żabka group

Integrated Report 2022

żabka group

Żabka – the ultimate convenience ecosystem in Poland

The leading convenience network of over **9,000 stores**

3+ million average **daily transactions**

Open **every waking hour**

A **leading retail** app in Poland – Żappka with **6.1 million users**

16 million Poles within **500 metres of stores**

Emerging **leader in direct-to-consumer (D2C)** and **e-commerce**

PLN 18.5 billion sales to end customers and growing by 28% in 2022

17% Like-for-Like sales growth

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Consumers today have a growing number of concerns that get in the way of enjoying life.

Cost of living continues to rise.
Polish people are working longer hours.
Concerns about health & sustainability are widespread.

Żabka's ultimate convenience ecosystem delivers immediate solutions that simplify life and promote sustainability, so people can free up free time.

Consumers are increasingly **shopping for today...**

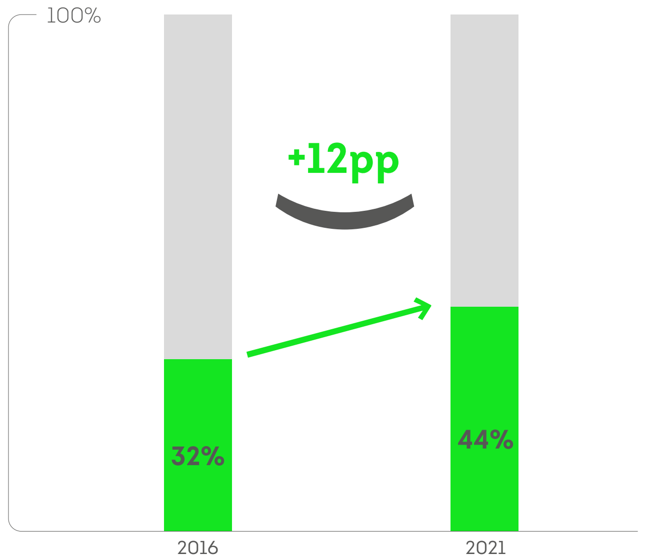
Żabka anticipates customer trends

I work more hours

I am always looking for tech innovations

I choose healthy over affordable products

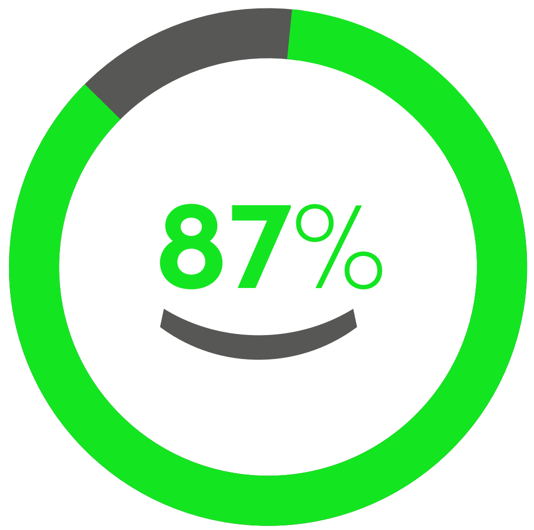
Nearly half of the groceries purchased in Poland are consumed on the same day



Shopping for today as % of all grocery spend in Poland, 2016-2021

...and Żabka is the solution

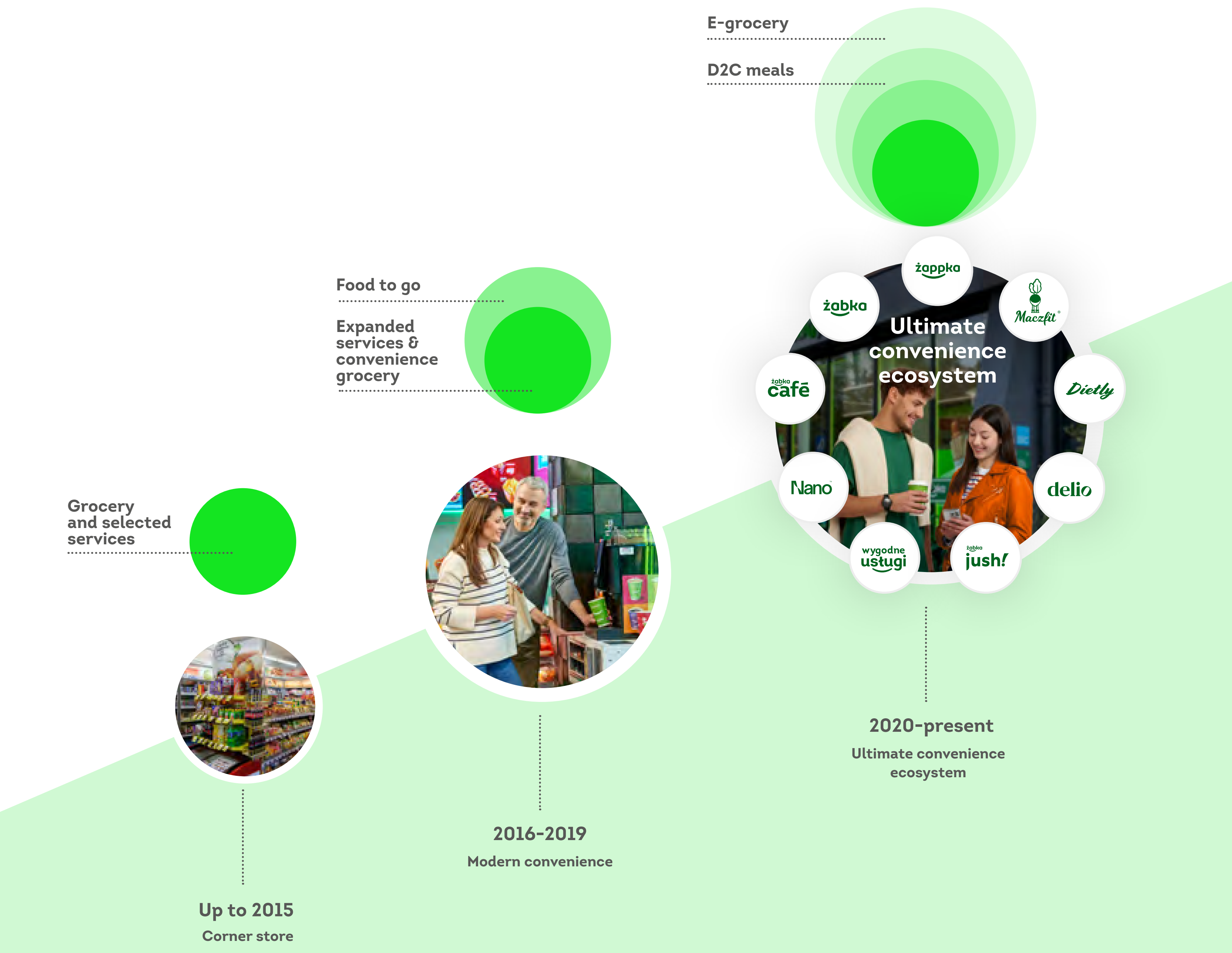
Żabka's format is specifically tailored for the today shopping mission



Share of today shopping missions in Żabka's sales, 2021

For details see →

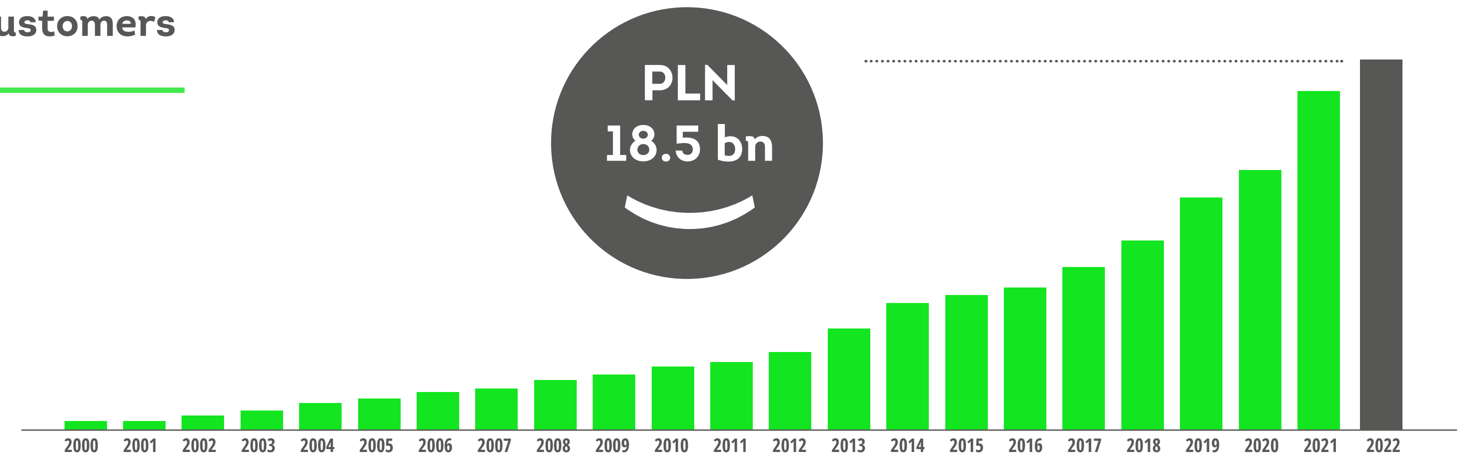
Żabka continues to **redefine convenience...**



For details see →

...driving **uninterrupted growth** for 20+ years...

Sales to end customers



Number of stores

For details see →

...creating the ultimate convenience **ecosystem**

Żabka is expanding its physical and digital channels, increasing the number of customer interactions and providing vital solutions rather than just products.

żappka

PHYSICAL CHANNELS

We expand our nationwide footprint by network roll-out and continuous format upgrades

- żabka
- żabka café
- Nano
- wygodne usługi
- 24/7

DIGITAL CHANNELS

We expand our ecosystem with innovative solutions and touchpoints

- Maczfit
- Dietly
- delio (2h)
- żabka jush! (15min)

For details see →

Our strategy is at the forefront of **consumer trends** to unlock value

Evolution of convenience

We continue to expand our ecosystem driving rapid growth and cost efficiencies:

- Turbocharged network expansion
- Core categories LfL growth
- Traffic-driving convenience services
- Leadership in q-commerce across Poland
- Through Maczfit and Dietly #1 in D2C ready meal solutions
- Operational excellence through increased investment in automation

“I do not cook at home everyday due to lack of time”

“New tech makes my everyday life easier”

Leveraging AI & data

We build value through innovative digital capabilities, combining the agility of a startup with the scale of the largest convenience network in Europe:

- Creating tech tools of the future
- Utilising and analysing data in real time every step of the way
- Using machine learning and AI to convert data into insights and business solutions for our stakeholders
- Constantly investing in new technologies, which makes us a trend-setter in the market
- Mutually beneficial partnerships enabling us to re-imagine the possible and innovate

Embedding ESG

We promote green and sustainable living for everyone, every day through the four pillars of our ESG strategy:

- Sustainable lifestyle
- Mindful business impact
- Responsible organisation
- Green planet

“I believe immediate action is required to preserve the planet”

Free up free time

Executive summary

Leveraging our full capabilities to create a sustainable, future-proof business

Jolanta Bańczerowska

The engagement of our team is essential to transforming the business – it is the Żabka Way.

Find out more in **Our engaging culture and human capital** on page 80

Anna Grabowska

We have prioritised ESG with intense focus, delivering rapid change and creating broader value.

Find out more in **Our strategy – Embedding ESG** on page 68

Marta Wrochna-Łastowska

Żabka continues to deliver ambitious growth while maintaining attractive profitability.

Find out more in **Financial review** on page 88

Tomasz Blicharski

Żabka has made huge advances in creating value by leveraging technology, AI & data.

Find out more in **Our strategy – Leveraging AI & data** on page 56

Adam Manikowski

We continue to get closer to our customers by extending and innovating the store formats.

Find out more in **Our strategy – Evolution of convenience** on page 40

Tomasz Suchański

Żabka has become customers' ultimate convenience ecosystem – freeing up free time.

Find out more in **Introduction to our strategy, the Żabka Way and value creation** on page 20

Żabka Group | Integrated Report 2022

CEO Statement

Żabka meets consumers **changing needs** unlike anyone else in the market

For millions of consumers, Żabka has always been a source of convenience and simplicity in their daily lives.

I am proud to introduce Żabka's inaugural Integrated Report. As a business that is constantly developing, we are dedicated to upholding the highest standards in reporting. This commitment led us to publish our ESG Report annually since 2019. Now, we have chosen to issue an Integrated Report to provide a comprehensive view of our vision and its practical implementation. By adopting a holistic perspective, our Integrated Report demonstrates how we create value for our stakeholders. Although Integrated Reporting is not mandatory for a private company like Żabka, we have embraced it to meet the needs of our key stakeholders, just as we do for our customers.

Today, Żabka is synonymous with convenience, boasting the largest convenience store network in Poland and offering proximity to 16 million Poles living within 500 metres of one of our stores.

Our expansive network which spans over 9,000 stores, serving over 3 million customers every day, positions us as a leading convenience brand in Europe. However, Żabka is much more than just a store network. In this report, we showcase how we have redefined convenience by creating a unique ultimate convenience ecosystem that enables us to offer our customers tailored products and solutions that address their growing needs. We are committed to making our customers' lives easier and freeing up their free time, delivering real value alongside our franchisees every day.

Our strategy is founded not only on the modern convenience format, but also on digital transformation and integration of responsibility. Our investment in innovative technologies and development of unique tools and processes sets us apart from other market players. The Żappka mobile app has 6.1 million users and provides access to multiple services and personalised promotions. We gather an abundance of first-hand data, but the true value comes from our ability to use it efficiently to make faster and better decisions. As you will discover in this report, at Żabka everyone works with IT, ensuring that our digital innovations benefit a wide range of stakeholders, including customers, franchisees, and employees.

At Żabka, ESG forms the third strategic pillar and is embedded in everything we do. We consistently apply our ESG Strategy and report on progress in publicly available ESG Reports. Our commitment to sustainability is deeply ingrained in Żabka's culture, which we share with our business partners and employees.

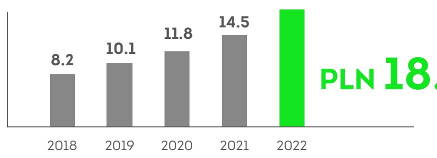
In 2022, we achieved 28% growth in our sales to end customers while maintaining profitability despite inflationary pressure. We also celebrated several non-financial successes – we received the EQUAL-SALARY certificate confirming our commitment to gender pay equality. In the Gallup Institute survey, we ranked in the 77th percentile of the best employers, placing us in the top 23% of organisations with the highest employee engagement. With Żabka's values as our internal compass, we have been able to navigate unexpected challenges, such as the pandemic and the war in Ukraine, with agility and resilience. In February 2022, we were among the first organisations to provide aid to war victims, and we continued our efforts throughout the year by donating 525 tonnes of food and hygiene products to humanitarian organisations and bringing four trains with aid to those in need.

As we enter 2023 and celebrate our 25th anniversary, we are proud to continue pursuing our long-term growth strategy at Żabka Group. We are constantly exploring new development opportunities that align with our vision of a convenience ecosystem driven by consumer needs. I am confident that Żabka will persist in delivering solutions that our customers desire while maintaining a steadfast commitment to creating value for all our stakeholder groups.

Żabka delivers unparalleled results in all aspects of its operations

Financial KPIs

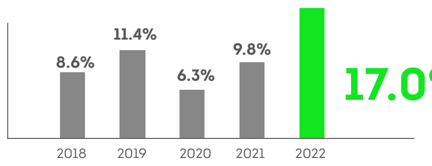
Sales to end customers



PLN 18.5bn

This KPI measures the Group's scale of operations from the perspective of the end customer.

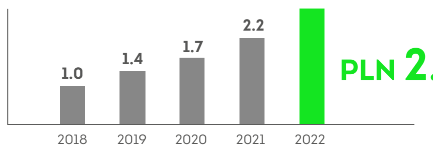
LfL sales growth



17.0%

This KPI measures the Group's growth based on the performance of existing stores, without taking into account the addition of new stores.

Franchisee margin



PLN 2.9bn

This KPI is used by Żabka to measure the revenue of its franchisees.

Net cash flows from operating activities

PLN 2,211m
(+7% vs 2021)

This KPI measures the Group's ability to generate cash from its operations.

Net profit

PLN 384m
(-25% vs 2021)

This KPI measures the Group's net profitability.

Adjusted EBITDA

PLN 2.4bn
(+22% vs 2021)

This KPI measures the Group's operating profitability.

Net debt (excl. real estate leases) / adj. EBITDA (post-rent)

2.1x
(-0.5x vs 2021)

This KPI measures the Group's indebtedness used in Żabka's key financing agreements.

GMV of digital consumer offering

PLN 1.1bn
(+16% vs 2021)

This KPI measures the scale of the Group's digital offering operations.

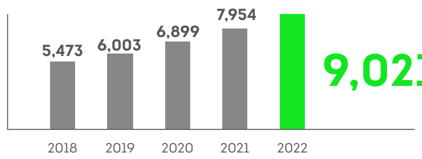
CAPEX

PLN 1.4bn
(+31% vs 2021)

This KPI reflects the funding of our growth-oriented strategy.

ESG & non-financial KPIs

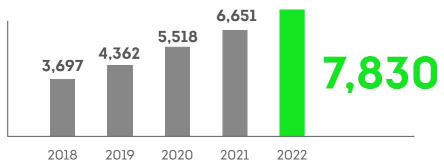
Number of stores



9,021

This KPI measures the size of the store network.

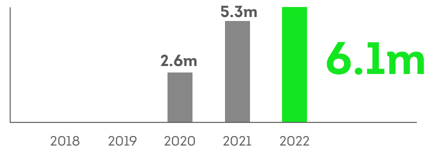
Number of franchisees



7,830

This KPI measures the number of franchisees we collaborate with.

Application users



6.1m

This KPI measures the size of the Żappka app's user base.

Sales of own brands promoting a sustainable lifestyle

PLN 982m

This KPI measures how successfully we offer our customers sustainable products and forms an important part of the Responsibility Strategy (Pillar 1, Sustainable lifestyle).

Franchisee tenure

65.3%
(-0.2 ppts vs 2021)

This KPI measures the strength of Żabka's relationship with franchisees and forms an important part of the Responsibility Strategy (Pillar 2, Mindful business impact).

Share of app purchases in total sales

25.3%
(+3.6 ppts vs 2021)

Żappka is the gateway to our ecosystem and it increases the loyalty and engagement of our customer base.

Employee engagement level

77th
percentile
(+11 percentiles vs 2021)

This KPI measures how engaged our employees are compared to other "Gallup Q12 survey" participants and forms an important part of the Responsibility Strategy (Pillar 3, Responsible organisation).

Emission reduction

18,275 tCO_2e
(-24% vs base year 2020)

This KPI measures Żabka's carbon footprint in own operations and forms an important part of the Responsibility Strategy (Pillar 4, Green planet).

Legend
KPIs are linked to the strategic themes:

- Evolution of convenience
- Leveraging AI & data
- Embedding ESG

For the definitions of KPIs mentioned above see →

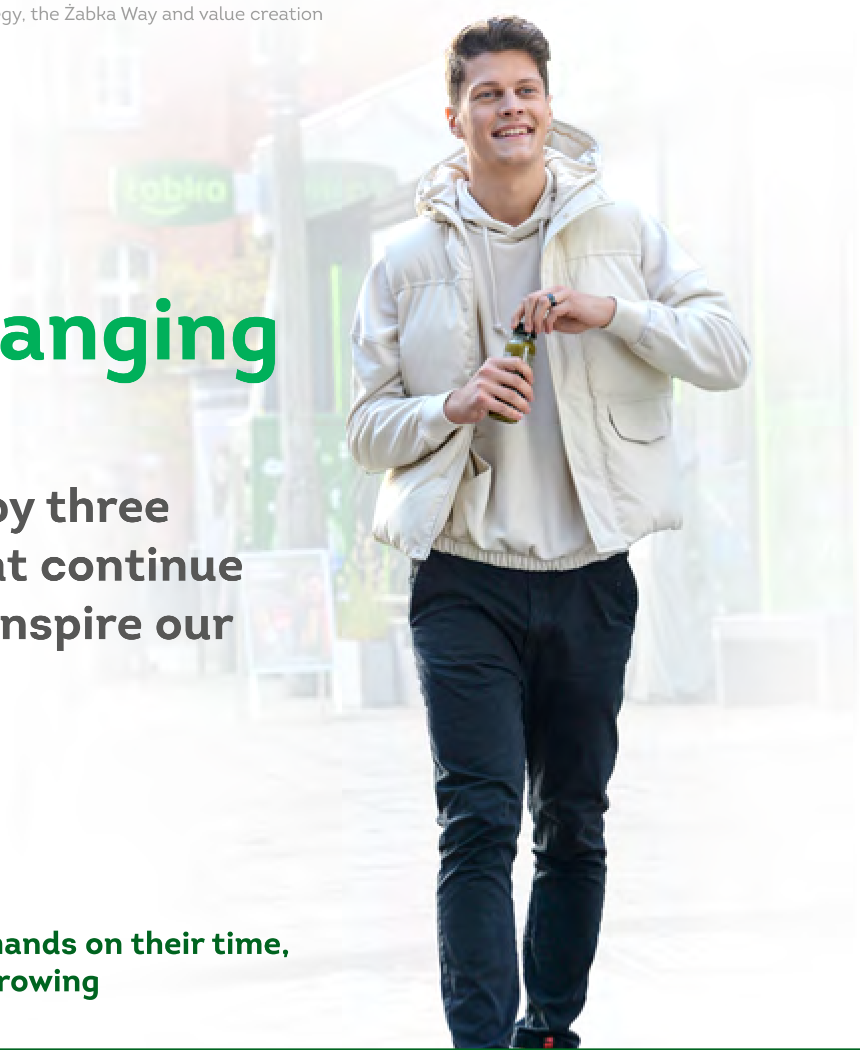
Introduction to our strategy, the Żabka Way and value creation

Our multidimensional approach demonstrates Żabka's integrated thinking to create value for all our stakeholders

Tomasz Suchański

Our journey at Żabka has been nothing short of transformative. We have gone from being a simple store network to an ultimate convenience ecosystem. With Żabka's values as our internal compass, we have been able to navigate unexpected challenges, such as the pandemic and the war in Ukraine, with agility and resilience.
Our modern convenience format, coupled with cutting-edge digital transformation and a strong commitment to responsibility, is at the heart of our strategic vision. We have a drive to create value for the longer term, both in terms of what is right economically for our business, but on an equal level – what is right socially and environmentally.

Proactively anticipating consumers' changing needs



Our strategy is informed by three consumer megatrends that continue to transform society and inspire our business.

CONVENIENCE

As consumers face ever-increasing demands on their time, importance of convenient solutions is growing

9.3%
Rise in consumer spending in Poland, CAGR 2021-2026
Source: OC&C analysis

23%
Longer weekly working hours vs Western Europe
Source: OECD

48%
Opt for ready-to-eat meals whenever possible
Source: Consumer research, Minds&Roses 2022

60%
Unable to cook at home every day due to time constraints
Source: IPSOS Food Trends 2021

Despite recent headwinds, such as the severe increase in the cost of living and other pressures, there has still been significant growth in disposable income for Polish consumers over the past five years. However, this growth has come at the expense of their free time.

Recent studies have revealed that Poles are the 3rd busiest nation in the European Union, and 12th in the world. The demand for convenience among consumers is largely driven by long working hours as well as other economic, cultural, and social factors.

There is also a visible trend towards a higher number of single households in Poland, leading to more frequent store visits, as a single person's basket tends to be smaller and made up of products intended for same-day consumption.

For details see →

Strategy, value creation and performance | Introduction to our strategy, the Żabka Way and value creation

DIGITALISATION

Adoption of technology and digital proficiency is on the rise among Poles

95%
Poles believe new tech makes everyday life easier
Source: PMR research, 2021

74%
Poles claim they are "always looking for tech innovations"
Source: Digital in Poland GFK 2021

>5x
Gap in e-grocery penetration in Poland vs Western Europe
Source: OC&C analysis

32%
E-grocery market CAGR 2022-2027
Source: OC&C analysis

With around 30 million mobile internet users, Poles are increasingly adopting new technology to simplify their lives, especially in areas such as digital subscriptions, mobile payment, and online shopping.

The evolution of e-grocery in Poland reflects these trends, with the segment being one of the fastest expanding within the e-commerce market. The COVID-19 pandemic further accelerated this growth.

Q-commerce, which focuses on quick, on-demand delivery, is an even faster growing segment.

For details see →

RESPONSIBLE CHOICES

Environment, family and health are increasingly at the top of consumers' minds

78%
Consumers changed products on packaging concerns
Source: the European Consumer packaging perceptions study 2021

71%
Poles say quality of food has direct impact on health and looks
Source: IPSOS Food Trends 2021

78%
Poles believe immediate action is required to save the planet
Source: Kantar 2021

79%
Polish consumers prioritise healthy products over affordable ones
Source: Deloitte Conscious Consumer survey

Poles are increasingly identifying themselves as health-conscious and committed to making responsible choices – even more so than other European nations, with a growing demand for healthy dietary solutions.

This shift in consumer behaviour is evident in the increasing focus on the quality of products and services among Polish consumers.

As people in Poland become more aware of the impact of climate change on future generations, they expect companies to take effective measures to address the issue. This has become an important factor in their purchasing decisions, as they seek out products and services that align with their values of sustainability and responsibility.

For details see →

Consumers are increasingly shopping for today...

... and Żabka is in a unique position to capitalise on this growing market.

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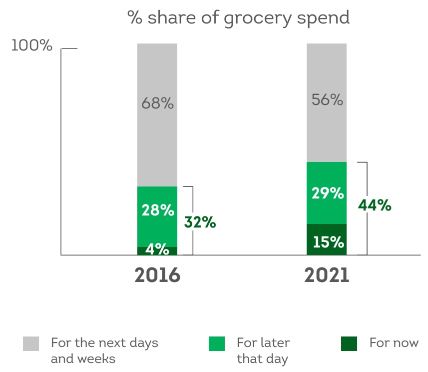
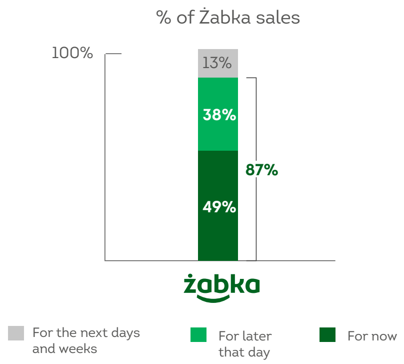
Żabka is favourably placed to capture the opportunities presented by the consumer megatrends, as we operate in the part of the market that is primed for the fastest growth.

Consumers shop more frequently



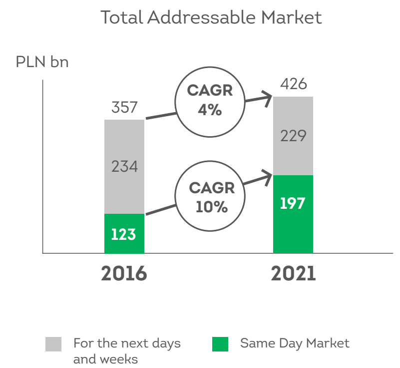
The changing consumer landscape has led to a trend towards smaller, more frequent shopping for same-day consumption. This category has seen a 12 percentage point increase from 32% in 2016 to 44% of grocery spend in 2021. Immediate consumption needs have also grown, with an 11 percentage point increase from 4% in 2016 to 15% in 2021.

Żabka is focused on these needs



We operate predominantly in the Same Day Market, as shopping for today accounts for as much as 87% of purchases at Żabka stores. Within this segment, immediate consumption (for now) represents 49% of Żabka's sales. Żabka is the only retail format in Poland with a nationwide presence and a deliberate focus on shopping for today.

We operate in faster growing market segments



Between 2016 and 2021, the Same-Day Market in Poland has grown by an impressive PLN 74 billion, reaching a total of PLN 197 billion. This is ten times larger than our sales to end customers, which means there is significant potential for future growth. What is even more exciting is that the Same-Day Market is growing much faster than the Total Addressable Market (TAM), which has only grown by 3.6% in the same period. Our TAM includes not only grocery, but also e-grocery, foodservice, D2C meal plans, and other convenience services, making it a PLN 426 billion market that offers us multiple growth opportunities in the future.

Long-term trends to prevail despite challenging environment

As the Polish grocery market continues to evolve, it is expected that the trend towards shopping for today will continue. Recent data shows that, while consumers are increasingly price-sensitive due to inflationary pressures, they still place a high value on their time and convenience when making purchasing decisions.

We are consistently developing our convenience offer of affordable solutions and services, helping customers to build a shopping routine, based on confidence that they can find value at Żabka every day. As the market faces a potential economic slowdown, there is an opportunity for the convenience sector to cater to the needs of consumers who may be financially pressured but still enjoy eating out by offering them more budget-friendly alternative, such as quick-meal solutions (QMS).

Despite economic uncertainty, the Same Day Market is forecast to continue growing at the rate of 9.6% over the next five years, outpacing the projected growth rate of the Total Addressable Market of 6.2%.

All data points presented on this spread are sourced from OC&C analysis

Żabka – who we are

Our corporate values unite us and are the foundation of our actions.

Vision

To be the ultimate convenience ecosystem. The responsible choice for customers every day.

To fulfil our vision, we continuously evolve and expand our physical and digital channels to be closer to our customers. Our focus is not simply on proximity and shopping experience, but more importantly on offering solutions that make life easier.

Mission

Create value by making people's lives easier.

We believe that our high-quality solutions help people remove their life's obstacles and inconveniences so they can "free up free time". As a consequence, we give them more space for the most important aspects of life: relationships, passions, pleasures, and relaxation.

Values

Openness

As a company open to innovation and change, Żabka seeks out and readily embraces opportunities, adapting to new circumstances. We shape our environment and initiate trends, instead of merely keeping up with market changes. We are not afraid to think "outside the box" and appreciate different opinions.

Responsibility

Each day, everyone in Żabka is aware of the responsibility for their own actions, in order to develop an organisation that is better for all stakeholders and for the environment.

Credibility

Our integrity, ethical approach and alignment between our intentions and actions make us a reliable and credible organisation, both for our internal and external stakeholders. Our open, constructive dialogue and respectful attitude towards all business partners earn us the reputation that is essential to a long-term success.

Ambition

Striving for constant development, Żabka is highly focused on setting and achieving ambitious goals. The need for continuous improvement is an inherent part of Żabka's mindset and it motivates us to attain even the most challenging goals.

In the "**Our engaging culture and human capital**" chapter, our employees share their personal views on how these values shape their actions in the workplace.

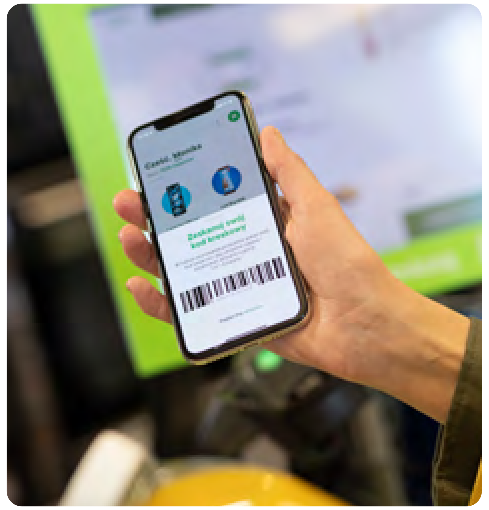
Introducing the Żabka Way

Our agile culture is the driving force behind our rapid progress in three key interconnected strategic themes.

Evolution of convenience

Our ecosystem has grown far beyond our nationwide network of stores. We have made significant strides in the digital space, with 6.1 million active users of Żappka, the leading retail app in Poland. We are constantly expanding and improving our offerings, recently launching Żabka Jush! and Delio q-commerce services, acquiring Maczfit, the market-leading D2C meal delivery service, and Dietly, a software-as-a-service (SaaS) diet plans marketplace. We have also developed an innovative technology that powers our Żabka Nano, the largest autonomous store network in Europe.

Leveraging AI & data



We are constantly investing in new technologies, which helps us stay ahead of the curve and set new trends in the market.

At every step of the way, we are utilising and analysing data in real-time to customise our offerings and pricing, forecast the assortment needed in our points of sale, and tailor recommendations for our customers. Data drives our decision-making process, and it is what sets us apart by improving our effectiveness and efficiency.

Embedding ESG

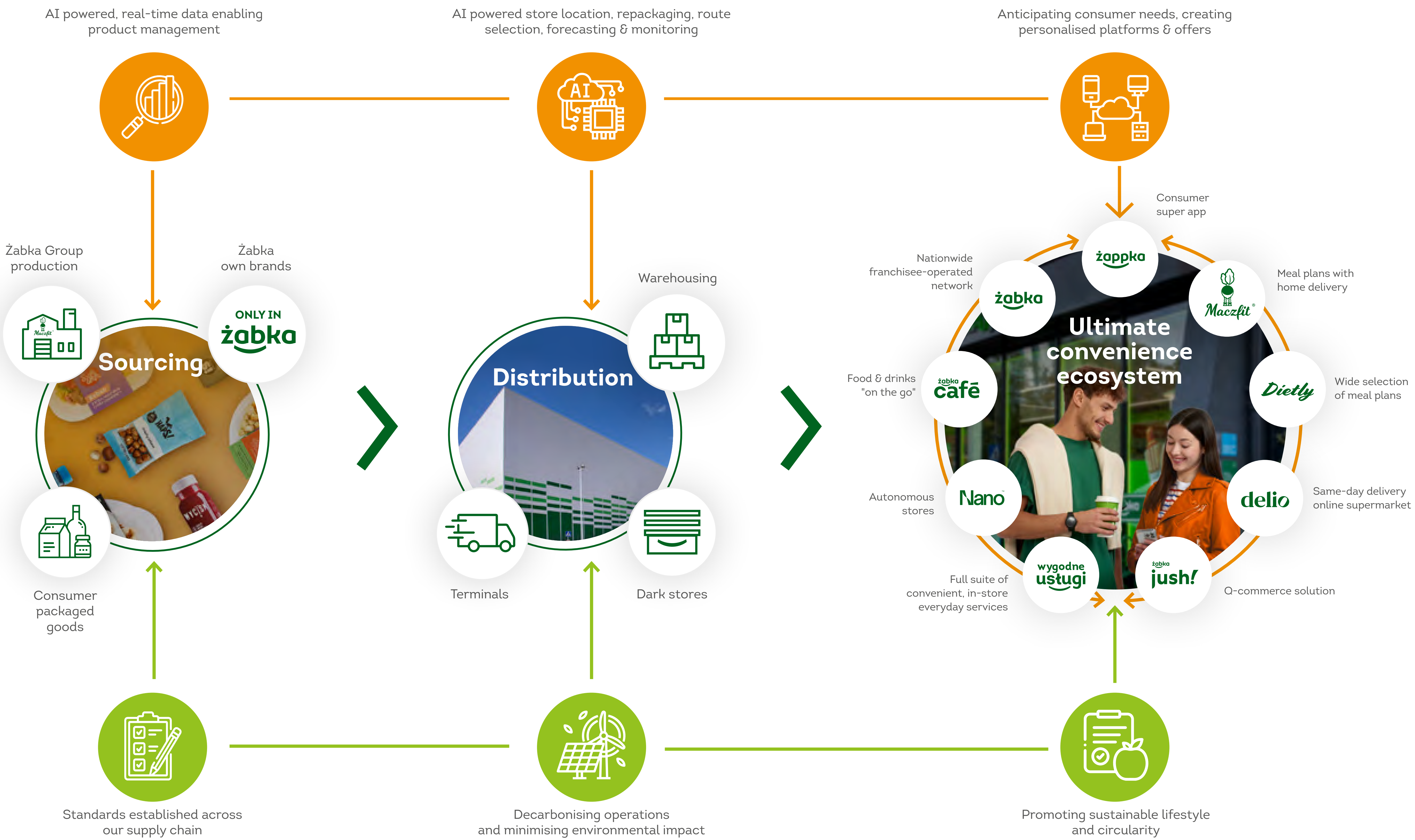
At Żabka, ESG is more than just a buzzword – it is ingrained into every aspect of our business. Our own-brand offerings and responsible approach to business and the environment are just a few ways we support our customers in making more responsible choices.

To ensure that responsibility is integrated throughout our entire organisation and to create a purpose-led, trusted brand, we have implemented a comprehensive Responsibility Strategy.

Strategy, value creation and performance | Introduction to our strategy, the Żabka Way and value creation

The Żabka Way

Fast-paced, agile culture driven by relentless focus on AI & data and ESG principles as key differentiators of sustained success



AI & data

Making smarter decisions through real-time data

For details see →

Ultimate convenience ecosystem

Physical presence and digital availability keeps Żabka at the top of consumers' minds

For details see →

ESG

Creating value in a responsible manner for all stakeholders

For details see →

The Żabka Way – what makes us unique

By working directly with suppliers, we are able to procure our products efficiently and secure favourable trade terms while also managing costs effectively in our production facilities. This approach gives us the freedom and control to create unique, innovative own brand products which are a source of our competitive advantage.

How we leverage AI & data

We leverage customer feedback and the data that we accumulate to maximise our customer insights. We apply this understanding to work hand in hand with our suppliers to ensure we have the optimal offering for our customers.

How we embed ESG

We are working with partners who share our sustainability views. We expect the highest standards from business partners, and we are deepening our collaboration to implement ESG-related policies and develop a shared platform – Fair Business.

We operate an optimised network of logistics centres and cross-dock facilities in an asset-light model. We also offer the convenience of Żabka Jush! and Delio deliveries from our dark stores to provide quick and efficient service.

How we leverage AI & data

With our smart forecasting, stock optimisation, and route planning capabilities, we are able to operate with unparalleled efficiency and accuracy.

How we embed ESG

We are committed to reducing our environmental footprint and meeting our decarbonisation targets, and we are doing so by optimising delivery routes with dedicated software, gradually upgrading existing fleet with hybrid and electric alternatives, and replacing outdated refrigerant consumption systems with dedicated transport for cooled and frozen products.

With our unique combination of physical and digital channels, as well as our own-brand offerings, we effectively address the diverse needs of time-constrained consumers.

For details see the ultimate convenience ecosystem

How we leverage AI & data

We use AI-driven algorithms to reinforce our data analysis and ensure that we are always offering the most relevant and convenient products and services.

How we embed ESG

At our core, we are committed to promoting sustainable lifestyles among our customers. We do not just offer solutions for good nutrition – we take action to prevent food waste, and engage customers & franchisees to promote circular economy.

Robbie, the first device of its kind, prepares hot dogs for Żabka Nano customers in an automated and fully hygienic manner.

Value creation

Żabka delivers exceptional value for all its stakeholders

At Żabka, we firmly believe in the power of integrated thinking, which encompasses cohesive decision-making and actions that take into account the long-term value creation. Our value-creation model serves as the cornerstone of our integrated thinking approach. Adhering to the Integrated Reporting ("<IR>"), guidelines and structure, it also embodies our distinct identity –the "Żabka Way."

In examining the vital components of our success, we have identified the resources and relationships upon which we rely. These elements are mapped to the six capitals within the <IR> framework, while the value we create for our stakeholders aligns with our four Responsibility Strategy pillars.

Our value creation model transparently demonstrates the interconnectivity of inputs and performance. In harmony with Żabka Group's mission and vision, our exceptional business model paves the way for both financial and non-financial value creation, benefiting a diverse range of stakeholders.

In a broader context, we also analysed Żabka's impact on the Polish economy and society calculating our direct and indirect contribution to added value in the economy, tax revenues, household revenues and employment.

Żabka significantly contributes to Polish economy and society

Żabka is a very important contributor to the Polish economy and society. Our ecosystem impacts the Polish economy in four different ways:

Direct – resulting from our core operations,
Indirect – through the activities of our suppliers and cooperating industries,

Induced – additional growth generated by increased household income,
Commercial – resulting from the activity of franchisees.

Added value

The contribution we make in all four ways previously described reflects the value we add to the Polish economy. This value is reflected in the Gross Domestic Product (GDP), which is the sum of the added value generated by all sectors and entities in the country.

2020	2021	2022
4.2 PLNbn	5.3 PLNbn	7.0 PLNbn

equivalent of almost 3 times planned total budget expenditure of Greater Poland Voivodeship in 2023

31% YoY

Employment

Our impact on employment levels extends beyond our own workforce and business partners. We have a significant indirect effect on the number of jobs sustained in the Polish economy.

2020	2021	2022
36.5k jobs	45.4k jobs	56.4k jobs

approximate to joint population of the towns of Swarzędz and Jarocin

24% YoY

Taxes, dues and fees

Our core business operations contribute to the growth of the Polish economy by generating positive economic stimuli. As a responsible corporate citizen, we also pay taxes in Poland, contributing to both the national and regional budgets.

2020	2021	2022
177 PLNm	281 PLNm	458 PLNm

63% YoY

equivalent to about 6.5x "Sport for All" programmes of the Polish Ministry of Sport and Tourism

Household revenue

We contribute to the growth of internal consumption and job creation by providing remuneration to our employees, as well as wages paid by our franchisees and business partners. As a result, we have a positive impact in generating additional earnings in all sectors of the Polish economy.

