	Podleśna 30, 05-532 Baniocha	transport of goods	Register of Entrepreneurs of the National Court Register kept by the District Court Warsaw in Warsaw, the 13th Commercial Division of the National Court Register	Retail Technology Investments sp. z o.o.	subsidiary	March 4, 2022	100%	100%

(in PLN thousand, unless otherwise stated)

Name	Headquarters	The main activity	Registration authority	Parent company	The nature of the involvement	Date of obtaining control / incorporation	% of share capital owned as at 30.06.2024	31.12.2023
Froo Romania Holding S.A. (formerly Castle Romanian Holdco S.R.L. and Froo Romania Holding S.R.L.)	133 Calea Serban Voda, Bucharest	activities of holding companies	Trade Registry Office attached to the Bucharest Tribunal	Zabka International S.à r.l.	subsidiary	December 14, 2023	60%	100%
Froo Romania Retail S.R.L.	133 Calea Serban Voda, Bucharest	retail stores	Trade Registry Office attached to the Bucharest Tribunal	Froo Romania Holding S.A. (formerly Castle Romanian Holdco S.R.L. and Froo Romania Holding S.R.L.)	subsidiary	January 31, 2024	100%	0%
DRIM Daniel Distribuție FMCG S.R.L.	Sat Argeşelu, Comuna Mărăcineni, Nr. 74-J, CAMERA 1, Judet Argeş	distribution of FMCG products	Trade Registry Office attached to the Bucharest Tribunal	Froo Romania Holding S.A. (formerly Castle Romanian Holdco S.R.L. and Froo Romania Holding S.R.L.)	subsidiary	February 29, 2024	100%	0%
Zabka International S.à r.l.	Luxembourg, Grand Duchy of Luxembourg	other activities supporting financial services	The Trade and Companies Register of Luxembourg	Zabka Group S.A.	subsidiary	February 12, 2024	100%	0%

Acquisition of additional interest in Maczfit Foods sp. z o.o.
On June 21, 2024, the Group acquired an additional 3.3% interest in the voting shares of Maczfit Foods sp. z o.o., increasing its ownership interest to 98.3%. Cash consideration of PLN 43 315 thousand was paid to the non-controlling shareholders. Other information on acquisition in Maczfit Foods sp. z o.o. is included in Note 6.9

Expansion of the Group during the six-month period ended June 30, 2024
In 2024, the Group established the following companies: Zabka International S.à r.l. (on February 12, 2024) and Froo Romania Retail S.R.L. (on January 31, 2024). In addition, Castle Romanian Holdco S.R.L. was established on December 14, 2023, renamed Froo Romania Holding S.R.L. on February 6, 2024 and renamed Froo Romania Holding S.A. on February 29, 2024.

Acquisition of DRIM Daniel Distributie FMCG S.R.L.
As at December 31, 2023, the Group was a party to the conditional share purchase agreement of DRIM Daniel Distributie FMCG S.R.L., Argeşel, Romania, entered into on December 20, 2023. The completion of the transaction envisaged in the above conditional share purchase agreement was subject to the approvals of the Romanian competition and investment protection authorities and other conditions agreed between the parties in the agreement.

On February 28, 2024, Zabka International S.à r.l., with its registered office in Luxembourg, in which Zabka Group S.A. holds 100% of shares, made a cash contribution in the amount of EUR 31 905 982 to its subsidiary based in Romania - Froo Romania Holding S.R.L.

On February 29, 2024, Froo Romania Holding S.R.L. acquired a 36% stake in DRIM Daniel Distributie FMCG S.R.L. for a price of EUR 12 037 362. At the same time, the shareholders of DRIM Daniel Distributie FMCG S.R.L. (individuals) contributed 64% of this company's shares worth EUR 21 399 755 to Froo Romania Holding S.A. in exchange for taking up shares in the increased share capital of this company.

As a result of these operations, Zabka International S.à r.l. holds approximately 59.981% of the shares of Froo Romania Holding S.A., while individuals hold approximately 40.019% of the shares of this company. The voting equity interests are the same as percentage of the shares acquired. Froo Romania Holding S.A. is the sole shareholder of DRIM Daniel Distributie FMCG S.R.L. and of Froo Romania Retail S.R.L.

The acquisition of DRIM Daniel Distribuție FMCG S.R.L. is a strategic investment that provides the entire Group with a unique perspective for further development and access to the new market through a partnership with one of the largest local distributors of FMCG products.

The fair value of identifiable assets and liabilities at the acquisition date
The assets and liabilities recognised as a result of the acquisition are as follows:

(in PLN thousand, unless otherwise stated)

	DRIM Daniel Distribuţie FMCG S.R.L
Other intangible assets	35 968
Property, plant and equipment	3 471
Right-of-use assets	37 983
Inventory	51 621
Trade receivables	44 824
Income tax receivables	519
Other financial assets	1 299
Cash and cash equivalents	610
Total assets	**176 295**
Loans and borrowings	31 819
Lease liabilities	37 983
Deferred tax liability	5 053
Employee benefits liabilities	6 144
Trade payables and other financial liabilities	36 562
Other non-financial liabilities and deferred income	1 771
Total liabilities	**119 332**
Identifiable net assets	**56 963**
Consideration paid	49 405
Consideration to be transferred after closing accounts	2 601
Consideration in shares	34 338
Total consideration	**86 345**
Non-controlling interest	22 797
Goodwill at the acquisition date	**52 178**

Consideration paid for the acquisition of 59,981% shares in DRIM Daniel Distributie FMCG S.R.L. consisted of:
- consideration paid in cash amounted to EUR 11 435 thousand (PLN 49 405 thousand),
- consideration to be transferred after closing accounts at DRIM Daniel Distributie FMCG S.R.L. amounted to EUR 602 thousand (PLN 2 601 thousand) and will be paid after finalization of the process and,
- shares in Froo Romania Holding S.A. which fair value[1] amounted to EUR 7 951 thousand (PLN 34 338 thousand).

As of the acquisition date, the goodwill was calculated as the excess of the total consideration (PLN 86 345 thousand) and the amount of non-controlling interest (calculated as 40,019% of total identifiable net assets) inDRIM Daniel Distribuție FMCG S.R.L. over the identifiable net assets (PLN 56 962 thousand) as of the acquisition date.

The total non-controlling interest recognised on this acquisition amounted to PLN 57 134 thousand and represents 40,019% in Froo Romania Holding S.A. (Froo Romania Holding S.A. is the sole shareholder of DRIM Daniel Distributie FMCG S.R.L. and of Froo Romania Retail S.R.L.). The amount includes value of non-controlling interest in:
- DRIM Daniel Distributie FMCG S.R.L. as calculated above (PLN 22 796 thousand) and,
- Froo Romania Holding S.A. (PLN 34 338 thousand).

The acquisition date fair value of the trade receivables amounts to PLN 44 824 thousand and gross amount of trade receivables is PLN 45 701 thousand.

At the date of signing these Interim Condensed Consolidated Financial Statements, the initial accounting for a business combination is incomplete for assets, liabilities and non controlling interest and the amounts recognised in these Financial Statements for the business combination thus have been determined only provisionally. The reason of provisional accounting results from the fact that valuation of assets and liabilities acquired and final closing accounts is still in progress.

Cash outflow from acquisition (included in investing activities)
The cash outflow due to acquisition of companies in 2024 is presented below:

[1] Fair value was calculated with the proportionate value of NCI

(in PLN thousand, unless otherwise stated)

	DRIM Daniel Distribuţie FMCG S.R.L
Net cash acquired with a subsidiary	**(610)**
Cash paid	**49 405**
Net cash outflow	**48 795**

The amounts of revenue and loss of the acquiree since the acquisition date included in the Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six-month periods ended June 30, 2024 are PLN 181 335 thousand and PLN 3 157 thousand, respectively.

If the combination had taken place at the beginning of 2024, revenue from continuing operations would have been PLN 262 385 thousand and loss before tax from continuing operations for the Group would have been PLN 6 552 thousand.

Acquisition-related costs amounted to PLN 5 536 thousand and were recognised in costs of technology, innovation and development in the Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

4. SEGMENTS

The following section presents the Group's results by segments for the six-month periods ended June 30, 2024 and June 30, 2023. Disclosures relate to revenues generated by reportable operating segments, significant expense items and segment results.

The Group identifies reportable operating segments taking into account factors such as the nature of their business activities, the existence of managers responsible for them and information reviewed by the Management.

The "Ultimate Convenience" segment covers operations of all stores under the "Żabka" brand in Poland and real estate operations related directly to the store business including the sale of the automated warehouse and the property management (Logistic Property Investment sp. z o.o. and most of companies from the Property Fund Group: Żabka Property Fund sp. z o.o., Żabka Development sp. z o.o., Żabka Construction sp. z o.o. and Kalestico Investments sp. z o.o.).

The Group's other activities are combined under "Corporate Functions and Other". Corporate functions include central functions such as finance, HR, IT, PR strategy, risk management and compliance. These are activities relevant to both operating segments: "Ultimate Convenience" and "New Growth Engines" but are not allocated to these segments, as the Management does not apply such allocation and evaluates the performance of operating segments separately from the corporate component. This is in line with how the Group is organised for management purposes and how responsibility for individual activities and functions is allocated among the Management members.