2020	2021	2022
1.3 PLNbn	1.6 PLNbn	2.3 PLNbn

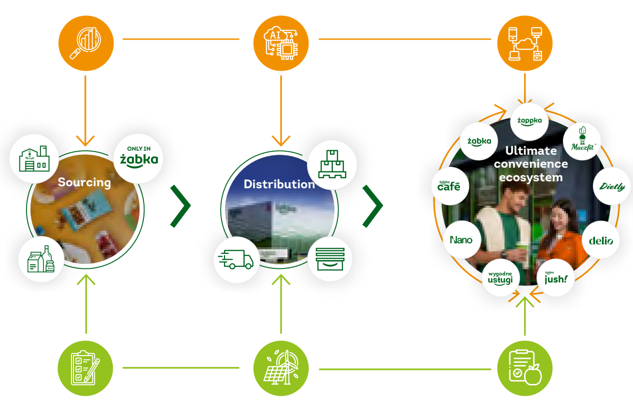
37% YoY

nearly planned budgetary allocation of the "Clean Air programme" for 2023

How we analysed our impact →

Value creation model for Żabka and its stakeholders

WHAT WE RELY ON		METRICS (VS 2021)
Global talent	Fully committed employees and co-workers guarantee a superior skill set for continuous development of our Group and boost our capacity to innovate.	· **2,573** Employees (+6%) · **12.8%** Employees digitally upskilled
Data & technology platforms	State-of-the-art technology and data analytics enable us to expand our convenience ecosystem and achieve operational excellence.	· **450TB** Amount of data processed daily (+11%) · **6.1m** Żappka users (+15%)
Committed partners	We develop strong, meaningful relationships that go beyond the surface. Our goal is to help each other fulfil our respective visions and to deliver superior business results.	· **7,830** Franchisees (of which 70% women) (+18%) · **3.6m** Customers (+29%) · **484** Suppliers · **7** Strategic technology partners
Number of stores, distribution network & own label production	Best-in-class logistics leveraging our data platform and green solutions supporting our nationwide sales & distribution networks and production facilities.	· **9,021** Number of stores (+13%) · **9** Distribution centers · **2** Maczfit production plants
Financial resources	We utilise equity, debt and internally generated cash to fund our winning long-term growth strategy.	· **PLN 13,293m** Total liabilities & equity (+1%) · **PLN 2,211m** Net cash flow from operating activities (+7%)
Natural resources	We consume water, energy, fossil fuels and food ingredients in all elements of the value chain. We work on sustainable sourcing standards implementation and manufacturing process optimisation.	· **$38,635m^3$** Water consumed (+8%) · **45,093 MWh** Fuel used (+10%)



CREATING VALUE FOR	THROUGH	RESULTS (VS 2021)
Customers	· Proximity & convenience · Responsible choices · Time savings · Shopping experience	· **16m** Poles less than 500m away from one of 9,021 points of sale (+7%) · **PLN 982m** Multiple the sales value of own-brand products promoting a sustainable lifestyle by 2025 · **~2 min.** Average time per visit while shopping in Żabka · **19m** Meals delivered · **46** Customer NPS (-4 points)
Franchisees	· Entrepreneurial skills · Stable business · Attractive revenue profile · Development & training	· **2,401** New franchisees (+9%) · **65.3%** Franchisees collaborating with Żabka for at least 36 months (-0.2pp) · **PLN 2.9bn** Franchisee margin (+31%) · **100h** Onboarding training hours for each new franchisee (+25%)
Communities	· Volunteering · Community engagement activities · Sustained employment	· **659.8h** Employee hours spent on volunteering · **73,326** Interactions related to sustainable development (+95%) · **56,400** Jobs maintained in the wider Polish economy (+24%)
Business partners	· Sharing insights through ACIT platform · Collaboration · Long-term partnerships · ESG guidance	· **383k** Reports for suppliers who represent 70% of our purchases · **20** Joint ventures & business partnerships · **1st place** Suppliers' NFS survey · **35.4%** Suppliers by turnover familiarised with the Code of Conduct
Employees & co-workers	· Purpose · Development · Rewards & recognition · Equity, Diversity, Inclusion	· **77th percentile** Employee engagement level (Gallup "Q12 survey") (+11 percentiles) · **23h** Training hours per employee (+1%) · **EQUAL-SALARY certificate** · **50%** Gender parity in the Management Board
Investors	· Dynamic growth · Focus on sustainability · Socioeconomic development	· **PLN 18.5bn** Sales to end customers (+28%) · **EcoVadis platinum medal** · **PLN 7bn** Value added to Polish economy by Żabka and franchisees (+31%)
Planet	· Circularity · Decarbonisation	· **94%** Own-brand products packaging suitable for or originating from recycling (+0.6%) · **18,275 tCO_2e** Emissions (Scopes 1 and 2) · **14.4 tCO_2e/PLNm** Store emissions intensity (Scope 3)

Legend

Framework capitals: Human capital · Intellectual capital · Social and relationship capital · Natural capital · Manufactured capital · Financial capital

Żabka Responsibility Strategy pillars: Sustainable lifestyle · Mindful business impact · Responsible organisation · Green planet

For details see Our strategy – Embedding ESG

Strategy, value creation and performance | Introduction to our strategy, the Żabka Way and value creation

Value creation model – how we engage with our stakeholders

Stakeholders		How we engage	Explore further

Customers

Our key goal at Żabka is to be an essential physical and digital pit stop, helping time constrained people get more out of their day and more out of life.

- We continuously expand our network and develop new store formats, so we can get even closer to our customers, helping them to fulfil their essential daily needs.
- We support our customers in making healthy food choices by improving our own-brand product offerings and introducing Nutri-Score labelling.
- We employ cutting-edge digital solutions to effectively communicate with our customers and enhance their shopping experience.
- We regularly monitor our customers' Net Promoter Score (NPS).

For details see:

Ultimate convenience ecosystem

Sustainable lifestyle

Franchisees

We consider our franchisees to be a crucial success factor in our business and strategy implementation, as they represent the face of Żabka to our customers. We are committed to increasing the satisfaction of our existing franchisees and attracting new entrepreneurs to join our network.

- We provide our franchisees with the know-how, security, and encouragement they need to establish and grow their business, e.g., by offering them the Business Insurance Programme.
- We supply our franchisees with state of-the-art tools to support their business activities and enhance their financial performance, e.g., the OptiPlan.
- We focus on building long-term relationships based on satisfying financial outcomes, safety, partnership and motivation.
- We offer on-going operational and technical support as well as regular trainings to enhance their entrepreneurial skills.

For details see:

Physical channels description

Supporting our franchisees case study

Communities

We believe that supporting communities not only enhances our brand perception, but also plays a crucial role in building customer trust and a sense of belonging among our employees.

Żabka's Social Engagement Strategy rests on three pillars:

- Well-being - We support and promote responsible choices and active, healthy lifestyle.
- Neighbourhood - Żabka fosters stronger communities by providing support for local initiatives and engaging them in social responsibility projects.
- Equal opportunities - We strive to promote entrepreneurship by reducing entry barriers to starting a business. We also aim to help individuals who are less fortunate to become better suited for the current job market.

For details see:

Mindful business impact

Strategy, value creation and performance | Introduction to our strategy, the Żabka Way and value creation

Stakeholders

How we engage

Explore further

Business partners

We rely on our partners who in turn get the chance to grow with the largest retail chain in the country, using cutting-edge digital tools.

- Through collaborative data sharing with our suppliers, we are able to transform our entire value chain and make informed strategic product decisions.
- We build partnerships with both established organisations and startups, such as the Venture Studio programme, offering them a unique opportunity to grow alongside the largest convenience ecosystem in Poland.
- We hold regular dialogue with suppliers to present strategy, including our ESG agenda, review the results achieved thus far, and look for collaboration opportunities.

For details see:

Partnerships with a vision case study

Responsible organisation

Employees & co-workers

We recognise that our people and their talent are a vital part of our success and are among our most important stakeholders. At Żabka, we create a dynamic and engaging work environment that provides unmatched opportunities for growth and development.

- We regularly assess employee engagement levels and take action based on the results.
- We have implemented an Equity Policy to promote diversity and inclusion, and to ensure equal opportunities for all.
- We respond to the training needs of our workforce through the Żabka Academy, offering customised courses in collaboration with educational institutions.
- We support employee volunteering programmes to address the most pressing needs of our communities.

For details see:

Responsible organisation

Our engaging culture and human capital

Investors

Our convenience operations have been generating steady and sustainable growth, while our efforts to acquire and develop new businesses expand the ultimate convenience ecosystem, diversifying revenue streams and creating long-term value for our investors.

- We maintain a transparent and constructive communication with our shareholders through various channels, including deep-dive sessions, Supervisory Board meetings and annual reports.
- Our best-in-class ESG reporting includes a wide range of disclosures based on internationally recognised reporting standards to ensure that our stakeholders are informed and engaged.

For details see:

Financial review

Planet

Żabka is committed to a sustainable use of resources and mitigating negative environmental impacts. We have made several commitments to these goals in our Responsibility Strategy.

- We promote respect for the planet's limited resources across the entire value chain, as a response to the issue of climate change.
- We have adopted the Plastic Circularity Policy and joined the Polish Plastic Pact which guide us in optimising and redesigning our packaging to support the principles of the circular economy.
- We have set decarbonisation goals approved by SBTi. We aim to achieve this by e.g. optimising fossil fuel consumption and gradually replacing our fleet with hybrid and electric vehicles.

For details see:

Green planet

Żabka Group | Integrated Report 2022

Our strategy – Evolution of convenience

At Żabka, we are all about providing our customers with the ultimate convenience experience

Adam Manikowski

We have gone above and beyond to bring our extensive and unique product offerings, state-of-the-art store formats, digital solutions, and unparalleled reach to almost every corner of Poland. With over 1,000 stores opened in 2022 alone, including the cutting-edge Żabka Nano format, which boasts the largest network of unmanned, autonomous stores in all of Europe, and our innovative e-grocery offer, we are constantly pushing the boundaries of what is possible to be closer to our customers every day.

But we are not stopping there – we are expanding our ultimate convenience ecosystem into new business lines to make sure that our customers can access our offerings whenever and wherever they need them. With Żabka, life is a whole lot simpler.

Creating the ultimate convenience ecosystem

Corner store

Modern convenience
"Little Big Store"

Fast expansion from the outset

For almost a quarter of a century, Żabka has been building its position as a beloved and trusted brand among customers. From a humble 400 stores in the first two years, we quickly expanded to nearly 4,200 stores by 2015, establishing ourselves as one of the most recognised and respected brands in Poland.

Around 2015, we identified a growing trend among Polish consumers who sought out local "one- stop shops" that could provide convenient access to a variety of products and services, from snacks and beverages to food-to-go and everyday essentials. We launched our first "Mały Wielki Sklep" ("Little Big Store") campaign, which highlighted our broad assortment and the strong relationships we cultivated with our customers and franchisees.

Largest remodelling project in Europe

A year later, Żabka started an ambitious store remodelling project – the largest in Europe at that time. Within four years of the "Galaxy" project, we were able to remodel the entire network while expanding the points-of-sale base by over 50%.

This unique project involved a complete rebranding and extensive remodelling of the stores to feature in-store food courts, serving up freshly ground coffee, hot dogs and paninis. This allowed us to expand our range of convenient products for immediate consumption, while also providing a full suite of everyday services. The format redesign resulted in a highly curated assortment of products, aimed at maximising value for our customers.

The format change also led to a significant improvement in customer satisfaction, reflected in a 20-point increase in our Net Promoter Score (NPS), as well as driving sales and margin growth, leading to increased profitability and franchisee satisfaction.

We are continuing this fast pace of expansion, adding 1,000 new stores every year, growing our franchisee base while improving their NPS at the same time.

From humble beginnings as a simple corner store, Żabka has evolved into a leading retail group with 16 million people living within 500 metres of a Żabka store.

Ultimate convenience ecosystem
"Free up free time"

Multi-directional growth

To enhance convenience for our customers, we recognised the need to expand beyond our brick-and-mortar stores and establish a digital presence with multiple touchpoints, thus simplifying interactions and improving accessibility.

Żabka 2022 Convenience Key Indicators

9,021 (+1,067 in 2022)	53 (+29 in 2022)	3+ million
Total number of stores (including Żabka Nano autonomous stores)	Żabka Nano – the largest network of unmanned, autonomous stores in Europe	Average daily transactions

The ultimate convenience ecosystem

Żabka is expanding its physical and digital channels, increasing the number of customer interactions and providing vital solutions rather than just products.

PHYSICAL CHANNELS

We expand our nationwide footprint by network roll-out and continuous format upgrades

9,021
Number of stores

żabka – More than food - a multi purpose store open every waking hour

żabka café – High-quality hot snacks, coffee and sweet pastries available on the go

Nano – The largest network of unmanned, autonomous stores in Europe

wygodne usługi – Full suite of convenient, in-store everyday services

For details see →

żappka – Leading consumer app. Personalised offers, payments and loyalty points

DIGITAL CHANNELS

We expand our ecosystem with innovative solutions and touchpoints

PLN 1.1bn
GMV of digital offering

Maczfit – A wide range of perfectly tailored ready-to-eat meal plans with home delivery

Dietly – An online marketplace aggregating the offering of the majority of the box diet suppliers in Poland

delio – 2h – Same-day delivery online supermarket

żabka jush! – 15min – Q-commerce with 15-minute delivery of essential products

For details see →

ŻABKA OWN BRANDS

Our unique range of own-brand products complements Żabka's ecosystem. We actively introduce and develop these products to provide our customers with one-of-a-kind options which are not available anywhere else.

For details see →

Physical channels

Our stores are open from early morning until late at night, with typical opening hours spanning from 6:00 a.m. to 11:00 p.m. throughout the week*.
Despite their compact nature, averaging 65 sqm in sales area, our stores boast a diverse assortment of approximately 2,400 items.

Understanding our customers' preferences for a swift, seamless, and efficient shopping experience is paramount to us. Our focus on these crucial factors allows the average customer to enter, make their selection, and complete their transaction in just around two minutes!

By dedicating considerable effort and harnessing advanced AI technology, we effectively analyse vast amounts of data to optimise our store locations, layouts, and product selection. **For details see Our strategy – Leveraging AI & data.**

A Żabka store is also a hub for multiple and varied services, with the key ones including:

- Parcel pick-up and drop-off
- Lotto lottery tickets
- Utility bill payments
- Money withdrawals and deposits
- Prepaid card services
- Medical services / home doctor
- Citycard top-up
- Various payment options
- Prepaid vouchers for Żabka stores

* Regarding Sundays, our franchisees have the option to open their stores, as long as they comply with the applicable provisions of law.

Strategy, value creation and performance | Our strategy - Evolution of convenience

Our franchisees are entrepreneurial, highly dedicated, and central to our success

At the heart of our business lies the collaboration with over 8,000* franchisees operating stores under the Żabka banner, with some managing multiple locations. Our relationship with franchisees is crucial to our success, and as such, franchisee-centricity forms an integral part of our strategy. We strive to ensure the entire organisation is focused on simplifying the lives of not only our customers, but also our franchisees.

New franchisees are supplied with a fully equipped and stocked store, accompanied by relevant training. Upfront entry costs are kept minimal, at approximately PLN 5,000. Żabka maintains a close relationship with franchisees, ensuring prompt product delivery and offering support in store management through the implementation of various operational and digital solutions. **For details see Supporting our franchisees case study.**

In 2022, Żabka introduced 28 initiatives aimed at supporting and empowering our franchisees.

One of these initiatives was the Franchisee-centricity Guardians, a team of nearly 30 head-office employees who work to ensure that new projects are developed with franchisees' perspectives in mind.

Another important initiative was the Champions League contest, designed to promote best practices in store management, improve franchisee engagement and motivation, and ultimately enhance the overall customer experience.

We value the input of our franchisees and actively seek their feedback to improve our operations. Through the Board of Franchisees, an advisory body consisting of elected representatives, and individual feedback, we have developed many franchisee-centric initiatives. These efforts included improving the economics of collaboration with Żabka.

Network expansion

In 2022, we expanded our network by 1,067 stores, and our ambition is to continue opening at least 1,000 new stores each year.

We attribute this ability to grow to our proven network expansion model, which utilises a data-driven approval process supported by sophisticated IT tools. **For details see AI-driven selection of location case study.**

Continuous format development

We continue to deliver strong in-store sales growth through a combination of strategic initiatives:

- Adapting store layouts to give more prominence to strategic categories: quick-meal services, snacks and beverages, often in collaboration with our suppliers to introduce new, innovative products,
- New Żabka Café 2.0 featuring a new dedicated on-the-go assortment, more efficient equipment, and an updated display,
- Roll-out of new and attractive services, such as "Kawonament" – a play on words combining "coffee" and "subscription" in Polish – which offers an innovative monthly coffee subscription and has seen great success.

* As of 9 March 2023

We are expanding our range of store formats and concepts as the needs of our customers continue to evolve

To fulfil our promise of proximity and convenience, we have crafted a variety of store formats to accommodate different everyday situations – be it during holidays, returning from work, or rushing to catch a train.

These well-tested store formats are thoughtfully designed to offer assortment tailored to varying customer demographics and catchment characteristics.

Format innovations in 2022

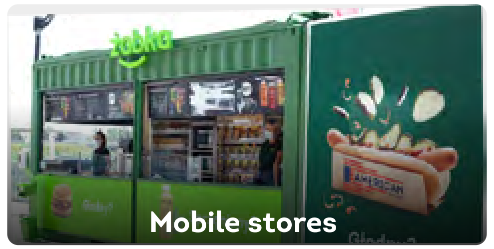
A prime example of Żabka's commitment to being "en route" for customers is the introduction of our first stores situated within motorway service areas.

This innovative store format caters to travellers, providing an extensive range of hot snacks, coffee, sandwiches, salads, and plant-based meals. Furthermore, the stores feature a designated leisure zone, allowing travellers to unwind and recharge before continuing their journey.


Neighbourhood stores


Stores at transit points


Traffic stores


Mobile stores

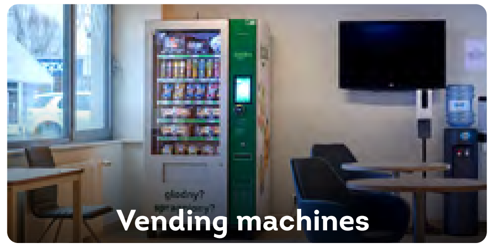
Motorway services area store

Żabka Eko Smart represents a concept store that incorporates numerous eco-friendly and innovative solutions for our franchisees. Advanced AI- based technology communicates with franchisees and store staff, automating various activities within the facility. Features such as flood sensors, automatic temperature monitoring, and energy consumption measurement enhance store management efficiency while maintaining environmental sustainability. Upon successful testing, these solutions may be rolled out across the entire Żabka store network.


Seasonal stores


Autonomous stores


Stores in office buildings


Vending machines


Stores in shopping centres


Petrol station stores


Eko Smart store

We have built the largest autonomous store network in Europe

By launching Żabka Nano, we merged our commercial expertise with cutting-edge technology, to provide our customers with a top-tier cashierless solution.

Customers simply use the Żappka app or a bank card to access the store and choose their desired products from the shelves. Advanced video-based technology identifies their selections, calculates the total value of their basket, and automatically charges their e-wallet or bank card, eliminating the need for a physical checkout process.

Owing to the efficiencies of auto-checkout technology, Żabka Nano stores hold the potential to be highly cost-efficient.

Leveraging this advantage, Żabka Nano stores can be situated in catchment areas that may not be feasible for traditional formats, such as factories, offices, gyms, or even within other stores.

Customer feedback has been overwhelmingly positive, praising the intuitive and user-friendly nature of Żabka Nano. This has led to a high Net Promoter Score of 72.

Our innovative approach and quality execution have earned industry recognition, including the Leader 2022 award at the Retail Innovation Days conference and the NACS European Convenience Retail Award 2022. Most recently, Żabka participated in the NRF (National Retail Federation) 2023 Retail's Big Show conference in New York at the invitation of our partner, Microsoft.

Digital channels

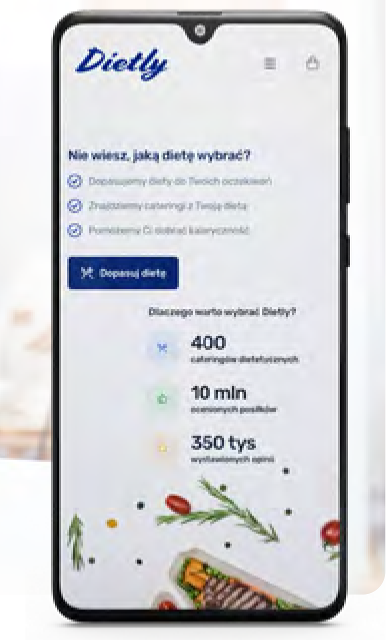
Żappka

Launched in 2019, Żappka, our mobile app, has 6.1 million active users and provides a comprehensive array of features, serving as a gateway to our convenience ecosystem.

App users can access a variety of services, including in-app purchases, AI-powered personalised offers, postal services, and mobile payments. Customers may also participate in a loyalty programme, collecting points (Żapps).

We are constantly expanding the capabilities of our Żappka app to offer our customers new and exciting features. For example, we are currently testing Żabu, a virtual pet that can be fed with Żapps. In addition, users can transfer or donate their Żapps to charitable causes such as aid for Ukraine. All these efforts translate into tangible business results, with Żappka users generating on average as much as 17.4% higher basket compared to non-app users.

Our D2C solutions aim to provide high quality meals to thousands of customers



Maczfit

Subscription-based D2C meal plans provider, leading the market with 19 million meals delivered annually. Operating via a dedicated app and website, Maczfit offers a broad range of customised diets delivered on a daily basis to customers' doorsteps in close to over 2,200 towns and cities across Poland. They are also available for customers via the Jush! app. Maczfit's two production facilities ensure capacity is available for further growth.

Dietly

Dietly is a leading software-as-a-service (SaaS) marketplace that grants customers convenient online access to meal plans from approximately 370 brands – nearly half of all providers throughout Poland. The Dietly platform enables customers to easily compare, select, and manage a D2C meal service based on their lifestyle as well as nutritional requirements and goals. 180 thousand monthly unique users allowed Dietly to amass a collection of more than 10 million customer reviews.

E-grocery solutions catering to both impulse and planned shopping

Żabka Jush!

Żabka Jush! is a q-commerce solution complementing our physical network, designed to cater to customers' immediate consumption needs. With dedicated dark stores, the service provides 15-minute deliveries via the Jush! app, offering customers access to a curated selection of 1,500 products.

Żabka Jush! has rapidly become one of the leading q-commerce services in the country since its launch just a year ago and has been well-received by users, with glowing ratings and reviews in both the App Store and Google Play.

754.6k
Total number of Żabka Jush! and Delio orders in 2022

Delio

Delio is Żabka's latest addition to its e-grocery offer, with a supermarket-level broad range of approximately 5,000 products, including fresh and mainly local produce.
Delio's main competitive advantage is its ability to deliver groceries within a few hours.

To expand the geographic availability of our services, we have launched an innovative solution called Delio Nite, taking advantage of Maczfit's delivery infrastructure. This solution enables customers to receive deliveries overnight similar to Maczfit meal sets, directly to their doorstep.

Żabka own brands

Żabka's competitive advantage lies in our carefully curated portfolio of unique own brands.

- **TOMCIO PALUCH** – Nutritious sandwiches with balanced ingredients
- **Szam amm** – Ready-to-heat dishes from Polish and international cuisines
- **LEVEL UP** – Energy drinks, available in a variety of flavours, formulated with caffeine, taurine, and vitamins
- **dobra karma** – High-quality ingredients, minimally processed ready-to-eat products with healthy nutrition in mind
- **PLANT HUNTER** – 100% plant-based ready-to-eat meals and snacks
- **FOODINI** – Plant-based smoothies made from a blend of fruits and vegetables
- **WYCISK** – Squeezed from fresh fruit, unpasteurised juices and lemonades
- **HAPS!** – Everyday sweet or salty snacks – nuts, fruits, or both, all in a handy, serving-size bags
- **Le'Frog** – Perfectly composed restaurant-like meals
- **KUBEK Z LODEM** – A handy cup with ice, to enjoy any drink on the go
- **OD NOWA** – Crystal clear mineral water, comes in packaging made from in 100% rPET recycled bottles
- **S!** – 100% natural concentrated fruit shots in small, convenient bottles
- **Eccellente** – Baked in a stone oven pizza, made of high-quality ingredients with a variety of toppings

Our key objective is to provide customers with convenient and nutritious "ready-to-eat," "ready-to-heat," and "ready-to-drink" solutions that cannot be found anywhere else. Żabka's innovation lab is constantly developing new products, creating a family of own brands that offer a variety of options, exceptional value, and unparalleled quality that sets us apart in the Polish market. We introduce over 150 new products every year, targeting growing categories while also allowing us to fulfil our ESG ambitions directly through elimination of palm oil and promotion of greater circularity through recycling.

Żabka is able to consistently expand its own-brand portfolio by utilising the 'CREDIT' framework, which encompasses the following key elements: C – convenient, R – ready, E – everyday, D – differentiating, I – innovative and T – tasty. This framework guides the development of all own-brand products.

This approach helps us to increase customer satisfaction, as measured by the NPS, and also drives sales and brand loyalty.

As part of its commitment to empowering customers to make informed food choices, Żabka implemented Nutri-Score labels on its own-brand products. This labelling initiative was completed on all own-brand food products by the end of 2022 – a year ahead of schedule. The Nutri-Score is a comprehensive rating system that evaluates the overall nutritional value of a product, rather than just its individual ingredients. Using a simple code consisting of five letters (from A to E) and corresponding colours (from dark green to red), Nutri-Score allows customers to easily compare different products within a category.

The score is based on the balance between healthy ingredients and substances whose consumption should be limited. Products with an A score are the healthiest options and should be consumed more frequently, while those labelled with an E score should be consumed less often.

Żabka places a strong emphasis on circularity in packaging, particularly in the case of its own-brand drinks such as Od Nowa mineral water, Foodini smoothies, Wycisk juices, and S! shots. These products are packaged in bottles made of 100% recycled material (rPET).

Strategy, value creation and performance | Our strategy - Evolution of convenience

How we do it

From concept to instant delivery

1 Opportunity identification

Through careful analysis, we have identified a target group of customers who seek a convenient way to have a snack which could increase nutrient intake and sustain their energy levels, and is based on fruits and vegetables.

2 Concept development

That process involved evaluating the ideas for ingredients, production methods and flavours. What truly sets Foodini apart is our cutting-edge production technology, which utilises an innovative and unique combination of high pressure and low temperatures to preserve the nutritional value and taste of our ingredients for longer.

FOODINI

Foodini is one of Żabka's most popular, well-known, and beloved own-brand products. Our tailored, wide range of flavours addresses consumers' need for a quick, nutritious, and delicious snack that is perfect for an on-the-go lifestyle.

3 Responsible sourcing

To ensure that our smoothies are made with only the best quality fruits and vegetables, we partner with Delafruit, a carefully selected manufacturer that has obtained a B Corp certificate, demonstrating their commitment to the highest standards of social and environmental impact. Each of our smoothies contains only simple, natural ingredients, and our bottles are made from 100% recycled material (rPET).

4 Dynamic distribution

Foodini smoothies are carefully transported from the producer to our distribution centres, and then to multiple Żabka points of sale and dark stores that manage Żabka Jush! and Delio deliveries.
As part of our commitment to lower our environmental footprint, we are currently piloting a fleet of electric vehicles for our distribution, helping us to significantly reduce greenhouse gas emissions associated with product deliveries.

5 Available across the ecosystem

Foodini smoothies come in a variety of ten different flavours, in handy bottles of 250 ml and 750 ml. They are available across the entire Żabka ecosystem, including traditional points of sale, Żabka Nano, Żabka Jush!, and the Delio online supermarket.

6 Data-driven product management

We continuously collect and analyse data on the sales and brand awareness of Foodini, to make informed decisions about our products and logistics. By leveraging data from our app, we are able to manage our product assortment and logistics in an efficient and effective manner, ensuring that we always have the right products in the right place at the right time. We use our understanding of customers' preferences to launch new flavours on a regular basis.

Our strategy – Leveraging AI & data

Agility of a startup with the scale and technology capabilities of Poland's largest convenience network

Tomasz Blicharski

Over the last few years, we have made huge progress in using first-hand data to our advantage. Together with external data, this information is changing the way we do business and create value for our customers and suppliers. In short, it drives better business results.

In collaboration with our technology partners, we have co-created multiple innovations to support an improved shopping experience and store management decisions. These tools are helping us minimise service time, produce efficient communications, and tailor our offering to each customer's needs.

A best-in-class data-driven ecosystem

Żabka makes faster and better decisions through the smart use of data, insights, AI and emerging technologies.

When developing our tech stack, we hone in on scalability and have an educated risk appetite to make decisions that fuel fast growth. Our agility and boldness have enabled us to redefine the modern convenience market and play a key role in the success of our ecosystem expansion.

Through solutions from our in-house teams and key global vendors, we are able to develop our technological landscape. Our partners, including Microsoft, Snowflake, Salesforce and SAP, as well as additional collaboration with Synerise and AiFi, Inc. enable us to further evolve Żabka Nano stores. We also develop unique digital solutions and services in-house, which may present a monetisation opportunity in the future.

Our infrastructure resides and is co-located on the Microsoft Azure cloud platform. This setup allows for real-time transactions, expedited data recovery, and efficient business continuity processes.

On a daily basis, we extract real-time insights across the ecosystem in various areas, including market trends, customer decisions, store operations and performance, purchasing and logistics processes, marketing, franchisee and supplier communication, and more.

For example, we have leveraged data to reduce the ramp-up period for new stores, ensuring a quicker and smoother transition into operation.

Our data capabilities have gained industry recognition. We were awarded Snowflake's Data Sharing Award in EMEA in 2021.

Data-driven decision making

Between 2017 and 2018, we implemented data-driven decision making powered by AI in three key use cases: store location, pricing (including personalised promotions) and assortment management (both for franchisees and Żabka).

Our use of AI resulted in Like-for-Like sales increase and margin expansion, which contributed to a substantial EBITDA uplift upon implementation.
Thanks to AI, we now know where to locate our stores to attract the most traffic and can estimate the performance of the stores, which stock addresses local customer preferences, and how to deliver our products quickly and efficiently, leaving the smallest possible impact on the environment. We also use the insights to adjust store layout and create product arrangements that are best suited to our customers, as and when their preferences change.

Żabka 2022 Technology Key Indicators

450TB
amount of data processed daily

6.1 million
active users of Żappka

95 million
new transactions analysed each month

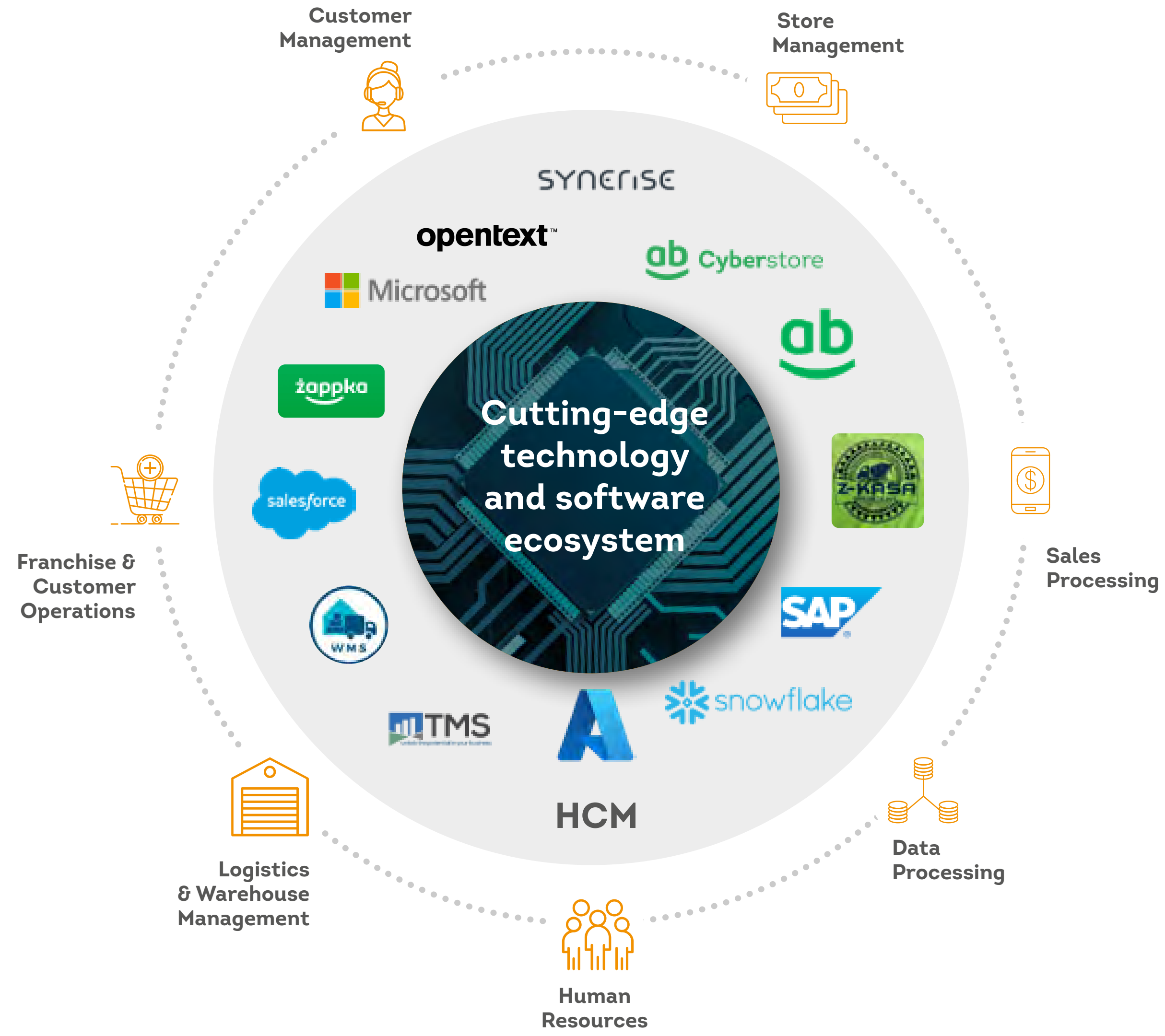
Smarter decisions

We actively share information and insights with our franchisees, suppliers, and technology business partners, enhancing their decision-making capabilities. For instance, franchisees receive real-time access to store operations, deliveries, and store assets through a Franchisee Relationship Management platform (FRM). For details see Partnerships with a vision case study.

We have also created the Advanced Customer Insight Tool (ACIT) – a one-of-a-kind data exchange platform. ACIT provides our suppliers with 24/7 access to relevant product data and offers valuable insights into the market based on datasets consisting of over 9.5 billion records related to sales transactions. These records continue to grow by over 3 million daily. Leveraging this powerful information leads to cost optimisation through improved stock management, updates to sales and promotional data, and real-time analysis of market trends.

The tool is widely used by our partners. As of December 2022, 50 of the largest FMCG companies in Poland had access to ACIT. Our suppliers that use the tool account for as much as 70% of overall Żabka turnover. We often discuss the insights and analyse them together with our suppliers, which we have done during 316 workshops so far.

Cutting-edge technological solutions supported by best-in-class practices



Case study
AI-driven selection of location

Like most other processes within the Group, the selection of new Żabka store locations is also empowered by innovative solutions. Our store location modelling algorithms have significantly sped up the network roll-out and enhanced efficiency of the process, resulting in better success rates for new stores.

Supported by advanced technology and complex systems, we analyse potential locations in Poland by considering hundreds of different parameters. Our algorithms can evaluate customer traffic, estimate revenue for each store (with the revenue estimation model available for nearly a million addresses), assess sales potential, analyse local competition, and gauge customer preference for a given store. The speed and efficiency of the algorithms enable us to make location decisions within days rather than weeks or months.

By leveraging advanced analytics to optimise store locations, we are able to improve the accuracy of revenue forecasts. We tailor the assortment of products offered in each store to cater to the specific needs of its catchment area.

Our data-driven roll-out model has led to a twofold increase in the pace of store expansion, and a 70% reduction in errors, as highlighted in the Snowflake analysis.

Żabka's store location tool

Enables high-quality, rigorous process for verifying and recommending store locations

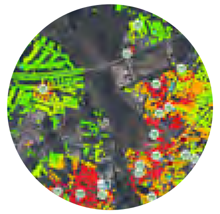
Analyses data from 50 data sources, including both internal and external data

Analyses 8.7+ million addresses for network roll-out

Improves accuracy of location selection

Detailed tool-supported analysis

Location assessment based on socio-demographic data and competition analysis



Heatmap to assess store profitability

Use of master plan and AI for store placement

Impact analysis

Assessment of vehicle traffic, rental market, and property market

Strategy, value creation and performance | Our strategy - Leveraging AI & data

Case study
Supporting our franchisees

We provide our franchisees with an array of modern tools specifically designed to support store management and streamline daily operations. These solutions include the Cyberstore platform, the OptiPlan programme, and an e-learning platform.

The Cyberstore platform comprises a suite of apps exclusively available to franchisees, allowing them to manage their activities remotely. It also supports Żabka sales partners who are responsible for offering assistance to franchisees.

The Cyberstore platform was developed in close collaboration with end-users and encompasses apps within six primary categories: store management and personnel (OptiPlan), warehouse, finance and billing, reports, and information registry. Utilising the Cyberstore platform, franchisees can manage courier shipments, place orders, verify settlements, analyse KPIs, check messages and recommendations from Żabka HQ, access marketing materials, and communicate with their staff.

Our algorithms leverage more than 15 million data records to carry out analyses and predictions, which our sales partners then utilise to support franchisees in meeting quality standards, resource utilization and efficiency.

The OptiPlan programme, launched in March 2022, features Żabka Assistant, a mobile app tool that enables franchisees to manage their personnel and communicate with our Żabka team. It also uses real-time data on in-store traffic to offer recommendations on the optimal timing and execution of specific tasks. As a result, our franchisees can streamline their daily operations and concentrate more on customer service, while ensuring product quality remains consistently high.

Within our Cyberstore platform, we have implemented a policy focused on reducing paperwork and promoting paperless circulation of documents. This eco-friendly initiative contributes to preserving an estimated 1,550 trees annually.

We support franchisees through a range of innovative digital tools

Cyberstore – ecosystem of dedicated apps – analysing over 15 million data records

OptiPlan – efficiency & management tool to increase productivity at the store level – saves up to 15% of man-hours at the store level through optimal planning of tasks, with up to ~80% of time saved per task

E-Logistics / Paperless document system

Access to e-learning platform

Case study
Optimising logistics

Our operations rely on an extremely efficient warehouse and distribution system, which includes nine distribution centres (primarily outsourced), 19 cross-docking facilities, and a carrier network capable of delivering over 2 million orders annually. Our state-of-the-art logistics network enables us to maintain a short replenishment cycle of a maximum of 24 hours, with three to six deliveries per week.

We procure over 95% of the Żabka product range ourselves and fulfil 99% of franchisees' orders. In certain instances, franchisees can source specific local products directly to meet unique local demand.

We constantly strive to optimise our distribution network. To achieve this, we have implemented machine learning-based planning and forecasting, optimisation systems, and warehouse robotics. In 2019, we introduced a new Transport Monitoring System that has enhanced route planning precision and improved delivery timing accuracy to over 95%.

Since 2020, we have been developing an AI-powered automated replenishment solution. It offers optimised product order suggestions to franchisees, ensuring the best results in terms of delivery costs and product availability.

Our primary goal is to create a highly efficient, centralised platform for managing distribution and logistics processes, ultimately reducing our overall logistics costs as a percentage of sales in the long term. Our efforts regarding logistics resulted in high levels of franchisee satisfaction in this area, as evidenced by the Net Promoter Score of almost 90.

Cutting-edge logistics platform

- Capacity to support expansion in the medium term
- State-of-the-art automated warehouse near Warsaw
- Logistics dedicated to support digital customer offering
- Algorithm-based packaging and route selection
- Faster lead times, quicker restocking
- Real-time monitoring of delivery status

Strategy, value creation and performance | Our strategy - Leveraging AI & data

Rapidly scaling technological infrastructure

We have launched fast-growing projects like Żabka Jush! and Delio by leveraging the capabilities of our core technology stack.

We tap into numerous synergies, including combined product sourcing and portfolio, an integrated supply chain, cross-unit production, marketing activities, shared back-office services, and an IT-integrated backbone to support it all.

Our digital foundation is built on scalable platforms, employing cloud services, virtualisation technologies, and distributed systems principles to deliver operational efficiency, reusability potential, and resilience.

We leverage shared fulfilment infrastructure across the Group

Our e-commerce businesses, Żabka Jush! and Delio, benefit from the advantages offered by the Group's extensive logistics network. They rely on a combination of Żabka Polska's logistics and independent providers. Most of the products offered by Żabka Jush! and Delio are delivered by the same providers that serve Żabka Polska.

Żabka Jush! and Delio create synergies by using the same network of dark stores, which are between 280 and 450 sqm in size. Thanks to Żabka's logistics system, which allows for daily restocking, these dark stores efficiently serve both quick commerce and same-day e-grocery needs. Sharing the space for both services allows us to be more cost efficient and cater to different shopping goals of our customers.

We fine-tune the processes within our dark stores, ensuring that customers' orders are zoned into specific locations for fast pick-ups. Our dark store employees are equipped with tablets that pinpoint product locations and chart the smartest routes to fulfil orders with maximum efficiency.

Optimising distribution with Cool-Logistics

In 2022, we established a new entity, Cool-Logistics, with the primary objective of enhancing the logistics process related to our D2C offerings.