The "New Growth Engines" segment includes operations conducted using the latest technologies, including, in particular, online sales technology. The segment is composed of activities of the following companies: Maczfit Foods sp. z o.o. (production and D2C (Direct-to-Customer), sales of ready-to-eat meals), Cool-Logistics sp. z o.o. (logistics services for Maczfit), Food Property Investment sp. z o.o. (warehouse management for Maczfit), Masterlife Solutions sp. z o.o. (Dietly, SaaS marketplace services for D2C ready meals services, as well as SaaS services and software for D2C ready meals manufacturers, who in many cases are also vendors on the dietly.pl marketplace), Lite Group consisting of Lite e-commerce sp. z o.o., Lite 24 sp. z o.o. and Bocastonby Investments sp. z o.o. (q-commerce services), Żabka Nano sp. z o.o. and Żabka Deutschland GmbH (fully autonomous stores) and, since 2024, Zabka International S.a.r.l and Romanian companies. In the first half of the current year, the Group started the international expansion of its convenience concept entering the Romanian market via acquisition of DRIM – a local distribution network of FMCG products. The Group has opened the first modern convenience stores under the Froo banner.

The Management does not analyse operating segments in terms of the value of assets and the value of liabilities.

Financial income and expenses and income taxes are not allocated to individual segments.

Assessment of the Group's financial performance is made mainly on the basis of Adjusted EBITDA. This indicator should be viewed as an addition to, and not a substitute for, the results of operations presented under IFRS. Adjusted EBITDA is not defined in the EU IFRS and may be calculated differently by other entities. The reconciliation and definitions used by the Group are presented in the current Note.

EBITDA is one measure of the efficiency of the business presented in the Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Group defines EBITDA as net income/(loss) for the reporting period before the effect of income taxes, financing activities and depreciation and amortisation expense.

Adjusted EBITDA is one of the main performance measures of the Group's operations, which is used by the Management in the day-to-day management of the Group and decision-making process. The Group defines this measure as EBITDA adjusted by costs from the following categories:

1. Costs related to changes in the ownership structure and obtaining financing.
2. Funds spent on ensuring business continuity in the face of unforeseen event within the Group's environment, protection of employees, franchisees and society – in 2023 they represent mostly additional costs incurred in connection with the war in Ukraine and the related increase in energy prices caused by the energy crisis.
3. Group reorganization costs – costs related to the reorganisation of the Group in the reporting period including the development of the Group's long-term strategy and resources for business expansion, the set-up of new companies as well as implementation pillars of the ESG strategy, in particular advisory and consulting fees. In the first half of 2023 adjustments related mainly

to launching the first automatic warehouse in Radzymin, whereas in the first half of 2024 costs related additionally to the international development (Romania) – legal costs and advisory before the acquisition.

4. Result on the disposal of property, plant, equipment and right of use – costs of sold and liquidated tangible fixed assets and rights of use, with write-offs updating the value of these assets and inventory differences (the category does not include the result of transactions carried out as part of the Group's core business).
5. Incentive schemes and additional compensation in connection with the termination of cooperation with key employees – costs related to additional remuneration for key managerial staff related to the change of shareholders, including exit bonuses, incentive schemes, share-based payments and additional remuneration of key management personnel in connection with the termination of cooperation. In the first half of 2024 adjustments connected with Incentive Program (MIP) in Lite.
6. Transaction costs in respect of M&A – incremental costs directly related to the development of new types of business, including acquisition costs (due diligence and advisory costs).

The financial information reported for each reportable operating segment is determined in line with IFRS (including, in particular, the manner in which income and individual expense items are determined).

Inter-segment transactions are eliminated upon consolidation and reflected in the 'consolidation eliminations' column. The Group accounts for inter-segment sales/transfers and costs as if the sales/transfers or costs were to third parties on an arm's-length basis in a manner similar to transactions with third parties. The intersegment transactions are accounted in line with IFRS.

The Group operates mainly in Poland. A small part of its business is conducted in Germany through its subsidiary Zabka Deutschland GmbH (formerly Catch a Box). In the first quarter of 2024, the Group entered into the Romanian market by acquiring DRIM Daniel Distributie FMCG S.R.L.

(in PLN thousand, unless otherwise stated)

The tables below present a reconciliation of the segment data to the Interim Condensed Consolidated Financial Statements:

		01.01.2024 - 30.06.2024						
Note	**Item**	**Total**	**Adjustments**	**Total**	**Ultimate Convenience**	**New Growth Engines**	**Corporate Functions and Other**	**Consolidation Eliminations**
	Revenue from sales to external customers	**11 147 996**	84	**11 147 912**	10 648 798	498 140	974	-
	Revenue from inter-segment sales	**-**	-	**-**	34 752	13 952	1 167	(49 871)
5.1	**Total revenue**	**11 147 996**	**84**	**11 147 912**	**10 683 550**	**512 092**	**2 141**	**(49 871)**
5.2	Cost of sales	**(9 318 816)**	(4 606)	**(9 314 210)**	(8 912 111)	(442 882)	(2 263)	43 046
5.2	Marketing costs	**(130 236)**	(4)	**(130 232)**	(107 928)	(22 594)	30	260
5.2	General and administrative costs	**(175 344)**	(6 128)	**(169 216)**	(54 502)	(29 890)	(85 333)	509
5.2	Costs of technology, innovation and development	**(145 239)**	(12 671)	**(132 568)**	(19 742)	(30 063)	(82 015)	(748)
	Other operating income	**16 865**	8 025	**8 840**	7 459	848	533	-
	Other operating costs	**(14 362)**	(4 888)	**(9 474)**	(7 149)	(820)	(1 505)	-
	Expected credit losses on trade receivables and other financial assets	**(2 006)**	-	**(2 006)**	(1 235)	(140)	(631)	-
	Operating profit before depreciation and amortisation (Adjusted EBITDA)			**1 399 046**	**1 588 342**	**(13 449)**	**(169 043)**	**(6 804)**
	Adjustments		(20 188)	**(20 188)**				
	Operating profit before depreciation and amortisation (EBITDA)	**1 378 858**		**1 378 858**				
	Depreciation and amortisation	**(804 795)**						
5.3	Profit/ (Loss) on financial activity	**(483 860)**						
	Profit before tax	**90 203**						
	Income tax expense	**(31 980)**						
	Net profit	**58 223**						
	Adjustments:							
	1) Costs related to changes in the ownership structure and obtaining financing	5 987						
	2) Funds spent on ensuring business continuity in the face of unforeseen events within the Group's environment, protection of employees, franchisees and society	-						
	3) Group reorganisation costs	9 271						
	4) Result on disposal of property, plant and equipment and right of use	(3 007)						
	5) Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	7 801						
	6) Transaction costs in respect of M&A	136						
	Adjustments	**20 188**						

(in PLN thousand, unless otherwise stated)

		01.01.2023 - 30.06.2023						
Note	**Item**	**Total**	**Adjustments**	**Total**	**Ultimate Convenience**	**New Growth Engines**	**Corporate Functions and Other**	**Consolidation Eliminations**
	Revenue from sales to external customers	**9 177 120**	554	**9 176 566**	8 934 488	241 726	352	-
	Revenue from inter-segment sales	**-**	-	**-**	30 530	157	1 734	(32 421)
5.1	**Total revenue**	**9 177 120**	**554**	**9 176 566**	**8 965 018**	**241 883**	**2 086**	**(32 421)**
5.2	Cost of sales	**(7 792 810)**	(37 226)	**(7 755 584)**	(7 560 772)	(224 784)	(2 602)	32 574
5.2	Marketing costs	**(116 796)**	-	**(116 796)**	(90 404)	(26 439)	(503)	550
5.2	General and administrative costs	**(154 850)**	(9 015)	**(145 835)**	(48 567)	(18 888)	(78 289)	(91)
5.2	Costs of technology, innovation and development	**(106 153)**	(2 701)	**(103 452)**	(24 193)	(20 532)	(57 955)	(772)
	Other operating income	**5 826**	1 897	**3 929**	3 086	128	721	(6)
	Other operating costs	**(5 333)**	(68)	**(5 265)**	(4 167)	(92)	(1 006)	-
	Expected credit losses on trade receivables and other financial assets	**(5 594)**	-	**(5 594)**	(4 791)	(810)	7	-
	Operating profit before depreciation and amortisation (Adjusted EBITDA)			**1 047 969**	**1 235 210**	**(49 534)**	**(137 541)**	**(166)**
	Adjustments		(46 559)	**(46 559)**				
	Operating profit before depreciation and amortisation (EBITDA)	**1 001 410**		**1 001 410**				
	Depreciation and amortisation	**(635 737)**						
5.3	Profit/ (Loss) on financial activity	**(406 594)**						
	Profit before tax	**(40 921)**						
	Income tax expense	**(36 287)**						
	Net profit	**(77 208)**						
	Adjustments:							
	1) Costs related to changes in the ownership structure and obtaining financing	8 908						
	2) Funds spent on ensuring business continuity in the face of unforeseen events within the Group's environment, protection of employees, franchisees and society	31 452						
	3) Group reorganisation costs	6 757						
	4) Result on disposal of property, plant and equipment and right of use	(1 938)						
	5) Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	372						
	6) Transaction costs in respect of M&A	1 008						
	Adjustments	**46 559**						