Currently operating in major Polish cities such as Warsaw, Poznań, and Wrocław, Cool-Logistics has effectively replaced subcontractors in the delivery of Maczfit meals to customers. Our future plans involve expanding our services to provide efficient logistics for third-party D2C ready-meal plan suppliers using the Dietly platform. Our goal is to offer a comprehensive, unparalleled solution that leverages our unique expertise in the field.

Our commitment to optimising logistics processes extends beyond the D2C meal market. We have begun utilising Cool-Logistics' capabilities to broaden the geographic scope of our offering with Delio Nite.

Case study
Partnerships with a vision

We recognise the importance of partnerships in fuelling the growth and diversification of our solutions across new formats and locations. Here are a few examples that demonstrate the positive outcomes of our collaborative efforts with partners.

AiFi – technology for autonomous stores

Żabka Group has established itself as the largest chain of autonomous stores in Europe, known as Żabka Nano. This groundbreaking concept of unmanned stores emerged from a close collaboration with the Silicon Valley tech company AiFi, which developed a sophisticated store automation system using state-of-the-art sensor technologies and artificial intelligence. Żabka played an active role from the initial stages of concept development and contributed to refining the AiFi technology, ultimately creating a seamless fit that delivers value for customers. It took nearly two years of dedicated development and testing for the first Żabka Nano store to become fully operational.

Żabka and AiFi have forged a unique partnership with Microsoft to develop a new cloud service for autonomous stores called Smart Store Analytics. This innovative collaboration aims to produce a wealth of consumer insights, such as shopping patterns, interactions with products, movement through aisles, foot traffic heat maps, and average consumer spending. The solution will also assist in optimising shelf placements by analysing the "unit sales-to-shopper height" ratio.

Adyen – seamless payments

Initially, the first Żabka Nano stores relied on the Żappka mobile app to grant customers access to the autonomous store and facilitate payment for purchases. However, the process has now been simplified, allowing customers to enter the store by scanning any payment card. This unique solution was developed and implemented in collaboration with the fintech company Adyen. As the first of its kind, this innovative approach has since been adopted by other companies.

Synerise – advanced analytics

A few years ago, Żabka initiated a collaboration with Synerise, a company that provides a groundbreaking approach to data management, utilising advanced analysis tools and AI. Synerise's solutions enable real-time business insights, which Żabka leverages to automate marketing communication and craft perfectly tailored, personalised promotions for each customer through the Żappka app.

Żabka Nano store showcase presented during the National Retail Forum 2023 in New York City.

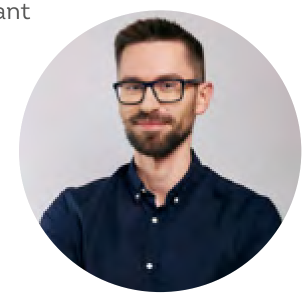
"At Żabka, everyone works with IT"

Karim Sylla
Director of Data Analytics and Data Science

Żabka has made digital transformation a cultural change rather than just a technology upgrade.

We are committed to equipping our employees, franchisees, and business partners with state-of-the-art solutions that streamline their daily operations and enhance efficiency.

"One of the key tasks of my team is to analyse the market and, based on the collected data, optimise product pricing in Żabka.
The efficiency and effectiveness of this process are made possible by a dedicated real-time pricing monitoring tool developed exclusively for us. Fully tailored to our requirements, this tool is continuously improved to accommodate our expanding needs. It enables us to gather and analyse online data for thousands of SKUs in real-time, representing a significant advancement compared to the previous manual process. With this tool, we not only save considerable time but also gain immediate access to relevant and invaluable, ever-growing datasets. Additionally, the tool seamlessly integrates with other systems we use, such as Snowflake, allowing for the instant generation of specific benchmark reports when required. "



Paweł Walczak
Employee, Pricing Strategy Team Manager

Strategy, value creation and performance | Our strategy - Leveraging AI & data

"The Żabka head office is really hands-on when it comes to digitally upskilling franchisees. As a partner working alongside the innovation team, I get to be part of various projects that introduce new solutions to help me manage my store better.
One of the most recent additions to the Cyberstore is Żabka Assistant. This tool streamlines the cashier's workflow, facilitates control over product freshness to help reduce food waste, and improves communication between shop assistants and franchisees. It greatly accelerates work, the time saved is simply immeasurable. Moreover, it offers the capability to manage the store remotely, at least to a certain degree. Comparing today's Żabka with the one from a few years ago is like comparing day and night – a testament to the remarkable progress made over time."

Anita Piwońska
Franchisee, collaborates with Żabka for over nine years, takes part in multiple technological and innovative projects

"I've seen Żabka's huge technological transformation over the years, as my history with the company goes way back to when I was a Key Account Manager for them.
The ACIT platform's unique implementation, which allows for data sharing, enables us to have efficient, fact-based, and open conversations with the Żabka team. ACIT is an outstanding tool that has taken our daily negotiations to new heights. It also benefits both sides by offering valuable market insights into our consumers and their preferences.

But Żabka also sets the standard for others when it comes to pro-shopper solutions. They are the undisputed leader in driving new trends in the market, and I can see many positive outcomes stemming from our collaboration."

Mieszko Musiał
Supplier, Managing Director of Carlsberg Polska

Our strategy – Embedding ESG

Responsibility goes beyond simply "doing the right thing"– it generates real business value

Anna Grabowska

At Żabka, management and shareholders have always believed that integrating ESG principles into our business practices is not just "a nice to have," but an essential aspect of building a sustainable, purpose and value-driven enterprise in a long run.

The growing awareness and demand for change from customers and all our stakeholders is only accelerating. We are prioritising ESG with the same drive that we applied to transforming our stores and becoming a recognised global leader in leveraging data and AI. By embedding ESG into the "Żabka Way," with intense focus, rapid execution, and an integrated Responsibility Strategy where every single person in the organisation is held accountable, we are delivering transformative change in the way we do business and build value across our entire operation.

Green and sustainable living for everyone, every day

ESG is ingrained in Żabka's daily operations, encompassing four strategic pillars that address all aspects of our business and engage with every stakeholder group.

In 2022, we continued the implementation of an ambitious Responsibility Strategy, initially defined in 2020.

The Strategy comprises four pillars, which are converted into measurable actions that our organisation and stakeholders put into practice every day.

Pillar 1, Sustainable lifestyle, sees Żabka actively inspiring customers to adopt healthier habits, empowering them to make well-informed choices while shopping. We provide an array of purchasing solutions across the modern convenience ecosystem, featuring plant-based alternatives, a suite of services that promote sustainable living, and impactful initiatives dedicated to curbing food waste.

GC 8

Within **Pillar 2, Mindful business impact**, we focus on engaging our key external stakeholders. We encourage entrepreneurship, inspiring current and future franchisees to work with Żabka. We also prioritise building positive partnerships with our business partners, suppliers, and other organisations, while energising local communities for meaningful change.

GC 1, 2 ,3 ,4 ,5

Under **Pillar 3, Responsible organisation**, our focus is on cultivating an empowering organisational culture. We embrace equity, diversity, and inclusion as standard practices, while continually raising the bar for governance and resilient management in an environment characterised by trust and transparency.

GC 6, 10

Pillar 4, Green planet, is built on Żabka's commitment to minimise our environmental impact. We actively engage in circular economy initiatives and work towards decarbonising our value chain.

GC 7, 8, 9

This report provides only an overview of Żabka's ESG agenda. For a more comprehensive description of our ESG strategy, commitments, and progress in achieving the objectives, please refer to our **Responsibility Report**, published annually since 2019 and highly regarded by sustainability experts and practitioners alike.

Żabka 2022 key ESG metrics

The following metrics show Żabka's dedication to its ESG strategy and its sustainable growth.

PLN 982m

Multiply the sales value of own-brand products promoting a sustainable lifestyle by 2025

65.3%

Franchisees collaborating with Żabka for at least 36 months

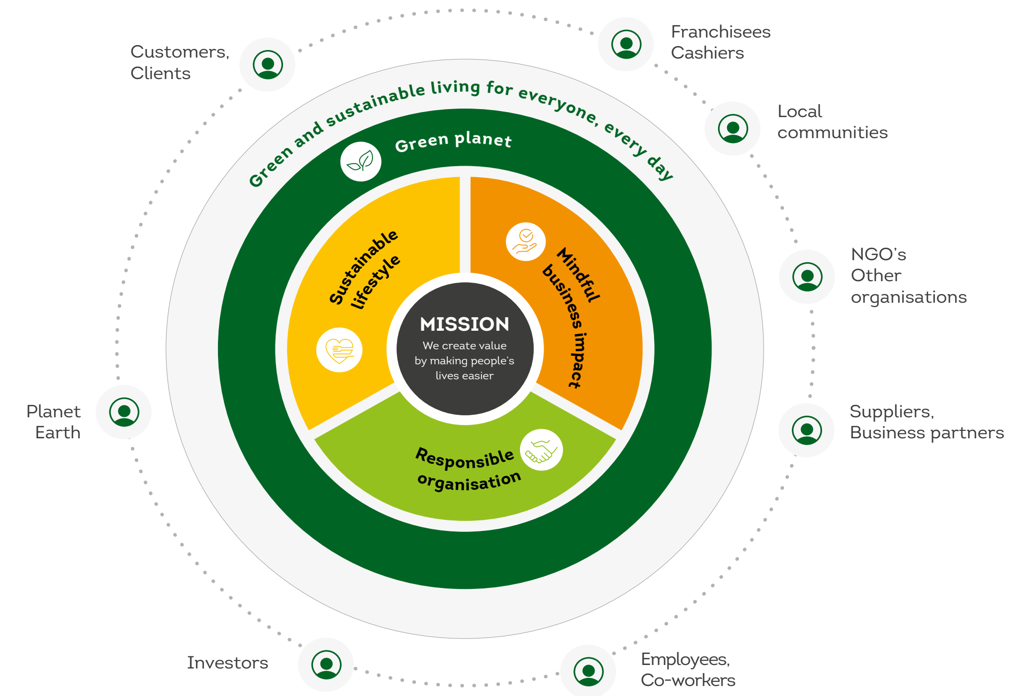
77th percentile

Level of employee engagement (Gallup "Q12 survey")

-24%

CO_2e emission reduction in Scope 1 and 2 comparing to 2020 baseline

Żabka Group's Responsibility Strategy



ESG governance

Our ESG governance model ensures that ESG-related aspects, including climate themes, are addressed and supervised at three levels within the organisation:

Strategic leadership – the Management Board reviews risks and opportunities, translating them into strategic objectives. The ESG Committee, chaired by the CEO and composed of all Management Board members, the ESG Director, and other individuals as needed, is responsible for monitoring the strategy's implementation;

Strategic management – the ESG Strategy Implementation Team, which includes representatives from various teams across the organisations, manages execution of the strategy;

Operational management – interdisciplinary operational teams handle processes on a daily basis, ensuring that ESG principles are integrated into everyday operations.

In 2021, Żabka introduced ESG-related incentives to maximise engagement at the individual level. Following an update to the variable pay policy in 2022, the ESG element within the incentive scheme was revised. Żabka introduced ESG Component – an ESG Index that serves as a composite performance indicator comprised of measures representing the five transformative programmes outlined in the Responsibility Strategy. In 2022, the index could contribute up to an additional 10 percentage points to the annual assessment score.

For management, ESG goals are incorporated into their variable compensation scheme and are assessed and approved by the Supervisory Board each year. This approach emphasises the importance of the ESG agenda and the strategic objectives, ensuring that everyone included in the scheme can make a significant contribution to the final results. By doing so, Żabka secures commitment to achieving its ESG goals throughout the organisation.

To monitor its ESG performance, Żabka has implemented a thorough, dedicated reporting process managed by the finance function. This process offers a transparent view of the organisation's progress towards its targets. ESG data is tracked, reviewed, and reported quarterly, aligning with financial reporting schedules. The results are discussed during ESG Committee meetings, which inform relevant strategic and operational decision-making. The data is also shared with the Supervisory Board and key internal stakeholders through dedicated ESG dashboards and a series of briefings and information exchanges, such as monthly flash infosets shared alongside business and financial information.

Sustainable lifestyle

We make it easy for customers to change their habits for the better – for them and the planet.

As the pace of modern life quickens, people often struggle to find time for shopping and maintaining a healthy diet. At Żabka, we are here to help our customers make better-informed decisions about their food choices. We provide a wide range of high-quality products and use the easy-to-understand Nutri-Score labelling system on our own-brand items. We have also been cutting back on ingredients that, when consumed in excess, could negatively impact our customers' health, such as sugar, salt, and preservatives.

Maczfit is Żabka's response to the diverse nutritional requirements of our customers by offering 13 different types of diets, including options for vegans and diabetics.

Our customers are increasingly environmentally conscious and mindful of the impact of their purchases. As almost 90% of Żabka's sales are for same-day consumption, customers are able to purchase the exact amount of food they need, thereby reducing food waste significantly.

In addition, our well-planned and efficient restocking management process ensures that each store receives the appropriate quantity of goods, while our AI algorithms adjust the assortment based on local customers' shopping habits. By leveraging our advanced tech stack, we provide a seamless shopping experience that is both efficient and environmentally friendly.

We like to keep things simple and focus on providing our customers with the best quality products and services, as well as swift service that maximises their comfort. Our goal is to make the Żabka shopping experience as unique and different from our competition as possible, with the average shopping time taking just two minutes.

Żabka is always looking for ways to expand its service ecosystem to make our customers' lives easier. For example, we have introduced coffee subscriptions through "Kawonament" and made it simple for customers to enjoy entertainment with pre-paid cards.

Area	Strategic commitment	2022 status	2022 result
1.1 Good nutrition	Multiple the sales value of own-brand products promoting a sustainable lifestyle by 2025	●	PLN 982 million
1.2 Food waste prevention	-25% food waste intensity in own operations and in stores by 2025	●	-27% in own operations & set of initiatives tested in stores
1.3 Services for sustainable life	Increase in customers' NPS score by 2 points each year until 2025	○	46 points

Legend: expectations for 2022 not met ○ | expectations for 2022 partially met ◑ | expectations for 2022 met ●

Case studies

Good nutrition

At Żabka, we are determined to provide our customers with easy access to high-quality products that contribute to a healthy and balanced diet. In 2022, we made significant progress in our reformulation programme, removing artificial flavours from dumplings and glucose syrup and saccharin from sandwiches. We have also marked all of our own-brand ready-to-eat and ready-to-heat products with the Nutri-Score labelling system, well ahead of our implementation plan. As much as 45% of our own-brand products have received an A or B score.

Our commitment to preserving biodiversity and protecting forest ecosystems has led us to take a closer look at our supply chain. We have taken action to ensure that all of our own-brand products are palm oil free. Starting in 2023, we will only accept branded products with certified palm oil, further contributing to the preservation of rainforests and wildlife habitats. We have taken steps to improve animal welfare and promote sustainable sourcing in our own-brand products. Specifically, we have removed cage eggs from our offerings and implemented policies to regulate the commodities used in our products, ensuring sustainable sourcing for plant ingredients, fish, and seafood.

Food waste

We believe that preventing food waste is crucial, and this commitment is shared by our stakeholders. To achieve this, we have taken a close look at our entire supply chain to identify areas where we can make improvements. Our food waste prevention programme includes 11 initiatives that we tested with an interdisciplinary team and representatives of our franchisees. Based on the positive results, we plan to implement selected initiatives in 2023.

As part of our engagement with customers who prefer not to stock up on foodstuffs, we developed the Dobra Paczka functionality in the Żappka app. This feature allows for the purchase of wholesome products close to their expiry date at a discounted price. Following successful tests in two cities, in November 2022 Żabka rolled out the initiative to the entire country.

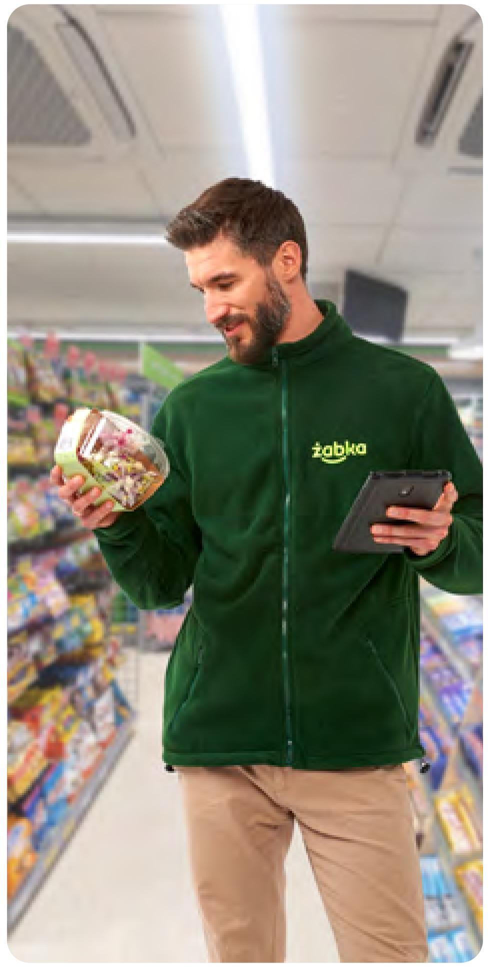
We also donate products with a short shelf-life date from Żabka distribution centres to our social partners, who efficiently distribute them among people in need. This initiative helps us reduce food waste while supporting those who may be experiencing food insecurity. In 2022, we donated 403 tonnes of food.

Mindful business impact

We make impact on entrepreneurs and local communities to drive positive change.

As one of the largest convenience store chains in Europe, Żabka is committed to bringing about positive change throughout its value chain. As a franchise-based company, we understand the importance of establishing stable and trusted relationships with our franchisees. That's why we offer a wide range of programmes designed to provide excellent conditions for long-term collaboration and success. At the start of a franchise agreement, the franchisee may require additional support to establish their business and become successful. To help with this, we offer a financial security scheme and a range of tools (see Supporting franchisees case study for details), such as OptiPlan, to help franchisees run their stores efficiently. We also provide dedicated training through the Żabka Academy and a Franchisee Support Centre. If faced with unexpected personnel-related issues, franchisees can also access temporary staffing services through our "Here and Now" programme. At Żabka, we foster an environment that encourages innovation and the exchange of ideas, and we work closely with scientific institutions, business incubators, and our partners to promote positive change.

We believe in making a positive impact in the neighbourhoods where Żabka stores are located. Our Social Engagement Strategy is built on three pillars – well-being, neighbourhood, and equal opportunities – and it drives our efforts to make a difference. We run various aid and donation campaigns at our stores and online platforms, such as WOŚP and "Donate to Ukraine", to support local communities. We also offer a Scholarship Programme and support sports teams for our employees. But that is not all – we continue to offer our core programme, the "Safe Internship with Żabka", which is dedicated to supporting young adults from the Samodzielni Robinsonowie Foundation. So far, 62 interns have successfully completed the scheme and some have become employees or franchisees of Żabka.



Area	Strategic commitment	2022 status	2022 result
2.1 Fostering entrepreneurship	Increase in franchisees' NPS score by 15 points by 2025	●	Increased by 13 points
2.2 Partnerships for positive change	The best partner supporting innovative and responsible solutions	●	Business acceleration programmes
2.3 Communities activation	50,000 interactions for sustainable growth by 2025	●	73,326 interactions

Legend: expectations for 2022 not met ○ | expectations for 2022 partially met ◑ | expectations for 2022 met ●

Case studies

Innovation with positive impact

In line with Sustainable Development Goal 17, we aim to forge partnerships that bolster the creation of innovative solutions and facilitate positive impact. Venture Studio, a part of Żabka Group, focuses on discovering inventive approaches that cater to Żabka's ongoing business requirements while keeping an eye on emerging market trends and consumer insights. Working in tandem with external partners, Venture Studio identifies, develops, implements, and scales products and services related to our current and, potentially, future business.

One example of this is the Startup Impact acceleration programme (now in its second edition), a collaborative effort with the Kozminski Business Hub. The key focus areas include Sustainable Development, Biodegradable Packaging, Good Health and Quality of Life, and Responsible Entrepreneurship. The authors of the most impressive solutions are invited to trial their implementations within the Group's ecosystem. If successful, they may receive the necessary funding for further development. The support also includes access to Żabka's state-of-the-art laboratory facilities, expert knowledge, and prospects for forging valuable connections with industry professionals.

In the latest edition, as many as 78 startups applied, with six selected for further collaboration and testing: Hemp Eat, Epicer, Res Solution, E-ICE, SeaSoil, and Vermico.

Supporting Ukraine

Żabka was among the first companies to respond to the Russian aggression in Ukraine. Within a mere 12 hours of the conflict's onset, we initiated relief efforts. We joined forces with 22 humanitarian aid organisations, including the Polish Red Cross and Polish Humanitarian Action, as well as local governments, to provide financial and in-kind assistance. We contributed around 525 tonnes of food and hygiene products to those in need. In total, we organised 87 transport missions, including four trains delivering aid directly to affected civilians in Poland, Kiev, Luck, Lviv, and Dnipro.

Thousands of our franchisees also played a direct role in providing aid to refugees, offering free meals in stores and transporting and sheltering people fleeing their war-torn country. At our headquarters, we provided employment and accommodation for nearly 350 individuals. Additionally, more than 120 of our employee volunteers lent their support at reception points, welcoming refugees in Poznań and Warsaw.

We utilised our technological capabilities to further involve our clients in relief efforts. Żappka users could donate their Żapps to support Ukrainians, raising over PLN 1 million. As part of the #RAZEMWIĘCEJ campaign, Żabka Jush! enabled customers to add essential items for refugees to their online shopping carts, labelled with a special "Donate to Ukraine" sticker.

Responsible organisation

We shape a purpose-led, trusted organisation of empowered people.

We prioritise our workforce by fostering an inclusive organisational culture that promotes equal opportunities for all. Our people may choose from a diverse range of training programmes tailored to their individual needs. In fact, our employees made great use of this opportunity in 2022, with each employee completing an average of 23 training hours. Our commitment to training extends beyond our employees to include independent contractors and franchisees, who benefit from the comprehensive training programmes offered through the Żabka Academy.

We also value gender equality and have recently undergone an external certification process to ensure equal compensation for all genders.

Żabka takes the safety and well-being of its employees seriously. We provide appropriate and safe working conditions and ensure that our workforce is equipped with key health and safety information through a dedicated website, publications, and contests. We continuously monitor incidents, analyse their causes, and take corrective actions to improve safety. We also recognise the importance of mental health and offer our employees and their families access to our Employee Assistance Programme, which provides psychological support and consulting on financial and legal issues.

As a signatory of the UN Global Compact, Żabka upholds high ethical standards in all its activities. The company provides business ethics training to its employees (with 99.7% of the workforce trained in 2022) and includes mandatory compliance clauses in all contracts. In addition, Żabka is continuously improving its approach to human rights. It has incorporated provisions related to human rights in its Codes of Conduct.

As part of our dedication to transparency and validation, we regularly disclose both financial and non-financial data. To ensure credibility, our non-financial data is verified by third parties such as E&Y. Our commitment to sustainable development and climate action has been recognised by various accolades, including EcoVadis, the Golden & Green CSR Leaf awarded by POLITYKA magazine to enterprises with a strong sustainable business strategy.

Best of the World HALLBARS SUSTAINABILITY REPORTS AWARDS 2022

We are committed to enhancing our credibility and transparency by regularly publishing our Responsibility Report, which is independently verified, and by disclosing information about the potential impact of climate-related risks and opportunities in accordance with the TCFD framework.

PLATINUM 2022 ecovadis Sustainability Rating

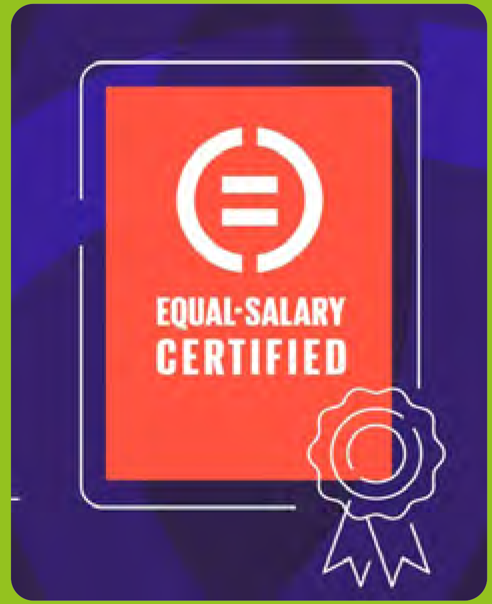
Our platinum medal in the EcoVadis certification placed us among 1% of companies in the world that best integrated ESG factors.

Area	Strategic commitment	2022 status	2022 result
3.1 Empowering organisational culture	Top 25% of the best employers according to the Gallup survey	●	Top 23%
	Increase the employees' NPS score to 65 points by 2025	◑	60 points
3.2 Resilient management	100% of employees trained on business ethics principles by 2025	◑	99.7%
	100% of business partners familiarised with the Code of Conduct	●	35.4%
	ESG factors taken into consideration in all key decisions and investments by 2025	◑	Policies preparation started
3.3 Transparency and validation	External reporting in accordance with best practices and standards	●	Integrated report & ESG report

Legend: expectations for 2022 not met ○ | expectations for 2022 partially met ◑ | expectations for 2022 met ●

Case studies

EQUAL-SALARY Certificate



Żabka Polska is the first Polish company to receive the EQUAL-SALARY Certificate, awarded by the Switzerland-based Equal-Salary Foundation and recognised by the European Commission. Żabka is committed to ensuring equal pay for work of the same value and impact on the organisation. In 2021, the company demonstrated its dedication to creating equal opportunities in remuneration by implementing the Equity Policy and undergoing external EQUAL-SALARY certification, which verified that salaries within the organisation "have no gender".

During the certification process, payroll data was audited, employees were interviewed, and their perceptions of equal opportunities in remuneration were analysed. As such, the certificate not only confirms the implementation of the remuneration policy but also its credibility and acceptance among employees. The certificate is valid for three years and is subject to periodic monitoring reviews.

Collaboration with suppliers and business partners

Żabka intends to cultivate mutually beneficial relationships with its suppliers by sharing know-how and inviting them to collaborate on selected ESG initiatives. These encompass inventory planning and demand, product packaging design, waste collection and recycling, as well as logistics efficiencies using available technology. We are determined to set high ESG standards throughout the value chain and have created the Fair Business (Czysty Biznes) platform to facilitate the exchange of experiences and inspirations.

We have also initiated dialogue with our business partners to familiarise them with the requirements of the Code of Conduct for Business Partners. So far, businesses responsible for 35% of Żabka's annual turnover have officially confirmed their adherence to the Code's provisions.

Green planet

We minimise our environmental impact across the whole value chain.

The scale of our operations gives us an excellent opportunity to engage several of our stakeholders in minimising our environmental impact across the whole value chain.

We have set distinct emissions reduction targets for our own operations by 2026 and actively collaborate with our franchisees to decrease Scope 3 emissions intensity. We also encourage our business partners to adopt similar reduction goals. Throughout our operations, we carefully assess climate-related risks and take pre-emptive action to minimise them, while also seizing opportunities to advance sustainability.

In addition, Żabka has made a conscious effort to eliminate single-use plastic materials like shopping bags and coffee lids, replacing them with environmentally friendly paper alternatives. We have also implemented intuitive labelling on our own-brand products to make recycling easier. To maximise the use of recycled materials in these product lines, all bottles of Foodini, Wycisk, S!, and Od Nowa are made from 100% recycled plastic (rPET).

We annually publish a report on our progress towards achieving the Green planet pillar targets, which includes a dedicated section on climate matters reported in accordance with Task Force on Climate-related Financial Disclosures (TCFD) and best market practices. The report also includes externally assured data on GHG emissions.

In December 2021, Żabka became the first company in Poland and the first retailer in Central and Eastern Europe to receive official approval of its GHG emissions targets from the Science Based Targets Initiative. These targets align with the most ambitious goals of the Paris Agreement, which seeks to limit global warming to 1.5°C relative to pre-industrial levels. This achievement highlights our ongoing efforts to reduce our carbon footprint and engage Żabka's entire value chain in decarbonisation efforts.

Area	Strategic commitment	2022 status	2022 result
4.1 Circularity	Packaging neutrality for own-brand products by 2025	●	Plastic neutrality achieved
4.2 Decarbonisation	-25% total scope 1 and 2 greenhouse gas emissions by 2026 (base year 2020)	●	-24% vs. 2020 18,275 tCO_2e
	-70% reduction of franchisee emissions intensity by 2026	●	-57% vs. 2020 14.4 tCO_2e/PLNm

Legend: expectations for 2022 not met ○ | expectations for 2022 partially met ◑ | expectations for 2022 met ●

Case studies

Circularity

As part of the implementation of our packaging strategy, we introduced cellulose coffee lids, continued utilising 100% rPET for our own-brand bottles and incorporated recycled packaging for our own-brand products. This allowed us to reach our plastic neutrality for own brand products milestone for a second consecutive year.

We continue promoting recycling as one of the ways to reduce the production of virgin plastic. In 2020, the first EKOmats waste collection machines were installed out of Żabka stores. These machines are now present in 29 locations across Poznań, Warsaw and Łódź, and have collected over 260,000 aluminium cans and 560,000 plastic bottles, giving them a second life. In December 2022, we launched a pilot project called "Green Renewal" in Bydgoszcz, covering all 120 stores in the area. Half of the stores offer a manual collection scheme for plastic bottles and cans, while the other half are testing four types of EKOmats. The project not only benefits the environment, as the collected materials will be used to create new packaging, but also rewards customers with 50 points (Żapps) in the Żappka app for each returned bottle or can.

Decarbonisation

Our aim is to reduce by 25% emissions in own operations (Scope 1 and 2) by 2026 and decrease in-store emissions intensity by 70% by 2026 (compared to year 2020). We are undertaking various initiatives to reduce our carbon footprint.

We are gradually transitioning our vehicle fleet to hybrid and electric cars. In 2022, we obtained 500 hybrid Toyota Yaris Cross cars for our sales support representatives, and we also launched an electromobility programme to give our fleet vehicle users the opportunity to test and review electric and hybrid cars.

We are also testing and deploying green solutions in our store network. In 2022, we launched two Żabka Eko Smart stores which serve as a laboratory where ecological innovation is combined with smart solutions. The tiles on the walls are made from recycled materials such as coffee grounds and coffee husks. We replaced the polyurethane foam in fridge insulation with natural hemp seed fiber. We have also implemented features in our stores that encourage customers to return packaging. Additionally, we use intelligent systems to monitor ventilation, air conditioning, and energy consumption. Part of this energy is produced by the stores themselves, while the rest comes from 100% renewable sources. To reduce our carbon footprint in our own operations, we use electricity from renewable sources in all of our offices and distribution centres.

Our engaging culture and human capital

Żabka brings the best out of our people

Jolanta Bańczerowska

At Żabka, we place paramount importance on competence, experience, and an unwavering zeal for growth. We take pride in the rich diversity of our employees and co-workers, as it strengthens our teams and fosters a vibrant exchange of ideas. Our objective is to cultivate an inclusive environment where individuals, irrespective of age, gender, socioeconomic background, or family circumstances, feel valued and empowered to be their authentic selves.

To realise our strategic objectives and continually refine our offerings, we seek individuals who possess an innate drive for problem-solving and curiosity. This mindset not only bolsters operational effectiveness but also attracts top talent and generates added value for both our organisation and the broader community. We have meticulously crafted a supportive infrastructure that ensures equitable opportunities for growth and advancement for all members of the Żabka family.

Fostering a diverse and engaged culture as the key to employee involvement and satisfaction

AMBITION

"I believe ambition is not just about climbing the corporate ladder, but also about embracing new opportunities and continuously pushing yourself to achieve more. At Żabka, I have found an environment that is both dynamic and challenging, allowing me to take on unique and exciting projects that have a real impact on the people around me. I am motivated by the difference I can make, and after achieving one goal, I am always looking for the next challenge. One of the projects that I am particularly proud of is the EQUAL-SALARY certificate that Żabka received in 2022. This was one of my personal KPIs."

Paweł Brzóskowski
Rewards Manager

OPENNESS

"Openness means freedom to share ideas. At Żabka, we feel comfortable asking questions – there are no bad questions or bad answers. I know that when I share, I will be heard because each point of view is respected and considered. Feedback is a natural and supportive process that helps us to continuously improve and innovate. As a product owner, I have managed successful implementations of e-signature and paperless solutions. These successes were due to our team's innovation and openness to different perspectives."

Mateusz Benyk
Product owner

RESPONSIBILITY

"As part of the Żappka team, my primary responsibility is to ensure the satisfaction and fantastic experience of our over 6 million users, who use our app to make payments, collect Żapps, and check promotions. To achieve this, I strive to provide reliable and top-quality digital solutions that are tailored to each user's needs and simplify their lives."

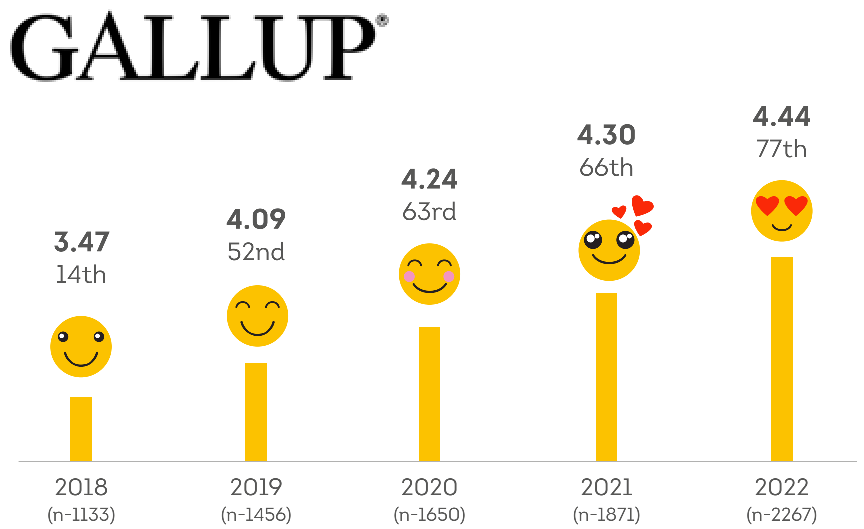
Dominika Gofron
Customer App Director

CREDIBILITY

"As the person responsible for external communication at Żabka, maintaining credibility is a key part of my daily work. Building trust can be challenging, but we prioritise factual communication and avoid overpromising, speculation, or ambiguity. Honesty and clarity are fundamental to our reliability, both with external stakeholders and within our internal team."

Katarzyna Przewęzikowska
External Relations and CSR Manager

At our organisation, we prioritise employee engagement and are constantly introducing new initiatives to increase it. To measure our progress, we conduct a Gallup "Q12 survey" that includes all employees and independent contractors. The survey measures the extent to which employees identify with the organisation's mission and values. In 2022, we achieved a score of 4.44, which represents a 0.14 increase over the previous year and marks our fifth consecutive year of improvement. We are thrilled to have been ranked in the 77th percentile of the best employers globally.



Diversity and Inclusion (D&I)

At Żabka, we recognise that our effectiveness depends on our employees feeling appreciated, respected, and able to unlock their full potential. We believe that ensuring equal opportunities and managing diversity are essential components of our policies and strategy. Mutual respect is a fundamental element of our organisational culture, and we actively seek out partnerships that promote diversity and inclusiveness in the workplace.

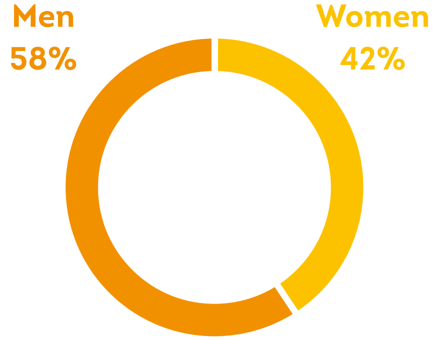
One such partnership is the Diversity Charter, an international initiative that supports the development of an inclusive organisational culture and fosters diversity.

Equity Policy

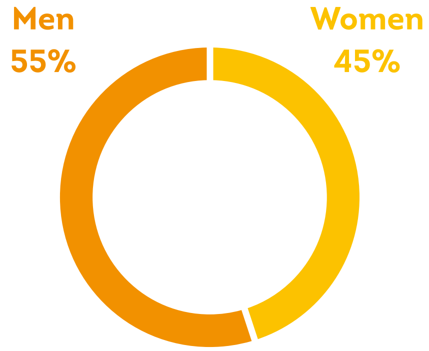
At Żabka, our Equity Policy, introduced in 2021, guides our day-to-day conduct and diversity and inclusion-related decision-making. The policy is grounded in principles of fairness and respect, creating an environment based on uniform and equal treatment, and includes educational and communication activities to foster an open organisational culture. To pursue our D&I goals in line with best practices, we are actively safeguarding diversity in governing bodies, eliminating employment barriers for people with disabilities, and ensuring that there is no gender pay gap. We are ambitious for our Equity Policy to apply not only to all employees and independent contractors but also to external stakeholders, including customers, franchisees, suppliers, and technology partners.

Diversity at Żabka

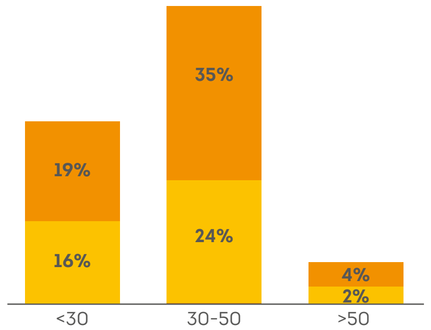
Employees by gender



Promotions by gender



Employees by age



D&I actions taken in 2022

Equity and diversity zone – an internal online platform with podcasts, publications, articles, and a glossary of terms dedicated to equity and diversity.

Cultural Assistants – a role dedicated to helping foreign migrant employees and creating a welcoming workplace for them. This assistance includes facilitating their adaptation to our company and supporting them with organisational and documentation requirements.

Feminatives in job titles – the option to choose the female job title form is available at Żabka.

Employee Assistance Programme (EAP) – interactive webinars on a variety of topics, including diversity, stress reduction, personal health, and tax and legal matters in both professional and private life.

EQUAL-SALARY certificate – we are the first Polish company to receive the EQUAL-SALARY certification, demonstrating our commitment to equity with concrete action and solidifying our position among the best employers (For details see EQUAL-SALARY Certificate case study).

We use employee feedback as a key data source for measuring inclusion, with the Gallup "Q12 survey" providing a valuable tool for assessing our Inclusion Index.

The Inclusion Index study assesses personal perception of equality, inclusivity, and sense of belonging, taking into account age, gender, nationality, family situation, and tenure. Nearly 80% of our employees from diverse roles participated in the latest survey, resulting in an overall score of 4.28 out of 5, demonstrating our deep commitment to inclusivity and diversity.

We empower our people to succeed every step of the way

Recruitment and onboarding

At Żabka, we take a comprehensive approach to onboarding new employees, ensuring that they are quickly brought up to speed. Following the recruitment process, each new employee is assigned a "buddy" who provides support through every stage of integration.

We also actively promote our brand to potential employees through various student programmes, such as the Top Young 100 programme. This initiative engages the best Polish students majoring in supply chain management, building competencies useful for starting a career in logistics and helping to improve Żabka's perception as an attractive employer among top tech school graduates.

Żabka's "Roads to Business" project offers four distinct programmes for students, including "Entrepreneurial Thursdays" – monthly meetings with our experts – and "Entrepreneurship Day with Żabka", a day at our headquarters featuring presentations, workshops, and a visit to our logistics centre. We are also proud to sponsor an economics course at a local high school and provide digital and IT mentorship to students working on innovative projects and applications.

We also participate in the "Career" internship programme, which provides students with paid internships managed in collaboration with the Polish Business Council. This programme offers valuable practical skills and professional experience in the most technologically advanced convenience company in Poland,

Key Indicators

754
New joiners in 2022
(547 in 2021)

4.43/5
Engagement of the new joiners in the first year of work measured by Gallup "Q12 survey"

Training

At Żabka, we are committed to supporting our employees at every step of their development within the organisation. We offer a broad range of upskilling programmes through our Żabka Academy platform, which provides training programmes for employees at all levels, as well as for independent contractors and franchisees. Our specialised training covers areas such as logistics, IT, PowerBI, and Excel, as well as programmes to strengthen essential soft skills like change management, emotional intelligence, and assertive communication.

We also support the learning process with materials available on our e-learning platform. In addition to these resources, we offer specialised training for managers and high-potential individuals, who have the opportunity to advance their careers through sessions organised by renowned universities and talent development consultancies.

Key Indicators

23h
of training per employee
(+1% vs.2021)

58,566h
Total number of training hours

Leadership development

To support our intensive development and ambitious plans for the future, Żabka has implemented various training programmes focused on developing managerial competencies. These programmes include "Manager On", an introduction to the world of management for those new to leadership functions, "Manager Up", designed for middle and senior management, and "Manager High", which strengthens the leadership skills of our top talents.
We ensure equal access to development opportunities regardless of gender, age, or ethnicity. In addition, we are preparing a mentoring programme that emphasises strengthening female leaders, leveraging the experience of our staff.

Key Indicators

72.4%
of new managers promoted internally

Rewards & recognition

We strive to create an efficient, transparent rewards and recognition system that combines a stable base remuneration with pay-for-performance incentives. This builds trust and attracts the best talent who can contribute to our success. We monitor the effectiveness of our reward system through employee turnover and retention rates.
Żabka ensures that every employee is appreciated, respected, and treated equally which is confirmed by the EQUAL-SALARY certificate received in 2022. Żabka values employee engagement as a cornerstone of our success. We encourage our employees to actively participate in achieving our ESG goals by including specific objectives in their yearly performance scorecard, with the opportunity to earn additional bonuses for meeting these targets.