(in PLN thousand, unless otherwise stated)

5. EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

5.1. Revenue

Revenue by category

Revenue	Value		Share %	
	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
Franchise	10 587 568	8 891 700	95.0	96.9
Own stores and wholesale	272 547	60 748	2.5	0.7
Revenue from sale of products	215 422	175 612	1.9	1.9
Commissions from agency services	36 815	25 074	0.3	0.3
Software services	15 846	12 415	0.1	0.1
Other	19 798	11 571	0.2	0.1
Revenue	**11 147 996**	**9 177 120**	**100**	**100**

Revenue by segments

Revenue	Total	Ultimate Convenience	New Growth Engines	Corporate Functions and Other	Adjustments	Consolidation Eliminations
	01.01.2024 - 30.06.2024					
Franchise	**10 587 568**	10 599 138	-	-	39	(11 609)
Own stores and wholesale	**272 547**	38 526	255 910	-	-	(21 889)
Revenue from sale of products	**215 422**	-	215 422	-	-	-
Commissions from agency services	**36 815**	36 815	-	-	-	-
Software services	**15 846**	-	15 846	-	-	-
Other	**19 798**	9 071	24 914	2 141	45	(16 373)
Revenue	**11 147 996**	**10 683 550**	**512 092**	**2 141**	**84**	**(49 871)**

Revenue	Total	Ultimate Convenience	New Growth Engines	Corporate Functions and Other	Adjustments	Consolidation Eliminations
	01.01.2023 - 30.06.2023					
Franchise	**8 891 700**	8 898 715	-	-	-	(7 015)
Own stores and wholesale	**60 748**	30 832	51 130	-	554	(21 768)
Revenue from sale of products	**175 612**	-	175 654	-	-	(42)
Commissions from agency services	**25 074**	25 074	-	-	-	-
Software services	**12 415**	-	12 415	-	-	-
Other	**11 571**	10 397	2 684	2 086	-	(3 596)
Revenue	**9 177 120**	**8 965 018**	**241 883**	**2 086**	**554**	**(32 421)**

Revenues from sales under the franchise agreement include all fees from franchisees, revenues from the sale of goods and revenues from store space with equipment subleased to franchisees. Revenues from own stores and wholesale include Żabka Nano autonomous stores sales and, in 2024 sales on the Romanian market.

(in PLN thousand, unless otherwise stated)

The increase in revenue in the six-month period ended June 30, 2024 was attributable, among other things, to an increase in a number of stores. As at June 30, 2024, the Żabka chain consisted of 10 640 stores, with 714 new stores opened in 2024. Additionally, the increase resulted from the revenue growth per franchisee/store that was driven by a mix of traffic and basket growth, better performance of subsidiaries as well as launching operations in a new market - Romania. In 2024 the result on sales were supported by declining inflation. In 2023, the Group had to face an extremely difficult macroeconomic conditions in this area, mitigating the effects of high inflation and reduced spending power through promotional offers in selected product categories.

All revenues are revenues from contracts with customers within the meaning of IFRS 15.

Seasonality

The Group's revenues in the segment "Ultimate Convenience" are seasonal and depend mostly on the demand for consumer goods throughout the year. The highest revenues are generated in summer (June - August) and the lowest in January and February. This seasonality is mostly the result of specific patterns of consumer behaviour (e.g. higher impulse shopping in summer is related to increased demand for beverages).

5.2. Costs by nature

	01.01.2024 - 30.06.2024				
	Cost of sales	**Marketing costs**	**General and administrative costs**	**Costs of technology, innovation and development**	**Total**
Cost of goods sold	(8 183 179)	-	-	-	**(8 183 179)**
Materials and energy used	(372 887)	(220)	(4 292)	(1 742)	**(379 141)**
External services	(608 286)	(3 138)	(58 237)	(96 135)	**(765 796)**
Taxes and fees	(3 896)	-	(1 116)	(15)	**(5 027)**
Employee benefits costs	(142 137)	(8 152)	(93 050)	(43 570)	**(286 909)**
Other costs by nature	(8 431)	(118 726)	(18 649)	(3 777)	**(149 583)**
Operating costs	**(9 318 816)**	**(130 236)**	**(175 344)**	**(145 239)**	**(9 769 635)**

	01.01.2023 - 30.06.2023				
	Cost of sales	**Marketing costs**	**General and administrative costs**	**Costs of technology, innovation and development**	**Total**
Cost of goods sold	(6 743 440)	-	-	-	**(6 743 440)**
Materials and energy used	(393 922)	(236)	(3 752)	(1 083)	**(398 993)**
External services	(532 896)	(13 688)	(50 278)	(76 134)	**(672 996)**
Taxes and fees	(2 151)	-	(893)	-	**(3 044)**
Employee benefits costs	(105 498)	(9 225)	(81 771)	(27 565)	**(224 059)**
Other costs by nature	(14 903)	(93 647)	(18 156)	(1 371)	**(128 077)**
Operating costs	**(7 792 810)**	**(116 796)**	**(154 850)**	**(106 153)**	**(8 170 609)**

Costs of external services consist of mainly transport, logistics, PP&E repairs and maintenance, IT and communication services and remuneration of the agents running own stores of the Group

(in PLN thousand, unless otherwise stated)

5.3. Financial income and costs

	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
FINANCIAL INCOME		
Interest	25 504	20 598
Loans	*7 486*	*3 522*
Deposits and bank accounts	*13 634*	*16 790*
Income from discount on receivables and liabilities	*2 402*	*-*
Other	*1 982*	*286*
Other	6 738	64 566
Foreign exchange gains	*6 659*	*63 683*
Revision of estimated contractual cash flows	*7*	*-*
Gain on valuation and settlement of other financial instruments	*-*	*95*
Other	*72*	*788*
Total financial income	**32 242**	**85 164**
FINANCIAL COSTS		
Interest	(491 436)	(461 028)
Lease agreements	*(151 108)*	*(115 403)*
Borrowings	*(943)*	*-*
Bank loans	*(248 176)*	*(246 988)*
Other liabilities	*(90 595)*	*(97 884)*
Cost of discount on receivables and liabilities	*(614)*	*(753)*
Other	(24 576)	(30 730)
Bank loans	*(10 076)*	*(12 691)*
Commissions	*(537)*	*(895)*
Loss on valuation and settlement of other financial instruments	*-*	*(94)*
Revision of estimated contractual cash flows	*(11 666)*	*(27)*
Loss on valuation and settlement of derivatives	*(2 297)*	*(16 347)*
Other	*-*	*(676)*
Total financial costs	**(516 012)**	**(491 758)**
NET FINANCIAL INCOME / COSTS	**(483 770)**	**(406 594)**

Foreign exchange gains/losses mainly relate to the reporting date valuation of bank loans, lease liabilities and loans granted.

Interest presented under other liabilities mainly includes interest on factoring.

Non-interest finance costs included in the "Other" category, such as bank loans and commissions, mainly consist of amortised bank commissions for arranging and providing the revolving credit facility, undrawn credit facilities as well as fees for bank guarantees provided to the Group's suppliers.

Loss on valuation and settlement of derivatives includes the valuation of forward contracts and options, as well as the ineffective portion of cash flow hedges in the amount of PLN 1 334 thousand.

(in PLN thousand, unless otherwise stated)

5.4. Earnings per share

The calculation of the basic and diluted earnings per share is presented below.

	01.01.2024 - 30.06.2024	01.01.2023 - 30.06.2023
The number of shares used as the denominator of the formula		
Weighted average number of shares	59 895 279	59 895 279
Diluting effect of call options	1 643 181	-
Diluted weighted average number of shares	61 538 460	59 895 279
Earnings per share		
Net profit attributable to the equity holders of the parent	60 659	(78 228)
Adjustment for effects of preference shares classified as equity	(14 041)	(13 611)
Net profit attributable to ordinary equity holders of the parent	46 618	(91 839)
Basic earnings per share in PLN	0.78	(1.53)
Diluted earnings per share in PLN	0.76	(1.53)

In the period between the reporting date and the date of approval of these Interim Condensed Consolidated Financial Statements, there were no other transactions involving ordinary shares or potential ordinary shares.

(in PLN thousand, unless otherwise stated)

6. EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1. Goodwill

Goodwill as at June 30, 2024 and as at June 30, 2023 by acquisitions:

Note		Żabka Polska S.A.	Maczfit Foods sp. z o.o.	Masterlife Solutions sp. z o.o.	DRIM Daniel Distribuţie FMCG S.R.L.	Total goodwill
	CGU	Ultimate Convenience	Maczfit Foods activity	Masterlife Solutions activity		
	Acquisition date	April 2017	April 2021	May 2021	February 2024	
	As at 01.01.2024	**3 166 432**	**175 746**	**45 091**	**-**	**3 387 269**
3	Acquisitions	-	-	-	52 178	**52 178**
	Exchange differences	-	-	-	(172)	**(172)**
	As at 30.06.2024	**3 166 432**	**175 746**	**45 091**	**52 006**	**3 439 275**
	Gross carrying amount	*3 166 432*	*175 746*	*45 091*	*52 006*	***3 439 275***

Note		Żabka Polska S.A.	Maczfit Foods sp. z o.o.	Masterlife Solutions sp. z o.o.	Total goodwill
	CGU	Ultimate Convenience	Maczfit Foods activity	Masterlife Solutions activity	
	Acquisition date	April 2017	April 2021	May 2021	
	As at 01.01.2023	**3 166 432**	**175 746**	**45 091**	**3 387 269**
	As at 30.06.2023	**3 166 432**	**175 746**	**45 091**	**3 387 269**
	Gross carrying amount	*3 166 432*	*175 746*	*45 091*	***3 387 269***

The rise in goodwill in 2024 was due to the provisional accounting of Group's acquisition of DRIM Daniel Distributie FMCG S.R.L. in February 2024, that is a distributor of FMCG products on the Romanian market.