To measure and continuously improve employee engagement, we conduct regular Gallup "Q12 surveys," with our score showing steady improvement

Key Indicators

ESG element included in MBO

77th percentile
Gallup "Q12 survey"
(+11 percentiles vs. 2021)

Financial review

Żabka's excellent track record continues

Marta Wrochna-Łastowska

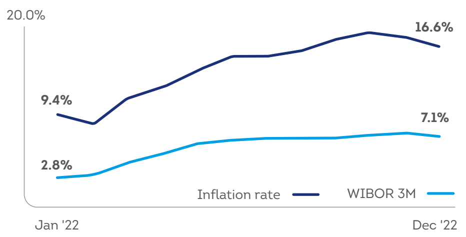
Since its inception, Żabka has consistently increased sales every year while maintaining a healthy profitability profile. Our business model is the cornerstone of our success, supported by digital transition, cost efficiencies, and ecosystem synergies. In 2022, by proactively managing various economic challenges, such as inflation, rising energy and salary costs, COVID-19, and geopolitical issues, we were able to safeguard our margins and continue growing. We also set new benchmarks in collaboration with banks, devising innovative ESG-linked financing solutions. Our finance function plays a critical role, providing real-time access to actual data. This enables us to support strategic decisions and provide immediate information on the results of investments creating real value for our shareholders.

My detailed introduction to our performance review is presented on the following page.

A resilient business model for turbulent times

Żabka has a proven track record of dynamic growth. Over the last two decades, in 2000-2021, our sales to end customers increased at a CAGR of 23%. 2022 was another highly successful year for Żabka, despite the challenging and dynamic external environment. We faced changes brought about by the COVID-19 pandemic, global economic downturn, further exacerbated by Russia's invasion on Ukraine. This resulted in increasing inflationary pressure and interest rates hikes. On the other hand, increased immigration from Ukraine translated into growing number of our customers.

Changes in inflation and interest rates in 2022



Source: Company analysis based on market data

We maintained our long-term sales to end customers increase (+28% YoY in 2022), which was attributed to the effective implementation of our growth strategy. We grew our physical network by 1,067 new stores in 2022, while demonstrating a consistent 4-wall EBITDA across all city sizes and store types. Exceptionally strong 17% Like-for-Like growth was driven by increasing engagement of customers, launch of new products and own brands in our strategic categories (QMS and food-to-go products). That has been additionally augmented by development of new services, usage of data and analytics to manage the assortment, pricing and store layout, further supported by high inflation and inflow of Ukrainian refugees. Our growth was also backed by our newest investment in digital touchpoints, represented by PLN 1,083 million GMV – marking a 16% increase in 2022.

One of our key achievements in 2022 was the successful management of inflationary pressure. As an example of how we addressed rising energy prices, we started implementing a pipeline of initiatives aimed at reducing energy consumption. These measures (including smarter store lighting and enhanced refrigerator efficiency) already saved us 10% of energy volume usage per store in 2022 (**for more see: Initiatives to reduce energy cost case study**). More initiatives will be implemented in 2023, when the full-scale benefits of this programme will become apparent.

A 31% increase in franchisee margin year on year reflects Żabka's focus on building sustainable relationships with our franchisees, which we see as a cornerstone of successful strategy execution. Effective cost management, combined with active margin management and optimal product mix, helped us to absorb growing energy prices and salaries, preserving the margin of our core business. In our pursuit of enhanced profitability, we take advantage of ecosystem synergies and incorporate AI and digital technologies into our processes. For instance, we use these technologies to ensure that newly opened stores are situated in the most favourable locations, **as described earlier in AI-driven selection of location case study**.

Our strategy is focused on expanding our ultimate convenience ecosystem across both physical and digital touchpoints, which is why we continue to reinvest funds in our business. In 2022, our capital expenditures (CAPEX) increased by 31% to PLN 1,430 million. Of this amount, 75% was growth-oriented, enabling us to open new stores, including the launch of the innovative Żabka Nano network, acquire new digital capabilities and expand our logistics capacity with a new automatic warehouse near Warsaw that will supply 3,500 stores (5,000 after further development). We are constantly enhancing our cloud infrastructure and digital channels, primarily through the development of Delio and Żabka Jush!. The investment in Digital Customer Offering, due to its very early stage, does not yet deliver positive results and had slightly negative impact on the overall margin delivered in 2022.

To support our ambitious growth strategy, we have established strong relationships with leading local and international banks to secure external financing. Our net debt (excluding leases) to adjusted EBITDA (post-rent) ratio has remained stable and healthy at 2.1, demonstrating our prudent approach to managing our finances. In early 2023, we successfully concluded our largest financing agreement to date, securing over PLN 6 billion of refinancing facility. This agreement was negotiated in 2022 and serves as a testament to the trust financial institutions have in our business and growth strategy.

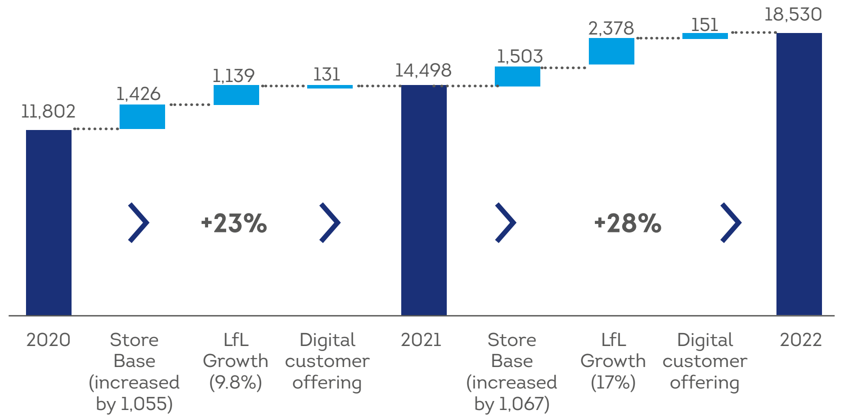
Highlights of financial performance

Selected KPI	2022	2021	Change	
Sales to end customers	**18,530**	**14,498**	**+28%**	**Successful implementation of our Strategy, with the key growth drivers being:**
Store network	9,021	7,954	+13%	**Opening 1000+ new stores every year of various formats in carefully selected locations**
LfL	17.0%	9.8%	+7.2 p.p.	**Increased store traffic and larger average basket size, supported by high inflation**
Franchisee margin	**2,898**	**2,208**	**+31%**	**Increasing franchisee base as a result of store network expansion**
Franchisee margin as % of Modern Convenience sales to end customers	*15.9%*	*15.4%*	*+0.5 p.p.*	**Attractive franchisee margin compared to local benchmarks**
Adjusted EBITDA	**2,418**	**1,989**	**+22%**	**Maintaining attractive profitability profile despite inflationary pressure**
Adjusted EBITDA margin	*13.1%*	*13.7%*	*-0.6 p.p.*	**Investments in digital startups and franchisee margin**
GMV of digital consumer offering	**1,083**	**930**	**+16%**	**Growing market opportunity**
Net cash flow from operating activities	**2.211**	**2.072**	**+7%**	**Significant cash flow from operating activities generated by our business**
CAPEX	**1,430**	**1,089**	**+31%**	**Funding further growth**
Net debt (excl. real estate leases) / adjusted EBITDA (post-rent)	**2.1x**	**2.6x**	**-0.5x**	**Deleveraging and healthy financial position**

Our income statement analysis

	2022	2021
Sales to end customers	**18,529.9**	**14,497.9**
Franchisee margin	**(2,898.0)**	**(2,207.9)**
Other adjustments	371.5	203.4
Statutory revenue	16,003.4	12,493.4
Cost of sales	(13,014.2)	(10,119.7)
Gross profit	**2,989.2**	**2,373.7**
Gross profit margin	*16.1%*	*16.4%*
Marketing costs	(211.9)	(133.6)
SG&A	(316.5)	(213.4)
Technology, innovation and development	(178.3)	(124.0)
Other costs	52.5	(11.8)
EBITDA	2,335.0	1,890.9
EBITDA margin	*12.6%*	*13.0%*
Adjustments	83.5	97.7
Adjusted EBITDA	**2,418.5**	**1,988.5**
Adjusted EBITDA margin	*13.1%*	*13.7%*
Depreciation and amortisation	(1,114.1)	(915.4)
Financial income and costs (net)	(644.0)	(310.7)
Profit before tax	**576.9**	**664.8**
Income tax expense	(192.7)	(153.9)
Net profit	**384.2**	**510.9**
Net profit margin	*2.1%*	*3.5%*

Change of Sales to end customers between 2020 and 2022 (in PLNm)



Sales to end customers

We measure that as the total value of receipts from cash registers of Żabka stores plus sales from the digital customer offering.

The growth drivers

Sales to end customers in 2022 increased by 28% to PLN 18,530 million driven primarily by store expansion, Like-for-Like (LfL) growth, and development of Digital Customer Offering (DCO).

By diversifying these growth drivers, we have become more resilient to the economic turbulence resulting from the COVID-19 pandemic and the recent Russian aggression against Ukraine.

Store expansion

In 2022, Żabka opened 1,131 new stores and closed only 64, resulting in a net increase of 1,067 stores and bringing the total store network to 9,021 locations at year-end. The expansion contributed to a year-on-year sales increase of PLN 1,503 million (PLN 1,426 million in 2021).

We rely on highly selective and rigorous planning processes for store expansion, utilising advanced AI and data solutions to identify the most optimal locations.

With these solutions in place, new stores quickly deliver their expected maturity allowing us to maintain a competitive payback period despite the increase in network expansion cost.

Like-for-Like growth

In 2022, LfL growth added PLN 2,378 million to sales to end customers, compared with PLN 1,139 million in 2021.

The LfL growth was driven by a balanced mix of store traffic (i.e. number of receipts) and basket size (i.e. value of receipts). The former was based on both organic growth and inflow of Ukrainian refugees, while the latter was largely supported by inflation. To further stimulate foot traffic and basket growth, we undertake a variety of initiatives. They include store layout optimisation; leveraging AI and advanced analytics for personalised promotions, pricing and assortment selection; roll-out of new services; and stronger emphasis on strategic product categories, with a primary focus on Quick Meal Solutions (see case study below). This approach ensures consistent growth for each Żabka store, irrespective of its geographical location.

	2022	2021
Number of stores (beginning of the period)	7,954	6,899
New stores	1,131	1,100
Closures	(64)	(45)
Closures compared to all stores	0.8%	0.6%
Number of stores (end of the period)	9,021	7,954
LfL	17.0%	9.8%
Sales to end customer per store* (in PLNk)	2,150	1,935

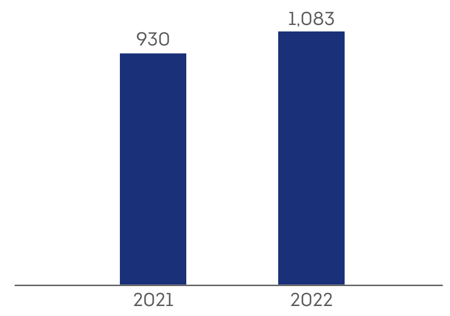
*Sales to end customers excluding the digital ecosystem offering, divided by average number of stores for the period

Digital Customer Offering

In 2021, we opened our first Żabka Nano autonomous stores and acquired Maczfit and Dietly, entering the D2C meals market. We also launched Żabka Jush! in 2021 and Delio q-commerce solutions in 2022. These moves resulted in approximately 15% dynamics of DCO revenue year on year, and 16% GMV growth in the same period.

DCO is now our latest growth driver, and we anticipate it will reach its full potential in the years to come.

GMV of digital offering (in PLNm)



Case study
Quick Meal Solutions

Our Quick Meal Solutions (QMS) product category exemplifies our strategic dedication to providing unparalleled convenience and optimising our customers' time. We present a diverse array of ready-to-eat solutions, encompassing offerings from Żabka Café, classic quick snacks and beverages, and ready-to-heat items. We take great care in curating our QMS products, and we take pride in our customers' appreciation of our selections, as demonstrated by QMS emerging as the fastest-growing product category within Żabka. In 2022, this category delivered a revenue growth of nearly 50% over 2021, attaining a 10% share in the structure of in-store sales.

Our proprietary brands and Żabka Café constitute the majority of our QMS assortment, presenting a unique opportunity to develop customer-centric products while maintaining control over profit margins. As one of our most lucrative product categories, QMS plays an instrumental role in driving store traffic and stimulating customer visits.

We are confident that our ongoing endeavours to digitise our operations through q-commerce and autonomous stores, coupled with our commitment to integrating ESG principles, such as promoting sustainable lifestyles through our own-brand products, will result in further dynamic expansion of our QMS offerings.

Franchisee margin

	2022	2021
Modern Convenience sales to end customers*	18,246.1	14,361.3
Franchisee margin*	(2,897.2)	(2,208.0)
Franchisee margin increase vs PY	*31.2%*	*26.1%*
% of sales to end customers	*15.9%*	*15.4%*
Increase in ppt	0.5	0.5
Franchisee margin per store (in PLNk)	354	307

*Sales to end customers and franchisee margin excluding the digital customer offering

Franchisee margin represents the amount the franchisees earn from selling products to the customers.

In 2022, the franchisee margin grew by 31.2% to PLN 2,897.2million (PLN 2,208 million in 2021), largely due to improved sales per store, expansion of our network and continued investment in building engagement and satisfaction of our franchisees.

Our commitment to improve attractiveness of cooperation with Żabka as a franchisee is underpinned by increasing franchisee margin per store (from PLN 307 thousand in 2021 to PLN 354 thousand in 2022) as well as franchisee margin representing larger portion of sales to end customers (from 15.4% in 2021 to 15.9% in 2022).

We are aware that our success depends on selecting and retaining the best partners, so we ensure that our franchisee offering remains best in class. Our approach resulted in franchisees' NPS score increase by 13 points in 2022 as well as decrease in voluntary churn rate from 10.5% in 2021 to 7.7% in 2022.

Statutory revenue

To accurately reflect our business's commercial performance, we focus our analysis on sales to end customers, rather than statutory revenue. To build the bridge between statutory revenue and sales to end customers, we make adjustments, the key one being related to the franchisee margin, which is not included in the statutory revenue.

We also make adjustments for regional sales, which are sales of products that franchisees purchase from providers other than Żabka, as well as for store inventory changes that may result in timing differences between sales from Żabka to franchisees and sales from franchisees to end customers.

For more information on statutory revenue, please refer to note 5.1 in our Consolidated financial statements.

Cost of sales

By costs of sales we recognise cost of goods sold and services rendered (**detailed information in note 5.2 in our Consolidated financial statements**). We strive to keep these costs under strict control despite inflationary pressures. Most important adverse factors were related to growing cost of fuel, electricity and salaries, which we managed to significantly offset by improved effectiveness, growing scale effects and data & process automation, as well as using advanced IT solutions (also for the benefit of our franchisees, **for details see Supporting our franchisees case study**). Cost of sales level is also positively impacted by improving our terms of trade and collaboration with suppliers. We have partially compensated for major energy cost increases through our energy-saving initiatives, **as outlined in Initiatives to reduce energy cost case study**. The full-scale benefits of these actions will be visible in the following years.

Gross profit

In 2022, our gross profit increased by 25.9%, to PLN 2,989.2 million, with a 0.2 percentage points (24 basis points) decrease in the gross margin, to 16.1%.

We were able to safeguard our profitability level thanks to:

- pace of expansion which increased Żabka's purchasing power,
- enabling competitive procurement thereby increasing gross margins improving our sales mix (increasing share of most profitable products and services),
- effective management of prices and promotions, e.g. by active price segmentation and diversification.

Marketing, general, administrative and technology costs

Our marketing costs increased in 2022, reaching PLN 211.9 million, which represents 1.1% of sales to end customers (0.9% in 2021). This increase is primarily due to the launch of our new brand positioning campaign, "Free up free time," which seeks to refresh our marketing communication and reach new customer groups, and the launch of new digital brands Jush!, Delio and Nano.

	2022	2021
EBITDA	**2,335.0**	**1,890.9**
EBITDA margin	12.6%	13.0%
Adjustments:		
(1) Result on disposal of property, plant and equipment and the right-of-use asset and inventory differences	4.9	3.5
(2) Employees and franchisees protection in relation to the COVID-19 pandemic and donation costs	13.4	27.9
(3) Group reorganisation costs	7.5	10.6
(4) Costs related to changes in the ownership structure and obtaining financing	25.9	17.4
(5) Acquisition of new companies	8.1	20.3
(6) Incentive schemes and additional compensation in connection with the termination of cooperation with key employees	23.7	17.9
Adjusted EBITDA	**2,418.5**	**1,988.5**
Adjusted EBITDA margin	13.1%	13.7%

SG&A (selling, general, and administrative) expenses increased in 2022 to PLN 316.5 million and represented 1.7% of sales to end customers (1.5% in 2021). The primary reason for the increase is the one-off strengthening of our organisational structures across the Group companies, driven by their dynamic growth. Additionally, the employee remuneration costs increased in 2022 due to the higher bonus payment which was based upon excellent 2022 business results.

Our technology, innovation, and development costs increased in 2022, to PLN 178.3 million, and represented 1.0% of sales to end customers (0.9% in 2021), as we continued to invest in AI capabilities and develop the key IT applications, also negatively impacted by cost of cloud storage.

EBITDA

We report EBITDA within our financial statements, however in order to better reflect our business performance we make certain adjustments for one-off costs, including changes in ownership structure, raising new financing, group reorganisation, COVID-19-related measures, donations for Ukraine, and asset disposals, our EBITDA for 2022 came in at PLN 2,418.5 million, with a margin of 13.1% as a percentage of sales to end customers.

The decline in EBITDA margin and adjusted EBITDA margin is mostly attributed to our strategic investment in the fast-growing Digital Customer Offering, which is still in the early development phase.

In 2022, we managed to prevent inflationary pressures from deteriorating the profitability of our core business.

Net profit

Net profit and net profit margin are mainly driven by items described before in this section, with three additional factors reported below the EBITDA level:

- Depreciation and amortisation charges,
- Financial income and costs,
- Income tax expense.

Depreciation and amortisation costs increased in 2022 by 21.7% (less than sales growth), to PLN 1,114.1 million, on the back of network expansion, increase of right-of-use assets as a result of indexation of rent costs, and strategic investment in the development of new technologies.

Financial income and costs increased in 2022 by 107.3%, to PLN 644.0 million, driven mainly by the higher interest rate environment (the main interest rate WIBOR 3M increased from an average of 0.55% in 2021 to 6.04% in 2022).

Cash flow analysis

Active cash flow management

Żabka's finance function is a unique blend of proactivity, predictability, and top-tier competence. This is a recipe to excel in managing over PLN 2 billion cash flow from operating activities, with active management of net working capital, a sharp focus on cash conversion, and attractive store payback.

	2022	2021
Net cash flows from/(used in)		
operating activities	2,211.4	2,072.3
investing activities	(1,030.1)	(1,343.0)
financing activities	(1,370.4)	(629.5)
Net change in cash and cash equivalents	**(189.2)**	**99.8**

For more details on cash flows please refer to the Consolidated statement of cash flows in our Consolidated Financial Statements.

Cash flows from operating activities

In 2022, we generated a net cash inflow of PLN 2,211.4 million, representing a 6.7% increase. The increase was primarily driven by higher EBITDA and a release of cash from working capital. We have a structurally negative working capital profile, as our trade payables are significantly larger than our inventory and trade receivables.

Cash flows from investing activities

In 2022, net cash flow used in investing activities was PLN 1,030.1 million (a 23.3% increase on 2021) and stood at 5.6% of sales to end customers. The largest portion of our capital expenditure is targeted towards funding future growth and is discretionary. It includes:

- network expansion (we opened 1,131 new stores in 2022),
- development of the logistics network (mainly the new automated distribution centre in 2022),
- development of the Digital Customer Offering,
- digital transformation, IT systems and technology investments.

Maintenance CAPEX historically has stayed at a very modest rate below 2% of sales to end customers and includes mainly store, logistics, head quarters and IT maintenance CAPEX.

Cash flows from financing activities

In 2022, net cash used in financing activities amounted to PLN 1,370.4 million (117.7% increase on 2021). The funds were used for repayment of loans and borrowings and lease liabilities, together with interests.

In accordance with IFRS 16, the Group recognises right-of-use assets (ROU) and related lease liability related to almost all Żabka stores. The related payments recognised under financing activity were PLN 733.6 million.

For additional information, please refer to the discussion of net debt in the financial position analysis section.

Free cash flow

Besides the financial statement perspective of showing cash flows within a different category, we also analyse how much cash is left for capital providers, i.e. free cash flow (FCF). Despite significant growth of CAPEX (+31% YoY), we still managed to deliver almost PLN 0.5 billion of FCF.

	2022	2021
Adjusted EBITDA	**2,418.5**	**1,988.5**
Rent	(681.5)	(562.6)
CAPEX	(1,429.7)	(1, 089.0)
Changes in working capital	162.9	272.0
Free cash flow	**470.2**	**608.9**

Case study
Seamless execution of flagship investment

We actively participated in the development of the Radzymin logistics centre as an engaged warehouse space investor. We managed the project in collaboration with a developer who provided technical expertise. This approach ensured the logistics centre will fully satisfy our requirements, and helped us maintain control over deadlines, selection of the applied solutions and the quality of materials used. Based on that we were able to improve the project's payback period and ROI.

We will operate the logistics centre via a sale and leaseback transaction with an investor, Macquarie Asset Management, who acquired the project in 2022. The deal was structured and signed prior to the initiation of the project, which allowed us to significantly mitigate the related risks. Such a structure resulted in PLN 64.7 million gain on sale and leaseback agreement recognized in 2022, improving our EBITDA results.

Financial position analysis

	31.12.2022	31.12.2021
Goodwill	3,387.3	3,387.3
Property, plant and equipment	2,842.2	2,313.6
Right-of-use assets	3,316.5	2,872.4
Loans granted	12.8	1,526.2
Other	972.2	778.0
Non-current assets	**10,531.0**	**10,877.5**
Inventory	595.9	424.6
Trade receivables	1,662.9	1,263.3
Cash and cash equivalents	276.6	465.7
Other	226.5	177.8
Current assets	**2,761.9**	**2,331.4**
Total assets	**13,293.0**	**13,208.8**
Loans and borrowings	3,392.7	3,698.2
Lease liabilities	3,023.4	2,565.5
Other	242.4	288.4
Non-current liabilities	**6,658.5**	**6,552.1**
Loans and borrowings	481.8	342.7
Lease liabilities	567.3	496.2
Trade payables and other financial liabilities	4,433.6	3,702.5
Other	569.0	353.1
Current liabilities	**6,051.7**	**4,894.5**
Total liabilities	**12,710.2**	**11,446.6**
Total equity	**582.7**	**1,762.2**

Amounts presented above may not sum up due to rounding.

Our consistent growth is facilitated by prudent management of our financial position, resulting in a robust financial condition despite the challenges of the current market environment.

Assets

The largest items of our non-current assets are:

i) goodwill (PLN 3,387.3 million at the end of both 2022 and 2021); goodwill in the amount of PLN 3,166.3 million was recognised in 2017 when the Group purchased all the shares of Żabka Polska S.A.; the increase in the goodwill in 2021 to PLN 3,387.3 million resulted from acquisition of Maczfit Foods sp. z o.o. and Masterlife Solutions sp. z o.o. (Delio catering platform); there was no change in goodwill in 2022,

ii) property plant and equipment (PLN 2,842.2 million as at 31 December 2022, compared with PLN 2,313.6 million as of 31 December 2021) represented mostly by physical infrastructure in stores, logistics assets and the headquarters,

iii) right-of-use assets (PLN 3,316.5 million as of 31 December 2022 compared with PLN 2,872.4 million as at 31 December 31), primarily due to lease contracts for stores, logistics centres, and the headquarters, as well as for cars and forklifts.

The decrease in non-current assets by PLN 346.5 million (3.2%) primarily resulted from the derecognition of loans granted following a business combination (for details see Equity part further on this page and **note 3 in our Consolidated Financial Statements**).

However, this was partially offset by the store expansion (1,067 net increase of points of sale in 2022) and capital expenditure on the logistics centre in Radzymin.

Trade receivables (PLN 1,662.9 million as at 31 December 2022) are a core element of our current assets, primarily comprising receivables from franchisees and mostly secured with in-store inventory. These characteristics significantly reduce our credit-risk exposure, **as discussed in the Financial risks section**. Other key components of the current assets include inventories (PLN 595.9 million as at 31 December 2022) and cash and cash equivalents (PLN 276.6 million as at 31 December 2022).

The growth of our operations is reflected in a 18.5% increase in current assets, with trade receivables and inventories behind most of the increase. Trade receivables rose by PLN 399.6 million (31.6%) and inventories by PLN 171.3 million (40.4%).

Equity

The Group's equity was PLN 582.7 million as at 31 December 2022.

The decrease by PLN 1,179.5 million (66.9%) compared to 31 December 2021 resulted primarily from the effect of business combination completed in 2022. On 18 May 2022, a cross-border merger was effected through the acquisition by Żabka Polska sp. z o.o. of its sole shareholder, i.e. the Luxembourg company Heket Holdings S.á r.l. (reverse merger). In exchange, all shares in Żabka Polska sp. z o.o. were delivered to the sole shareholder of the acquiree, Żabka Group S.A.

For more details on equity see note 7.2 and **3 to our Consolidated financial statement.**

Net debt

Our debt ratios continue to be enhanced due to our growing business and increased EBITDA. Management uses various financial ratios to measure Żabka's indebtedness, including:

- net debt (excluding real estate leases),
- net debt (excluding real estate leases) to adjusted EBITDA (post-rent)[1],
- net debt (including leases),
- net debt (including leases) to adjusted EBITDA.

As at 31 December 2022, net debt (excluding real estate leases) remained at a safe level, having increased slightly by PLN 52.3 million (1.4%) to 3,691.1 million.

The increase was primarily due to a PLN 166.3 million (4.1%) decrease in loans and borrowings, to PLN 3,874.5 million, mainly on partial repayment of the syndicate facility, partly offset by a PLN 29.5 million (46.3%) increase in lease liabilities (other than real estate leases) and a PLN 189.1 million (40.6%) decline in cash and cash equivalents.

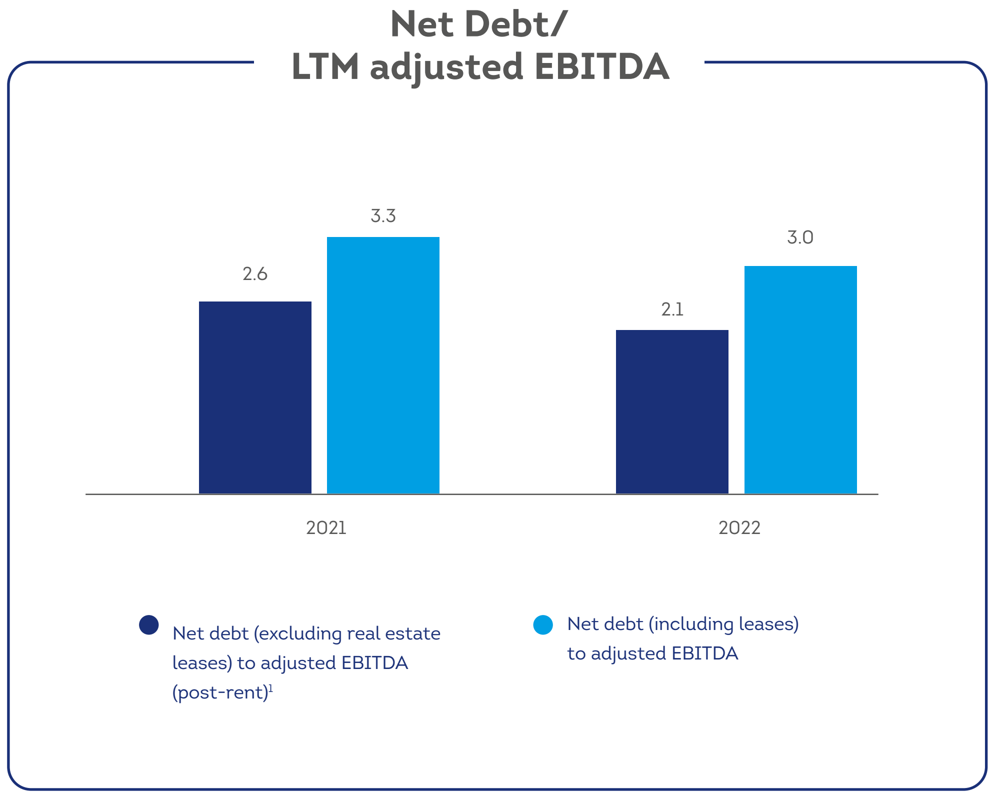
We have grown our business over the last three years increasing our EBITDA and despite significant growth CAPEX and financing the Maczfit and Dietly acquisition in 2021, we have a strong deleveraging profile. Our ratio of net debt (excluding real estate leases) to adjusted EBITDA (post-rent)[1] ratio decreased from 2.6 in 2021 to 2.1 in 2022.

In January 2023, the Group finalised the refinancing process entering into a new loan agreement with a bank syndicate at a total amount of PLN 5,110.0 million and EUR 186.1 million. First tranches of PLN 4,000.0 million and EUR 186.1 million have been drawn with the repayment date falling up to 2029. This agreement is an example of our ESG-linked financing **which is described in the case study.**

Other liabilities

Apart from lease liabilities and loans and borrowings, trade payables and other financial liabilities comprises the largest component of Żabka's liabilities, of PLN 4,475.0 million at year-end 2022. This represented an increase of PLN 734.9 million (19.6%) driven by growing sales.

	31.12.2022	31.12.2021
Loans and borrowings	3,874.5	4,040.8
Lease liabilities (other than real estate leases)	93.2	63.7
Less cash and cash equivalents	(276.6)	(465.7)
Net debt (excluding real estate leases)	**3,691.1**	**3,638.8**
Lease liabilities (real estate leases)	3,497.5	2,998.0
Net debt (including leases)	**7,188.6**	**6,636.8**
Adjusted EBITDA (post-rent)[1]	1,737.0	1,425.9
Net debt (excluding real estate leases) to adjusted EBITDA (post-rent)[1]	**2.1**	**2.6**
Adjusted EBITDA	2,418.5	1,988.5
Net debt (including leases) to adjusted EBITDA	**3.0**	**3.3**



1. Alternative Performance Measure represented by adjusted EBITDA reduced by rent (real estate rent cost as incurred).

Financial instruments and financial risks

Financial instruments, including their impact on the Consolidated statement of profit or loss and other comprehensive income, **are described in note 8.1 in our Consolidated Financial Statements.**

Financial risks

2022 was marked by exceptional inflation, escalating interest rates, and fluctuations in exchange rates, resulting in an unparalleled operating environment.

However, our approach of careful monitoring combined with proactive financial risk management proved to be effective under such challenging circumstances. We managed not only to preserve the value, but also to continue with the expansion of our business.

Below is a summary of the key financial risks that we are exposed to, along with the corresponding responses by management. **For more information, please refer to note 8.2 in our Consolidated Financial Statements.**.

Market risk – Interest rate risk

Key source of exposure
- cash investments
- financing based on variable interest rates – most significant: loans and borrowings (PLN 3,874.5 million at 31 December 2022)

Management method
- proper mix of liabilities based on fixed and variable interest rates

Other relevant information
- a 1 p.p. rise in rates of interest for loans and borrowings (largest exposure) would increase financial cost by PLN 38.8 million

Market risk – Foreign currency risk

Key source of exposure
- financial assets and liabilities in currencies other than the functional currency, in particular lease liabilities (PLN 100.5 million at 31 December 2022) and cash and cash equivalents (PLN 47.4 million at 31 December 2022)
- exposure not significant

Management method
- monitoring payments in currencies other than the Polish zloty
- currency hedges with derivatives

Other relevant information
- largest exposures mainly to EUR, but also GBP and USD

Credit risk

Key source of exposure
- trade receivables (mostly related to the large number of franchisees; secured with inventory at Żabka stores)
- loans granted
- cash and cash equivalents

Management method
- minimising the concentration of risk
- inventory pledged as security
- verification prior to grant of trade loan
- continuous monitoring
- accounts held with high-rating banks

Other relevant information
- trade receivables representing 81.2% of credit risk exposure

Liquidity risk

Key source of exposure
- financial liabilities (loans and borrowings, lease liabilities, trade payables)

Management method
- monitoring using liquidity planning tool
- use of factoring and reverse factoring agreements

Other relevant information
- available reverse factoring limits (PLN 115.6 million at 31 December 2022) and credit lines (PLN 662.5 million at 31 December 2022) offer safety buffer useful in current unstable environment

Case studies

ESG-linked financing

An increasing number of financial institutions are taking ESG aspects into account when making investment decisions. We are proud that our ambitious Responsibility Strategy is gaining recognition from an increasing number of local and international banks, which in turn enables us to explore additional financing opportunities that align with our ESG goals and support our growth objectives.

In 2022, we entered into five new financing agreements with a total value exceeding PLN 800 million. These agreements include factoring, reverse factoring, and leasing contracts, all of which are ESG-linked. Some of these agreements are also among the first of their kind in Poland.

In early 2023, we entered into our largest financing agreement to date with a syndicate of banks. The terms of the agreement link the bank margin to our achievement of ESG goals, reflecting our commitment to sustainable business practices, which include reducing Scope 1 & 2 emissions and Scope 3 intensity at stores, as well as increase of sales of own-brand food products promoting sustainable lifestyle.

Initiatives to reduce energy cost

The year 2022 experienced significant volatility in energy costs, as average Day-Ahead electricity prices doubled compared to 2021 (source: Polish Power Exchange). Based on detailed research from prior years, we initiated investments in photovoltaics to stabilise electricity costs and enhance our resilience to market fluctuations. In 2022, we identified and implemented several energy consumption reduction measures in two areas:

1. Smarter store lighting – optimisation of energy consumption for store illumination (turning off lights and displays when unnecessary or installing smart sensors to activate lighting only when required).

2. Cooling optimisation – maximising efficiency and minimising energy losses, e.g. by introducing more energy-efficient refrigerators.

These energy-saving initiatives led to cost reductions of 10% of energy volume usage per store and are expected to generate substantial savings in 2023. Continuously searching for improvements in electricity consumption reduction has become an integral part of our process, and we anticipate launching even more initiatives in 2023.

Corporate governance and leadership team

Żabka is focused on high-quality governance, as an integral part of its business growth

Our effective and tailored governance, a cornerstone of Żabka's ability to create outstanding value

Krzysztof Krawczyk, Chairman of the Supervisory Board

What is your role in Żabka and how do you perceive it?

As the Chairperson of the Supervisory Board of Żabka Polska Sp. z o.o., the parent of Żabka Group business in Poland, my position is equivalent to that of a non-executive director in the US or UK. In this role, I manage a group of senior professionals who comprise the Żabka Supervisory Board, and I have a statutory responsibility to fulfil.

My position is derived from my representation of CVC, the shareholder with a controlling interest in Żabka Group. As a result, I work closely with the Management Board on a daily basis to develop, adjust, and execute the Group's strategy. It is crucial that this strategy aligns with the goals of CVC while also maximising the value of Żabka Group and considering the interests of other stakeholders.

Why is good governance so important?

From my business experience, I have found that a well-developed governance structure leads to improved business performance, making it more sustainable and open to new opportunities. Good governance involves experienced managers achieving long-term goals with clearly defined responsibilities and accountability. It is essential in today's uncertain business environment and helps organisations better understand current risks, hence enables the creation of strategies to mitigate them. Establishing robust governance processes enables seamless integration of a company's strategy into its operations. Even the best company strategy will not succeed without high governance standards. Lack of clearly defined responsibilities or necessary business experience of managers, can cause a company to simply 'float' rather than stay on course to achieve its long-term goals.

Effective and transparent structures and processes are absolutely crucial for CVC and other shareholders of Żabka. It is essential that our holding companies or borrowers operate with highest standards. I am pleased to say that Żabka Group serves as a model example of this idea being implemented in practice.

Żabka's not a public company. How does it affect the applied governance framework?

The hallmarks of a good governance framework are consistent across public and private companies, including the delivery of key business information to appropriate governing bodies in an organised and structured manner, and the implementation of sound compliance systems. Although Żabka is not a public company and is not subject to the same governance standards, the company's team is committed to developing and improving its governance framework to closely align with those standards while preserving and benefiting from its private company status. At Żabka, we strive to adopt best-in-class solutions and go the extra mile in everything we do, including our approach to ESG. We have implemented several governance mechanisms commonly used by public companies, including a compliance framework featuring a code of ethics and anti-corruption policies, as well as structured risk management and internal audit functions. These internal controls and risk management functions are comparable to those found in the most reputable public companies. Through these efforts, Żabka Group is on its way to implementing a governance framework comparable to that of the public companies recognised for their superior practices.

What does Żabka's governance structure look like?

Żabka, as a Polish limited liability company, has a Management Board responsible for daily operations and a Supervisory Board overseeing the company's activities and making decisions on material transactions. Both boards are composed of highly experienced professionals with minimal rotation.

The Management Board not only focuses on the company's long-term goals but is also actively involved in establishing those goals. Each board member is responsible for specific business units or corporate functions, reporting to the President of the Management Board. Material decisions are made collectively by the board.

In addition to the Management and Supervisory Boards, Żabka's governance structure includes three dedicated committees: one focused on value creation, one dedicated to ESG matters (including climate concerns), and one focused on risk management and compliance. The work of these committees helps Żabka to stay competitive in a changing business environment, meet the expectations of its stakeholders, and remain in full compliance with relevant laws.

What lies ahead for Żabka in terms of its governance?

This year, although not a public company, we have taken steps to invite independent board members to join our Supervisory Board. These individuals bring an objective perspective to the evaluation of our company's performance and management, while contributing their knowledge and experience to the company's success. Notably, our new independent board members are women. At Żabka, we take pride in our commitment to gender diversity, with a 50/50 proportion of men and women on our Management Board. We are pleased to extend this commitment to our Supervisory Board.

In addition, we will continue to refine our compliance framework at Żabka Polska Sp. z o.o. and other companies within Żabka Group.

Żabka's leading supervisory and management teams combine global expertise with an innovative, disruptive mindset

Our Supervisory Board

Giulia Fitzpatrick
Member of the Supervisory Board
Appointed: 21 November 2022

Olga Grygier-Siddons
Member of the Supervisory Board
Appointed: 21 November 2022

Krzysztof Krawczyk
Chairman of the Supervisory Board
Appointed: 18 April 2017

Jean-Rémy Roussel
Member of the Supervisory Board
Appointed: 18 April 2017

István Szöke
Member of the Supervisory Board
Appointed: 18 April 2017

Stephan Schäli PhD
Member of the Supervisory Board
Appointed: 16 December 2020

Mr Jacques de Vaucleroy served as a member of the Supervisory Board from his appointment on 11 May 2017 untill his resignation on 20 September 2022.

The Supervisory Board's role is to oversee and advise the Management Board to ensure the effective execution of the Group's value creation strategy. This includes the appointment, removal, or suspension of Management Board members, setting their remuneration, and providing approval for major decisions and transactions. The Supervisory Board also authorises the annual budget, reviews financial statements, and appoints or removes the company's auditor. The diverse experience and different competencies of the Supervisory Board members enhances their ability to support the Management Board in its daily operations.

Through 2022, the Supervisory Board held five meetings to review the Group's trading, operational, financial, and non-financial performance. A critical theme was the impact of rising inflation rates and the conflict in Ukraine on the Group's business operations, as well as the Management Board's actions to counteract these events.

The Supervisory Board also fulfilled its obligation to ratify all Management Board submissions consistent with applicable laws and Żabka Polska Sp. z o.o.'s articles of association. This included providing consent to financing agreements and the acquisition of shares in new companies for investment purposes, such as new channels and places of development and distribution.

The biographies of the Supervisory Board members are set out below and on the following pages.

Giulia Fitzpatrick

Member of the Supervisory Board

Giulia Fitzpatrick is a non-executive director on profit and non-profit Boards as Chairperson and Board Member. Her current Board mandates include: Worldline S.A., a CAC40 Paris Euronext listed company, where she sits on the ESG and Audit Committees and PostFinance AG, the fourth largest Swiss retail bank, where she chairs the Board IT and Digitalization Committee. She recently finished a mandate as Board Chair of Quintet Private Bank (Switzerland) AG.

She has 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 Bankers Trust, National Securities Clearing Corporation, Instinet, Merrill Lynch, UBS, and at Bunge Ltd, one of the largest global agricultural commodities processor. She holds an MBA in Finance and an MA in International Studies from the Wharton school and the University of Pennsylvania, respectively

Olga Grygier-Siddons

Member of the Supervisory Board

Olga Grygier-Siddons serves on numerous boards, including Millennium Bank and University of Silesia. She 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.

Having graduated from University of Manchester, Olga spent 30+ years working in the professional services environment, advising private and public sector clients in more than 30 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, later CEO of PwC Central and Eastern Europe and a Member of the PwC Global Strategy Council.

Olga 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.

Krzysztof Krawczyk

Chairman of the Supervisory Board

Krzysztof Krawczyk is a Head of Warsaw office and a Partner at CVC Capital Partners, one of the world's leading private equity and investment advisory firms. He is also a board member of CVC's portfolio companies such as Żabka, D-Marin, AR Packaging and Stock Spirits Group.