As at December 31, 2023 the Group performed a test for impairment of individual cash-generating units and the recoverable amount of CGUs, including goodwill and other intangible assets with an indefinite useful life exceeded their carrying amount. As at June 30, 2024, the Group assessed that there is not any indication of impairment.

Goodwill is not amortised for both accounting and income tax purposes.

6.2. Other intangible assets

During the six months ended June 30, 2024, the Group acquired other intangible assets with a cost of PLN 108 737 thousand (in six-month period ended June 30, 2023: PLN 90 912 thousand), excluding other intangible assets through a business combination.

Increases in intangible assets for the six-month period ended June 30, 2024, are mainly due to purchase of licenses, computer programmes and copyrights, in particular related to the implementation of franchisee applications and additional SAP modules.

(in PLN thousand, unless otherwise stated)

	Software, copyrights and other licences	Trademarks	Relationships with franchisees	Relationships with customers	Costs of obtaining franchise agreements	Intangible assets under construction	Total
Net carrying amount as at 01.01.2024	**363 182**	**335 903**	**6 000**	**7 749**	**32 085**	**264 758**	**1 009 677**
Gross carrying amount	*709 856*	*367 908*	*429 000*	*16 541*	*93 205*	*269 259*	***1 885 769***
Accumulated amortisation	*(346 674)*	*(32 005)*	*(423 000)*	*(8 792)*	*(61 120)*	*-*	***(871 591)***
Accumulated impairment	-	-	-	-	-	(4 501)	**(4 501)**
NET CARRYING AMOUNT AS AT 01.01.2024	**363 182**	**335 903**	**6 000**	**7 749**	**32 085**	**264 758**	**1 009 677**
Increase due to acquisition of subsidiaries	1 177	-	-	34 790	-	-	**35 967**
Additions	235	-	-	-	10 658	97 844	**108 737**
Disposals	-	-	-	-	-	(3 800)	**(3 800)**
Gross carrying amount	*(1 008)*	-	-	-	-	*(3 800)*	***(4 808)***
Accumulated amortisation	*1 008*	-	-	-	-	-	***1 008***
Transfers from intangible assets under construction	*140 672*	-	-	-	-	*(140 672)*	**-**
Amortisation	*(100 529)*	-	*(3 000)*	*(3 346)*	*(11 656)*	-	***(118 531)***
Exchange differences	*(4)*	-	-	*(113)*	-	-	***(117)***
Net carrying amount as at 30.06.2024	**404 733**	**335 903**	**3 000**	**39 080**	**31 087**	**218 130**	**1 031 933**
Gross carrying amount	*850 928*	*367 908*	*429 000*	*51 218*	*103 863*	*222 631*	***2 025 548***
Accumulated amortisation	*(446 195)*	*(32 005)*	*(426 000)*	*(12 138)*	*(72 776)*	-	***(989 114)***
Accumulated impairment	-	-	-	-	-	*(4 501)*	***(4 501)***

Description of collaterals established on intangible assets

A registered pledge was established on intangible assets in particular on trademarks in favour of a syndicate of banks based on the concluded loan agreement (for more information, see Note 7.3).

6.3. Property, plant and equipment

During the six months ended June 30, 2024 the Group acquired assets with a cost of PLN 536 427 thousand (in six-month period ended June 30, 2023: PLN 514 944 thousand), excluding property, plant and equipment through a business combination.

Increases in property, plant and equipment in six-month period ended June 30, 2024, mainly include purchases related to the construction of a new logistics centre, investment in the automated warehouse, acquisition of equipment for new stores and costs for remodelling and modernisation in existing locations.

Most of the assets under construction are expenditures related to the adaptation of new "Żabka" stores and the replacement of equipment operating in the chain of stores.

(in PLN thousand, unless otherwise stated)

	Land	Buildings and structures	Machines, devices and other	Assets under construction	Total
Net carrying amount as at 01.01.2024	**51 972**	**701 555**	**2 069 634**	**569 123**	**3 392 284**
Gross carrying amount	*51 972*	*1 049 303*	*3 453 997*	*569 123*	***5 124 395***
Accumulated depreciation	-	*(347 748)*	*(1 366 919)*	-	***(1 714 667)***
Accumulated impairment	-	-	*(17 444)*	-	***(17 444)***
NET CARRYING AMOUNT AS AT 01.01.2024	**51 972**	**701 555**	**2 069 634**	**569 123**	**3 392 284**
Increase due to acquisition of subsidiaries	-	-	2 651	820	**3 471**
Additions	231	13	5 133	531 050	**536 427**
Disposals	-	(107)	(2 061)	(3 622)	**(5 790)**
Gross carrying amount	-	*(5 233)*	*(33 403)*	*(3 622)*	***(42 258)***
Accumulated depreciation	-	*5 126*	*31 342*	-	***36 468***
Transfer from assets under construction	-	124 252	440 824	(565 076)	**-**
Assets held for sale	-	-	-	(109 135)	**(109 135)**
Depreciation	-	(59 480)	(227 478)	-	**(286 958)**
Impairment loss for the period	-	-	(2 652)	-	**(2 652)**
Exchange differences	-	(19)	30	-	**11**
Net carrying amount as at 30.06.2024	**52 203**	**766 214**	**2 286 081**	**423 160**	**3 527 658**
Gross carrying amount	*52 203*	*1 168 316*	*3 869 195*	*423 160*	***5 512 874***
Accumulated depreciation	-	*(402 102)*	*(1 563 018)*	-	***(1 965 120)***
Accumulated impairment	-	-	*(20 096)*	-	***(20 096)***

The value of interest on bank loans capitalised under property, plant and equipment in six-month period ended June 30, 2024 amounted to PLN 4 637 thousand (in six-month period ended June 30, 2023: PLN 4 712 thousand).

Description of collaterals established on property, plant and equipment
Registered pledge was established on all property, plant and equipment in favour of the syndicate of banks pursuant to the concluded loan agreement (for more information, see Note 7.3).

6.4. Right-of-use assets and lease liabilities

Right-of-use assets
Increase in the right-of-use assets in the reported period are mainly due to new contracts and modifications to existing leases of stores, logistics centres and the Group's headquarters, as well as car and forklift. The decrease is mainly related to the termination of store lease contracts.

(in PLN thousand, unless otherwise stated)

	Buildings and structures	Vehicles	Machines, devices and other	Total
Net carrying amount as at 01.01.2024	**3 613 929**	**90 237**	**23 984**	**3 728 150**
Gross carrying amount	*6 066 763*	*173 211*	*46 767*	***6 286 741***
Accumulated depreciation	*(2 450 135)*	*(82 974)*	*(22 783)*	***(2 555 892)***
Accumulated impairment	*(2 699)*	-	-	***(2 699)***
NET CARRYING AMOUNT AS AT 01.01.2024	**3 613 929**	**90 237**	**23 984**	**3 728 150**
Increase due to acquisition of subsidiaries	17 168	20 815	-	**37 983**
New lease agreements and modifications	823 748	7 829	598	**832 175**
Termination of lease agreements	(14 379)	(860)	-	**(15 239)**
Gross carrying amount	*(44 060)*	*(14 592)*	-	***(58 652)***
Depreciation	*29 486*	*13 732*	-	***43 218***
Accumulated impairment	*195*	-	-	***195***
Depreciation	*(368 511)*	*(24 781)*	*(6 464)*	***(399 756)***
Exchange differences	*(68)*	*(53)*	-	***(121)***
Net carrying amount as at 30.06.2024	**4 071 887**	**93 187**	**18 118**	**4 183 192**
Gross carrying amount	*6 863 539*	*187 211*	*47 365*	***7 098 115***
Accumulated depreciation	*(2 789 148)*	*(94 024)*	*(29 247)*	***(2 912 419)***
Accumulated impairment	*(2 504)*	-	-	***(2 504)***

The value of depreciation capitalised in the initial value of leasehold improvements in six-month period ended June 30, 2024 amounted to PLN 450 thousand (in six-month period ended June 30, 2023: PLN 331 thousand).