Krzysztof has over 20 years of successful track record in European private equity and he served on the boards of numerous private and publicly-listed companies in telecom, media, manufacturing, logistics and healthcare sectors throughout CEE region.

Prior to joining CVC, Krzysztof was Managing Partner at Innova Capital, a leading mid-market private equity firm in Central Europe. Krzysztof also worked at Pioneer Investment, a Poland-based private equity fund, and Daiwa Institute of Research, an advisory arm of Japanese investment bank Daiwa. He is a member of The Polish Business Roundtable, an association of founders and CEOs of the largest companies operating in Poland and a Board Member of Valores, which is a first venture philanthropy fund in the CEE region.

Krzysztof holds a degree (with Honours) in Finance & Banking from the SGH Warsaw School of Economics. He is also an alumnus of Executive Program at Harvard Business School. Krzysztof has been awarded a PE Person of the Year for 2015 and 2017 by members of Polish Private Equity Association.

Jean-Rémy Roussel
Member of the Supervisory Board

He is a graduate of Business Administration from the University of Michigan and an MBA graduate from the Harvard Business School. Managing Partner, at CVC Capital Partners since 2008. He gained experience among others in TPG and Mars Inc. He is a member of the supervisory board with experience in risk management. Oversees the implementation of the Responsibility Strategy (ESG).

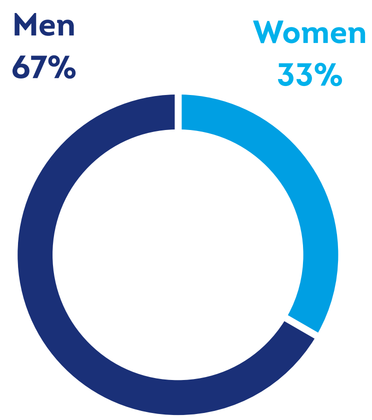
István Szőke
Member of the Supervisory Board

Managing Partner at CVC Capital Partners, which he joined in 2008. At CVC István oversees operations in CEE and the Middle East. He was previously a partner at Advent International and the founding managing partner of Eastern Heritage Capital, a Swiss asset management company. István started his career at Bankers Trust and is an MBA graduate from the Wharton School of the University of Pennsylvania.

Stephan Schäli PhD
Member of the Supervisory Board

Stephan Schäli PhD is the Chief Investment Officer of Partners Group and member of the Global Executive Board, based in Zug. He is also Deputy Chairman of the Global Investment Committee, Chairman of the Global Portfolio Committee and a member of the Private Equity Growth Investment Committee. He has been with Partners Group since 1999 and has 24 years of industry experience. Prior to joining Partners Group, he worked at UBS and Goldman Sachs & Co. He holds an MBA from the University of Chicago, Booth School of Business, Illinois, USA and a PhD in business administration from the University of St. Gallen (HSG), Switzerland.

Supervisory Board gender diversity



Supervisory Board tenure

0-1 years	2
1-2 years	0
2-3 years	1
3-4 years	0
4-5 years	0
5-6 years	3

Our Executive Management Board

The Management Board at Żabka oversees the daily operations of the company while providing strategic guidance and direction. Tasked with establishing the company's overall goals and objectives, the Board is also responsible for formulating policies and procedures to ensure their successful achievement. Each Board member supervises and assumes responsibility for a major business line or corporate function within the company.

Our Management Board configuration allows rapid, multidirectional development, taking care of the continuous effective growth of the main business (Żabka Polska) and the development of new innovative ideas and businesses (Żabka Future). It also allows us to achieve synergies as part of operating a diversified Group. Furthermore, the Board plays a pivotal role in supervising the company's management, making crucial decisions on matters such as executive appointments and dismissals, salary determination, and resource allocation.

The Management Board remains steadfast in its commitment to the ongoing development of Żabka Group, striving to create a unique ecosystem of convenience solutions. With a strategy centred around three key elements – modern convenience format transformation, technological advancement, and responsibility integration – the Board diligently works towards implementing this vision and closely monitors progress.

The Management Board plays a leading role in executing the Responsibility Strategy. In addition to initiating numerous planned actions, such as finalising the EQUAL-SALARY certification to demonstrate commitment to promoting diversity and inclusion, the Board took decisive steps in 2022 in response to the Ukraine conflict. Exceptional actions were undertaken to support those in need (for details see Supporting Ukraine case study). These unprecedented circumstances also necessitated the implementation of risk management measures to mitigate any potential impact on our business.

Tomasz Suchański
CEO
Appointed: 3 April 2018

Business units

Żabka Polska

Adam Manikowski, PhD
Executive Vice President of the Management Board,
Managing Director of Żabka Polska
Appointed: 13 June 2018

Żabka Future

Tomasz Blicharski
Executive Vice President of the Management Board,
Managing Director of Żabka Future
Appointed: 3 April 2018

Strategic Leadership

Customer

Anna Grabowska
Executive Vice President of the Management Board,
Chief Commercial Officer
Appointed: 13 June 2018

Finance

Marta Wrochna -Łastowska
Member of the Management Board,
Chief Financial Officer
Appointed: 1 January 2021

People

Jolanta Bańczerowska
Member of the Management Board,
Chief People Officer
Business Services Centre
Appointed: 17 April 2020

Corporate functions

Legal and Compliance

Corporate Affairs

Value Creation Plan Officer

External Financial Communications

Division of responsibilities among the Executive Board members

The responsibilities of Management Board members are divided into three areas: business units, strategic leadership, and corporate functions.
In the business units area, Adam Manikowski leads Żabka Polska's modern convenience business, overseeing the management of the store network, expansion, franchisee relationships, sourcing, and logistics. Tomasz Blicharski is responsible for all of Żabka's operations and projects exploring new business areas under Żabka Future, which encompasses digital aspects of the convenience ecosystem, technology, innovative solution development, and the Group's M&A activity.
The strategic leadership area comprises three lines of responsibility: customer strategies and ESG, led by Anna Grabowska; finance, analytics and data science, overseen by Marta Wrochna-Łastowska; and people and culture, managed by Jolanta Bańczerowska. Lastly, the four corporate functions – legal, corporate affairs, value creation and external financial communications – report directly to Tomasz Suchański, the CEO. This well-balanced organisational structure combines agility and robust foundations: Żabka Polska serves as the key sales driver, Żabka Future focuses on opportunities and upcoming solutions, and strategic leadership and corporate functions address critical areas essential to the success of our business.

Executive Management Board gender diversity

Executive Management Board tenure

0-1 years	0
1-2 years	1
2-3 years	1
3-4 years	0
4-5 years	4

Jolanta Bańczerowska
Chief People Officer (CPO)

Since 2020, she has been responsible for People Strategy, development of the company culture and competencies of all teams.

From 2016, she served as HR Director and initiated the development of many new solutions changing the company's operations. She was responsible for implementing best practices in people management in the organisation from human capital planning and development processes through appraisal and performance management programmes to incentive systems. She led the change of the organisational culture to a more open and employee-friendly one. She is responsible for developing the mission, vision and values of Żabka Polska which distinguish the company on the market.

Previously, she gained over 15 years of managerial experience at Mars and Wrigley. Before joining Żabka's team, she worked as HR Director North Central Europe being responsible for the implementation of organisational changes and integration of Wrigley and Mars in Central Europe.

Graduated from Information Science and Administration from the Adam Mickiewicz University in Poznań and Yale School of Management.

Anna Grabowska
Executive Vice President of the Management Board, Chief Commercial Officer (CCO)

Since January 2021, she has managed a team tasked with setting the company's direction. She focuses on building consumer, commercial and support strategies, such as brand and own-brands strategy and ESG strategy.

Previously, from April 2016, she served as Vice President of Commercial Affairs at Żabka Polska. She was responsible for defining and implementing the chain's assortment, promotion and pricing strategy. She supervised the transformation to a new store format, implementing a new marketing strategy and an innovative vision of communication with customers. She led the assortment redesign, developing innovative modern convenience products, brands and services.

Previously, she worked for Tesco for nearly 19 years, including many years as Commercial Director. In 2011-2015, she sat on the Tesco Management Board in Poland as Vice President for Commercial Affairs. She also gained her international professional experience at Tesco in the UK and Hungary, as well as being responsible for the Grocery Commercial team in Central Europe (Poland, Czech Republic, Slovakia, Hungary).
She is an alumnus of Stanford Graduate School of Business and the Foreign Trade at the Cracow University of Economics. She also completed many programmes in management, business strategy and team leadership at Polish and foreign universities, including: London Business School, INSEAD France and Wharton School at the University of Pennsylvania. She holds an Executive MBA diploma from Ecole de Management de Normandie and Cracow University of Economics.

Marta Wrochna-Łastowska
Chief Financial Officer (CFO)

She 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, risk management as well as business analysis and data science. She has over 16 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 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 from the Finance and Accounting Faculty and the Marketing and Management Faculty at the SGH Warsaw School of Economics.

She also completed finance management, strategy and leadership programmes held at Harvard Business School, Stanford University and INSEAD. She holds an ACCA title (Association of Chartered Certified Accountants).

Tomasz Blicharski
Executive Vice President of the Management Board, Managing Director of Żabka Future

Żabka Future is an important pillar of Żabka Group, responsible for its innovation and development. Tomasz Blicharski brings together a team of people responsible for researching, creating and developing new business areas and technological solution meeting the challenges the industry faces.

Before taking up his current position, he simultaneously held two posts: 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 (since 2015). He has been involved with Żabka Polska since 2011, as a member of the Board of Directors.

He has extensive experience in investment banking and finance gained in Poland and abroad. He was associated with international banks ABN Amro and BNP Paribas, as well as Procter & Gamble. From 2007, he held the position of director at Mid Europa Partners fund, where he was responsible for investments in Central and Eastern Europe (including Norican Group, Polskie Koleje Górskie and Żabka Polska).

In 2018 and 2020, he was awarded in the Digital Shapers' annual survey of outstanding digital and new technology personalities in the "digital transformation" category.

He is an alumnus of Stanford Graduate School of Business and the SGH Warsaw School of Economics.

Adam Manikowski PhD
Executive Vice President of the Management Board, Managing Director of Żabka Polska

Since January 2021, he has headed Żabka Polska Business Unit responsible for physical retail, including teams related to operation of the Żabka chain from expansion through adaptation, supply chain, franchise and support office to assortment and communication.

Previously, as Vice President of the Management Board for Operations of Żabka, he managed the following teams: sales, logistics, expansion and technical.

He has extensive experience from the international market. Before joining Żabka Polska, he held the position of Executive Vice President of Marketing at Walmart, the largest global retailer in the world. Previously, he was associated with Tesco, holding the position of Chief Executive and Managing Director of Tesco Poland, and before taking up this position as Chief Operations Officer, he supported the development of the chain in China. He began his career in the operational structures of Biedronka, where he ultimately held the position of Chief Marketing Officer.

In 2017, he obtained a PhD in Business Administration from Cranfield School Of Management in the UK and an MBA from the University of Illinois at Urbana Champaign.

He is an alumnus of Stanford Graduate School of Business and Adam Mickiewicz University in Poznań and the SGH Warsaw School of Economics.

Tomasz Suchański
Chief Executive Officer of Żabka Group (CEO), President of the Management Board

His many years of experience and deep understanding of the retail industry allow him to direct the activities of Żabka Group in a way that has resulted in creating the leader of the convenience model in Central and Eastern Europe.
Prior to becoming CEO in March 2016, he held a number of positions at Jeronimo Martins group. He worked in the company's international structures, and before that, from 2011 to 2014, he was the General Manager of Biedronka in Poland. Previously, he held the positions of Chief Financial Officer of Jeronimo Martins, Member of the Management Board and Chief Operating Officer of the central region.

Before coming to Poland in 2005, he was involved in the management of Portuguese chains of the Jeronimo Martins group. In 2003, he took up the post of Financial Director of the Recheio wholesale chain, and earlier, as a member of the Financial Department, he was in charge of Pingo Doce supermarkets and Feira Nova hypermarkets.
Tomasz Suchański's management style as CEO has been repeatedly acknowledged by stakeholders and industry media. In 2020, he was asked to chair the prestigious Effie Awards. In the same year, the jury of the "CEO of the Year" recognised his actions related to the successful digital transformation process. The previous year he was honoured as "CEO of the Year". In 2019, he was included among the winners of Forbes magazine's "BrandMe CEO" survey of the most authentic leaders.

Tomasz Suchański is an alumnus of Stanford Graduate School of Business, INSEAD Business School and Corporate Finance and Accounting at the Faculty of Management of the Poznań University of Economics.

Żabka's committees play a significant role in delivery of strategic targets

The entrepreneurial and agile culture of Żabka is one of our most important and defining assets. Therefore, Żabka's corporate governance needs to respond to regulatory requirements, investor expectations while at the same time cannot slow down the business.

We have a compliance framework in place, consisting of policies and processes to ensure that our values, which are part of our culture, are embedded across the whole business. An important part of this framework are three Management Board committees supporting strategic and everyday decision-making.

Compliance

Compliance functions in the company monitor changes in existing laws, implement anti- corruption and AML policies, manage forensics and fraud risks, provide recommendations and report to the Ethics Committee, supervise company's internal regulations, monitor and examine compatibility levels. The Ethics Committee is a body which informs the Management Board about compliance incidents, makes recommendations how to address or manage incidents and proposes measures to prevent them. The Ethics Committee is not a Management Board committee, hence it is not included in the description of Management Board committees on the next page.

Furthermore, the Compliance team is responsible for handling whistleblowing reports, conducting internal proceedings, and providing training to the organisation. The company has a Code of Conduct and Ethics for Employees which helps the employees do the right thing and make ethical choices in their everyday work. In 2022, we launched the codes of conduct for franchisees and for business partners in each case with dedicated communication and a compliance risk management programme that identified potential compliance gaps, assessed risks and developed mitigation strategies.

Internal Audit

The Internal Audit function at Żabka operates in accordance with an audit plan agreed with the Management Board and is aligned with the 3-line-defence model

The primary goal of the Internal Audit function is to assess the adequacy of the internal control systems, recommend improvements, and evaluate compliance with policies and procedures. Key actions taken in 2022 included compliance audits, as well as conducting dedicated training sessions.

Since the Supervisory Board has no separate Audit Committee, the Management Board supervises the Internal Audit function, reporting periodically internal audit issues to the Supervisory Board.

Internal controls

Internal controls involve various activities designed to verify and monitor the accuracy of crucial internal processes within the company. These measures, which are part of the internal control framework, assist the organisation in making sure its business operations run effectively and efficiently, financial statements are reliable, and they stay compliant with relevant laws and regulations.

Żabka is continually developing and enhancing its internal control systems adapting the organisational structure to the fast-growing business operations.

Value Creation Plan Committee

Committee members

- **Tomasz Suchański**
- **Anna Grabowska**
- **Tomasz Blicharski**
- **Jolanta Bańczerowska**
- **Marta Wrochna-Łastowska**
- **Adam Manikowski**
- **Michał Bliźniak**
  VCP Officer

Role of the committee

The Committee is responsible for regularly monitoring and reviewing the status of strategy implementation. Its primary purpose is to support the Management Board in delivering strategic long-term objectives, including identifying key strategic areas, developing opportunities, and supervising strategic projects.

Actions in 2022

- Five Committee meetings held
- Ratified 2026 Value Creation Plan with list of key initiatives, initiative leaders and key metrics
- Reviewed and assessed implementation status of individual initiatives, recommending optimisation and modification
- Presented and analysed strategic market and consumer trends, macroeconomics, and competitive environment to assess their impact on Żabka Group

Risk & Compliance Committee

Committee members

- **Tomasz Suchański**
- **Marta Wrochna-Łastowska**
- **Jolanta Bańczerowska**
- **Agata Dopieralska**
  Internal Audit Director
- **Małgorzata Wojnowska**
  Legal and Compliance Director
- **Jakub Świątek**
  Corporate Risk Manager

Role of the committee

The objective of the Committee is to ensure the proper development and consistent application of Żabka's risk management policy. Its responsibilities include monitoring internal controls over financial reporting, supervising the risk management process, and advising the Management Board on risk strategy and risk appetite. Moreover, the Committee supports the management of Żabka's activities in compliance with laws and regulations applicable to its business operations, as well as ethical and anti-fraud issues. The members of the Committee also oversee the internal policy management system.

Actions in 2022

- Four Committee meetings held
- Identified five key areas requiring internal controls enhancement with IT, Finance and HR implemented in 2022, and Sales and Purchases being still in progress
- Undertook multiple actions after the outbreak of the war in Ukraine
- Implemented ERM in Maczfit
- Reviewed and updated Business Continuity Plans, strategic and operational risks, response and mitigation
- Reviewed KPIs related to compliance, ethics and risk

ESG Committee

Committee members

- **Tomasz Suchański**
- **Anna Grabowska**
- **Tomasz Blicharski**
- **Jolanta Bańczerowska**
- **Marta Wrochna-Łastowska**
- **Adam Manikowski**
- **Rafał Rudzki**
  ESG Director

Role of the committee

The main responsibilities of this Committee include providing guidance on the company's ESG strategy and goals, identifying potential risks, and assessing practices that have an impact on the company. The ESG Committee supervises essential issues related to the Responsibility Strategy and sustainability agenda, supporting the Management Board in fulfilling its oversight obligations by facilitating informed and structured decision making. Among its responsibilities are conducting ESG performance reviews and approving the content of ESG-related disclosures.

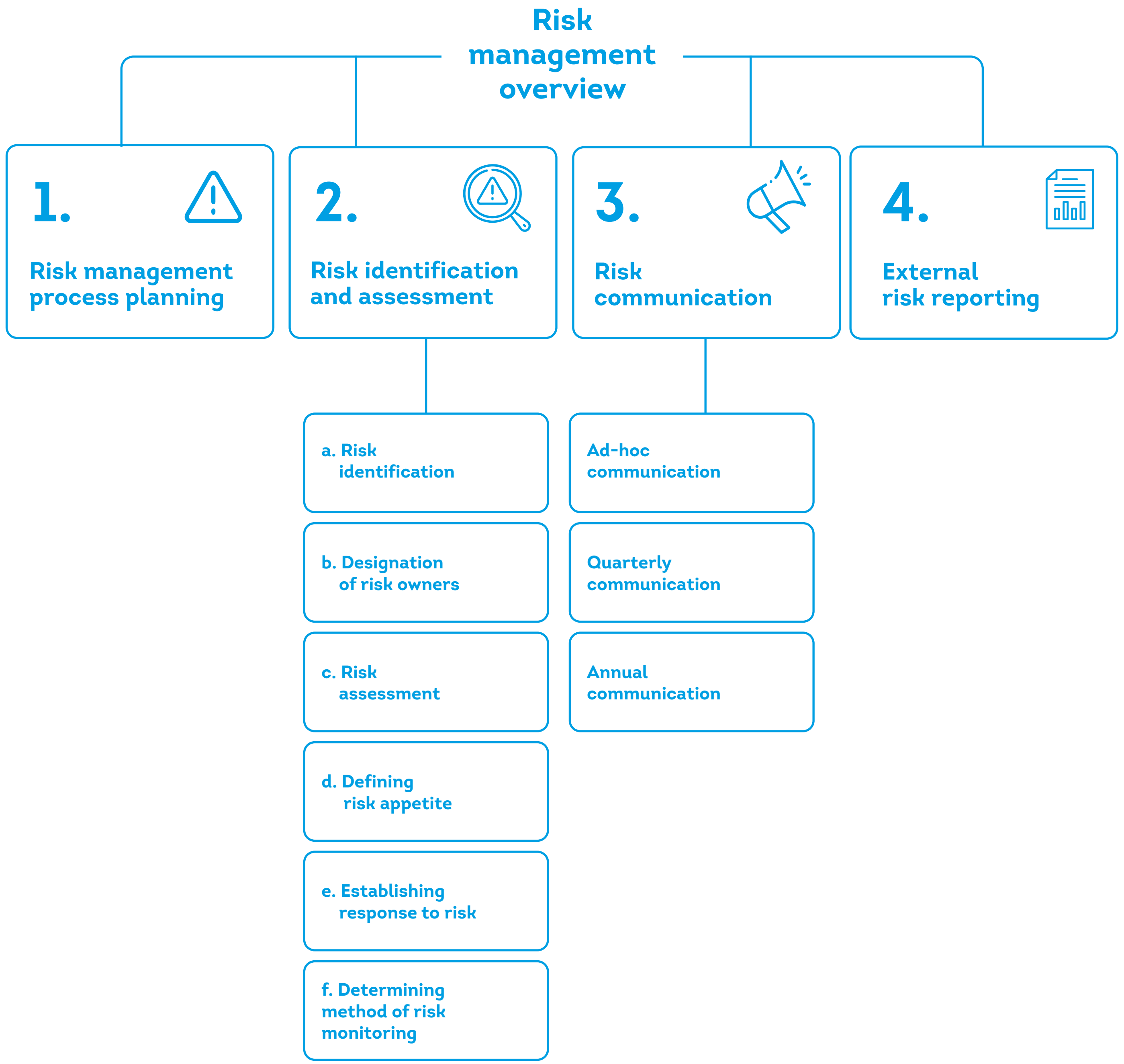
Actions in 2022

- Four Committee meetings held
- Revised and approved publishing of Responsibility Report 2021
- Approved introducing ESG element into annual bonus system
- Approved implementation of remediation plan following external ESG validations
- Guided development of ESG Reporting

Risks and opportunities

Żabka anticipates market trends and responds with agility to both risks and opportunities.

We effectively manage risks applying a proven and structured approach



Żabka's Enterprise Risk Management (ERM) covers the entire scope of the risk management process, which is aimed to effectively control, monitor and mitigate risks by undertaking reasonable measures. The model defines the methods and procedures for managing risk, considering the impact of risk on the strategy and the company's financial and non-financial performance. The risk management process is also aligned with the organisation's strategy, planning process, and business objectives, reflecting Żabka's needs and expectations. Since ESG is one of our strategic pillars, it is of particular importance to analyse environmental, social and corporate governance risks affecting both our operations and the entire value chain.

The stages that align with the implemented Risk Management Policy, as shown in the graph, include:

1. Risk management process planning

Identification of Żabka's Group activity areas and designation of individuals responsible for their management.

2. Risk identification and assessment

Creating the Risk Register that contains identified risks in the specified areas of the Group's operations.

a. Risk identification
Identifying and prioritising risks in the Risk Register.

b. Designation of risk owners
Designating owners responsible for managing individual risks in the Risk Register and confirming description of the risks.

c. Risk assessment
Evaluating risks by the risk owner. The impact of risk materialisation is assessed after considering how the risk is currently managed. The evaluation considers the overall consolidated risk impact for the entire forecast period, including the impact of registered incidents for a given risk. For area risks, the assessment is short-term and communicated accordingly.

d. Defining risk appetite
The area owner, with the support of risk owners, formulates a proposal on how to manage the risks included in the Risk Register and assigned to the area, defining the future risk appetite

e. Establishing response to risk
Based on the accepted type of risk response, the risk owner drafts a risk response plan.

f. Determining the method of risk monitoring
In agreement with the Management Board and the area owner, the risk owner determines the method and frequency of monitoring a given risk.

3. Risk communication

The Risk Management Manager consolidates the information obtained from risk owners on all key risks and incidents, creating appropriate reports submitted to the Risk & Compliance Committee and the Management Board. Risk communication in Żabka includes ad-hoc, quarterly, and annual communication.

Ad-hoc communication is used for sudden events such as the emergence of a new potentially strategic risk or a significant incident.

Quarterly communication provides reports with information on current risk levels and the effectiveness of actions taken in response to risks.

Annual communication supports the Risk and Compliance Committee and the Management Board in their annual assessment of the Group's risk management system implementation.

4. External risk reporting

The Risk Management Manager prepares an external risk report in accordance with the requirements outlined in the integrated reporting system for external reporting purposes.

Risks and opportunities

Żabka has developed a practical action plan to address all identified risks and opportunities.

We have identified 14 strategic risks (see below), and have assessed their potential impact, means of mitigation, as well as their risk trend and reference to Żabka's strategic pillars

Furthermore, as part of the implementation of Enterprise Risk Management at Żabka Group, we have identified ESG-related and climate-related risks, and have outlined a mitigation plan.

Data security and IT systems governance

Risk of a data security breach in IT systems as a result of cyberattacks or a lack of appropriate access rights management within the governance of IT systems

External regulations

Risk of unfavourable external regulations

Quality and safety of food, products and services

Risk of incidents that may adversely affect the quality and safety of the offered food, products and services

Qualified management team

Risk of failure to retain highly qualified management staff with unique experience or unavailability of candidates with required management competence

Development of new business

Risk of ineffective integration with an acquired business

Risk of unsuccessful development of new shop formats

Risk of failure in M&A or foreign market expansion projects

Information technology

Unavailability of information technology for core operations

Franchisee revenues

Pressure to increase franchisees' revenues

Acquisition of new franchisees

Risk of a higher franchisee churn rate or inability to attract new franchisees

Employees & talent access

Risk of shortage of employees and candidates with the required competences

Liquidity

Risk of deterioration of liquidity

Competitive environment

Risk of permanent shift in customer behaviour and/or significant changes in competitive landscape

Business model impacted by regulations

Risk of uncertainty and unpredictability of regulatory changes that may require alterations to the business model, processes or products

Energy prices

Risk of unexpected fluctuations in energy costs that may result in struggling to secure the necessary resources

Insufficient diversification of suppliers for own-brand products

Risk of overreliance on a single supplier may result in a potential negative impact on the supply chain and operations

Legend

Strategic themes:

Evolution of convenience

Leveraging AI & data

Embedding ESG

Risk trends:

Stable

Rising

Falling

Opportunities

The structure of the Management Board is designed to enable us to focus on multiple priorities simultaneously, including business strategy, current operations, and market opportunities. At Żabka, we are committed to continuous improvement and staying ahead of the curve by carefully studying the market and assessing our performance to enhance our competitive position. This approach allows us to remain attentive to the products and processes that have contributed to our past success, while also being agile and adaptable to capture the potential of future possibilities.

The key processes Żabka employs to identify market opportunities include:

- Consumer and data analysis: Segmenting and targeting existing and new audiences
- Consumer buying habits: Examining purchasing patterns
- Competitor analysis: Assessing direct and indirect rivals
- Product mix analysis: Evaluating complementary products and services
- Diversification analysis: Exploring new markets and opportunities
- Foreign market analysis: Investigating international prospects
- Collaboration with startups
- Ventures investments

Through these processes, Żabka has identified the following opportunities.

Evolution of convenience

Potential for expansion by scaling the business model and expanding our ecosystem

How do we plan to seize this opportunity?

Consistent store expansion, including roll-out of new formats, to **increase proximity to customers.**

Increasing sales in existing stores by launch of new services, technology-leveraged pricing and assortment management to continue our **focus on customers' needs.**

Further **growth** and integration of our **Digital Customer Offering**.

Utilizing the potential for international expansion e.g. through **acquisitions or by building partnerships.**

[Details on how we plan to take advantage of these opportunities are presented in Introduction to our strategy, the Żabka Way and value creation](#)

Leveraging AI & data

Technological development generating potential for innovations and cutting edge solutions

How do we plan to seize this opportunity?

Development and **implementation of digital technologies** that facilitate shopping and increase the speed of service.

Discovering **new digital opportunities** that enable us to achieve operational excellence and generate additional value to the organisation.

Maintaining high level of investment in research and development that helps us to **stay at the forefront of innovation** on the market.

Embedding ESG

Growing range of stakeholders increasingly caring for sustainability

How do we plan to seize this opportunity?

Strengthening relationships with our customers, employees, suppliers, franchisees and investors **who share interest in sustainability with Żabka**.

Embedding sustainability into all aspects of our business. This includes initiatives such as raising ESG-linked financing, collaborating with producers who prioritise ESG, and attracting the best talent passionate about sustainability.

Consistent execution of our Responsibility Strategy with set of **KPIs that measure the success of our ESG initiatives.**

Consolidated Financial Statements

of Żabka Polska Group
for the year ended 31 December 2022
(in PLN thousand, unless otherwise stated)

Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

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Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

Consolidated statement of profit or loss and other comprehensive income

Note		01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
5.1	Revenue	16 003 432	12 493 370
5.2	Cost of sales and services rendered	(13 014 213)	(10 119 668)
	Gross profit/ (loss) on sales	**2 989 219**	**2 373 702**
5.2	Marketing costs	(211 941)	(133 576)
5.2	General and administrative costs	(316 533)	(213 436)
5.2	Costs of technology, innovation and development	(178 260)	(124 019)
5.3	Other operating income	88 476	24 418
5.3	Other operating costs	(25 547)	(17 983)
6.8	Loss allowance for expected credit losses on trade receivables	(10 456)	(18 236)
	Operating profit before depreciation and amortisation (EBITDA)	**2 334 958**	**1 890 870**
6.2 - 6.4	Depreciation and amortisation	(1 114 055)	(915 408)
	Operating profit/ (loss)	**1 220 903**	**975 462**
5.4	Financial income	68 856	72 328
	Interest income	*37 508*	*71 397*
	Other	*31 348*	*931*
5.4	Financial costs	(712 401)	(382 504)
	Interest costs	*(687 908)*	*(344 706)*
	Other	*(24 493)*	*(37 798)*
6.9	Loss allowance for expected credit losses on loans	(448)	(524)
	Profit/ (Loss) before tax	**576 910**	**664 762**
5.5	Income tax expense	(192 697)	(153 893)
	NET PROFIT/ (LOSS) FROM CONTINUING OPERATIONS	**384 213**	**510 869**
	Attributable to equity holders of the parent	382 844	509 542
	Attributable to non-controlling interests	1 369	1 327
	OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS		
	Items that will be reclassified to profit or loss:	(28)	-
	Currency differences on translation of foreign operations	*(28)*	*-*
	Items that will not be reclassified to profit or loss:	(428)	327
6.15	*Actuarial gains/ (losses) on employee benefits*	*(428)*	*327*
5.5	Income tax relating to other comprehensive income that will not be reclassified to profit or loss	81	(62)
	Other comprehensive income net of tax	**(375)**	**265**
	TOTAL COMPREHENSIVE INCOME	**383 838**	**511 134**
	Total comprehensive income attributable to:	383 844	511 134
	Equity holders of the parent company	*382 475*	*509 807*
	Non-controlling interests	*1 369*	*1 327*

The summary of material accounting principles (policies) and notes to the Consolidated Financial Statements attached on pages 135 to 235 are an integral of these financial statements.

Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

Consolidated statement of financial position

Note		31.12.2022	31.12.2021
6.1	Goodwill	3 387 269	3 387 269
6.2	Other intangible assets	873 349	736 694
6.3	Property, plant and equipment	2 842 239	2 313 567
6.4	Right-of-use assets	3 316 513	2 872 370
5.5	Deferred tax assets	52 744	-
6.9	Loans granted	12 755	1 526 203
6.9	Shares and stocks	18 831	14 754
6.9	Other financial assets	18 492	20 067
6.11	Other non-financial assets	8 838	6 541
	Non-current assets	**10 531 030**	**10 877 465**
6.7	Inventory	595 941	424 570
6.10	Right of return assets	13 186	13 454
6.8	Trade receivables	1 662 949	1 263 262
5.5	Income tax receivables	5 360	1
6.9	Loans granted	4 566	3 964
6.9	Shares and stocks	-	20 632
6.9	Other financial assets	72 207	14 532
6.11	Other non-financial assets	131 161	125 208
7.4	Cash and cash equivalents	276 568	465 741
	Current assets	**2 761 938**	**2 331 364**
	Total assets	**13 292 968**	**13 208 829**
7.3	Loans and borrowings	3 392 712	3 698 183
6.4	Lease liabilities	3 023 382	2 565 458
6.12	Liability for a written put option over non-controlling interest	101 367	98 948
6.15	Employee benefits liabilities	4 356	3 688
6.13	Other financial liabilities	41 354	37 628
5.5	Deferred tax liability	95 264	148 115
6.16	Other non-financial liabilities and deferred income	78	100
	Non-current liabilities	**6 658 513**	**6 552 120**
7.3	Loans and borrowings	481 820	342 660
6.4	Lease liabilities	567 283	496 208
6.13	Trade payables and other financial liabilities	4 433 612	3 702 484
6.12	Liability for a written put option over non-controlling interest	2 297	4 140

Note		31.12.2022	31.12.2021
6.14	Refund liabilities	225 730	155 434
5.5	Income tax liabilities	207 202	112 787
6.15	Employee benefits liabilities	90 421	56 460
6.16	Contract liabilities	12 017	7 178
6.16	Other non-financial liabilities and deferred income	28 570	16 419
6.17	Provisions	2 770	700
	Current liabilities	**6 051 722**	**4 894 470**
	Total liabilities	**12 710 235**	**11 446 590**
	NET ASSETS	**582 733**	**1 762 239**
7.2	Share capital	113 215	113 215
7.2	Share premium	1 018 152	1 018 152
	Merger reserve	(1 558 862)	-
6.12	Put option reserves	(95 254)	(92 138)
	Retained earnings	1 105 708	722 861
	Currency differences on translation of foreign operations	(28)	-
	Actuarial gains/ (losses)	(198)	149
	Equity attributable to owners of the parent	582 733	1 762 239
	Non-controlling interests	-	-
	Total equity	**582 733**	**1 762 239**

The summary of material accounting principles (policies) and notes to the Consolidated Financial Statements attached on pages 135 to 235 are an integral of these financial statements.

Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

Consolidated statement of cash flows

Note		01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit/ (Loss) before tax	**576 910**	**664 762**
	Adjusted for:	-	-
	Depreciation, amortisation and impairment losses	1 114 055	915 408
5.4	(Gains) / Losses due to exchange differences	(17 230)	2 272
7.5	(Gains) / Losses from investing activities	(64 350)	6 162
5.4	Net interest (income) / cost	650 400	273 309
5.4	Revision of estimated cash flows	(10 931)	22 732
	Changes in working capital and provisions:	162 914	271 988
7.5	*Receivables*	*(402 803)*	*(251 560)*
6.7	*Inventory*	*(171 373)*	*(94 960)*
6.10	*Right of return assets*	*268*	*(7 425)*
7.5	*Payables (except loans and borrowings)*	*543 356*	*600 986*
6.14	*Refund liabilities*	*70 296*	*24 830*
6.16	*Contract liabilities*	*4 839*	*1 265*
7.4	*Prepayments and deferred income*	*116 261*	*561*
6.17	*Provisions*	*2 070*	*(1 709)*
	Other	(317)	111
	Gross cash flows from operating activities	**2 411 451**	**2 156 744**
5.5	Income tax paid	(200 097)	(84 426)
	Net cash flows from operating activities	**2 211 354**	**2 072 318**
	CASH FLOWS FROM INVESTING ACTIVITIES		
7.5	Purchase of property, plant and equipment and intangible assets	(1 321 443)	(1 060 122)
6.4	Proceeds from sale of property, plant and equipment and intangible assets	340 319	33 951
	Acquisition of subsidiaries, net of cash and capital increase in subsidiaries	(4 160)	(286 740)
	Cash from business combination	9 069	-
6.9	Purchase of investment in unrelated equity	-	(1 000)
6.9	Loans granted	(27 342)	(29 786)
	Repayments from loans granted	14 263	357
6.9	Other investments (term deposits)	(47 039)	-
	Interest received	5 642	489
	Other flows	556	(130)
	Net cash flows from investing activities	**(1 030 135)**	**(1 342 981)**

Note		01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
	CASH FLOWS FROM FINANCING ACTIVITIES		
7.3	Repayment of lease liabilities	(556 075)	(469 681)
7.3	Lease interest paid	(177 512)	(143 340)
7.3	Proceeds from loans and borrowings	151 082	419 577
7.3	Repayment of loans and borrowings	(318 082)	(276 832)
	Other interest paid	(469 807)	(159 266)
	Net cash flows from financing activities	**(1 370 394)**	**(629 542)**
	NET CHANGE IN CASH AND CASH EQUIVALENTS	**(189 175)**	**99 795**
	Foreign exchange differences on cash and cash equivalents	-	-
7.4	Cash and cash equivalents at the beginning of the period	465 742	365 946
7.4	Cash and cash equivalents at the end of the period	276 568	465 741

The summary of material accounting principles (policies) and notes to the Consolidated Financial Statements attached on pages 135 to 235 are an integral of these financial statements.

Consolidated statement of changes in equity

Note	Share capital	Share premium	Merger reserve	Put option reserve	Retained earnings	Currency differences on translation of foreign operations	Actuarial gains/ (losses)	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	7.2	7.2	3	6.12						
As of 01.01.2022	113 215	1 018 152	-	(92 138)	722 861	-	149	**1 762 239**	-	**1 762 239**
Total comprehensive income for the period	-	-	-	-	382 847	(28)	(347)	**382 472**	1 369	**383 841**
Net profit / (loss) for the period	*-*	*-*	*-*	*-*	*382 847*	*-*	*-*	***382 847***	*1 369*	***384 216***
Other comprehensive income for the period	*-*	*-*	*-*	*-*	*-*	*(28)*	*(347)*	***(375)***	*-*	***(375)***
Put option over non-controlling interest	-	-	-	(3 116)	-	-	-	**(3 116)**	(1 369)	**(4 485)**
Reorganisation of the group	-	-	(1 558 862)	-	-	-	-	**(1 558 862)**	-	**(1 558 862)**
Downstream merger of the Company with the sole shareholder Heket Holdings S.á r.l.	*-*	*-*	*(1 558 862)*	*-*	*-*	*-*	*-*	***(1 558 862)***	*-*	***(1 558 862)***
As of 31.12.2022	**113 215**	**1 018 152**	**(1 558 862)**	**(95 254)**	**1 105 708**	**(28)**	**(198)**	**582 733**	**-**	**582 733**
As of 01.01.2021	113 215	1 018 152	-	-	213 319	-	(118)	**1 344 568**	-	**1 344 568**
Total comprehensive income for the period	-	-	-	-	509 542	-	267	**509 809**	1 327	**511 136**
Net profit / (loss) for the period	*-*	*-*	*-*	*-*	*509 542*	*-*	*-*	***509 542***	*1 327*	***510 869***
Other comprehensive income for the period	*-*	*-*	*-*	*-*	*-*	*-*	*267*	***267***	*-*	***267***
Non-controlling interests	-	-	-	-	-	-	-	**-**	9 623	**9 623**
Put option over non-controlling interest	-	-	-	(92 138)	-	-	-	**(92 138)**	(10 950)	**(103 088)**
As of 31.12.2021	**113 215**	**1 018 152**	**-**	**(92 138)**	**722 861**	**-**	**149**	**1 762 239**	**-**	**1 762 239**

The summary of material accounting principles (policies) and notes to the Consolidated Financial Statements attached on pages 135 to 235 are an integral of these financial statements.

Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

1 General information

Basic information about the Group's parent company

Name	Żabka Polska sp. z o.o.
Headquarters	ul. Stanisława Matyi 8, 61-586 Poznań
Registration	District Court Poznań–Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register
KRS	000636642
REGON	365388398
BDO	000016909
Duration of the Company	Indefinite
Activities of the Group	• Activities of central companies and holding companies, excluding financial holdings, • Other business and management consultancy, • Establishing, developing and managing retail stores, • Trade in groceries and industrial products and related services on the Polish market, • Rental, sublet and lease of real estates, premises and property rights.

The consolidated financial statements of the Group, comprising Żabka Polska sp. z o.o. and its subsidiaries, include the year ended 31 December 2022, and comparative data for the year ended 31 December 2021.

The parent, Żabka Polska sp. z o.o., was established by a notarial deed of incorporation dated 23 August 2016.

On 3 April 2018, the merger of Żabka Polska S.A. and Sarley Investments sp. z o.o. was registered under Article 492 § 1 item 1 of the Commercial Companies Code. The merger was effected by transferring all assets of the target company, Żabka Polska S.A., to the acquirer, Sarley Investments sp. z o.o. Subsequently, the change of name of Sarley Investments sp. z o.o. to Żabka Polska sp. z o.o. was registered. Żabka Polska sp. z o.o. succeeded to all rights and obligations of the previous company Żabka Polska S.A. through universal succession, in accordance with Article 494 § 1 of the Commercial Companies Code.

On 18 May 2022, Żabka Polska Sp. z o.o. underwent a cross-border merger in which it acquired its sole shareholder, Heket Holdings S.á r.l., and in exchange, all shares in Żabka Polska Sp. z o.o. were allocated to Zabka Group S.A., the sole shareholder of the acquiree. The merger was effected pursuant to a resolution dated 14 February 2022 of the Extraordinary Meeting of Żabka Polska Sp. z o.o. and a resolution of the sole shareholder of Heket Holdings S.á 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.

As at 31 December 2022 and as of the date of approval of these Consolidated financial statements, the Company's immediate parent is Zabka Group S.A.

The composition of the Company's Management Board

As at 31 December 2022 and as of the date of signing the Consolidated Financial Statements:

Tomasz Suchański	CEO, President of the Management Board	from 3 April 2018
Tomasz Blicharski	Vice President of the Management Board, Managing Director of Żabka Future	from 3 April 2018
Anna Grabowska	Vice President of the Management Board, Chief Commercial Officer	from 13 June 2018
Adam Manikowski	Vice President of the Management Board, Managing Director of Żabka Polska	from 13 June 2018
Jolanta Bańczerowska	Member of the Management Board, Chief People Officer	from 17 April 2020
Marta Wrochna – Łastowska	Member of the Management Board, Chief Financial Officerj	from 1 January 2021

Authorisation for issue of the Consolidated Financial Statements

These Consolidated financial statements were authorised for issue by the Management Board of the Company on 15 March 2023.