Lease liabilities

	30.06.2024	31.12.2023
As at the beginning of the period	**4 012 563**	**3 598 839**
Increase due to acquisition of subsidiaries	37 983	-
New lease agreements and modifications	832 174	1 160 569
Termination of lease agreements	(23 142)	(56 048)
Payments	(510 330)	(885 965)
Interest cost	151 108	246 850
Exchange differences	(591)	(51 682)
As at the end of the period	**4 499 765**	**4 012 563**
Current	*723 996*	*644 105*
Non-current	*3 775 769*	*3 368 458*

6.5. Trade receivables

	30.06.2024	31.12.2023
Trade receivables (gross)	2 416 132	2 156 703
Loss allowance for expected credit losses	(76 910)	(77 221)
Trade receivables (net)	**2 339 222**	**2 079 482**

There is no significant concentration of credit risk in the Group. Credit risk related to receivables is minimised due to the large number of customers. Moreover, receivables are mostly secured with inventory located in "Żabka" stores. As a result, in the view of the Management, there is no additional credit risk beyond the level determined by the loss allowance for expected credit losses.

(in PLN thousand, unless otherwise stated)

The table below presents changes in the loss allowance for expected credit losses:

	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023
Loss allowance for expected credit losses at the beginning of the period	**(77 221)**	**(74 006)**
Increase	(8 410)	(13 804)
Utilised	2 321	2 729
Reversed	6 400	7 860
Loss allowance for expected credit losses at the end of the period	**(76 910)**	**(77 221)**

Receivables from franchisees are insured and this fact has been reflected in the calculation of allowance for expected credit losses.

6.6. Other financial assets

The table below presents other financial assets as at June 30, 2024 and as at December 31, 2023.

	30.06.2024	31.12.2023
Deposits	34 333	21 374
Derivatives	-	968
Non-current other financial assets	**34 333**	**22 342**
Security deposits	6 147	4 825
Derivatives	4	-
Receivables from the factor	14 182	13 609
Receivables from proceedings to secure claims	-	60 648
Other	4 937	3 120
Current other financial assets	**25 270**	**82 202**
OTHER FINANCIAL ASSETS	**59 603**	**104 544**

In July 2023, cash held in bank accounts of one of the Group companies (PLN 55 427 thousand and EUR 1 201 thousand) was seized based on the decision of the Regional Court in Kraków of June 17, 2023 granting security in connection with a lawsuit brought by a building contractor against the Group company. After the Group's appeal and the out-of-court settlement reached in 2023, the lawsuit was withdrawn on January 3, 2024 and the cash was fully returned on January 26, 2024.

Receivables from the factor presented among other financial assets represent the Group's continuing involvement in the receivables financed by the factor. The total amount of these receivables as at December 31, 2023 was PLN 136 091 thousand, including PLN 122 482 thousand financed by the factor.

The total amount of these receivables as at June 30, 2024 was PLN 141 821 thousand, including PLN 127 639 thousand financed by the factor.

The table below presents changes in loss allowance for other financial assets:

	01.01.2024 - 30.06.2024	01.01.2023 - 31.12.2023
Loss allowance for expected credit losses from other financial assets at the beginning of the period	**(293)**	**(265)**
Increase	-	(33)
Utilised	-	5
Reversed	4	-
Loss allowance for expected credit losses from other financial assets at the end of the period	**(289)**	**(293)**

(in PLN thousand, unless otherwise stated)

The loss allowance for other financial assets relates to the deposit.

6.7. Other non-financial assets

The table below presents other non-financial assets as at June 30, 2024 and as at December 31, 2023.

	30.06.2024	31.12.2023
Prepayments	8 293	9 210
Arrangement fees and commitment fees of revolving loan facility	*6 204*	*7 381*
Software	*467*	*567*
Insurance premiums	*-*	*123*
Marketing and advertisements	*59*	*65*
Other	*1 563*	*1 074*
Other	2 107	933
Non-current other non-financial assets	**10 400**	**10 143**
Prepayments	32 207	25 057
Arrangement fees and commitment fees of revolving loan facility	*5 537*	*7 222*
Software	*18 476*	*13 051*
Insurance premiums	*3 641*	*1 858*
Marketing and advertisements	*1 224*	*1 186*
Other	*3 329*	*1 740*
Receivables from tax authorities	45 406	115 321
Non-financial assets relating to advances	3 506	14 751
Other	1 298	740
Current other non-financial assets	**82 417**	**155 869**
OTHER NON-FINANCIAL ASSETS	**92 817**	**166 012**

Receivables from tax authorities mainly include receivables from value added tax. The amount resulting from the difference between liabilities and receivables due to value added tax is paid to relevant tax authorities on a monthly basis.

The net amount of value added tax recoverable or payable to the tax authorities is recognised in the consolidated statement of financial position as part of receivables or liabilities.

Non-financial assets relating to advances include advances for services and amounts of value-added tax on advances paid for which no advance invoice had been received by the reporting date.

6.8. Non-current assets held for sale

On June 19, 2024, the Group concluded the Preliminary Sale Agreement regarding the sale and leaseback of a portfolio of properties, in which Żabka stores are operated. The sale was completed after the reporting date, on July 26, 2024 and on September 18, 2024. The transaction included 123 premises. At June 30, 2024, the properties were reclassified from Property, plant and equipment to Non-current assets held for sale in their carrying amount of PLN 109 135 thousand which is lower than fair value less cost to sell.

6.9. Liability for a written put option over non-controlling interest

The following table shows the option liability to purchase non-controlling interest by acquisition as at June 30, 2024 and as at December 31, 2023.

(in PLN thousand, unless otherwise stated)

	30.06.2024	31.12.2023
Acquisition of DRIM Daniel Distribuție FMCG S.R.L.	99 942	-
Non-current liability for a written put option over non-controlling interest	**99 942**	**-**
Acquisition of Maczfit Foods sp. z o.o.	29 338	65 861
Acquisition of Masterlife Solutions sp. z o.o.	80 675	54 823
Current liability for a written put option over non-controlling interest	**110 013**	**120 684**
Liability for a written put option over non-controlling interest	**209 955**	**120 684**

Acquisition of Maczfit Foods sp. z o.o.
The liability for an option to buy out non-controlling interests was recognised due to the acquisition of Maczfit Foods sp. z o.o. on April 29, 2021. As part of the acquisition, the Group acquired 95% of the shares in the target company. The remaining 5% of shares in Maczfit Foods sp. z o.o. were covered by the put option, according to which the Group submitted an unconditional and irrevocable offer to purchase the remaining 5% of shares from the current shareholder. At the same time, the existing shareholder submitted to the Group an unconditional and irrevocable offer to sell (call option) the remaining 5% of shares in Maczfit Foods sp. z o.o. Both options are symmetrical. They can be realised at the same time (3 year period from April 30, 2024 to April 30, 2027) and for the same price. The decrease in the liability's valuation results in particular in the exercise of the option in relation to 3% of shares.

The option price, in accordance with the agreement between the parties, is based on the revenues of Maczfit Foods sp. z o. o. for 12 full calendar months preceding the option exercise date.

Acquisition of Masterlife Solutions sp. z o.o.
The liability for an option to buy out non-controlling interests was recognised due to the acquisition of Masterlife Solutions sp. z o.o. on May 28, 2021. As part of the acquisition, the Group acquired 62% of the shares in the target company. The remaining 38% of shares in Masterlife Solutions sp. z o.o. were covered by the put option, according to which the Group submitted an unconditional and irrevocable offer to purchase the remaining 38% of shares from the current shareholders. At the same time, each of the existing partners submitted to the Group an unconditional and irrevocable sale offer (call option) of the remaining 38% of shares in Masterlife Solutions sp. z o.o. in total. Both options are symmetrical. They can be realised at the same time (a period of 4 years after 36 months from the date of purchase) and for the same price.

The option price, in accordance with the agreement between the parties, is determined on the basis of the Masterlife Solutions sp. z o.o. valuation model, calculated as the product of normalised EBITDA in the period of 12 full calendar months preceding the option exercise date and the net debt.

Acquisition of DRIM Daniel Distribuţie FMCG S.R.L.
The liability for an option to buy out non-controlling interests was recognised due to the acquisition of DRIM Daniel Distribuție FMCG S.R.L. on February 29, 2024.

As part of the transaction, the Group holds approximately 59,981% of the shares of Froo Romania Holding S.A. (Froo Romania Holding S.R.L. is the sole shareholder of DRIM Daniel Distributie FMCG S.R.L. and of Froo Romania Retail S.R.L.)

The remaining 40,019% of shares in Froo Romania Holding S.A. were covered by the put option, according to which the Group submitted an unconditional and irrevocable offer to purchase the remaining 40,019% of shares from the current shareholders. At the same time, each of the existing partners submitted to the Group an unconditional and irrevocable sale offer (call option) of the remaining 40,019% of shares in DRIM Daniel Distribuție FMCG S.R.L. in total. Both options are symmetrical. They can be realised at the same time (after a period of 6.5 years starting from the date of purchase, which means after 31 August 2030) and for the same price.

However, in accordance with agreement, the share capital of Froo Romania Holding S.A. may be increased by the issuance of new shares that will be subscribed only by Zabka International S.à r.l. As a result of this transaction, Zabka International S.à r.l. may increase its share to the maximum level of 85%.

The Group is planning to increase its shares in Froo Romania Holding S.A. by issuance of new shares to the level of 85% and the remaining 15% of shares are covered by the put option.

(in PLN thousand, unless otherwise stated)

The amount of the liability was estimated as the purchase price of 15% shares in the year 2030 based on the multiples of comparable companies for Zabka Group and the projected financial results for the years 2029 and 2030 (average EBITDA of Froo Romania Holding S.A. for the year 2029 and 2030).

6.10. Trade payables and other financial liabilities

	30.06.2024	31.12.2023
Derivatives	91 856	25 314
Non-invoiced liabilities	514	412
Other	50	59
Non-current other financial liabilities	**92 420**	**25 785**
Trade payables	2 572 375	1 872 693
related to supplies and services	*2 333 275*	*1 659 882*
related to purchase of property, plant and equipment and intangible assets	*239 100*	*212 811*
Trade payables covered by reverse factoring	2 622 734	2 444 351
related to supplies and services	*2 611 591*	*2 433 718*
related to purchase of property, plant and equipment and intangible assets	*11 143*	*10 633*
Non-invoiced liabilities	284 699	253 088
Liabilities related to franchisee deposits	72 418	67 011
Liabilities to the factor (factoring of receivables)	126 817	57 515
Liabilities due to share acquisition	2 592	-
Other	62 857	47 600
Current trade payables and other financial liabilities	**5 744 492**	**4 742 258**
TOTAL TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES	**5 836 912**	**4 768 043**

The derivatives item includes embedded derivatives that are part of virtual Power Purchase Agreements ("vPPAs"), which are hedging instruments in applied cash flow hedge accounting. Details of this item are described in Note 8.1.

Non-invoiced liabilities relate primarily to electricity, marketing and logistics, as well as store and headquarters maintenance.

The other item mainly consists of Group's settlements relating to being an agent in case of some services provided by franchisees: newspaper delivery, lottery services and minor bill payments. In addition, the item other includes liabilities resulting from the incentive scheme described in Note 9.2, in the Consolidated Financial Statements for the years ended December 31, 2023, December 31, 2022, and December 31, 2021. As at June 30, 2024 the current portion of these liabilities amounted to PLN 21 246 thousand and as at December 31, 2023 PLN 16 466 thousand.

(in PLN thousand, unless otherwise stated)

7. DEBT AND CAPITAL MANAGEMENT

7.1. Capital Management

The main objective of the Group's capital management is to maintain a good credit rating and safe capital ratios that would support the Group's operating activities and increase the value for its shareholders.

The Group manages the capital structure and introduces changes to it as a result of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may change the dividend payment to shareholders, return capital to shareholders or issue new shares. In the six-month periods ended as at June 30, 2024 and as at June 30, 2023 no changes were made to the objectives, rules and processes in this area.

The Group monitors equity using the leverage ratio, which is the ratio of net debt to total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings and lease liabilities, less cash and cash equivalents. Equity comprises of equity attributable to owners of the parent. The leverage ratio of the Group is significantly impacted by long-term lease and rental contracts.

Note		30.06.2024	31.12.2023
7.3	Loans and borrowings	5 037 938	5 218 369
	Bank loans	*5 018 160*	*5 196 354*
	Borrowings	*19 778*	*22 015*
6.4	Lease liabilities	4 499 765	4 012 563
	Less cash and cash equivalents	(1 156 327)	(649 139)
	Net debt	**8 381 376**	**8 581 793**
7.2	Equity	822 691	898 129
	Equity and net debt	**9 204 067**	**9 479 922**
	Leverage ratio	**91%**	**91%**

The Group actively manages the level of the leverage ratio as part of liquidity management as described in Note 8.2. The Group monitors liquidity risk with a specific focus on interest payable within the next 12 months and both short and long-term instalments payable. Liquidity is monitored with support of the periodic liquidity planning tool. This tool takes into account the maturity / maturity dates of both liabilities and financial assets (e.g. receivables, other financial assets) and forecast cash flows from operating activities.

7.2. Equity

Legal reserve

On March 2023, 20, the Group entered into certain transactions assimilated to the financial assistance in accordance with Articles 430-19, 430-20, 430-21 and 430-23 of the Luxembourg Law of 10 August 1915 (the "Financial Assistance"). Under the Financial Assistance, in accordance with article 430-19 (1) 3 of the Luxembourg Law of 10 August 1915, the Group created a reserve unavailable for distribution (other non-available reserve) for an amount of PLN 255 067 thousand, that shall increase by the accrued interest amount. As at December 31, 2023, the legal reserve amounts to PLN 268 486 thousand and as at June 30, 2024 amounts to PLN 274 614 thousand.

7.3. Debt

The reconciliation of changes in liabilities resulting from financial activities is presented below:

(in PLN thousand, unless otherwise stated)

	Bank loans	Borrowings	Lease liabilities	Total
As at 01.01.2024	**5 196 354**	**22 015**	**4 012 563**	**9 230 932**
Monetary changes				
Cash inflows	580 000	-	-	**580 000**
Payment	(1 045 536)	(3 180)	(510 322)	**(1 559 038)**
Capital repayment	*(798 331)*	*(2 237)*	*(354 038)*	***(1 154 606)***
Interest paid	*(247 205)*	*(943)*	*(156 284)*	***(404 432)***
Non-monetary changes				
Acquisition of subsidiaries	31 819	-	37 983	**69 802**
Accrued interest	252 813	943	151 108	**404 864**
Exchange differences from valuation	(6 717)	-	(600)	**(7 317)**
Revision of estimated contractual cash flows	11 380	-	-	**11 380**
Other non-monetary changes	(1 953)	-	809 033	**807 080**
As at 30.06.2024	**5 018 160**	**19 778**	**4 499 765**	**9 537 703**
Current	*240 469*	*3 816*	*723 996*	***968 281***
Non-current	*4 777 691*	*15 962*	*3 775 769*	***8 569 422***

	Bank loans	Borrowings	Lease liabilities	Total
As at 01.01.2023	**3 874 532**	**-**	**3 598 839**	**7 473 371**
Monetary changes				
Cash inflows	4 911 965	19 091	-	**4 931 056**
Payment	(4 099 934)	-	(424 674)	**(4 524 608)**
Capital repayment	(3 767 982)	-	(309 319)	***(4 077 301)***
Interest paid	(331 952)	-	(115 355)	***(447 307)***
Non-monetary changes				
Accrued interest	252 211	-	115 403	**367 614**
Exchange differences from valuation	(48 230)	-	(33 107)	**(81 337)**
Revision of estimated contractual cash flows	27	-	-	**27**
Other non-monetary changes	382	-	697 912	**698 294**
As at 30.06.2023	**4 890 953**	**19 091**	**3 954 373**	**8 864 417**
Current	80 978	3 137	625 115	***709 230***
Non-current	*4 809 975*	*15 954*	*3 329 258*	***8 155 187***

Other non-monetary changes in lease liabilities result from new lease contracts and from modification and remeasurement of lease contracts to reflect changes in lease payments. Other information on the lease liabilities is presented in Note 6.4.

Detailed information on loan and bank loan agreements is presented in the table below:

Type	Lender	The date of conclusion of the contract	Loan / borrowing amount (in thousands)	Currency	Interest*	Repayment method	Maturity date	30.06.2024	31.12.2023
Bank loan (tranche A)	Syndicate of banks	09.01.2023	1 200 000	PLN	WIBOR + margin	semi-annual instalments starting from 30 June 2024	23.01.2029	993 253	1 183 135
Bank loan (tranche A)	Syndicate of banks	09.01.2023	55 819	EUR	EURIBOR + margin	semi-annual instalments starting from 30 June 2024	23.01.2029	231 731	239 232
Bank loan (tranche B1)	Syndicate of banks	09.01.2023	1 500 000	PLN	WIBOR + margin	one-time repayment	23.07.2029	950 993	1 476 609
Bank loan (tranche B1)	Syndicate of banks	09.01.2023	130 245	EUR	EURIBOR + margin	one-time repayment	23.07.2029	553 645	557 501
Bank loan (tranche B2)	Syndicate of banks	09.01.2023	1 300 000	PLN	WIBOR + margin	one-time repayment	23.07.2029	1 281 130	1 279 727
Bank loan (tranche 1)	Bank	24.05.2023	152 602	PLN	WIBOR + margin	semi-annual instalments starting from 30 June 2024	24.05.2029	148 346	152 089
Bank loan (tranche 1)	Bank	24.05.2023	3 692	EUR	EURIBOR + margin	semi-annual instalments starting from 30 June 2024	24.05.2029	15 594	16 074
Bank loan (tranche 2)	Bank	24.05.2023	157 392	PLN	WIBOR + margin	semi-annual instalments starting from 30 June 2024	24.05.2029	153 133	157 793
Bank loan (tranche 2)	Bank	24.05.2023	3 808	EUR	EURIBOR + margin	semi-annual instalments starting from 30 June 2024	24.05.2029	16 064	16 597
Non-bank borrowing	Financing entity	18.05.2023	19 091	PLN	WIBOR 1M + margin	monthly instalments, starting from 25 July 2023	25.06.2028	15 954	17 818
Bank loan (tranche 1)	Syndicate of banks	09.01.2023	140 000	PLN	WIBOR + margin	semi-annual instalments starting from 30 June 2024	23.01.2029	135 463	-
Bank loan (tranche 2)	Syndicate of banks	09.01.2023	73 240	PLN	WIBOR + margin	semi-annual instalments starting from 30 June 2024	23.01.2029	71 121	-
Bank loan (tranche 3)	Syndicate of banks	09.01.2023	66 760	PLN	WIBOR + margin	semi-annual instalments starting from 30 June 2024	23.01.2029	64 849	-
Bank loan (tranche 4)	Syndicate of banks	29.03.2024	200 000	PLN	WIBOR + margin	one-time repayment	23.07.2029	199 792	-