2 Basis for the preparation and application of accounting policies

This chapter sets out the basis for preparation of the Consolidated financial statements and the summary of significant accounting policies of the Group that apply to the financial statements. This section also explains the new accounting standards as well as amendments and interpretations that the Group has adopted in the current financial year or will be adopted in subsequent years.

The principal accounting policies applied in the preparation of these consolidated financial statements are presented in the following particular notes. These policies were applied consistently in all the years presented, except for the first-time application of new standards and interpretations described in this note.

The basis for the preparation of Consolidated financial statements and statement of compliance (taking into account the war in Ukraine and the macroeconomic environment)

These Consolidated financial statements include the financial statements of Żabka Polska sp. z o.o. and the financial statements of its controlled entities (subsidiaries) prepared for the period ended 31 December 2022 and comparative data for the period ended 31 December 2021 .

These Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) as endorsed by the European Union (“EU IFRSs”). As at the date of authorisation of these Consolidated financial statements for issue, taking into consideration the current process of IFRS adoption by the European Union, IFRS applicable to these Financial Statements do not differ from the IFRS EU. IFRS EU comprise of standards and interpretations issued by the International Accounting Standards Board ("IASB").

These Consolidated 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. When assessing the Group's ability to continue as a going concern, the Management Board considered the existing and anticipated effects of the events described below as a threat.

The Group is dynamically developing the network of Żabka stores, increasing the number of operating stores and maintaining profitability at the expected level. For operational purposes and for the lenders, the Group has prepared a cash flow forecast for 2023, to ensure the Group's financial liquidity.

As at 31 December 2022, the Group had unused credit lines in the amount of PLN 662 471 thousand. As at 31 December

2022, the terms of the loan agreements have not been breached and there is no risk of termination of these agreements within 12 months from the reporting date. On 9 January 2023, the Group signed an agreement for a new loan, which will provide the Group with financial stability. For details, see note 9.7.

As at 31 December 2022 and as at 31 December 2021 there was a surplus of current liabilities over current assets in the amount of respectively PLN 3 289 784 thousand and PLN 2 563 106 thousand which is typical for the fast-moving consumer goods (FMCG) industry, where the level of inventory and receivables is minimized, and suppliers offer goods with deferred payment terms. The increase in the surplus is correlated with the increase in the level of turnover, and the Group manages to control the level of inventory turnover and receivables in days, which, with increasing turnover, means an increase in the surplus of current liabilities over current assets.

The ongoing war in Ukraine has resulted in a number of factors negatively affecting the Group and its business environment. Precisely assessing this impact is difficult, as phenomena such as inflation rates, interest rates, changes in exchange rates, 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.

A separate group of threats, related to the ongoing war in Ukraine and the growing use of information technology, is related to the Group's cyber security. The Group has not seen an increased scale of cyber attacks, thanks also 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 has aligned processes with the business environment, strengthened its business continuity management process and updated and supplemented its business continuity plans for supply chain disruption events. In addition, the Group has the ability to adjust its pricing policy to meet the rising cost of goods and maintains relationships with a large group of suppliers to ensure diversification and continuity of supply.

As of the date of these Consolidated financial statements, the Group assesses that, thanks to the measures taken, the current macroeconomic situation has a limited impact on the Group and does not pose a threat to the Group companies continuing as going concerns. The influx of 1-1.5 million refugees from Ukraine to Poland has boosted consumption and thus contributed to the Group's sales.

In 2022, the Group was actively involved in providing humanitarian assistance to refugees from Ukraine (food, housing, logistical and psychological support). In addition, measures aimed at making these people independent and adaptable to the Polish labour market have also been launched. Consultation were set up at Logistics Centers. Cultural assistants were employed to support and facilitate communication of new hired workers from Ukraine. The Group also helped find employment for refugees ready to work in Poland.

The Group is responding to the dynamically changing environment and the potential consequences that war and the changing macroeconomic situation may have on the Group. To this end, the Group analyzed the following risks, among others:
- disruptions to logistics centers due to electricity and fuel supply constraints;
- disrupted access to office buildings due to power outages;
- disruptions in the supply of goods to stores due to fuel rationing in some regions of the country;
- cyberattacks on network and ICT systems;
- unavailability of equipment and components due to disruption of supply chains;
- unavailability of supplies of certain goods and raw materials from suppliers due to the cessation of market activity as a result of high energy and gas prices;
- limited availability of workers in the logistics chain due to the return of workers to Ukraine;
- changes in consumer behavior due to high inflation and greater price sensitivity;
- changes in the level of interest rates and exchange rates.

Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

After analyzing the above risks and taking measures to mitigate their impact on the Group, management assessed that they do not have a critical impact on the Group's operations and do not affect the Group's ability to continue as a going concern.

In addition, other than the increase in interest rates, the Management Board found no significant impact on the valuation of assets and liabilities.

Accounting policy

Consolidation and business mergers/acquisitions

Subject to adjustments made to ensure compliance with IFRS, the financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent, using uniform accounting policies, and with accounting policies consistently applied to economic events and transactions of a similar nature.

Adjustments are made to eliminate any discrepancies in the applied accounting policies.

Any balances and transactions of significant value between Group companies, including unrealised gains from intra-Group transactions, were fully eliminated. Unrealized losses are eliminated unless they present 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 an investee if it:
- has power over the entity,
- is exposed or has rights to variable returns from its involvement with the investee,
- has the ability to use power to shape the level of returns generated

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 majority of voting rights in an investee but the voting rights held are sufficient to direct material activities of the investee unilaterally, this means that the Company has control of the investee. When assessing whether the Group's voting rights in an investee are sufficient to give the control, the Group considers all relevant circumstances, including:
- the size of the voting rights held compared to the size of the 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 significant actions at 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 recognized 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 and non-controlling interests.

Any difference 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 as retained earnings/ uncovered losses.

The Group accounts for a business combination using the acquisition method. At the date of obtaining control, the Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired entity. The Group measures identifiable assets acquired and liabilities assumed at their fair values as of the date of obtaining control.

If the initial accounting settlement of a business combination is not completed by the end of the reporting period in which the combination occurred, the Group presents approximate amounts for items whose settlement is not 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 more information can be obtained. The period lasts no longer than twelve months from the date of acquisition.

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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 measurement 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 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.

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.

Transaction costs associated with acquisitions are recognised in profit or loss as incurred.

Significant amounts based on professional judgment

Identification of non-controlling interests

When less than 100% of the acquiree's shares are acquired in an acquisition and the remaining shares of the acquiree have been put under a put option (put option), the Group makes a judgment as to whether the risks and rewards of holding the put option shares are attributable to the non-controlling interest or the parent. The Group recognises non-controlling 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 judgment, 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 covered by the put option have voting and dividend rights.

Significant 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 normalized EBITDA or other values. The Group determines 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 6.12. Changes during the year due to non-controlling interests are presented in the Consolidated statement 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

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 rate differences are recognised respectively as financial income or finance cost or, in cases specified in the accounting policies, are capitalized 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 change in the 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**).

The presentation currency of these Consolidated financial statements is the Polish zloty.

The following exchange rates were used for the balance sheet valuation purposes:

	31.12.2022	31.12.2021
USD	4.4018	4.0600
EUR	4.6899	4.5994
GBP	5.2957	5.4846

Significant amounts based on professional judgment

In the process of applying the accounting principles (policy) to selected issues, the most important factor, apart from accounting estimates, was the professional judgment of the management.

For a clearer meaning and better understanding of the information presented in these Consolidated financial statements, the judgments (J) and estimates (E) made are presented in individual notes in accordance with the table below.

Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

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	X
6.4	Right of use assets and lease liabilities	X	X
6.6	Impairment of non-financial fixed assets	X	X
6.8	Trade receivables	X	X
6.9	Loans granted, shares, stocks and other financial assets	X	
6.12	Liability for a written put option over noncontrolling interest		X
6.13	Trade payables and other liabilities	X	
6.15	Employee benefits liabilities		X
6.17	Provisions	X	X
7.3	Loans and borrowings	X	X
9.1	Financial instruments	X	X
9.2	Share-based payments	X	X

Climate issues

The general level of climate risk for the Group in the short term (2025) is lower than in the medium and long term. This is primarily due to the more predictable environment, the decarbonization and pro-efficiency measures already undertaken by the Group, i.e. in the adopted Accountability Strategy (ESG), the greenhouse gas emission reduction targets validated by SBTi and the anticipated increased regulatory pressure related to the implementation of climate targets at the EU level. In the short term, the Group will be most influenced by transformation risks, in particular regulatory ones. The Group regularly reports on climate impact issues in its Responsibility Report and Climate Report, prepared in accordance with the recommendation of the Task Force on Climate-Related Financial Disclosures (TCFD).

The Group monitors the latest domestic and foreign regulations on climate protection. At present, no legal acts have been passed that could have a direct impact on the Group. If a change is necessary, the Group will adjust the key strategic and operational assumptions.

When preparing these financial statements, the Group took into account climate change, in particular when making judgments 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 goods and services sold and other costs. These assumptions were included in the cash flow projections,
- determining the useful life of tangible fixed assets,
- expected credit losses of 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 31 December 2022 are consistent with those applied in the preparation of the Group's Consolidated financial statements for the year ended 31 December 2021, except for the application of new or amended standards and interpretations applicable to annual periods beginning respectively from 1 January 2022 and later, described below.

The new or amended standards and interpretations that were applicable for the first time in 2022 did not have a material impact on the Group's Consolidated financial statements. They include:

Standard	Change	Description
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 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 Grpup 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).
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.

Consolidated Financial Statements (in PLN thousand, unless otherwise stated)

		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.
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:

Amendments to the standards announced by the International Accounting Standards Board (IASB)
Management estimates no material impact of the following amendments:
IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
Amendments to IFRS 17 *Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (issued on 9 December 2021) – effective for financial years beginning on or after 1 January 2023;
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 23 January 2020 and 15 July 2020 and 31 October 2022, respectively) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2024;
Amendment to IFRS 16 *Leases: Lease liability* in a Sale and Leaseback (issued on 22 September 2022) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2024.
Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting policies* (issued on 12 February 2021) – effective for financial years beginning on or after 1 January 2023;
Amendments to IAS 8: *Definition of Accounting Estimates* (issued on 12 February 2021) – effective for financial years beginning on or after 1 January 2023;
IFRS 17 *Insurance Contracts* (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020) – effective for financial years beginning on or after 1 January 2023;
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021) – effective for financial years beginning on or after 1 January 2023;

The 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.

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3 Composition of the group and changes in the financial year

This chapter presents the subsidiaries that are part of the Żabka Polska Group and describes the changes that occurred during the financial year, including acquisitions and business combinations.

List of Group entities as of 31 December 2022 and 31 December 2021:

Name	Headquaters	The main activity	Registration authority	National Register of court	Type	Consolidation method	Date of obtaining control / Incorporation	% of share capital owned 31.12.2022	31.12.2021
Retail Technology Investments sp. z o.o.	ul. 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	0000417655	subsidiary	full	16 April 2012	100%	100%
Logistic Property Investment sp. z o.o.	ul. 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 Kraków Śródmieście in Kraków, the 11th Commercial Division of the National Court Register	0000844212	subsidiary	full	16 September 2020	100%	100%
Żabka Automatic Logistics sp. z o.o.	ul. 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	0000813188	subsidiary	full	8 October 2020	100%	100%
Żabka Property Fund sp. z o.o.	ul. 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	0000880142	subsidiary	full	12 March 2021	100%	100%
Żabka Development sp. z o.o.	ul. 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	0000880145	subsidiary Żabka Property Fund sp. z o.o.	full	12 March 2021	100%	100%
Żabka Construction sp. z o.o.	ul. 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	0000879771	subsidiary Żabka Property Fund sp. z o.o.	full	12 March 2021	100%	100%
Żabka Nano sp. z o.o.	ul. 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	0000773486	subsidiary	full	12 April 2021	100%	100%
Lite ecommerce 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	0000894331	subsidiary	full	24 May 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	0000905163	subsidiary Lite ecommerce sp. z o.o.	full	24 May 2021	100%	100%
Maczfit Foods sp. z o.o.	ul. 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	0000752666	subsidiary	full	29 April 2021	95%	95%
Catch a Box GmbH	Storkower Straße 115A, 10407 Berlin	distribution of ready meals (box diets)	Register of Entrepreneurs kept by the District Court Charlottenburg	N/A	subsidiary Maczfit	full	29 April 2021	95%	95%

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Name	Headquaters	The main activity	Registration authority	National Register of court	Type	Consolidation method	Date of obtaining control / Incorporation	% of share capital owned 31.12.2022	31.12.2021
			under the number HRB 207749B, Germany		Foods Sp. z o. o				
Masterlife Solutions sp. z o.o.	ul. Chłodna 51, 00-867 Warszawa	software related activities	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	0000531599	subsidiary	full	28 May 2021	62%	62%
Food Property Investment sp. z o.o.*	ul. Stanisława Matyi 8, 61-586 Poznań	activities related to construction of buildings	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	0000938101	subsidiary Żabka Property Fund sp. z o.o.	full	9 March 2022	100%	0%
Cool-Logistics sp. z o.o.*	ul. 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	0000937219	subsidiary Retail Technology Investments sp. z o.o.	full	4 March 2022	100%	0%

*Subsidiaries acquired in 2022 do not meet the definition of a business and therefore no goodwill has been recognised. The value of the assets and liabilities acquired is immaterial.

On 18 May 2022, a cross-border merger was effected through the acquisition by Żabka Polska sp. z o.o. of its sole shareholder, i.e. the Luxembourg company Heket Holdings S.á r.l. (*reverse merger*). In exchange, all shares in Żabka Polska sp. z o.o. were delivered to the sole shareholder of the acquiree, Żabka Group S.A. The merger was effected pursuant to a resolution dated 14 February 2022 of the Extraordinary Meeting of Żabka Polska Sp. z o.o. and a resolution of the sole shareholder of Heket Holdings S.á r.l. adopted on the same day. As a result of the merger, Żabka Polska sp. z o.o. assumed all the rights and obligations of the acquiree, and the acquiree was dissolved.

The Group recognised the acquired assets and liabilities at current carrying amounts as of the merger date. Income and expenses of the acquired entity up to the date of the merger were not recognised. Comparative data has been restated.

The following table summarizes the assets and liabilities acquired, the settlement of loans and other balances between the acquirer and the acquiree, and a reconciliation of the recognised equity from the merger.

	Acquired assets and liabilities under IFRS	Merger reserve	Effect on the Group's statement of financial position
Shares in subsidiaries	8 625 361	(8 625 361)	-
Loans granted	-	(1 570 892)	(1 570 892)
Income tax receivables	101	-	101
Trade receivables	-	(163)	(163)
Other financial assets	-	(20 408)	(20 408)
Other non-financial assets	223	-	223
Cash and cash equivalents	9 069	-	9 069
Loans and borrowings	(1 583 815)	1 583 815	-
Deferred tax liability	-	25 228	25 228
Trade payables and other financial liabilities	(22 523)	20 571	(1 952)
Other non-financial liabilities and deferred income	(67)	-	(67)
Equity of Heket Holdings S.a r.l.	(7 028 348)	7 028 348	-
Merger reserve	**-**	**(1 558 862)**	**(1 558 862)**

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4 Segments

The following section presents the Group's results by segment for the year ended 31 December 2022. Disclosures relate to revenues generated by selected segments, selected significant expense items, and segment results.

The Group identifies one reportable segment: “Convenience Stores”. It covers the operations of all stores under the "Żabka" brand and the Property Fund Group (Żabka Property Fund sp. z o.o., Żabka Development sp. z o.o. and Żabka Construction sp. z o.o., Food Property Investment Sp. z o.o.). Within the Property Fund Group, the segment includes the result on the sale of the automated warehouse and the results on management of the properties which are used directly in the store business. The result on the sale of the automated warehouse is presented in note 5.3.

The Group's other operations, which include other non-reportable operating segments and other operating activities (corporate functions), are combined under "Corporate and Other Functions." Corporate functions include central functions such as finance, HR, IT, PR strategy, risk management and compliance. These are activities relevant to all operating segments, including the Convenience Stores reportable segment, but are not allocated to these segments, as the Management Board does not apply such allocation and evaluates the performance of operating segments separately from the corporate component. This is in line with the way the Group is organized for management purposes and how responsibility for individual activities and functions is allocated among the Management Board members.

The accounting policies adopted are consistent with IFRS (including, in particular, the manner in which income and individual expense items are determined) and are uniform for all segments and for the Group as a whole. Transactions between segments are excluded in the consolidation process.

The Management Board of the parent does not analyze operating segments in terms of the value of assets and the value of liabilities.

Finance income and expenses and income taxes are not allocated to individual segments.

Assessment of the Group's financial performance is made mainly the basis of EBITDA. This indicator should be viewed as an addition to, and not a substitute for, the results of operations presented under IFRS. 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. The Group defines EBITDA as net income/(loss) for the reporting period before the effect of income taxes, the effects of financing activities and depreciation and amortisation expense. This is consistent with the Consolidated statement of profit or loss and other comprehensive income.

The Group operates mainly in Poland (a small part of its business is conducted in Germany through its subsidiary Catch a Box).

The table on the following page presents a reconciliation of the segment data to the Consolidated financial statements.

Note	Item	2022		
		Total	Convenience stores	Corporate functions and other*
	Revenue from sales to external customers	**16 003 432**	15 717 337	286 095
	Revenue from inter-segment sales	**-**	28 542	(28 542)
5.1	**Total revenue**	**16 003 432**	**15 745 880**	**257 553**
5.2	Cost of goods sold and services rendered	**(13 014 214)**	(12 757 001)	(257 213)
5.2	Marketing costs	**(211 941)**	(171 475)	(40 466)
5.2	General and administrative costs	**(316 533)**	(80 157)	(236 376)
5.2	Costs of technology, innovation and development	**(178 260)**	(40 057)	(138 203)
5.3	Other operating income	**88 476**	85 898	2 578
5.3	Other operating costs	**(25 547)**	(14 387)	(11 160)
6.8	Expected credit losses on trade receivables	**(10 456)**	(9 727)	(729)
	Operating profit before depreciation and amortisation (EBITDA)	**2 334 957**	**2 758 973**	**(424 016)**
	Depreciation and amortisation	**(1 114 055)**	-	-
5.4	Profit/ (Loss) on financial activity	**(643 993)**	-	-
	Profit before tax	**576 909**	**-**	**-**
5.5	Income tax expense	**(192 697)**	-	-
	Net profit	**384 212**	**-**	**-**

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Note	Item	2021		
		Total	Convenience stores	Corporate functions and other*
	Revenue from sales to external customers	**12 493 370**	12 358 111	135 259
	Revenue from inter-segment sales	**-**	3 436	(3 436)
5.1	**Total revenue**	**12 493 370**	**12 361 547**	**131 823**
5.2	Cost of goods sold and services rendered	**(10 123 411)**	(10 029 518)	(93 893)
5.2	Marketing costs	**(132 483)**	(123 756)	(8 727)
5.2	General and administrative costs	**(202 052)**	(50 505)	(151 547)
5.2	Costs of technology, innovation and development	**(132 753)**	(34 400)	(98 353)
5.3	Other operating income	**24 418**	18 647	5 771
5.3	Other operating costs	**(17 983)**	(6 648)	(11 335)
6.8	Expected credit losses on trade receivables	**(18 236)**	(18 236)	-
	Operating profit before depreciation and amortisation (EBITDA)	**1 890 870**	**2 117 131**	**(226 261)**
	Depreciation and amortisation	**(915 408)**	-	-
5.4	Profit/ (Loss) on financial activity	**(310 700)**	-	-
	Profit before tax	**664 762**	**-**	**-**
5.5	Income tax expense	**(153 893)**	-	-
	Net profit	**510 869**	**-**	**-**

*Other operations (corporate functions) and operating segments (Maczfit, Dietly, Lite companies), which are not reportable segments because they do not meet any of the quantitative thresholds of IFRS 8. See note 6.6 for a description of these segments.

5 Explanatory notes to the consolidated statement of profit or loss and other comprehensive income

This section presents the Group's results for the period covered by the Consolidated financial statements. The disclosures relate to selected information for operating income and costs, financial income and costs, and information on taxation.

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 - as expected by the Group - it will be entitled 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 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.

The revenue is recorded along goods deliveries. Revenue from services accompanying the sale of goods to franchisees is, in principle, dependent on the amount of turnover achieved by the franchisees and is not separate from revenue from the supply of goods. 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 the variable remuneration, in relation to retrospective price discounts granted, in the transaction price if the uncertainty about the amount of variable remuneration has ceased. There are further payments made to franchisees 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. After the end of each calendar month during the term of the agreement, financial liabilities between the Group and the franchisee are settled.

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 with the operation of stores under the "Żabka" brand.

Sales of products (catering products – Maczfit foods business)

The Group recognises revenue from sale of products. All operations related to the production process and distribution to the distribution hubs are owned by the Group, while deliveries from the hubs to customers are carried out by third-party logistics providers. Nutrition plans are offered on a subscription basis. Subscription periods are determined by customers. Revenue is recognised upon delivery to customers on a monthly basis. 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., ensures the provision of goods or services 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.

In addition, the Group acts as an intermediary for two smaller revenue streams: revenue from the dietly.co.uk marketplace - taking commissions on catering orders through dietly.co.uk, 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 was obtained, are recognised as a cost when incurred, unless these costs are explicitly chargeable to the customer regardless of whether the contract is obtained. As a practical expedient, the Group recognises the incremental costs of obtaining a contract as a cost when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

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.

Significant values based on professional judgment

The application of IFRS 15 requires the Group to exercise various judgments, 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 transaction price and amounts allocated to individual 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 performed an analysis required by IFRS 15 focusing, inter alia, on the assessment of the correlation between the sale of goods and 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 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 then the franchisee obtains control over them, 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.

In the Group's opinion, performance obligation under contracts with franchisees in relation to services is satisfied over time and the generation of turnover by the franchisee as the franchisee simultaneously receives and consumes the benefits.

Determining whether the Group acts as a principal or an agent

According to IFRS 15, in the event that another entity is involved in the provision of 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, 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.

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Significant estimates

Estimation 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 the amount 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.

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 individual selling price of an option in order to allocate a portion of the transaction price to that option, as it is treated as a separate performance obligation. Option-related revenue is recognised when future goods or services are transferred or when the option expires. For additional information, see the accounting policy for return/refund obligations in note **6.14**.

Revenue by category

Revenue	Value		Share %	
	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Franchise	15 656 035	12 302 954	97.8	98.5
Own stores and wholesale	53 396	17 106	0.3	0.1
Revenue from sales of products	224 196	122 532	1.4	1.0
Commissions from agency services	40 322	37 739	0.3	0.3
Software services	18 547	7 986	0.1	0.1
Other	10 936	5 053	0.1	0.0
Revenue	**16 003 432**	**12 493 370**	**100**	**100**

Revenue by segment

Revenue	2022		
	Total	Convenience Stores	Corporate functions and other
Franchise	**15 656 035**	15 656 035	-
Own stores and wholesale	**53 396**	53 396	-
Revenue from sales of products	**224 196**	-	224 196
Commissions from agency services	**40 322**	40 322	-
Software services	**18 547**	-	18 547
Other	**10 936**	10 936	-
Revenue	**16 003 432**	**15 760 689**	**242 743**

Revenue	2021		
	Total	Convenience Stores	Corporate functions and other
Franchise	**12 302 954**	12 302 954	-
Own stores and wholesale	**17 106**	17 106	-
Revenue from sales of products	**122 532**	-	122 532
Commissions from agency services	**37 739**	37 739	-
Software services	**7 986**	-	7 986
Other	**5 053**	312	4 741
Revenue	**12 493 370**	**12 358 111**	**135 259**

Revenues from sales under the franchise agreement include all fees from franchisees, revenues from the sale of goods and revenues from subleasing to franchisees store space with equipment. The increase in revenue in 2022 results, among others, from the increase in the number of stores by 13% (2021: 15%) and an increase in revenue per franchisee/store.

All sales revenue represents revenue 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.

Sales agency fees include, but are not limited to, electronic services, games and postal services.

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5.2 Costs by nature

Accounting policy

Cost of goods sold and services rendered

As costs of goods and services rendered, the Group recognises:
- 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 the 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 Company and the Company's general costs. Such costs include, among others:
- administrative costs,
- representation costs,
- insurance costs.

Costs of technology, innovation and development

Technology, innovation and development costs include:
- costs related to new technologies and IT, including salaries, advisory services,
- costs of innovative projects (e.g., related to artificial intelligence), mainly including salaries and external services,
- Group development costs, including through the introduction of new products and services and an increase in the number of stores, mainly including remuneration and external services.

Although the Group does not have specific department dedicated to research and development, such activities are performed throughout the organization. Development expenditure that meets the capitalization criteria is recognised as 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 costs of the project. Unsuccessful developments are expensed on a one-off basis at the time a decision is made to terminate the project.

	01.01.2022 - 31.12.2022				
	Cost of goods sold and services rendered	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)	(7 664)	(1 959)	**(486 383)**
External services	(911 150)	(7 294)	(85 597)	(115 515)	**(1 119 556)**
Taxes and fees	(3 750)	(2)	(1 776)	-	**(5 528)**
Employee benefits costs	(184 964)	(20 335)	(154 263)	(58 755)	**(418 317)**
Other costs by nature	(11 289)	(183 752)	(67 233)	(2 031)	**(264 305)**
Operating costs	**(13 014 213)**	**(211 941)**	**(316 533)**	**(178 260)**	**(13 720 947)**

	01.01.2021 - 31.12.2021				
	Cost of goods sold and services rendered	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)	(66 643)	(84 936)	**(779 693)**
Taxes and fees	(3 818)	(7)	(3 933)	(1)	**(7 759)**
Employee benefits costs	(121 783)	(11 238)	(108 008)	(35 983)	**(277 012)**
Other costs by nature	(7 792)	(119 422)	(25 193)	(1 963)	**(154 370)**
Operating costs	**(10 119 668)**	**(133 576)**	**(213 436)**	**(124 019)**	**(10 590 699)**

The value of food donated to NGOs (i.e., cost before write-down to net realizable value) amounted to PLN 3 863 thousand for 2022 (2021: PLN 6 218 thousand) and was included in "Cost of goods sold and services rendered." Disclosure of the value of food donated to non-governmental organizations results from the obligation arising from the Act of 19 July 2019 on counteracting food waste (Journal of Laws of 2020, item 1645, as amended).

The increase in costs of technology, innovation and development is due to Group's development towards technology-based solutions (mainly IT and advisory services).

The increase in marketing costs is due to the intensification of marketing activities, particularly for QMS ("Quick Meal Solutions") and private labels, as well as new promotional campaigns in 2022.

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5.3 Other operating income and costs

Accounting policy

The Group's results are also affected by other income and other costs which include income and costs from activities that are not the Group's core operating activities. The key components of other non-core activities include mainly gains and losses resulting from disposal of assets, impairment losses on assets, donations and litigation provisions. Accounting policy related to impairment is discussed in note **6.6**.

Donations

Donations include transfers of cash and other assets, services and promises to give done by the Company. Donation costs are donations made in support of Ukraine, in connection with the ongoing war, and in support of charitable organizations. Donations whether in cash or assets are recognised as cost in the period it is given or payable.

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
OTHER OPERATING INCOME		
Profit on disposal of assets	65 207	-
Property, plant and equipment	*542*	-
Gain on sale and leaseback transactions	*64 665*	-
Remeasurement and termination of lease contracts	46	4 392
Other	23 223	20 026
Recoverable receivables provided for impairment as at subsidiary acquisition	*1 406*	*2 147*
Refund of losses and cotractual penalties received	*4 825*	*4 611*
Indemnities from insurers received	*2 694*	*1 794*
Sale of materials	*11 286*	*7 965*
Donations received	*600*	-
Other	*2 412*	*3 509*
Total other operating income	**88 476**	**24 418**
OTHER OPERATING COSTS		
Loss on disposal and liquidation of assets	-	(1 347)
Property, plant and equipment	-	*(1 347)*
Remeasurement and termination of lease contracts	(1 587)	-
Impairment loss	(3 436)	(6 428)
Intangible assets	*(843)*	-
Property, plant and equipment	*(2 593)*	*(6 428)*
Other	(20 524)	(10 208)
Donations	*(5 385)*	-
Compensation	*(4 238)*	*(3 269)*
Provisions for litigation	*(2 201)*	*(455)*

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Membership fees	*(921)*	*(764)*
R&D intangibles write off	*(1 844)*	-
Other	*(5 935)*	*(5 720)*
Total other operating costs	**(25 547)**	**(17 983)**

Gains from sale and leaseback transaction includes profit from the sale and leaseback transaction of one of the Group's warehouses described in note 6.4.

5.4 Financial income and costs

Accouting policy

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

Interest income is accrued using the effective interest method, which is 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.

Dividends are recognised when the shareholders' right to receive payment is established.

The costs of interest payable on debt are determined based on the effective interest rate.

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
FINANCIAL INCOME		
Interest	37 508	71 397
Loans	*27 883*	*68 818*
Deposits and bank accounts	*5 245*	*380*
Income from discount on receivables and liabilities	*3 943*	*1 820*
Other	*437*	*379*
Other	31 348	931
Foreign exchange gains	*18 383*	*234*
Revision of estimated contractual cash flows	*11 941*	*63*
Gain on valuation and settlement of financial instruments	*99*	*449*
Other	*925*	*185*
Total financial income	**68 856**	**72 328**
FINANCIAL COSTS		
Interest	(687 908)	(344 706)
Lease agreements	*(176 703)*	*(143 347)*

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	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Borrowings	-	-
Bank loans	*(345 572)*	*(168 184)*
Other liabilities	*(163 223)*	*(32 710)*
Cost of discount on receivables and liabilities	*(2 410)*	*(465)*
Other	(24 493)	(37 798)
Foreign exchange losses	*(1 715)*	*(2 037)*
Bank loans	*(11 002)*	*(8 113)*
Commissions	*(3 659)*	*(3 597)*
Cost of valuation and settlement of financial instruments	*(5 714)*	*(905)*
Revision of estimated contractual cash flows	*(1 018)*	*(22 795)*
Other	*(1 385)*	*(351)*
Total financial costs	**(712 401)**	**(382 504)**
NET FINANCIAL INCOME / COSTS	**(643 545)**	**(310 176)**

Foreign exchange gains/losses arose mainly as a result of the balance sheet valuation of receivables from loans granted.

Income/expenses from changes in expected cash flows of financial liabilities result from changes in the length of interest periods for bank loans and the revaluation of cash flows related to loans as a result of the exercise of early repayment options.

Non-interest finance costs included in the "Other" category, such as bank loans and commissions, mainly consist of amortized bank commissions for arranging and providing the revolving credit facility, as well as fees for bank guarantees provided to the Group's suppliers. Costs related to the valuation and settlement of financial instruments include the valuation of options and forward contracts.

Interest presented under other liabilities includes, among other things, interest on factoring receivables and liabilities, interest on tax arrears, interest on actuarial valuation, costs of maintaining cash in bank accounts and trade interest.

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 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 has become probable that the future

taxable profit will be available, which will allow the asset to be recovered.

Deferred tax assets are recognised also for unused tax losses and are recognised only when it is probable that taxable income will be generated in the future, which will allow 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.

Deferred income tax assets and deferred income tax liabilities are offset by the Group if and only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

If, in the Group's opinion, it is probable that the approach to a tax issue or a group of tax issues will be approved by the tax authority, 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 the tax authority will accept the Group's approach to a tax matter or cluster of tax matters, 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.

Significant values based on professional judgment Uncertain tax treatment

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 at 15 July 2016, amendments to the Tax Ordinance Act were introduced to reflect the provisions of the General Antiavoidance Rule (GAAR). GAAR prevents 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.

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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 will enable 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 in compliance with the requirements of IAS 12 *Income Taxes*, based on taxable income (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**).

Significant 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.

Current tax

Income tax expense

Main components of the income tax cost for the period ended 31 December 2022 are as follows:

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Current tax	(272 793)	(164 092)
Deferred tax	80 177	10 137
Income tax in the consolidated statement of profit or loss and comprehensive income	**(192 616)**	**(153 955)**
Profit / Loss	*(192 697)*	*(153 893)*
Other comprehensive income	*81*	*(62)*

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Income tax in profit or loss	**(272 793)**	**(164 092)**
Change in income tax receivables / liabilities	89 056	79 627
The balance of receivables / (liabilities) at the beginning of the period	*(112 786)*	*(33 159)*
The balance of (receivables) / liabilities at the end of the period	*201 842*	*112 786*
Other	(16 360)	39
Income tax in the consolidated statement of cash flows (paid)	**(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.

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:

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Profit before tax	**576 910**	**664 762**
Tax rate	19%	19%
Tax according to the tax rate	**(109 613)**	**(126 305)**
Correction by:	-	-
Permanent differences between balance sheet law and tax law	(62 876)	(24 267)
Interest and exchange rate differences on loans and advances received	*(46 683)*	*(21 517)*
Other	*(16 193)*	*(2 750)*
Write-off of deferred tax assets	-	(2 950)
Deferred tax assets not recognized on temporary differences (tax losses not to be recovered)	(19 814)	-
Efect of tax relief due to business in Special Economic Zone	43 690	-
Other	(44 084)	(371)
Income tax in profit or loss	**(192 697)**	**(153 893)**
Effective tax rate	*33.4%*	*23.2%*

Permanent differences between the accounting and tax law relate mainly to interest and exchange rate differences on bank loans and borrowings received. The costs of debt financing obtained in order to acquire shares, in accordance with Art. 1 6 sec. 1 point 13e) of the Corporate Income Tax Act, do not constitute tax deductible costs.

The item "Other" includes, inter alia, a tax charge of PLN 43 496 thousand for Heket Investment S.à r.l., recognised on the basis of the result of the customs and tax inspection described below.

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Deferred tax

The table below presents the items from which the deferred income tax results.

The abbreviations used mean:

SoFP	Consolidated Statement of Financial Position
NPL	Net profit/ (loss)
OCI	Other comprehensive income
OB	Opening balance of acquired subsidiaries
Equity	Equity

	31.12.2022 Deferred tax included in:			31.12.2021 Deferred tax included in:		
	SoFP	NPL	Equity	SoFP	NPL	OB.
Deferred tax assets						
Accrued interest on trade liabilities	20	-	-	20	-	-
Accrued interest on borrowings received at effective interest method	2 750	2 744	-	6	6	-
Unbilled revenue reductions	4 907	(1 066)	-	5 973	1 784	-
Unbilled rebates for franchisees	44 314	10 701	-	33 613	6 146	-
Refund liability	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	-
Alowance for expected credit losses on receivables	21 476	(185)	-	21 661	1 025	-
Expected credit losses on loans	403	359	(2 391)	2 435	143	-
Impairment of property, plant and equipment	2 149	653	-	1 496	(298)	-
Impairment of shares	990	277	-	713	114	-
Impairment of inventory	769	348	-	421	(598)	-
Temporary difference in property, plant and equipment and intangible assets	15 838	2 842	-	12 996	(3 249)	4 956
Provisions and accruals	71 467	40 909	-	30 558	7 418	1 589
Settlement of trade discounts and rebates	5 331	(114)	-	5 445	2 531	-
Difference between right-of-use asset and lease liability	43 536	6 441	-	37 095	2 235	-
Foreign exchange gains and losses	1 246	1 244	-	2	(48)	-
Carryforward of unused tax losses	1 450	1 226	-	224	184	-
SEZ tax relief	40 558	40 558	-	-	-	-
Deferred other operating income	22	22	-	-	-	-
Valuation of derivatives	649	649	-	-	-	-
Other	1 143	378	-	765	208	-
Deferred tax assets - continuing operations	**301 907**	**117 571**	**(2 391)**	**186 727**	**26 090**	**6 545**
PROVISION FOR DEFERRED TAX						
Right of return assets	(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	(695)	8 067	12	(8 774)	2 935	-
Accrued interest on loans at effective interest method and foreign exchange gains and losses	(1 595)	19 101	4 651	(25 347)	(242)	-
Unbilled revenue	(2 303)	(1 211)	-	(1 092)	(699)	-
Unbilled revenue reductions	-	86	-	(86)	(86)	-
Temporary difference in property, plant and equipment and intangible assets	(268 772)	(22 251)	-	(246 521)	(10 638)	(10 710)
Deferred other operating income	-	34	-	(34)	12	-
Subscription fees settlement and other non-financial assets	(2 272)	(133)	-	(2 139)	(2 139)	-
Settlement of trade discounts and rebates	(60 782)	(15 650)	-	(45 132)	(4 174)	-
Settlements for inventory shortages and surpluses	(74)	(35)	-	(39)	34	-
Foreign exchange gains and losses	(231)	(23 039)	22 956	(148)	(144)	-
Transaction costs of bank loans	(47)	(47)	-	-	-	-
Discount of the deposit received	(1 751)	(1 751)	-	-	-	-
Provision for invoices	(667)	(667)	-	-	-	-
Non-interest costs related to loans	(1 329)	(1 329)	-	-	-	-
Other	(1 404)	1 380	-	(2 974)	-	-
Deferred tax liability - continuing operations	**(344 427)**	**(37 394)**	**27 619**	**(334 842)**	**(16 551)**	**(10 710)**
Set-off amount	301 907	(37 394)	(2 391)	186 727	26 090	6 545
NET DEFERRED TAX ASSETS/ (PROVISIONS)	**(42 520)**	**80 177**	**25 228**	**(148 115)**	**9 539**	**(4 165)**
Deferred tax assets in SoFP	*52 744*			*-*		
Deferred tax liability in SoFP	*(95 264)*			*(148 115)*		

	31.12.2022 Deferred tax included in:		31.12.2021 Deferred tax included in:	
	SoFP	OCI	SoFP	OCI
Deferred tax assets				
Actuarial gains and losses	47	81	(34)	(62)
Deferred tax assets - continuing operations	**47**	**81**	**(34)**	**(62)**
NET DEFERRED TAX ASSETS/ (PROVISIONS)	**47**	**81**	**(34)**	**(62)**

In the annual tax return for the year ended 31 December, 2017, the Żabka Polska Sp. z o.o. recognised a tax loss from other sources of income in the amount of PLN 71 749 thousand. The Company may reduce income in the next five consecutive tax years (until 2022) by the amount of the reported loss, provided that the amount of the reduction in any of these years may not exceed 50% of the amount of this loss. The Company did not reduce its income by the reported tax loss and at the same time did not recognise the deferred tax asset in the financial statements for the years 2018-2022 due to the inherent complexity of tax laws regulations with regard to transactions that generated that tax loss.

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Tax losses in subsidiaries for which no deferred tax asset has been recognised amount to PLN 99 145 thousand for 2022 (2021: PLN 14 911 thousand). According to Polish tax regulations, losses from the fiscal year 2021 can be carried forward and applied against future taxable income until 2026, while losses from 2022 can be carried forward until 2027.

On 15 February 2023, Żabka Polska Sp. z o.o. was notified of the outcome of a customs and tax inspection that had been initiated on 10 February 2021. The inspection focused on the Company's compliance with its obligation to pay corporate income tax on income as defined in Article 21 of the Corporate Income Tax Act of 15 February 1992, particularly in relation to the capitalization of interest on the loan it received from its direct shareholder Heket Investments S.à r.l. The inspection covered the years 2018 and 2019.

Despite the Company 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 the Company in 2017.

The Group recognised a deferred tax asset for tax losses in subsidiaries for the fiscal year ended 31 December 2021 and 31 December 2022. These companies may carry forward the reported losses and offset them against their future taxable income for the next five consecutive tax years (until 2027 and 2026, respectively). However, the amount of the reduction in any of these years may not exceed 50% of the amount of the loss. Subsidiaries will generate sufficient income to offset tax losses within five years, according to tax budgets.

On 5 November 2020, one of the Group's companies received a long-term corporate income tax credit to support the Group's new investment. The public assistance depends on meeting the following conditions:

1. The entity must create at least 30 new jobs by 31 December 2023, and maintain this level of employment for five consecutive years.
2. The entity must incur eligible investment costs of at least PLN 180 000 thousand by 31 December 2023.
3. The maximum level of eligible costs is PLN 234 000 thousand.
4. Other qualitative considerations, albeit minor, relate to the development of research and development (R&D) activities, which could lead to innovations and improvements in products or services, and support for education and skills upgrading.

As at 31 December 2022, the Group believes that there is a reasonable certainty of meeting the conditions necessary to obtain tax credits, based on the extent of the progress made towards meeting those conditions. Accordingly, ss of the reporting date the Group recorded an asset for the unused tax credit, taking into account the probability of having sufficient taxable income in the future against which it can be utilized. The amount of PLN 40 558 thousand recognised as an asset was determined by projecting tax budgets for the next five years, using the best available information regarding economic events and tax regulations.

The assistance received by the Group is subject to certain conditions and may be audited by the tax authorities. In the event that the Company does not meet the necessary requirements, the decision to provide public assistance may be revoked, which would result in the payment of any outstanding tax liabilities, along with any applicable interest. The decision may be revoked if the Company:

1. discontinues the economic activity specified in the decision in the area indicated in the decision, or
2. grossly violates the conditions set out in the decision, or
3. does not address the deficiencies identified during the audit.

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.