Type	Lender	The date of conclusion of the contract	Loan / borrowing amount (in thousands)	Currency	Interest*	Repayment method	Maturity date	30.06.2024	31.12.2023
Bank loan (tranche 5)	Syndicate of banks	29.03.2024	100 000	PLN	WIBOR + margin	one-time repayment	23.07.2029	99 925	-
Bank loan (tranche 1)	Bank	14.07.2021	4 974	PLN	WIBOR + margin	semi-annual instalments	30.11.2027	3 225	3 652
Bank loan (tranche 2)	Bank	14.07.2021	14 603	PLN	WIBOR + margin	semi-annual instalments	30.11.2027	9 754	11 081
Bank loan (tranche 3)	Bank	14.07.2021	91 049	PLN	WIBOR + margin	semi-annual instalments	30.11.2027	63 050	71 927
Bank loan (tranche 4)	Bank	14.07.2021	34 916	PLN	WIBOR margin	semi-annual instalments	30.11.2027	27 100	30 938
Non-bank borrowing	Financing entity	20.06.2023	4 496	PLN	WIBOR 1M + margin	monthly instalments, starting from 15 August 2023	15.07.2028	3 816	4 196
TOTAL LOANS AND BANK LOANS								**5 037 938**	**5 218 369**

* Under the signed bank loan agreements, the Group may choose a one-month, three-month or six-month interest period or another period agreed with the lenders. The interest rate shown in the table above is valid as at June 30, 2024 (the interest rate was WIBOR 1M + a variable margin).

On January 31, 2024, Żabka Polska sp. z o.o. drew the first tranche of PLN 140 000 thousand from the Capex line with a total value of PLN 610 000 thousand (under a loan agreement dated January 9, 2023).

On February 29, 2024, Żabka Polska sp. z o.o. drew the first tranche of PLN 73 240 thousand and on March 28, 2024 the second tranche of PLN 66 760 thousand from the Incremental Facility Capex line with a total value of PLN 140 000 thousand (under a loan agreement dated January 9, 2023).

On March 29, 2024, Żabka Polska sp. z o.o. concluded a new Incremental Facility Capex line in the amount of PLN 1 500 000 thousand (under a loan agreement dated January 9, 2023).

At the end of May, 2024 the credit obligation from Tranche B1 was transferred for the new Incremental Facility Capex line in the amount of PLN 100 000 thousand and at the end of June, 2024 another PLN 200 000 thousand. As a result at June 30, 2024, the liability under Incremental Facility Capex credit line in the capital part was PLN 300 000 thousand.

The Group has the following securities and pledges:

- registered and financial pledges over the share capital of Żabka Polska sp. z o.o.,
- registered pledge of any inter-company loans granted to Żabka Polska sp. z o.o.,
- pledge over bank accounts,
- assignment between Żabka Polska sp. z o.o. and the security agent in relation to the of Żabka Polska sp. z o.o. rights under the subsidiary acquisition documents and any security agreements concluded by Żabka Polska sp. z o.o.,
- registered and financial pledges on significant bank accounts,
- registered pledge on the enterprise of Żabka Polska sp. z o.o.,
- declared voluntary submission to enforcement,
- registered pledge under Polish law over intangible assets in particular over significant trademarks owned by Żabka Polska sp. z o.o. and registered in Poland,
- assignment of all material loans granted by Żabka Polska sp. z o.o. and its insurance policies.

The loan agreement obliges the Group to meet specific financial covenants (e.g. leverage ratio and interest cover ratio) and introduces restrictions on the payment of dividends and repayment of intra-group liabilities. As at June 30, 2024 and June 30, 2023 the financial ratios were met.

(in PLN thousand, unless otherwise stated)

8. FINANCIAL INSTRUMENTS AND LIQUIDITY MANAGEMENT

8.1. Fair values of financial instruments

According to the Group's assessment, the fair value of cash, short-term deposits, trade receivables, trade payables, bank loans, borrowings, option liabilities to purchase non-controlling interest and other financial assets and liabilities does not significantly differ from the carrying values.

The carrying amount of cash and cash equivalents and short-term bank deposits reflects their fair value due to the short maturity of these instruments.

The carrying amount of trade receivables, other receivables, liabilities and accruals approximates their fair value due to the short payment terms of these instruments.

The carrying amount of loans receivable from related entities approximates their fair value due to the market interest rate.

The carrying amount of bank loans approximates their fair value due to the variable nature of interest rates.

The carrying amount of the option liability to purchase non-controlling interests approximates fair value due to its measurement at the present value of the purchase price.

The carrying amount of financial instruments measured at fair value as of the respective reporting dates is presented below:

Item	Level 1	Level 2	Level 3
30.06.2024			
Investments in equity shares	-	-	18 831
Interest rate cap	-	4	-
Contracts for difference (virtual power purchase agreements)	-	-	(91 856)

Item	Level 1	Level 2	Level 3
31.12.2023			
Investments in equity shares	-	-	18 831
Interest rate cap	-	968	-
Contracts for difference (virtual power purchase agreements)	-	-	(25 314)

For investments in equity shares, the Group estimated the fair value using the multiples method. The multiples method involves determining the value of an entity based on the valuation of comparable listed companies or on the basis of buy/sell transactions of similar companies in the private market. The Group uses a revenue multiplier for this purpose. Based on the valuation, the Group did not find that the fair value of the assessed items differed significantly from their carrying value.

In the six-month period ended June 30, 2024 and in the year ended December 31, 2023 there were no transfers between level 1 and level 2 of the fair value hierarchy, nor were any of the instruments moved from / to level 3 of the fair value hierarchy.

(in PLN thousand, unless otherwise stated)

Fair value of derivatives (contracts for difference incorporated into a vPPA)

As at June 30, 2024, the Group held a portfolio of hedging instruments consisting of long-term contracts for difference separated within vPPAs. The Group uses various types of vPPAs – both baseload and pay-as-produce PPAs.

The key assumption for the valuation model is the value of the expected net cash flows from the contracts for difference, based on the prices in the contracts, forecast electricity prices and forecast energy volumes. The expected cash flows, disclosed below, have been estimated using unobservable inputs - energy price forecasts from an external advisor and, to determine the fair value of the derivative, are then subject to a calibration adjustment so that on initial recognition the result of the valuation technique corresponds to the transaction price.

	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted
Cash flows determined on the basis of energy price forecasts before calibration (undiscounted) as at 30.06.2024	(3 881)	(2 991)	(28 150)	(8 841)	(43 863)

	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted
Cash flows determined on the basis of energy price forecasts before calibration (undiscounted) as at 31.12.2023	3 764	7 677	28 823	58 002	98 266

Derivatives designated for cash flow hedge accounting as at June 30, 2024 and December 31, 2023 are shown in the table below:

(in PLN thousand, unless otherwise stated)

	Hedged item	Maturity date	Nominal value of the hedging instrument	Carrying amount of the hedging instrument 30.06.2024		31.12.2023		Changes in the fair value of the hedging instrument used to calculate the ineffectiveness of the hedging strategy	Changes in the fair value of the hedged item used to calculate the ineffectiveness of the hedging strategy	Cash flow hedge reserve (amount in OCI)
				Assets	Liabilities	Assets	Liabilities			
Commodity swap	Purchases of electricity at volatile prices	May 1, 2023 - December 31, 2033; June 27, 2023 - December 31, 2038	2285 GWh	-	91 856	-	25 315	91 856	(98 766)	71 463

A sensitivity analysis conducted by the Group showed that a potential long-term change of 10% in unobservable electricity price inputs used for the measurement of derivatives hedging electricity price risk, with the other parameters of the valuation model unchanged, as at June 30, 2024 would result in a change in the fair value of these instruments by PLN 36 562 thousand (in case of an increase of 10%) or PLN (34 324) thousand (in case of a decrease of 10%) and as at December 31, 2023 by PLN 45 651 thousand (in case of an increase of 10%) or PLN (47 795) thousand (in case of a decrease of 10%).

The table below shows changes in the hedge reserve in equity:

(in PLN thousand, unless otherwise stated)

	01.01.2024 - 30.06.2024			01.01.2023 - 30.06.2023		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Cash flow hedge reserve at the beginning of the period						
- energy price risk	**(18 975)**	**3 605**	**(15 370)**	**-**	**-**	**-**
Effective portion of profits/(losses) on hedging instruments	(79 745)	15 152	(64 593)	(13 611)	2 586	(11 025)
Reclassification to the statement of profit or loss, adjusting:						
- Operating costs	8 282	(1 574)	6 708	(292)	55	(237)
Cash flow hedge reserve at the end of the period						
- energy price risk	**(90 438)**	**17 183**	**(73 255)**	**(13 903)**	**2 641**	**(11 262)**

(in PLN thousand, unless otherwise stated)

8.2. Liquidity

Liquidity risk

The Group monitors liquidity risk by using the periodical liquidity planning tool. This tool takes into account maturity / maturity dates of both liabilities and financial assets (e.g. accounts receivable, other financial assets) and forecast cash flows from operating activities.