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 broken down by acquisitions:

Note		Żabka Polska S.A.	Maczfit Foods sp. z o.o.	Masterlife Solutions sp. z o.o.	Total goodwill
	CGU	Żabka chain of stores	Maczfit Foods activity	Masterlife Solutions activity	
	Acquisition date	April 2017	April 2021	May 2021	
	As of 01.01.2022	**3 166 432**	**175 746**	**45 091**	**3 387 269**
3	Acquisitions	-	-	-	**-**
	Impairment loss for the year	-	-	-	**-**
	As of 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	-	-	-	**-**
	AS OF 01.01.2021	**3 166 376**	**-**	**-**	**3 166 376**
3	Acquisitions	56	175 746	45 091	**220 893**
	Impairment loss for the year	-	-	-	-
	As of 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	-	-	-	**-**

Goodwill in the amount of PLN 3 166 284 thousand was recognised in 2017. On 20 April 2017, the Group purchased all 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, which 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 as at 31 December 2022 was PLN 3 387 269 thousands, and as of 31 December 2021 was PLN 3 387 269 thousands. Both as at 31 December 2022 and 31 December 2021, goodwill did not suffer any impairment loss.

Goodwill is not amortised for both accounting and income tax purposes. Information on the impairment test performed is presented in note 6.6.

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 Company as a result of past events and from which the Company 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 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 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: development of a new software or new functionalities to existing software) such 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 services. When such costs incurred do not provide a distinct service, the 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 amortized throughout their useful life and tested for impairment each time when there is an indicator for impairment (more information in note **6.6**). The period and method of amortisation of intangible assets with a finite useful life are reviewed at least at the end of each financial year.

Intangible assets with 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 **6.6**).

Amortisation is calculated using the straight-line method over the estimated useful life of the asset. The policies applied in relation to the Group's intangible assets are summarized 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 30 September 2020. The amortisation on 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.

Significant values based on professional judgment

Cloud computing arrangements

In relation to cloud computing arrangements 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

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- 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 whether configuration and customisation costs meet 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.

Amortisation rates

The amortisation rates are determined on the basis of the expected period of economic useful lives of intangible assets. The amortisation rates are within 20-50% range. The Group reviews the applied useful lives based on current estimates.

	Software, Copyrights and Other Licences	Trademarks	Relationships with Franchisees	Relationships with customers	Costs of obtaining franchise agreements	Total
Net carrying amount as of 01.01.2022	**334 312**	**335 903**	**33 000**	**14 365**	**19 114**	**736 694**
Gross carrying amount of the comparative period	*473 863*	*367 908*	*429 000*	*16 541*	*43 933*	***1 331 245***
Accumulated amortisation of the comparative period	*(139 551)*	*(32 005)*	*(396 000)*	*(2 176)*	*(24 819)*	***(594 551)***
NET CARRYING AMOUNT AS OF 01.01.2022	**334 312**	**335 903**	**33 000**	**14 365**	**19 114**	**736 694**
Additions	234 042	-	-	-	28 482	**262 524**
Disposals	(1 739)	-	-	-	-	**(1 739)**
Amortisation	(87 505)	-	(17 000)	(3 308)	(15 474)	**(123 287)**
Impairment loss for the year	(843)	-	-	-	-	**(843)**
Net carrying amount as of 31.12.2022	**478 267**	**335 903**	**16 000**	**11 057**	**32 122**	**873 349**
Gross carrying amount	*706 166*	*367 908*	*429 000*	*16 541*	*72 415*	***1 592 030***
Accumulated amortisation	*(227 056)*	*(32 005)*	*(413 000)*	*(5 484)*	*(40 293)*	***(717 838)***
Accumulated impairment	*(843)*	-	-	-	-	***(843)***

	Software, Copyrights and Other Licences	Trademarks	Relationships with Franchisees	Relationships with customers	Costs of obtaining franchise agreements	Total
Net carrying amount as of 01.01.2021	**206 309**	**278 195**	**62 000**	**-**	**12 421**	**558 925**
Gross carrying amount of the comparative period	*290 393*	*310 200*	*429 000*	-	*28 719*	*1 058 312*
Accumulated amortisation of the comparative period	*(84 084)*	*(32 005)*	*(367 000)*	-	*(16 298)*	*(499 387)*
NET CARRYING AMOUNT AS OF 01.01.2021	**206 309**	**278 195**	**62 000**	**-**	**12 421**	**558 925**
Increase due to acquisition of subsidiaries	4 847	57 708	-	16 541	-	79 096
Additions	179 340	-	-	-	15 214	194 554
Disposals	(717)	-	-	-	-	(717)
Gross carrying amount	*(717)*	-	-	-	-	*(717)*
Amortisation	(55 467)	-	(29 000)	(2 176)	(8 521)	(95 164)
Net carrying amount as of 31.12.2021	**334 312**	**335 903**	**33 000**	**14 365**	**19 114**	**736 694**
Gross carrying amount	*473 863*	*367 908*	*429 000*	*16 541*	*43 933*	*1 331 245*
Accumulated amortisation	*(139 551)*	*(32 005)*	*(396 000)*	*(2 176)*	*(24 819)*	*(594 551)*

Additional information on the recognised increases in intangible assets is presented in note 6.5.

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.

The table below presents their description, fair value as at the acquisition date and carrying amount as at 31 December 2022 .

Position	Description	Fair value at the acquisition date	Carrying amount as at 31.12.2022	Carrying amount as at 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
„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

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Position	Description	Fair value at the acquisition date	Carrying amount as at 31.12.2022	Carrying amount as at 31.12.2021
„Maczfit"	Trademark used by internet website and mobile application to deliver professional dietary catering	47 671	47 671	47 671
„Dietly"	Trademark used by comparison website which helps customers to find and order the most accurate dietary catering	10 037	10 037	10 037
Trademarks total		**367 908**	**335 908**	**335 908**
Relationships with franchisees	Commercial relations of Żabka Polska S.A. with franchisees running stores	429 000	16 000	33 000
Relationships with franchisees total		**429 000**	**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	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	1 189	1 537
Relationships with customers total		**16 541**	**11 057**	**14 365**

The Group determined 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 6.6.

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:	
• Air-conditioning devices	• 3-10 years
• Refrigerating racks	• 5 years
• Refrigerating units and installations	• 8 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 put into use.

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, finance costs under lease contracts and 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.

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Significant values based on professional judgment and significant 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.

	Land	Buidings and structures	Machines, devices and other	Assets under construction	Total
Net carrying amount as of 01.01.2022	**33 613**	**488 846**	**1 326 380**	**464 728**	**2 313 567**
Gross carying amount of the comparative period	*33 613*	*703 139*	*2 069 950*	*465 734*	***3 272 436***
Accumulated depreciation of the comparative period	*-*	*(214 293)*	*(736 700)*	*-*	***(950 993)***
Accumulated impairment of the comparative period	*-*	*-*	*(6 870)*	*(1 006)*	***(7 876)***
NET CARRYING AMOUNT AS OF 01.01.2022	**33 613**	**488 846**	**1 326 380**	**464 728**	**2 313 567**
Additions	3 094	26 278	2 769	1 135 083	**1 167 224**
Disposals	(33 613)	(187 695)	(1 247)	(373)	**(222 928)**
Gross carying amount	*(33 613)*	*(212 669)*	*(44 260)*	*(373)*	***(290 915)***
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 of 31.12.2022	**3 094**	**617 023**	**1 556 891**	**665 231**	**2 842 239**
Gross carying amount	*3 094*	*892 837*	*2 586 578*	*666 236*	***4 148 745***
Accumulated depreciation	*-*	*(275 814)*	*(1 020 224)*	*-*	***(1 296 038)***
Accumulated impairment	*-*	*-*	*(9 463)*	*(1 006)*	***(10 469)***

	Land	Buidings and structures	Machines, devices and other	Assets under construction	Total
Net carrying amount as of 01.01.2021	**33 613**	**430 759**	**1 225 626**	**97 721**	**1 787 719**
Gross carying amount of the comparative period	*33 613*	*584 115*	*1 746 622*	*102 038*	*2 466 388*
Accumulated depreciation of the comparative period	*-*	*(153 356)*	*(515 874)*	*-*	*(669 230)*
Accumulated impairment of the comparative period	*-*	*-*	*(5 122)*	*(4 317)*	*(9 439)*
NET CARRYING AMOUNT AS OF 01.01.2021	**33 613**	**430 759**	**1 225 626**	**97 721**	**1 787 719**
Increase due to acquisition of subsidiaries	-	2 238	10 901	-	13 139
Additions	-	-	-	894 450	894 450
Disposals	-	(773)	(35 662)	(349)	(36 784)
Gross carying amount	*-*	*(13 307)*	*(80 430)*	*(7 804)*	*(101 541)*
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 of 31.12.2021	**33 613**	**488 846**	**1 326 380**	**464 728**	**2 313 567**
Gross carying 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 capitalized under property, plant and equipment amounted to PLN 1 848 thousand (2021 PLN 140 thousand).

Additional information on the additions to the property, plant and equipment is presented in note 6.5.

The table below presents the carrying amount of prepayments for future deliveries of property, plant and equipment assets classified as fixed assets under construction and the carrying amount of assets not invoiced classified as property, plant and equipment and assets under construction, over which the Group exercised control as at 31 December 2022 (the carrying amount of assets not invoiced is charged to the Group's liabilities):

	31.12.2022	31.12.2021
Advances for future deliveries	144 531	69 732
Assets not invoiced	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).

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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 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 contracts include, among others: stores, office space, logistic centres, warehouses, cars, equipment (including payment terminals).

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 duration of the lease for contracts concluded for an indefinite period (more on in the section significant values based on professional judgment), 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 (PLN 22 thousand as at 31 December 2022 and PLN 20 thousand as at 31 December 2021) 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 5 000 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 back from the buyer-lessee, the Group assesses whether the transfer of the asset constitutes a sale within the meaning of IFRS 15.

If the transfer of the asset is a sale, the Group, as the seller-lessee, determines asset 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 lessee purchaser. Any below-market payments are recognised as prepaid lease payments, and above-market payments are recognised as additional financing provided by the buyer-lessee.

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.

Significant values based on professional judgment

The application of IFRS 16 requires the Group to make various judgments, 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 judgment 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:

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- 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 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.

Rental of stores to franchisees

As descrived 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 one performance obligation for such services and recognises rental revenues in accordance with IFRS 15.

Significant estimates

Lessee's incremental borrowing rate

The Group determines the lessee's incremental borrowing rate 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 of 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 OF 01.01.2022	**2 794 679**	**55 294**	**22 397**	**2 872 370**
New lease agreements and modifications	990 393	58 942	12 730	**1 062 065**
Termination of lease agreements	(39 401)	(1 397)	-	**(40 798)**
Gross carrying amount	*(157 748)*	*(15 254)*	*-*	***(173 002)***
Depreciation	*118 347*	*13 857*	*-*	***132 204***
Reclasicifation	-	1 174	-	**1 174**
Depreciation	(541 228)	(27 304)	(9 765)	**(578 297)**
Net carrying amount as of 31.12.2022	**3 204 443**	**86 709**	**25 361**	**3 316 513**
Gross carrying amount	*5 161 636*	*146 179*	*37 550*	***5 345 365***
Accumulated depreciation	*(1 957 193)*	*(59 470)*	*(12 188)*	***(2 028 851)***

	Buildings and structures	Vehicles	Machines, devices and other	Total
Net carrying amount as of 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 OF 01.01.2021	**2 465 258**	**38 916**	**505**	**2 504 679**
Increase due to 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)*
Depreciation	*53 916*	*8 571*	*-*	*62 487*
Reclasicifation	-	-	-	-
Depreciation	(458 832)	(20 965)	(2 271)	(482 068)
Net carrying amount as of 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 capitalized in the initial value of investments in third party fixed assets in the reporting period amounted to PLN 560 thousand (in 2021: PLN 363 thousand).

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Lease liabilities

	31.12.2022	31.12.2021
As of January 1st	**3 061 666**	**2 686 416**
Increase due to acquisition of subsidiaries	-	6 228
New Lease agreements and modifications	1 124 172	866 718
Termination of lease agreements	(39 257)	(26 617)
Payment	(733 587)	(613 021)
Interest cost	176 704	143 350
Capitalized exchange rates differences	967	(1 408)
As of December 31st	**3 590 666**	**3 061 666**
Current	*567 283*	*496 208*
Non-current	*3 023 382*	*2 565 458*

In 2022, the Group completed a sale and leaseback transaction for one of its logistics centers built by a subsidiary. Proceeds from the sale included in cash flow from investing activities amounted to PLN 338 736 thousand. The result on the transaction is presented in note 5.4. As the transfer of the warehouse constituted a sale under IFRS 15, the Group recognised 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 15 years. Under the contract, this period can be extended by a total of 10 years. A change in the applied discount rate by 1pp would result in a change in profit on sale of approximately PLN 4m.

Increases in the right-of-use asset in 2021-2022 mainly consists of new contracts and modifications to existing contracts for stores, logistics centres and the Group's headquarters, as well as car and forklift leasing contracts. The decrease is mainly related to termination of store lease contracts. Store lease contracts are usually concluded for 10 years. In the case of the 96 indefinite contracts, the Group treated them as having a 10-year contractual term in line with the other contracts. The Group determines the lease period for contracts concluded for an indefinite period based on economic considerations (investments made in a third party fixed asset 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.

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Depreciation of right of use assets	(578 297)	(482 068)
Interest on lease liabilities	(176 704)	(143 350)
Capitalized exchange rates differences	(967)	1 408
Short-term leases	(3 453)	(2 903)
Gain on sale and leaseback	70 574	-
Gain or loss on termination lease agreements	(1 541)	4 392
The impact of lease contracts on profit (loss) before tax	**(690 388)**	**(622 521)**

In connection with the sale and leaseback of the logistics center, the Group recognised only the amount of profit that relates to the rights transferred to the purchaser-lessee.

The short term leases are presented within the general and administrative costs or cost of goods sold and services rendered 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:

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Operating activities	(3 453)	(2 903)
Financial activities	(733 587)	(613 031)
Payment of the principal amount	*(556 075)*	*(469 681)*
Interest paid	*(177 512)*	*(143 350)*
Impact of lease agreements on cash flows	**(737 040)**	**(615 934)**

Cash flows resulting from concluded lease contracts recognised as part of operating activities include mainly payments resulting from short-term lease contracts and lease contracts for which the underlying asset is considered low value, which the Group recognises in a simplified manner.

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6.5 Capital expenditure

Accounting policy for increases in other intangible assets and property, plant and equipment is presented in notes 6.2 and 6.3, The tables below present capital expenditures, i.e. purchases of intangible assets and property and plant and equipment broken down into categories for individual years:

	Other intangible assets	Property, plant and equipment	Total
Physical infrastructure in stores	-	813 525	**813 525**
Physical infrastructure in the headquarters, logistics centres and production plants	-	353 699	**353 699**
Software and other intangible assets	262 524	-	**262 524**
Capital expenditure in 2022 year	**262 524**	**1 167 224**	**1 429 748**

	Other intangible assets	Property, plant and equipment	Total
Physical infrastructure in stores	-	501 660	**501 660**
Physical infrastructure in the headquarters, logistics centres and production plants	-	392 790	**392 790**
Software and other intangible assets	194 554	-	**194 554**
Capital expenditure in 2021 year	**194 554**	**894 450**	**1 089 004**

Increases in other intangible assets in 2022 mainly consist of spending on systems supporting sales and internal logistics, applications dedicated to customers and franchisees, and internal IT and security systems.

Increases in property, plant and equipment in 2021 – 2022 mainly includes expenditure on conctruction of the automated warehouse, purchases related to the acquisition of equipment for new stores and costs for remodelling and modernisation in existing locations.

In 2022, the Group completed the construction of the automated warehouse. For a description of the transaction, see note 6.4.

6.6 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 nonfinancial assets were 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 which is 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 Other costs in the statement of profit or loss and other comprehensive income.

Reversal of impairment loss on goodwill is not done. The reversal of an impairment loss of assets other than goodwill is preceded by an analysis of the occurrence of 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 on an asset is recognised immediately as other income.

Significant values based on professional judgment and significant estimates

Impairment of non-financial assets

The Group carried out impairment tests for goodwill, other intangible assets (brand 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 31 December 2022 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 Żabka chain of stores - due to the strategy adopted and implemented by the Group to unify the visualisation of stores and the trademark used.

Goodwill and other intangible assets with indefinite useful lives resulting from the acquisition of Maczfit Foods sp. z o.o. and Masterlife Solutions sp. z o.o. in 2021 have been allocated to two separate cash-generating units - the Maczfit Foods business and the Masterlife Solutions business.

The Management Board of the Group 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 the fair value less costs to sell. The fair value was calculated using a cash flow forecast based on financial budgets approved by senior 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 31 December 2022 and 31 December 2021.

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CGU	Segment	31.12.2022	31.12.2021
Żabka chain of stores	Convenience stores	3 738 973	3 752 544
Maczfit Foods activity	Dietary catering	277 862	289 428
Masterlife Solutions activity	Dietary catering	65 187	61 242
Total net carrying value		**4 082 022**	**4 103 214**

As at 31 December 2022 and as at 31 December 2021 the recoverable amount of assets individual cash generating units, including goodwill and other intangible assets with an indefinite useful life exceeded their carrying amount. The details of intangible assets with an indefinite lives are disclosed in note 6.2.

Key assumptions used to calculate the recoverable amount

	Żabka chain of stores	
	31.12.2022	31.12.2021
The rate of increase in revenues during the budget period	13% - 28%	15% - 22%
Operating profit margin:		
during the budget period	*7% - 11%*	*6% - 11%*
during the residual period	*11.0%*	*7.0%*
Discount rate:		
before tax	*12.2%*	*9.4%*
after tax	*10.0%*	*7.5%*
The growth rate used to estimate cash flows in the residual period	2.5%	2.5%

The Group expects to grow its revenue primarily due to new store openings as well as increasing sales of existing network driven by continuous excellence of customers' proposition.

	Maczfit Foods activity	
	31.12.2022	31.12.2021
The rate of increase in revenues during the budget period	20.3%	39%
Operating profit margin:		
during the budget period	*(3.3)% - 8.2%*	*15.7% - 19.8%*
during the residual period	*14.0%*	*15.0%*
Discount rate:		
before tax	*15.56%*	*14.8%*
after tax	*12.6%*	*12.0%*
The growth rate used to estimate cash flows in the residual period	2.5%	2.5%

The discount rate in 2021 reflected the increased risk in the context of the Maczfit business as a new business area for the Group.

	Masterlife Solutions activity	
	31.12.2022	31.12.2021
The rate of increase in revenues during the budget period	21%	59%
Operating profit margin:		
during the budget period	*19.8% - 32.4%*	*32.6% - 46.8%*
during the residual period	*30.0%*	*33.4%*
Discount rate:		
before tax	*15.56%*	*14.8%*
after tax	*12.6%*	*12.0%*
The growth rate used to estimate cash flows in the residual period	2.5%	2.5%

Żabka Polska Sp. z o.o.

In relation to Żabka stores the revenue growth rate adopted by the Group in the budget period is based on the increases achieved in previous years and reflects the planned increase in the number of stores. The number of stores as at the end of 2022 was 9 021. The Group plans to open more than 1 000 stores per year in 2023 and in the medium term. The 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 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 the long-term inflation target for Poland.

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.

Maczfit Foods Sp. z o.o.

The Maczfit Foods impairment test is based on certain key assumptions, including revenue growth in 2023-2024 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 planned market penetration of the product, estimated rate of product loss, and general trends in Poland towards healthy lifestyles and fitness, supported by increasing consumer affluence. The business plan is to invest in acquiring new customers, and gradually rebuild 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 required net working capital. The Group recognizes that achieving the CAGR mentioned above is contingent upon reaching revenue growth targets in 2023 and 2024.

The test is also sensitive to the discount rate, the revenue growth rate and margins over the residual period. Based on the sensitivity analysis, the management estimated that if the discount rate increases by 2pp, while other assumptions for the test remain unchanged, the recoverable amount would decrease to the present value. Similarly, under unchanged assumptions, a 3pp decrease in margins over the residual period causes the recoverable amount to fall to the present value.

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 (SaaS) and marketplace software provider, offers an attractive mix of subscription and take-rate commission, supported by a high-growth and 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.

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The Group anticipates that Dietly will (I) transition from an early-stage market to a mature platform within the next 3 years, which involves 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.

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 1 500 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 Parent's Management Board regularly analyzes key financial and non-financial indicators on a monthly basis. In 2022, the Board confirmed that the Group successfully launched the service in major cities and metropolitan areas of Poland, including creating applications and websites and opening a number of "dark stations." The Group also established a customer base, achieved a high rate of repeat purchases and customer retention, and 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 investments in the group 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 2022, the Management Board did not identify indications of impairment of the investment in Lite e-commerce Group.

6.7 Inventory

Accounting policy

Inventory are measured at the lower of two values: the cost of inventory and 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 their present location and condition. In determining the purchase price, discounts, rebates and other similar items are deducted. The purchase price is also net of value added taxes.

The purchase price of goods is determined using the weighted average method, and the cost of materials 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 costs'.

The write-down of merchandise inventories presented on a net basis in the consolidated statement of profit or loss and other comprehensive income under the item 'Cost of goods sold and services rendered.

	31.12.2022	31.12.2021
Materials	16 186	20 194
Merchandise	571 868	405 943
Advances for deliveries	11 932	-
Total inventory (gross)	**599 986**	**426 137**
Revaluation write-off	(4 045)	(1 567)
Total inventory (net)	**595 941**	**424 570**

The table below presents changes in the write-down of inventory:

	31.12.2022	31.12.2021
Write-offs on inventory at the beginning of the period	1 565	5 361
Increase	3 466	817
Utilized	(685)	(2 190)
Reversed	(301)	(2 423)
Write-offs on inventory at the end of the period	**4 045**	**1 565**

Inventory write-downs mainly apply to goods, 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).

6.8 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.

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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.

As receivables, the Group recognises the rights to consideration in exchange for goods or services that have been transferred to the customer, 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 loss

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.

Significant values based on professional judgment

Presentation of settlements due to factoring of receivables

The description of significant values based on professional judgment in relation to the presentation of settlements due to factoring of receivables is presented in note **6.9**.

Significant 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.

	31.12.2022	31.12.2021
Trade receivables (gross)	1 736 955	1 329 490
Loss allowance for expected credit losses	(74 006)	(66 228)
Trade receivables (net)	**1 662 949**	**1 263 262**

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 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.

The table below presents changes in the loss allowance for expected credit losses for the carrying amount:

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Loss allowance for expected credit losses at the beginning of the period	**(66 228)**	**(52 115)**
Increase	(16 279)	(21 876)
Utilized	2 778	3 819
Reversed	5 723	3 944
Loss alowance for expected credit losses at the end of the period	**(74 006)**	**(66 228)**

Information on the presentation of settlements due to factoring of receivables and insurance of receivables is presented in note 6.9

Receivables from franchisees are insured and this fact has been reflected in the calculation of allowance for expected credit losses. Franchisees conclude an agreement with an insurer (self-insurance). There are no outstanding balances resulting from that agreement because the Group acts as an agent.

6.9 Loans granted, shares, stocks and other financial assets

Accounting policy

Loans granted

The loans granted by the Group mainly relate to loans to a higher-level parent entity and 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 in order to obtain cash flows in line with the business model.

As 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 the default risk for a given loan as at the reporting date with the 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 which indicates 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 on 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 the 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 based on statistical market data on the recovery of unsecured corporate debt.

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Shares and stocks

The item Shares includes shares in entities not listed on public securities markets. The Group has classified its financial instruments as assets at fair value and has not elected to measure them though other comprehensive income.

Other financial assets

Other financial assets include, in particular, security 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 are therefore 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**.

Significant values based on professional judgment

Impairment of loans granted

The loans granted by the Group mainly relate to loans to a higher-level parent entity and other related entities that are not listed on public securities markets and do not have external credit ratings. The assessment of default for loans is therefore mainly related to the assessment of the operating activities of these entities and their financial situation, which in the case of the parent entity is directly related to the financial situation of the Group itself, as the parent entity does not conduct any operating activities generating cash flows.

The Group estimates the potential credit rating for the parent company and 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.

Presentation of settlements due to factoring of receivables

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 judgment as to whether, in connection with the use of factoring, there is a transfer that qualifies 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 amounts 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 the Group's judgment, 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) over 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 receivables.

Loans granted

	31.12.2022	31.12.2021
Loans granted to parent company	11 707	1 511 835
Loans granted to other related enities	1 048	14 368
Non-current loans granted	**12 755**	**1 526 203**
Loans to franchisees	4 566	3 964
Current loans granted	**4 566**	**3 964**
LOANS GRANTED	**17 321**	**1 530 167**

The table below presents the items recognised as loans granted under non-current assets in the Consolidated statement of financial position and their carrying amount as at 31 December 2022 and 31 December 2021:

	Type of relation	The date the loan was granted	Loan amount (in thousands)	Currency	Maturity date	Interest	31.12.2022	31.12.2021
Loan 1	Other related party	21.12.2017	200.00	EUR	After certain conditions are met	Fixed	-	856.00
Loan 2	Other related party	20.03.2020	170.00	EUR	20.03.2025	Fixed	-	843.00
Loan 3	Parent company	30.07.2019	296 542.00	EUR	30.07.2024	Fixed	-	1 511 834.00
Loan 4	Other related party	05.05.2020	575.00	EUR	05.05.2025	Fixed	-	2 840.00
Loan 5	Other related party	31.03.2021	54.00	EUR	After certain conditions are met	Fixed	-	249.00
Loan 6	Other related party	18.05.2021	38.00	EUR	After certain conditions are met	Fixed	-	175.00
Loan 7	Other related party	25.06.2021	19.00	EUR	After certain conditions are met	Fixed	-	88.00
Loan 8	Other related party	30.09.2021	23.00	EUR	After certain conditions are met	Fixed	-	108.00
Loan 9	Other related party	06.10.2021	4.00	EUR	After certain conditions are met	Fixed	-	16.00
Loan 10	Other related party	27.10.2021	24.00	EUR	After certain conditions are met	Fixed	-	112.00
Loan 11	Other related party	16.11.2021	38.00	EUR	After certain conditions are met	Fixed	-	177.00
Loan 12	Other related party	16.11.2021	4.00	EUR	20.03.2025	Fixed	-	18.00
Loan 13	Other related party	08.12.2021	25.00	EUR	20.03.2025	Fixed	-	117.00
Loan 14	Other related party	01.12.2021	1 900.00	EUR	01.12.2026	Fixed	-	8 770.00
Loan 15	Other related party	21.09.2022	220.00	EUR	31.12.2024	EURIBOR + margin	1 048.00	-
Loan 16	Parent company	14.04.2022	929.00	PLN	29.03.2024	WIBOR + margin	984.00	-
Loan 17	Parent company	15.07.2022	4 837.00	PLN	29.03.2024	WIBOR + margin	5 019.00	-
Loan 18	Parent company	07.10.2022	969.00	PLN	29.03.2024	WIBOR + margin	984.00	-
Loan 19	Parent company	22.11.2022	4 704.00	PLN	29.03.2024	WIBOR + margin	4 720.00	-
Non-current loans granted							**12 755**	**1 526 203**
Loans to franchisees						Fixed	4 566	3 964
Current loans granted							**4 566**	**3 964**

All loans advanced to the parent Heket Investments S.á r.l. (in 2021) and other related parties were granted on arm's length terms.

The Group granted loans to entities that do not have external credit ratings, therefore the Group determined the risk of default by borrowers based on the assessment of their financial condition and the estimated credit rating. The amount of the expected loss due to default by borrowers was estimated by the Group on the basis of historical repayment statistics and forward-looking information.

The table below presents changes in the loss allowance for expected credit losses for loans granted:

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Loss allowance for expected credit losses at the beginning of the period	**(12 820)**	**(12 062)**
Increase	(448)	(758)
Utilized	-	-
Reversed	12 954	-
Loss allowance for expected credit losses at the end of the period	**(314)**	**(12 820)**

Reversal of allowance for expected credit losses is included in merger reserve. Details of the business combination are presented in note 3.

Shares

The item 'Shares ' in the consolidated statement of financial position includes shares in unrelated entities.

	31.12.2022	31.12.2021
Shares and stocks in a non-related entities	18 831	14 753
Biały Obrus sp. z o.o.	*1 000*	*1 000*
AiFi Inc	*7 831*	*3 753*
Synerise S.A.	*10 000*	*10 000*
Shares in a related entity	-	20 633
Amphibian Investments S.à r.l.	*-*	*20 633*
Shares and stocks	**18 831**	**35 386**

Information on the measurement is presented in note 8.1.

The shares in Amphibian Investments S.à r.l. secure a loan receivable from this entity.

Other financial assets

The table below presents other financial assets as at 31 December 2022:

	31.12.2022	31.12.2021
Security deposits	18 492	15 989
Simple agreement for future equity	-	4 078
Non-current other financial assets	**18 492**	**20 067**
Security deposits	18 094	-
Factored receivables	5 974	9 286
Investment deposits	47 039	5 246

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	31.12.2022	31.12.2021
Other	1 100	-
Current other financial assets	**72 207**	**14 532**
OTHER FINANCIAL ASSETS	**90 699**	**34 599**

Security deposits shown in other short-term financial assets include a guarantee 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.

Factored receivables 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 31 December 2022 was PLN 59 737 thousand (31 December 2021: PLN: 92 861 thousand), of which PLN 53 763 thousand was financed by the factor (31 December 2021: PLN : 83 575 thousand).

"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 statement of profit or loss.

The table below presents changes in loss allowance for other financial assets:

	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	**(408)**	**(110)**
Increase	-	(298)
Utilized	-	-
Reversed	143	-
Loss allowance for expected credit losses from other financial assets at the end of the period	**(265)**	**(408)**

The loss allowance for other financial assets relates to the deposit.

6.10 Right of return assets

Accounting policy

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A right of return asset (and corresponding adjustment to cost of goods sold) is also recognised for the right to recover the goods from the franchisees.

	31.12.2022	31.12.2021
Right of return assets	13 186	13 454
Impairment	-	-
Total right of return assets	**13 186**	**13 454**

6.11 Other non-financial assets

Accounting polic

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.

Other non-financial assets

	31.12.2022	31.12.2021
Prepayments	7 961	6 541
Fees for arrangement and availability of revolving facility	*7 449*	*4 873*
Software	*132*	*-*
Insurance premiums	*70*	*8*
Marketing and advertisements	*79*	*53*
Other	*231*	*1 607*
Other	877	-
Non-current other non-financial assets	**8 838**	**6 541**
Prepayments	22 931	16 953
Fees for arrangement and availability of revolving facility	*3 103*	*3 198*
Software	*12 880*	*11 827*
Insurance premiums	*2 770*	*445*
Marketing and advertisements	*2 320*	*418*
Other	*1 858*	*1 065*
Receivables from tax authorities	81 442	108 217
Non-financial assets relating to advances	26 136	-
Other	652	38
Current other non-financial assets	**131 161**	**125 208**
OTHER NON-FINANCIAL ASSETS	**139 999**	**131 749**

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 the competent tax authorities on a monthly basis.

The net amount of VAT which is recoverable from or payable to tax authorities is disclosed in the consolidated statement of financial position as part of receivables or liabilities, as appropriate.

Non-financial assets related to prepayments include prepayments for services and amounts of value-added tax on prepayments paid for which no prepayment invoice had been received by the reporting date.

6.12 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 fixed 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.

Significant estimate

Determining the amount of the liability for a written put option over non-controlling interest

The Group recognised an option liability for 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 normalized 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 the present value of the liability, the Group takes into account its credit risk (creditworthiness) and other factors that could impact the likelihood of the liability being met.

The following table shows the option liability to purchase non-controlling interests by acquisition transactions as of 31 December 2022:

	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.	2 297	4 140
Acquisition of Masterlife Solutions sp. z o.o.	-	-
Current liability for a written put option over non-controlling interest	**2 297**	**4 140**
Liability for a written put option over non-controlling interest	**103 664**	**103 088**

Acquisition of Maczfit Foods sp. z o.o

The liability for an option to buy out non-controlling interests was recognized in connection with the acquisition of Maczfit Foods sp. z o.o. on 29 April 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 realized at the same time (3-year period from 30 April 2024 to 30 April 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, with a minimum value of PLN 14 000 thousand and PLN 9 000 thousand, payable in accordance with the following schedule: the amount 4 140 PLN thousand was paid on 29 July 2022, the amount of PLN 2 430 thousand is paybale until 29 July 2023 and the amount of PLN 2 430 thousand is payable until 29 July 2024.

As of initial recognition, the option liability to purchase non-controlling interests was PLN 44 529 thousand, and as of 31 December 2022 the amount was PLN 65 259 thousand.

Acquisition of Masterlife Solutions sp. z o.o.

The liability for an option to buy out non-controlling interests was recognized in connection with the acquisition of Masterlife Solutions sp. z o.o. on 28 May 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. Both options are symmetrical. They can be realized 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 calculated on the basis of the Masterlife Solutions sp. z o.o. valuation model, calculated as the product of normalized EBITDA in the period of 12 full calendar months preceding the option exercise date and the net debt.

As of initial recognition, the option liability to purchase non-controlling interests was PLN 58 559 thousand, and as of 31 December 2022 the amount was PLN 38 405 thousand.

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6.13 Trade payables and other liabilities

Accounting policy

Current liabilities due to deliveries and services are presented in the amount of 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

In connection with 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) undertook to transfer to the factor all benefits received from the Group's contractors 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 **6.9**.

Non-invoiced liabilities

Non-invoiced liabilities are accruals directly related to operating activities, i.e. production, sales (trading) and after-sales phase, 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 or perform future performance, where
- it is reasonable and, at the same time, possible to reliably estimate the costs (or losses) necessary to meet the Group's obligations.

Significant values based on professional judgment

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 for factoring invoices relating to purchases from selected suppliers. 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 judgment whether the nature of the liability changes significantly due to the use of factoring and whether it is necessary to change its presentation into debt liabilities (for both: the statement of financial position presentation and the classification of payments made in the statement of cash flows). In making its judgment, the Group analysed and took into account the agenda decision of the IFRS Interpretations Committee published in December 2020 regarding reverse factoring and its presentation in the Consolidate financial statements.

In making this judgment, 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 deliveries of goods in the course of current operating activities, on terms agreed with suppliers. For the purpose of calculating the 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 facilitating payments from an operational point of view due to the fragmentation of suppliers. (the factor acts as the paying agent).

In line with the Group's judgment, 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 judgment 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.

	31.12.2022	31.12.2021
Non-invoiced liabilities	105	120
Liabilities related to franchisee deposits	41 199	35 478
Other	50	2 030
Other non-current financial liabilities	**41 354**	**37 628**
Trade payables	1 651 622	1 280 760
related to supplies and services	*1 373 954*	*1 114 316*
related to purchase of investment properties	*237*	*-*
related to purchase of property, plant and equipment and intangible assets	*277 431*	*166 444*
Derivatives	3 417	-
Trade payables covered by reverse factoring	2 429 431	2 258 977
related to supplies and services	*2 407 488*	*2 230 430*
related to purchase of property, plant and equipment and intangible assets	*21 943*	*28 547*
Accruals	252 214	127 911
Liabilities related to franchisee deposits	14 560	12 615
Liabilities to the factor (factoring of receivables)	36 237	6 425
Other	46 131	15 796
Current trade payables and other financial liabilities	**4 433 612**	**3 702 484**
TOTAL TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES	**4 474 966**	**3 740 112**

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Non-invoiced liabilities relate primarily to electricity, marketing and logistics, as well as store and headquarters maintenance. The other item includes mainly settlements for intermediation by the Group in settling payments by franchisees for newspapers' deliveries, lottery services and minor bill payments. The item 'Other' also includes a liability for the incentive program described in note 9.2. As at 31 December 2022, the liabilities on this account amounted to PLN 19 828 thousand.

6.14 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.

	31.12.2022	31.12.2021
Rebates	196 289	130 368
Right to return the merchandise	18 293	18 506
"Żappka" program	11 148	6 560
Refund liabilities	**225 730**	**155 434**

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. The Group, in connection with the loyalty points (Żappsy) awarded to participants, which are exchanged for vouchers entitling to the awards issued by the Franchisees, undertakes to reimburse the Franchisees for the goods sold (the amount of the payment received or the amount due), to which the Group will not be entitled in exchange for goods handed over by Franchisees to program participants. When determining the value of the liability, the Group takes into account the expectations as to the use of points by program participants and the value of the reimbursement due to the Franchisees.

6.15 Employee benefits liabilities

Accounting policy

The Group pays employees the following benefits that may result in liabilities towards employees as 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 employed employee to the Social Insurance Institution (ZUS). The Group is required to pay contributions as they fall due only for the period of the employee's employment. The Group has no legal or constructive obligation to pay future benefits. If the Group ceases to employ members of the plan, 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 IAS 19, no actuarial assumptions are required to measure the obligation or the 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 out once, upon retirement or disability. The retirement and disability severance pay is due in 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 in the amount depending 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. Demographic information and information on employment rotation 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.

Significant estimates

Provisions for employee benefits were estimated using actuarial methods. The assumptions adopted for that purpose are presented in the note below.

	31.12.2022	31.12.2021
Provision for pensions, disability and death benefits	2 338	1 648
Other	2 018	2 040
Non-current liabilities due to employee benefits	**4 356**	**3 688**
Liabilities to employees in respect of remuneration and functions performed	76 872	45 993
Paid leave liability	13 275	10 294
Provision for pensions, disability and death benefits	274	173
Current liabilities due to employee benefits	**90 421**	**56 460**
LIABILITIES DUE TO EMPLOYEE BENEFITS	**94 777**	**60 148**

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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:

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Provision for pensions, disability and death benefits at the beginning of the period	**1 821**	**1 766**
Costs included in the financial result	522	467
Interest cost	*61*	*26*
Current and past service costs	*461*	*441*
Actuarial (gains) / losses recognized in other comprehensive income	366	(327)
Paid benefits	(97)	(85)
Provision for pensions, disability and posthumous benefits at the end of the period	**2 612**	**1 821**
Current	*274*	*173*
Non-current	*2 338*	*1 648*

Key assumptions used to measure the provision for retirement, disability and posthumous benefits

	31.12.2022	31.12.2021
Discount rate	6.8%	3.6%
Projected inflation rate	2.5%	2.5%
Employee turnover rate depending on age	0.9%-11.2%	0.9% - 11.6%
Projected wage growth rate	10.0%	7.1%
Average age of employees	35	36

Sensitivity to changes in assumptions

The table below presents the impact of the changes to key assumptions on the measurement of the provision for retirement, disability and posthumous benefits as at 31 December 2022 and 31 December 2021:

		31.12.2022	31.12.2021
Discount rate	- 0.25 p.p.	76	55
	+ 0.25 p.p.	(73)	(53)
Employee turnover rate	- 0.25 p.p.	39	28
	+ 0.25 p.p.	(38)	(27)

6.16 Other non-financial liabilities and deferred income and contract liabilities

Accounting policy

Deferred income

If there is 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 the grant relates to a cost item, then it is recognised as income in a manner commensurate with the costs which the subsidy is intended to compensate. If the 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 include in particular public law liabilities.

Other non-financial liabilities are recognised at the amount due.

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.

Other non-financial liabilities and deferred income

	31.12.2022	31.12.2021
Deferred income	78	100
Other	*78*	*100*
Non-current deferred income	**78**	**100**
Deferred income	1 088	456
Other	*1 088*	*456*
Current deferred income	**1 088**	**456**
DEFERRED INCOME	**1 166**	**556**

	31.12.2022	31.12.2021
Non-current other non-financial liabilities	**-**	**-**
Liabilities from social insurance and personal income tax	25 808	15 782

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	31.12.2022	31.12.2021
OTHER NON-FINANCIAL LIABILITIES	**27 482**	**15 963**
Current	28 570	16 419
Non-current	78	100
Total other non-financial liabilities and deferred income	**28 648**	**16 519**

Contract liability

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Contract liability at the beginning of the period	**7 178**	**-**
Acquisition of subisidiaries	-	5 844
Prepayments received from customers	12 017	7 178
Recognised as revenue in the period	(7 178)	(5 844)
Reversed	-	-
Contract liability at the end of the period	**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 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 are 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 finance cost.

Significant values based on professional judgment

Provision for litigation

In the period covered by these Consolidated financial statements, the Group recognised a provision for obligations arising from court disputes. Determining the amount of the provision as at the reporting date requires a judgment as to whether the Group is required to provide benefits. In assessing whether it is more likely than not that an outflow of economic benefits will occur, the Group follows the professional judgment of legal advisers.

Significant estimates

In the period covered by these Consolidated financial statements, the Group recognised a provision for obligations arising from court disputes. Determining the amount of the provision required an estimate of the outcome of the court proceedings and the value of the Group's liability as at the reporting date.

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Provisions at the beginning of the period	**700**	**2 150**
Increase	2 219	207
Utilized	(15)	(170)
Reversed	(134)	(1 487)
Provisions at the end of the period	**2 770**	**700**
Current	2 770	700
Non-current	-	-

The provisions recognised as at 31 December 2022 and 31 December 2021 include provisions for litigation.

The table below summarizes the court cases for which provision was recognised (probable outflow of economic benefits) and those for which provision was not recognised (outflow of economic benefits is not probable) as at 31 December 2022:

	31.12.2022	31.12.2021
An outflow of economic benefits is probable		
Number of lawsuits	10	7
The value of liabilities for individual lawsuits	2 - 2 636	2 - 392
The value of the provision	2 770	700
An outflow of economic benefits is not probable		
Number of lawsuits	6	5
The value of liabilities for individual lawsuits	8 - 70	10 - 433
Total value of lawsuits for which no provisions were recognized	189	664

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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 on 31 December 2022 and 31 December 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 equity attributable to owners of the parent. The leverage ratio at the Group is significantly impacted by long-term lease and rental contracts.