As part of its liquidity management, the Group uses reverse factoring agreements in relation to its liabilities, under which it submits for factoring invoices relating to purchases from selected suppliers as well as a factoring agreement with regard to its receivables, under which it submits sales invoices for selected franchisees for factoring.

The Group minimises the liquidity risk resulting from the use of reverse factoring agreements by selecting reliable, long-term partners who are also lenders in syndicated agreements and by diversifying them (9 financial institutions, the involvement of none of them exceeds 25%). In line with market practice, reverse factoring agreements are entered into by the Group for an indefinite period (with one month's notice) or with a term of up to 12 months. Since the launch of the factoring programme in 2017, no financial institution has terminated its cooperation with the Group in this area (none of the agreements have been terminated). The Management assumes that the Group will be able to use the concluded factoring agreements for at least the next 12 months to the same extent as at the end of the reporting date.

The Group maintains unused factoring limits, an unused overdraft limit and an unused investment loan limit, which totalled PLN 1 275 514 thousand as at June 30, 2024 and PLN 1 478 301 thousand as at December 31, 2023.

As part of the working capital management, the Group also uses a factoring agreement for its receivables, under which it factors sales invoices for selected franchisees.

The amount of receivables financed by the factor as at June 30, 2024 amounted to PLN 127 639 thousand, as at December 31, 2023: PLN 122 482 thousand.

In order to improve Group's liquidity sale and leaseback transactions are entered into.

The tables below present the Group's financial liabilities as at June 30, 2024 and as at December 31, 2023 by maturity based on contractual undiscounted payments.

Note	Item	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted	Total - carrying amount
7.3	**Loans and borrowings**	(349 609)	(338 697)	(3 202 290)	(3 145 518)	(7 036 114)	(5 037 938)
	Bank loans	*(346 693)*	*(335 781)*	*(3 184 397)*	*(3 145 518)*	*(7 012 389)*	*(5 018 160)*
	Borrowings	*(2 916)*	*(2 916)*	*(17 893)*	-	*(23 725)*	*(19 778)*
6.4	Lease liabilities	(547 363)	(491 581)	(3 128 610)	(1 516 819)	(5 684 373)	(4 499 765)
6.9	Liability for a written put option over non-controlling interest	(83 105)	(26 908)	-	(318 780)	(428 793)	(209 955)
6.10	Trade payables and other financial liabilities	(5 706 500)	(17 598)	(123 284)	(102 232)	(5 949 614)	(5 836 912)
	Trade payables	*(2 572 375)*	-	-	-	*(2 572 375)*	*(2 572 375)*
	Trade payables covered by reverse factoring	*(2 622 734)*	-	-	-	*(2 622 734)*	*(2 622 734)*
	*Contracts for difference (virtual power purchase agreements)**	*(8 823)*	*(8 651)*	*(81 433)*	*(80 391)*	*(179 298)*	*(91 856)*
	Other	*(502 568)*	*(8 947)*	*(41 851)*	*(21 841)*	*(575 207)*	*(549 947)*
	Balance at the end of the period - 30.06.2024	**(6 686 577)**	**(874 784)**	**(6 454 184)**	**(5 083 349)**	**(19 098 894)**	**(15 584 570)**

(in PLN thousand, unless otherwise stated)

Note	Item	up to 6 months	6-12 months	1-5 years	over 5 years	Total - undiscounted	Total - carrying amount
7.3	**Loans and borrowings**	(310 836)	(357 400)	(2 958 845)	(4 093 855)	(7 720 936)	(5 218 369)
	Bank loans	*(307 920)*	*(354 484)*	*(2 937 292)*	*(4 093 855)*	*(7 693 551)*	*(5 196 354)*
	Borrowings	*(2 916)*	*(2 916)*	*(21 553)*	*-*	*(27 385)*	*(22 015)*
6.4	Lease liabilities	(523 357)	(452 146)	(3 416 739)	(981 067)	(5 373 309)	(4 012 563)
6.9	Liability for a written put option over non-controlling interest	(118 254)	(2 430)	-	-	(120 684)	(120 684)
6.10	Trade payables and other financial liabilities	(4 684 651)	(7 703)	(54 061)	(50 808)	(4 797 223)	(4 768 043)
	Trade payables	*(1 872 693)*	*-*	*-*	*-*	*(1 872 693)*	*(1 872 693)*
	Trade payables covered by reverse factoring	*(2 444 351)*	*-*	*-*	*-*	*(2 444 351)*	*(2 444 351)*
	*Contracts for difference (virtual power purchase agreements)**	*(1 470)*	*2 736*	*(13 871)*	*(29 797)*	*(42 402)*	*(25 314)*
	Other	*(366 137)*	*(10 439)*	*(40 190)*	*(21 011)*	*(437 777)*	*(425 685)*
	Balance at the end of the period - 31.12.2023	**(5 637 098)**	**(819 679)**	**(6 429 645)**	**(5 125 730)**	**(18 012 152)**	**(14 119 659)**

*The undiscounted cash flows relating to power purchase contracts for difference have been presented by taking into account the calibration used in the fair value valuation.

(in PLN thousand, unless otherwise stated)

9. OTHER NOTES

9.1. Contingent liabilities

Pursuant to the information presented in Note 7.3, a registered pledge for the benefit of the banking syndicate has been established over movables and property rights.

Tax settlements

Tax settlements and other areas of activity subject to regulations (e.g. customs or foreign exchange matters) may be the subject of control of administrative authorities, which are authorised to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in the occurrence of ambiguities and inconsistencies in the applicable provisions. Frequently occurring differences in opinions as to the legal interpretation of tax regulations, both within government bodies and between government bodies and companies, create uncertainties and conflicts. Due to the above, the tax risk in Poland is significantly higher than that usually existing in countries with a more developed tax system.

Tax settlements may be inspected for a period of 5 years, starting from the end of the year in which the tax was paid. As a result of the inspections, the current tax settlements of the Group may be increased by additional tax liabilities. The Group believes that no additional provision for tax risks was required as at December 31, 2023 or June 30, 2024.

9.2. Transactions with related parties

The tables below present transactions with related entities for particular years:

	Other related parties	Total
Transactions in the period 01.01.2024 - 30.06.2024	**7 175**	**7 175**
Interest income	7 175	**7 175**
As at 30.06.2024	**252 102**	**252 102**
Loans granted and other receivables	252 102	**252 102**

	Other related parties	Total
Transactions in the period 01.01.2023 - 30.06.2023	**3 303**	**3 303**
Interest income	3 303	**3 303**
As at 31.12.2023	**202 416**	**202 416**
Loans granted and other receivables	202 416	**202 416**

During the six-month period ended June 30, 2024 the Group granted new loans to other related parties in the amount of PLN 45 085 thousand (in six-month period ended June 30, 2023: PLN 190 022 thousand). There were no repayments in both periods.

Receivables from related parties as at June 30, 2024 and December 31, 2023 do not include overdue amounts.

The terms of transactions between related entities were not more favourable than the terms of similar transactions possible to be carried out on market terms with unrelated entities.

9.3. Events after the reporting date

In July and September 2024, in the performance of the framework agreement from June 2024 related to the sale and leaseback of a portfolio of 123 premises, in which Żabka stores are operated, the Group concluded the sale agreements and the lease agreements.

On July 4, 2024, the Group concluded the revolving facility agreement with a total ceiling value EUR 12 000 thousand.

On July 30, 2024, the Group repaid PLN 59 000 thousand from the PLN Facility B1 line with a total value of PLN 906 000 thousand (under a loan agreement dated January 9, 2023).[1]

On July 31, 2024, the Group drew the third tranche of PLN 59 000 thousand from the Incremental Facility Capex line with a total value of PLN 359 000 thousand (under a loan agreement dated January 9, 2023).

On August 29, 2024, the Group repaid PLN 94 000 thousand from the PLN Facility B1 with a total value of PLN 812 000 thousand (under a loan agreement dated January 9, 2023).[1]

On August 30, 2024, the Group drew the fourth tranche of PLN 94 000 thousand from the Incremental Facility Capex line with a total value of PLN 453 000 thousand (under a loan agreement dated January 9, 2023).

As described in Note 3, in February 2024 the Group acquired shares in DRIM Daniel Distributie FMCG S.R.L. After the reporting period, as part of finalizing the Closing Accounts process and negotiations with the selling party, the final price for the acquisition of shares in the company, as well as number of shares has been determined. According to the agreements, the final consideration for the acquisition of 60,0396% shares in DRIM Daniel Distributie FMCG S.R.L. consisted of:

• consideration paid in cash amounted to EUR 11 760 thousand,

• shares in Froo Romania Holding S.A. which fair value amounted to EUR 7 951 thousand.

On September 27, 2024, the Group finalized the acquisition of land located in Szymanów, Mazowieckie Voivodeship for the total transaction amount of approximately PLN 17.4 million. The Group intends to develop the land with a production facility that will be serving Maczfit's needs.

[1] total value of the facility after repayment

Board of Directors of Zabka Group S.A.

Tomasz Suchański	**István Szőke**	**Krzysztof Krawczyk**
Stephan Schäli	**Giulia Fitzpatrick**	**Olga Grygier-Siddons**

Luxembourg, September 30, 2024

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