Note		31.12.2022	31.12.2021
7.3	Loans and borrowings	3 874 531	4 040 843
	Bank loans	*3 874 531*	*4 040 842*
	Loans	*-*	*1*
6.4	Lease liabilities	3 590 665	3 061 666
7.4	Less cash and cash equivalents	(276 568)	(465 741)
	Net debt	**7 188 628**	**6 636 768**
7.2	Equity	582 733	1 762 239
	Equity and net debt	**7 771 361**	**8 399 007**
	Leverage ratio	**93%**	**79%**

The Group actively manages the level of leverage ratio as a part of liquidity management as described in note 8.2. The Group monitors liquidity risk with specific focus on interest payable within the next 12 months and capital instalments payable within the next 12 months and long term. Liquidity is monitored with the use of 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.

7.2 Equity

Share capital

As at 31 December 2022 and 31 December 2021 the share capital was PLN 113 215 thousand, which comprised 2 264 300 shares with a nominal value of PLN 50 each. All shares have been fully paid up, are equally privileged as to dividends and return on capital and have been issued:

- 23 August 2016 (100 shares with a nominal value of PLN 5 thousand),
- 19 April 2017 (2 264 200 shares with a nominal value of PLN 113 210 thousand).

As at 31 December 2022, Żabka Group S.A. was the sole shareholder, holding 100% of the capital and voting rights. As at 31 December 2021 the sole shareholder was Heket Investments S. á r. l., which held 100% of the share capital and voting rights.

Share premium

Share premium results from the surplus of the issue price over the nominal value in the amount of PLN 1 018 729 thousand adjusted by transaction costs related to the share capital increase in the amount of PLN 577 thousand.

Merger reserve

The origins of this item are described in note 3.

7.3 Debt

Accounting policy

As part of debt, the Group identifies liabilities due to loans, borrowings and leases.

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 initial recognition, interest-bearing loans, borrowings and debt securities are measured at amortized cost using the effective interest rate method.

When determining the amortized 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 to reflect changes in market interest rates, including those resulting from changes in margins, 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 judgments and estimates made in relation to the lease liabilities is presented in note **6.4**.

The reconciliation of changes in liabilities resulting from financial activities is presented below:

	Bank loans	Lease liabilities	Total
As of 01.01.2022	**4 040 842**	**3 061 666**	**7 102 508**
Monetary changes	**-**	**-**	**-**
Cash inflows	151 082	-	**151 082**
Payment	(652 879)	(733 587)	**(1 386 466)**
Capital repayment	*(318 082)*	*(556 075)*	***(874 157)***
Interest paid	*(334 797)*	*(177 512)*	***(512 309)***
Non-monetary changes	-	-	**-**
Accrued interest	347 420	176 704	**524 124**
Capitalized exchange rate differences	-	967	**967**
Flows changes	(10 931)	-	**(10 931)**
Other non-monetary changes	(1 002)	1 084 914	**1 083 912**
As of 31.12.2022	**3 874 532**	**3 590 664**	**7 465 196**
Current	*481 820*	*567 283*	***1 049 103***
Non-current	*3 392 712*	*3 023 381*	***6 416 093***

	Bank loans	Lease liabilities	Total
As of 01.01.2021	**3 837 104**	**2 686 416**	**6 523 520**
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	143 347	**311 671**
Capitalized exchange rate differences	-	(1 408)	**(1 408)**
Flows changes	22 795	-	**22 795**
Other non-monetary changes	(6 067)	840 356	**834 289**
Acquisition of a related entity	-	-	**-**
As of 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 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 credit facility agreements is presented in the table below:

Type	Granting entity	The date of conclusion of the contract	Loan / borrowing amount (in thousands)	Currency	Interest*	Repayment method	Maturity date	31.12.2022	31.12.2021
Bank loan (tranche A)	Syndicate of banks	12.04.2017	575 000	PLN	WIBOR 1M + variable margin	semi-annual increasing principal instalments starting from 30 June 2018	20.04.2023	116 097	238 384
Bank loan (tranche B)	Syndicate of banks	12.04.2017	1 675 000	PLN	WIBOR 1M + variable margin	one-time repayment	20.04.2024	1 674 552	1 675 003
Bank loan (tranche A2)	Syndicate of banks	19.07.2019	452 000	PLN	WIBOR 1M + variable margin	semi-annual increasing capital instalments starting from 31 December 2019	20.04.2023	136 441	232 036
Bank loan (tranche B2)	Syndicate of banks	19.07.2019	1 355 500	PLN	WIBOR 1M + variable 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 1M + variable margin	semi-annual increasing principal instalments starting from 31 December 2021	20.04.2023	104 984	156 754
Bank loan (tranche A) - additional	Syndicate of banks	04.12.2020	125 000	PLN	WIBOR 1M + variable margin	semi-annual increasing principal instalments starting from 31 December 2021	20.04.2023	43 727	86 671
Bank loan (tranche B) - additional	Syndicate of banks	04.12.2020	275 000	PLN	WIBOR 1M + variable margin	one-time repayment	20.04.2024	274 943	275 755
Bank loan (tranche 1)	Bank	14.07.2021	4 974	PLN	WIBOR + variable margin	semi-annual instalments	30.11.2027	4 455	4 308
Bank loan (tranche 2)	Bank	14.07.2021	14 603	PLN	WIBOR + variable margin	semi-annual instalments	30.11.2027	13 605	13 308
Bank loan (tranche 3)	Bank	14.07.2021	91 049	PLN	WIBOR + variable margin	semi-annual instalments	30.11.2027	89 055	-

Type	Granting entity	The date of conclusion of the contract	Loan / borrowing amount (in thousands)	Currency	Interest*	Repayment method	Maturity date	31.12.2022	31.12.2021
Bank loan	Bank	24.09.2021	7 981	PLN	WIBOR + variable margin	At the repayment date	24.09.2023	7 940	-
Bank loan	Bank	24.09.2021	3 507	PLN	WIBOR + margin	At the repayment date	24.09.2024	3 484	-
Overdraft	Syndicate of banks	12.04.2017	50 015	PLN	WIBOR 1M + variable margin	On a regular basis with the inflows to the account	20.04.2023	50 015	-

* 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 syndicate of banks. The interest rate shown in the table above is valid as of 31 December 2022.

As at 31 December 2021, the interest rate was WIBOR 6M + variable margin. The Group changed the interest period from six months to one month in April 2022. As a result of the change in the interest period, finance income from the cash flow modification was recognised - see note 5.4.

On 12 April 2017, the Group signed a loan agreement with a syndicate of banks for the total amount of PLN 2 700 000 thousand. As at 31 December 2018, 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 19 April 2017. Tranche A is repayable under the terms of the agreement in semi-annual increasing principal instalments, with the last instalment due in April 2023, while Tranche B is repayable in a single payment at maturity in April 2024.

On 19 July 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 more tranches of the loan, i.e.:
• tranche A2 in the amount of PLN 452 000 thousand,
• tranche B2 in the amount of PLN 1 355 500 thousand.

The Group took out tranches A2 and B2 on 26 July 2019. Tranche A2 is repayable in semi-annual escalating principal instalments, with the last instalment due in April 2023, while Tranche B2 is repayable in a single payment at maturity in April 2024.

In 2019, the Group, under an agreement concluded with a banking syndicate, took out a loan for refinancing capital expenditure in the amount of PLN 123 716 thousand. The loan is payable in semi-annual increasing capital instalments until April 2023.

On 31 January 2020, the last tranche was drawn under the loan for refinancing capital expenditure in the amount of PLN 51 284 thousand. As at 31 December 2022, the liability under this loan in the capital part amounts to PLN 105 000 thousand.

The loan agreement of 12 April 2017 concluded with a banking syndicate also included a revolving loan in the amount of PLN 450 000 thousand. As at 31 December 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 (31 December 2021: the amount of credit used for bank guarantees provided to support the Group's liabilities was PLN 65 661 thousand).

As at 31 December 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 (31 December 2021: PLN 25 000 thousand). The amount drawn under the limit was PLN 86 505 thousand (31 December 2021: PLN 19 921 thousand).

Pursuant to the loan agreement dated 19 July 2019 with a bank syndicate, on 4 December 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 may borrow up to ten tranches, within three months from the date of acceptance of the application, additional debt. As at 31 December 2022, the two tranches listed above were drawn in full, i.e. up to the amount of the allocated credit limit.

Tranche A is repayable in accordance with the terms of the agreement in semi-annual escalating principal instalments beginning in June 2021 and ending in April 2023, while Tranche B is repayable in a single payment on the maturity date of April 2024.

The Group has established the following securities for the benefit of the syndicate of banks:
• assignment between the Company and the security agent in relation to the Company's rights under the subsidiary acquisition documents and any security agreements concluded by the Company,
• registered and financial pledges on significant bank accounts,
• registered pledge on bank accounts,
• registered pledge on the enterprise of the Group,
• declaration of voluntary submission to enforcement,

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- registered pledge under Polish law over intangible assets in particular over significant trademarks owned by the Company and registered in Poland,
- assignment of all material loans granted by the Company and insurance policies.

According to the loan agreement concluded with the syndicate of banks, if a change of control occurs:
- Żabka Group S.A. will promptly notify the Agent upon becoming aware of that event;
- a lender shall not be obliged to fund a utilisation (except for a rollover loan) and an ancillary lender shall not be obliged to fund a utilisation of an ancillary facility; and and
- any lender may, at its discretion, by not less than 20 business days notice in writing cancel its share of the facilities and demand repayment of its share of all outstanding utilisations and ancillary outstanding, together with accrued interest thereon, and all other amounts accrued and payable to it under the finance documents, and full cash cover in respect of its share of each letter of credit or contingent liability under an ancillary facility,

No change of control occurred in the last year and as of the date of authorisation of these Financial Statements.

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 31 December 2022 and 31 December 2021, the financial ratios were met.

Export Credit Facility Agreement

On 14 July 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 and ESG-linked product. Pursuant to the ECA, a term facility for a total amount not exceeding PLN 184 600 000 was made available to ŻAL (the "Facility"). As of 31 December 2022, the outstanding balance of the facility was PLN 110 627 thousand (31 December 2021: PLN 107 116 thousand).

Term facilities of Żabka Property Fund

On 24 September 2021, Żabka Construction and Żabka Development, 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, authorized 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 grocery stores operate or will operate. Such stores can be sold to an investor under an investment agreement. As at the reporting date, the outstanding balance of the facilities was PLN 11 487 thousand.

Changes to the facility agreements made after the reporting date are described in note 9.7 Events after the reporting date.

7.4 Cash and cash equivalents

Accounting policy

Cash and cash equivalents disclosed in the consolidated statement of financial position and the cons 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**.

	31.12.2022	31.12.2021
Cash at bank	276 514	465 705
Cash in hand	54	36
Cash and cash equivalents	**276 568**	**465 741**
Fair value	276 568	465 741

Cash is 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 present the reasons for the differences between the changes in some items of the Consolidated statement of financial position and the changes presented in the Consolidated statement of cash flows.

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in receivables presented in the consolidated statement of financial position	**(461 997)**	**(261 738)**
(increase) / decrease in trade receivables	*(399 687)*	*(241 567)*
(increase) / decrease in receivables due to other long-term receivables	*696*	*(2 525)*
(increase) / decrease in receivables due to other short-term receivables	*(63 006)*	*(17 646)*
Change in receivables as a result of settlement of the merger of companies	*(20 247)*	-
Effect of receivables discount and interest	(2 410)	(79)
Effect of offsetting trade receivables with deductions for granted loans	-	3 381
Value resulting from the acquisition of subsidiaries	-	6 760
Receivables from the sale of shares	20 174	-
Receivables due to cash deposits	47 039	-
Receivables from deposits related to sale&leaseback transactions	13 188	-

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Other	1 450	116
(Increase) / decrease in receivables presented in the consolidated cash flow statement	**(402 803)**	**(251 560)**

	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	**656 715**	**749 800**
increase / (decrease) in trade payables and other liabilities	*606 827*	*733 521*
increase / (decrease) in long-term financial liabilities	*3 741*	*-*
increase / (decrease) in liabilities due to employee benefits	*34 628*	*13 241*
increase / (decrease) in other non-financial liabilities	*11 519*	*3 038*
Increase due to acquisition of subsidiaries	-	(116 020)
Change in payables as a result of settlement of the merger of companies	(1 370)	-
Change in capital expenditure liabilities	(108 402)	(28 547)
Change in liabilities accounted for in other comprehensive income	(429)	327
Change in withholding tax liabilities	(24)	(16)
Effect of discounting liabilities	3 943	1 820
Change in accruals due to factoring interest	(10 504)	(3 312)
Valuation of forward contract	3 417	-
Other	11	(66)
Deferred payment for share acquisition	-	(3 000)
(Increase) / decrease in payables presented in the consolidated cash flow statement	**543 357**	**600 986**

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Change in contract liabilities presented in the consolidated statement of financial position	**4 839**	**7 178**
Increase / (decrease) in contract liabilities	*4 839*	*7 178*
Change due to acquisition of subsidiaries	-	(5 913)
Increase / (decrease) in contract liabilities presented in the consolidated cash flow statement	**4 839**	**1 265**

	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	**117 502**	**(58)**
(increase) / decrease in prepayments	*(7 397)*	*(279)*
increase/ (decrease) in accrued expenses	*609*	*-*
increase/ (decrease) in deferred income	*124 290*	*221*
Change as a result of settlement of the merger of companies	(648)	-
Increase due to acquisition of subsidiaries	-	807
Non-interest loan-related costs	(593)	(188)
(Increase) / decrease in the balance of prepayments, accruals and deferred income presented in the consolidated statement of cash flows	**116 261**	**561**

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	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	-	(92 235)
Additions of property, plant and equipment	(1 167 883)	(881 340)
Additions of intangible assets	(262 523)	(115 457)
Change in capital expenditure payables	108 402	28 547
Depreciation charge capitalized as leasehold improvements	561	363
Purchase of property, plant and equipment and intangible assets presented in the consolidated cash flow statement	**(1 321 443)**	**(1 060 122)**

	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	(70 234)	5 294
Loss allowance for expected credit losses on loans	448	758
Impairment of property, plant and equipment	3 436	-
Other	2 000	110
(Gains) / losses from investing activities presented in the consolidated cash flow statement	**(64 350)**	**6 162**

Information on cash flows resulting from concluded lease contracts 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 (the SPPI test). The Group reclassifies investments in debt instruments when and only when the business model for managing these assets changes.

Initial recognition measurement (except for some 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 have expired or
- contractual rights to obtain cash flows from financial assets were transferred and the Group transferred 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:
1. debt instruments measured at amortized cost,
2. debt instruments measured at fair value through other comprehensive income,
3. equity instruments measured at fair value through other comprehensive income,
4. 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 amortized cost

A financial asset is measured at amortized 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 amortized cost, the Group classifies:
- trade receivables
- borrowings that meet the SPPI classification test, which, according to the business model, are reported as held in order to obtain 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 "Finance 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 amortized 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 "Finance 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 neither held for trading nor is contingent consideration recognised by the acquirer in a business combination to which 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 amortized 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 finance costs). The Group classifies equity investments at fair value through profit and loss.

The Group includes shares 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 amount net.

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.

Assets recognised at amortized cost

At each reporting date, the Group recognises a loss allowance for expected credit losses on a financial instrument in an amount equal to the lifetime expected credit losses, if the credit risk associated with a given financial instrument has increased significantly since 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 losses on that financial instrument in the amount equal to 12-month expected credit losses.

The Group always measures the loss allowance at an amount equal to expected lifetime credit losses 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 reginal level to account for differentiation of regions in Poland.

The Group recognises in profit or loss as an impairment gain or loss the amount of expected credit losses (or the amount of the reversed provision) that is required to adjust the loss allowance for expected credit losses. 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 at fair value through profit or loss include financial liabilities that are designated as measured this

way on initial recognition or subsequently 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 were contracted with an intention to buy them back in the near future.

Derivatives, including separated embedded instruments, are also classified as held for trading, unless they are considered effective hedging instruments.

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 measurement assets or liabilities or recognizing 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 finance costs or income.

Other financial liabilities different than financial instruments measured at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

The Group derecognises a financial liability from its balance sheet when the liability has expired - that is, when the obligation specified in the contract has been fulfilled, cancelled or expired. 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.

The fair values of individual classes of financial instruments

The Group measures financial instruments such as derivative instruments at fair value at each reporting date.

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 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.

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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.

Significant values based on professional judgment

The fair value of financial instruments

The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques. When selecting the appropriate methods and assumptions, the Group uses professional judgment.

The judgment regarding the impairment of loans granted is presented in note **6.9**.

Significant estimates

Impairment of financial assets

The Group has carried out an assessment of the impairment of financial assets. This required estimating the present value of future cash flows and expected credit losses (note **8.2**). The judgment regarding the impairment of trade receivables is presented in note **6.8**.

The main financial instruments used by the Group include bank loans, borrowings, lease contracts, 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.

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 amortized cost
FVPL Financial instruments valued at fair value through profit or loss

Note	Item	Category	31.12.2022	31.12.2021
6.9	Long-term loans granted	AC	12 755	1 526 203
6.9	Short-term loans granted	AC	4 566	3 964
6.9	Shares in non-related entities (non current)	FVPL	18 831	14 753
6.9	Shares in non-related entities (current)	FVPL	-	20 633
	Other financial assets, including:		90 699	34 599
	Simple agreement for future equity	*FVPL*	*-*	*4 078*
	Factored receivables	*AC*	*5 974*	*9 286*
	Other receivables	*AC*	*36 586*	*15 989*
	Investment deposits	*AC*	*47 039*	*-*
	Other	*AC*	*1 100*	*5 246*
6.8	Trade receivables	AC	1 662 949	1 263 262
7.4	Cash and cash equivalents	AC	276 568	465 741
	Financial assets		**2 066 368**	**3 329 155**

Note	Item	Category	31.12.2022	31.12.2021
7.3	Bank loans	AC	3 874 532	4 040 843
6.4	Lease liabilities	AC	3 590 664	3 061 666
6.12	Liability for a written put option over non-controlling interest	FV	103 664	103 088
6.13	Trade payables and other financial liabilities	AC	4 474 966	3 740 112
	Trade payables	*AC*	*1 651 622*	*1 280 760*
	Trade payables covered by reverse factoring	*AC*	*2 429 431*	*2 258 977*
	Derivatives	*FVPL*	*3 417*	*-*
	Other	*AC*	*390 496*	*200 375*
	Financial liabilities		**12 043 826**	**10 945 709**

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, lease liabilities, option liabilities to purchase non-controlling interest and other financial assets and liabilities does not significantly differ from the carryingvalues.

The carrying amount of cash and cash equivalents and short-term bank deposits reflects to 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 volatile 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 amounts of financial instruments measured at fair value as of the respective reporting dates is presented below:

Item	Level 1	Level 2	Level 3
31.12.2022			
Shares in non-related entities	-	-	18 831
Currency forward	-	(3 417)	-
31.12.2021			
Shares in non-related entities	-	-	35 386
"Simple agreement for future equity" rights	-	-	4 078
Option for trading currency	-	19	-

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"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 the shares in an unrelated entity, the Group estimated the fair value of the assets 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 used 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 31 December 2022 and 31 December 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.

Income, costs, gains and losses on financial instruments recognised in the statement of profit or loss and other comprehensive income

	Category	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Interest income/ (costs)		**(633 995)**	**(273 309)**
Trade receivables	*AC*	*(1 741)*	*(86)*
Other receivables	*AC*	*(232)*	*-*
Loans granted	*AC*	*27 883*	*68 818*
Cash and cash equivalents	*AC*	*5 188*	*(282)*
Bank loans with variable interest rates	*AC*	*(345 572)*	*(168 184)*
Lease liabilities	*AC*	*(176 703)*	*(143 347)*
Trade payables and other financial liabilities	*AC*	*(146 761)*	*(32 048)*
Other long-term financial liabilities	*AC*	*3 943*	*1 820*
Profits/ (Loss) due to changes in the fair value of financial instruments		**(5 489)**	**111**
CAP option	*FVPL*	*(19)*	*111*
Currency forward	*FVPL*	*(5 012)*	*-*
Shares	*FVPL*	*(458)*	*-*
Profits/ (Costs) from the revaluation of expected cash flows from financial instruments		**11 056**	**(22 732)**
Loans with variable interest rates	*AC*	*10 773*	*(22 795)*
Loans granted	*AC*	*283*	*63*
(Losses) from impairment		**(10 904)**	**(19 317)**
Trade receivables	*AC*	*(10 456)*	*(18 559)*
Loans granted	*AC*	*(448)*	*(758)*
Income/ (Costs) from bad debts		**(762)**	**1 008**
Trade receivables	*AC*	*(762)*	*1 008*
Profits/ (Losses) from exchange rate differences		**16 667**	**(1 803)**
Trade receivables	*AC*	*(52)*	*(8)*
Loans granted	*AC*	*17 964*	*(3 680)*
Cash and cash equivalents	*AC*	*(961)*	*368*
Lease liabilities	*AC*	*(967)*	*1 408*
Trade payables and other financial liabilities	*AC*	*449*	*109*
Other financial assets	*FVPL*	*234*	*-*

	Category	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Non-interest costs and other charges		**(15 631)**	**(11 525)**
Trade receivables	*AC*	*195*	*(140)*
Trade payables and other financial liabilities	*AC*	*(2 999)*	*(3 272)*
Loans with variable interest rates	*AC*	*(12 827)*	*(8 113)*
Profits/ (Losses) from the settlement of financial instruments		**(298)**	**-**
Loans granted	*AC*	*(298)*	*-*

The above items are recognised in the consolidated statement of profit or loss and other comprehensive income under the finance income (costs) position, except for impairment income (costs), which are presented below:

- for trade receivables – in the line "Expected credit losses on trade receivables" in operating activities,
- for loans granted - in the line "Expected credit losses on loans" in financing activities.

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	• Exchange rate hedge 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, option liabilities to purchase non-controlling interests, trade payables and other liabilities)	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

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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.

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 interest rate items that are measured at amortized cost do not expose the Group to the risk of cash flow volatility or profit or loss volatility due to changes in interest rates. Accordingly, the following analysis "Interest rate risk - sensitivity to changes" does not include financial assets and liabilities that have fixed interest rates 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:

	31.12.2022			31.12.2021		
	Net carrying amount	including floating interest rate		Net carrying amount	including floating interest rate	
		amount	share		amount	share
Cash and cash equivalents	276 568	276 568	100%	465 741	465 741	100%
Loans granted	17 321	12 755	74%	1 530 167	-	0%
Other financial assets	90 699	47 039	52%	34 599	-	0%
Loans and borrowings	(3 874 532)	(3 874 532)	100%	(4 040 843)	(4 040 843)	100%
Trade payables and other financial liabilities	(4 474 966)	(2 429 973)	54%	(3 740 112)	(2 258 977)	60%
Lease liabilities	(3 590 665)	(88 221)	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 rate.

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	31.12.2022	31.12.2021
Cash and cash equivalents	+1 p.p. (+100 bp)	2 766	4 657
	-1 p.p. (-100 bp)	(2 766)	(4 657)
Loans granted	+1 p.p. (+100 bp)	173	-
	-1 p.p. (-100 bp)	(173)	-
Other financial assets	+1 p.p. (+100 bp)	907	-
	-1 p.p. (-100 bp)	(907)	-
Loans and borrowings	+1 p.p. (+100 bp)	(38 745)	40 408
	-1 p.p. (-100 bp)	38 745	(40 408)
Trade payables and other financial liabilities	+1 p.p. (+100 bp)	(44 750)	22 590
	-1 p.p. (-100 bp)	44 750	(22 590)
Lease liabilities	+1 p.p. (+100 bp)	(35 907)	675
	-1 p.p. (-100 bp)	35 907	(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 and granted loans, due to lease contracts in currencies other than the functional currency. The Group did not conclude any sale transactions denominated in currencies other than the functional currency.

The table below shows the sensitivity of the profit 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):

	31.12.2022			31.12.2021		
	Exposure in foreign currency	Changes of exchange rate +1%	Changes of exchange rate -1%	Exposure in foreign currency	Changes of exchange rate +1%	Changes of exchange rate -1%
		Profit before tax	Profit before tax		Profit before tax	Profit before tax
EUR						
Cash and cash equivalents	47 394	2 223	(2 223)	217	10	(10)
Loans granted	1 048	49	(49)	334 563	14 888	(14 888)
Trade receivables	1 203	56	(56)	-	-	-
Other financial assets	40 193	1 885	(1 885)	-	-	-
Lease liabilities	(100 472)	(4 712)	4 712	(70 198)	(3 124)	3 124
Trade payables and other financial liabilities	(4 918)	(231)	231	(1 917)	(85)	85
Total	**(15 552)**	**(729)**	**729**	**262 665**	**11 689**	**(11 689)**
GBP						
Cash and cash equivalents	2	2	(2)	16	1	(1)
Total	**2**	**2**	**(2)**	**16**	**1**	**(1)**
USD						
Cash and cash equivalents	12	1	(1)	71	4	(4)
Trade payables and other financial liabilities	194	196	192	-	-	-
Total	**206**	**197**	**191**	**71**	**4**	**(4)**

Credit risk

By credit risk, the Group understands in particular the possibility of untimely or total failure of the company's counterparty to meet its obligations, or the possibility of not recovering the funds invested. Credit risk is mainly related to trade receivables, loans granted and cash and cash equivalents in bank accounts.

The maximum exposure to credit risk as at the reporting date is presented in the table below:

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Note	Item	31.12.2022	31.12.2021
6.9	Loans granted	17 321	1 530 167
6.9	Other non-current financial assets	18 492	20 067
6.8	Trade receivables	1 662 949	1 263 262
6.9	Other current financial assets	72 207	14 532
7.4	Cash and cash equivalents	276 568	465 741
	Total assets	**2 047 537**	**3 293 769**

Credit risk related to trade receivables

All customers 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, 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 6.8.

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 31.12.2022 Category	current	up to 30 days	31-90 days	91-180 days	181-360 days	over 361 days	Total
Gross value at risk	1 612 344	26 931	4 531	4 648	10 892	77 609	**1 736 955**
Loss allowance for expected credit losses	(2 272)	(523)	(1 625)	(1 987)	(3 658)	(63 941)	**(74 006)**
Total net value	**1 610 072**	**26 408**	**2 906**	**2 661**	**7 234**	**13 668**	**1 662 949**
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	1 226 874	20 954	4 136	3 421	4 849	69 256	**1 329 490**
Loss allowance for expected credit losses	(1 215)	(369)	(2 006)	(2 697)	(4 340)	(55 601)	**(66 228)**
Total net value	**1 225 659**	**20 585**	**2 130**	**724**	**509**	**13 655**	**1 263 262**
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 the transaction are banks with high credit ratings obtained from international rating agencies. Information on the allowance for expected credit losses for the loans granted is presented in note 6.9

Liquidity risk

The Group monitors liquidity risk with the use of 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 cooperating with several factors and maintaining unused factoring limits, which as at 31 December 2022 amounted to PLN 115 569 thousand (31 December 2021: PLN 206 023 thousand). Moreover, the Group has unused credit lines (note 7.3).

As part of the working capital management, the Group also uses a factoring agreement with regard to its receivables, under which it submits sales invoices for selected franchisees for factoring.

The amount of receivables financed by the factor as at 31 December 2022 amounted to PLN 53 763 thousand (31 December 2021: PLN 83 575 thousand).

The Group also uses sale and leaseback transactions to improve liquidity.

The tables below present the Group's financial liabilities as at 31 December 2022 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	-	(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	-	(379 374)	(405 403)	(2 554 744)	(1 499 222)	**(4 838 743)**	**(3 590 665)**
6.12	Liability for a written put option over non-controlling interest	-	-	(2 430)	(159 409)	-	**(161 839)**	**(103 664)**
6.13	Trade payables and other financial liabilities	-	(4 417 654)	(10 170)	(39 050)	(17 723)	**(4 484 597)**	**(4 474 966)**
	Trade payables	-	*(1 648 635)*	*(3 181)*	-	-	***(1 651 816)***	***(1 651 622)***
	Trade payables covered by reverse factoring	-	*(2 429 431)*	-	-	-	***(2 429 431)***	***(2 429 431)***
	Other	-	*(339 588)*	*(6 989)*	*(39 050)*	*(17 723)*	***(403 350)***	***(393 913)***
6.14	Refund liabilities	-	(225 730)	-	-	-	**(225 730)**	**(225 730)**
	Balance at the end of the period - 31.12.2022	**-**	**(5 670 489)**	**(610 109)**	**(6 270 996)**	**(1 516 945)**	**(14 068 539)**	**(12 269 557)**

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)	(322 960)	(1 999 810)	(1 053 018)	**(3 729 458)**	**(3 061 666)**
6.12	Liability for a written put option over non-controlling interest	-	-	(4 140)	(116 061)	-	**(120 201)**	**(103 088)**
6.13	Trade payables and other financial liabilities	-	(3 696 528)	(5 972)	(29 783)	(14 791)	**(3 747 074)**	**(3 740 112)**
	Trade payables	-	*(1 280 760)*	-	-	-	***(1 280 760)***	***(1 280 760)***
	Trade payables covered by reverse factoring	-	*(2 258 977)*	-	-	-	***(2 258 977)***	***(2 258 977)***
	Other	-	*(156 791)*	*(5 972)*	*(29 783)*	*(14 791)*	***(207 337)***	***(200 375)***
6.14	Refund liabilities	-	(155 434)	-	-	-	**(155 434)**	**(155 434)**
	Balance at the end of the period - 31.12.2021	**-**	**(4 437 249)**	**(591 127)**	**(6 086 734)**	**(1 071 835)**	**(12 186 945)**	**(11 101 142)**

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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.

As of 31 December 2022, the Group has a guarantee for a loan granted to a subsidiary up to PLN 184 600 thousand, the loan matures on 30 November 2027.

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 authorized 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 five 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 sufficient provisions for tax risks were made as of 31 December 2022 and that no provision for tax risks was required as of 31 December 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 Board 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

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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.

Significant values based on professional judgment and estimates

During 2017, the Group introduced an incentive scheme. Within the scheme key personnel ("the Management") was given the opportunity to acquire shares in Heket Investments S.à r.l. The key personnel comprise representatives of key personnel of Żabka Polska S.A. and representatives of key personnel of the 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 IFRS 2. In accordance with IFRS 2, the program was valued at fair value at the time of granting, taking into account all the conditions of the program, market conditions and the risks associated with the instruments. To the best knowledge of the Management Board, the value of the instruments granted to the management staff did not differ significantly from the fair value and was identical to the value of the relevant instruments purchased by the main shareholder. The Management Board of the Company judged 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 Consolidated financial statements.

The incentive 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) for the part relating to shares. 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 (in other words, their fair value as at the grant date amounted to zero). 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 recognized as cost.

The Management acquired shares in Heket Investments S.à r.l. thorough Amphibian Investments S.à r.l.

On 26 May 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. r.l. (constituting in total approx. 2% of all the Amphibian shares). The Management Board considers value of these shares as not significant to the total value of the program, which does 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. remain 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 became Żabka Group SA (a public limited company, société anonyme) and the Management Incentive Programme was transposed from the level of Heket Investments S.à r.l. to the level of Żabka Group without any impact on the fair value of the programme.

There were no changes to the programme in 2022 that could affect its valuation.

Shares held by members of the Management Board (directly or indirectly through holding companies):

Purchased instruments	31.12.2022 Percentage	31.12.2021 Percentage
Ordinary shares	13.99%	13.99%
Preferred shares	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 company 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 Żabka Polska within a certain period of time. Due to the planned implementation of the programme in 2023, its entire value was recognised as of 31 December 2022, as disclosed in note 6.13.

9.3 Transactions with related parties

The tables below present transactions with related entities for particular years:

	Parent company	Other related party	Total
Transactions in the period 01.01.2022 - 31.12.2022	**27 436**	**16**	**27 452**
Interest income	27 436	16	**27 452**
As of 31.12.2022	**11 707**	**1 048**	**12 755**
Loans granted and other receivables	11 707	1 048	**12 755**

	Parent company	Other related party	Total
Transactions in the period 01.01.2021 - 31.12.2021	**67 808**	**445**	**68 253**
Interest income	67 808	445	**68 253**
As of 31.12.2021	**1 511 996**	**-**	**1 511 996**
Loans granted and other receivables	1 511 996	-	**1 511 996**
Including overdue	*161*	-	***161***

The terms of loans granted to related entities are presented in note 6.9.

The parent company of the entire Group is Heket Holdings Jersey Limited, based in Jersey. The ultimate majority shareholders of the Group 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. Settlements with the higher-level company were settled as part of the Group's restructuring described in note 3.

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9.4 Compensation of the key management personnel of Group

	31.12.2022	31.12.2021
Short-term employee benefits (wages and salaries)	89 529	63 320
Compensation of key management personnel of the Group	**89 529**	**63 320**

The key management staff includes managers of Żabka Polska sp. z o.o., the parent. Members of the Company's key management personnel (managers) were given the opportunity to acquire shares in Heket Investments S.à r.l. (now Żabka Group S.A. after the transformations described in note 3).

Details of the scheme are described in note 9.2. There were no other transactions involving members of the Management Board.

9.5 Employment structure

The average employment in the Group in the period ended 31 December 2022 was 2 741 positions (31 December 2021: 2 277 positions).

9.6 Information on the remuneration of the entity authorized to audit financial statements

	31.12.2022	31.12.2021
Statutory audit of the annual financial statements	1 518	1 420
Other services	15	465
Auditor's remuneration	**1 533**	**1 885**

The entity authorized to audit the Group's financial statements in 2022 and 2021 was Ernst &Young Audyt Polska sp. z o.o. sp. k.

9.7 Events after the reporting date

In January 2023, the Company repaid its liabilities under a credit facility, as described in note 7.3.

On 9 January 2023, Żabka Group SA and Żabka Polska sp. z o.o. concluded a new facility agreement with a consortium of banks for the amount of PLN 5 110 000 thousand and EUR 186 063 thousand. The first tranches under the new loan agreement were drawn on 23 January 2023 in the amount of PLN 4 000 000 thousand and EUR 186 063 thousand, with repayment dates falling on 23 January 2029 or 23 July 2029, depending on the tranche.

On 15 February 2023, one of the Group companies received the result of the customs and tax inspection initiated on 10 February 2021. For details, see note 5.5.

Management Board of Żabka Polska sp. z o.o.

Tomasz Suchański
*CEO,
President of the Management Board*

Tomasz Blicharski
*Vice President of the Management Board,
Managing Director of Żabka Future*

Anna Grabowska
*Vice President of the Management Board,
Chief Commercial Officer*

Adam Manikowski
*Vice President of the Management Board,
Managing Director of Żabka Polska*

Jolanta Bańczerowska
*Member of the Management Board,
Chief People Officer (CPO)*

Marta Wrochna-Łastowska
*Member of the Management Board,
Chief Financial Officer (CFO)*

Person responsible for bookkeeping of Żabka Polska sp. z o.o.

Hubert Jóźwiak
Chief Accountant

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About this Report

This Integrated Report has been prepared based on the International Integrated Reporting Council's (IIRC) framework. This Report has been prepared on a voluntary basis and has not been subject to any assurance and audit procedures. The preparation or publication of this Integrated Report is not required by any provisions of the law or any code of conduct. Thus this document should not be treated as a representation and it should not be relied upon for taking of any commercial decisions.

The reporting requirements that Żabka Polska sp. z o.o. (and the consolidated Żabka Group) is obliged to meet were fulfilled by:

- 2022 Standalone financial statements of Żabka Polska sp. z o.o. dated 15th March 2023 together with the independent auditor's opinion signed on 16th March 2023 and submitted at the National Court Register;
- 2022 Consolidated financial statements of Żabka Group ("Consolidated financial statements") dated 15th March 2023 together with the independent auditor's opinion signed on 16th March 2023 and submitted at the National Court Register;
- 2022 Management report of Żabka Group and Żabka Polska sp. z o.o. signed on 15th March 2023 and submitted at the National Court Register.

Consolidated financial statements attached to this Integrated Report have been extracted from audited Consolidated financial statements indicated above.

This Report describes the practices undertaken by Żabka Group as part of its operational activity for the year 2022 within its ultimate convenience ecosystem. The organisational structure of Żabka Group comprises the following: Żabka Polska sp. z o.o., Retail Technology Investments sp. z o.o., Logistic Property Investment sp. z o.o., Żabka Automatic Logistics sp. z o.o., Żabka Property Fund sp. z o.o., Żabka Development sp. z o.o., Żabka Construction sp. z o.o., Żabka Nano sp. z o.o., Lite ecommerce sp. z o.o., Lite 24 sp. z o.o., Maczfit Foods sp. z o.o., Catch a Box GmbH, Masterlife Solutions sp. z o.o., Food Property Investment sp. z o.o., Cool-Logistics sp. z o.o. The detailed scope of activities of each entity are described on the corporate website at **www.zabkagroup.com**.

Companies subject to non-financial reporting are defined on the basis of the operational control criterion taking into account the significance of the impact of individual entities on relevant areas of activity. As a result of the application of these criteria, some non-financial data contained in this Report pertains solely to Żabka Polska sp. z o.o. and not the Żabka Group. In particular, metrics and KPIs related to ESG, employees and co-workers as well as franchised operating model areas pertain to Żabka Polska sp. z o.o. Financial information extracted from the Consolidated financial statements provided in this Report pertains to Żabka Group.
Similarly the description of the corporate governance mechanisms pertain to Żabka Polska sp. z o.o. and not the Żabka Group or any other entity from the Group unless specifically stated in the Report.

The first Integrated Report contains quantitative and qualitative data for 2022. However, selected pieces of information may be related to periods other than 2022, in which case relevant comments are included in the wording of this Report.

This Integrated Report may contain forward-looking statements associated with risk and uncertainty by their nature. Forward looking statements may commonly be recognized by words or phrases such as "anticipate", "believe", "estimate", "expect", "plan", "potential", but it is not a complete and comprehensive list of examples. We do not take any responsibility for accuracy and completeness of forward-looking statements included in this Integrated Report and no reliance should be placed on them. Forward-looking statements have been prepared based on circumstances, assumptions and expectations relevant as of the publication date of this report and we do not commit to update these forward-looking statements after the Report publication.

This Integrated Report is current only as of the date of its publication. Following its publication it will not be updated, so the data therein are to be understood as current only as of the date of its publication.

This Integrated Report has been originally prepared in the English language. Any translation into any other language, including Polish, is for convenience purposes only.

Glossary and KPIs definitions

A

AI
Artificial Intelligence

ACIT
Advanced Customer Insight Tool - internally developed tool used between Żabka and its suppliers for customer data analysis

Adjusted EBITDA
Adjusted operating profit before depreciation and amortisation (a detailed list of adjustments is provided in the Financial review chapter)

APM, Alternative Performance Measure
alternative performance measure within the meaning of the ESMA Guidelines on Alternative Performance Measures

Application users
The number of active Żappka users (in line with the terms and conditions of the app)

Automated Replenishment
an automated system used to manage the inventory levels i.e. to calculate and generate the appropriate order without the need of manual intervention

Average daily transactions
Total number of receipts (including at Żabka Nano stores) averaged over the number of stores

C

CAGR
Compound Annual Growth Rate

CAPEX
Sum of additions to other intangible assets and property, plant and equipment

CCO
the Chief Commercial Officer of the Company

CEO
the Chief Executive Officer of the Company

CFO
the Chief Financial Officer of the Company

Chairperson
the chairperson of the Board of Directors of the Company

Company, Żabka Polska
Żabka Polska sp. z o.o., with its registered office in Poznań

Cool-Logistics
Cool-Logistics sp. z o.o with its registered office in Baniocha

CPO
the Chief People Officer of the Company

Cross-docking
a logistics strategy in which goods are transferred directly from one truck to another with little or no storage

CVC, CVC Capital Partners
a Luxembourg-based private equity and investment advisory firm, the shareholder in Żabka Group holding a controlling interest

Cyberstore
a platform containing a set of applications dedicated to franchisees, allowing remote control over store activities

D

D2C
Direct to Consumer

D&I
Diversity and Inclusion

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

DC
Distribution Centre

DCO
Digital Customer Offering

Delio
a part of Lite e-commerce group, a brand offering a range of approximately 5,000 products

Delio Nite
overnight grocery delivery service offered by Delio

Dietly
Masterlife Solutions sp. z o.o., with its registered office in Warsaw

E

E&Y
Ernst & Young S.A.

EBITDA
Earnings Before Interest, Taxes, Depreciation, and Amortisation

E-commerce
electronic commerce, trading of goods (buying or selling) online, using the Internet

EcoVadis
a global provider of a standardised and independent sustainability rating system

E-grocery
a practice of purchasing groceries and household products online with home delivery or pickup

EMEA
Europe, the Middle East and Africa

Emission reduction
Reduction of scope 1 and 2 greenhouse gas emissions compared to 2020 (base year)

Employee engagement level
Żabka's percentile rank among the best employers in the world in terms of having an engaging organisational culture, based on the Gallup "Q12 survey"

Employees digitally upskilled
The share of employees working in data analytics and science, digital acceleration and technical support departments in total number of employees

ESG
Environmental, social, and governance

F

FCF
Free Cash Flow

FMCG
Fast-Moving Consumer Goods

Franchisee margin
The amount the franchisee earns on selling products, accounting for the incentives received from the Group

Franchisee tenure
Percentage of franchisees who have been cooperating with Żabka for at least three years

G

Gallup, Gallup "Q12 survey"
a Gallup Institute survey that measures employee engagement; it consists of 12 questions that measure the level of engagement of employees in an organisation

GHG
Greenhouse gases

GMV of digital consumer offering
Gross Merchandise Value, which represents revenue generated by Maczfit, Jush!, Delio and Żabka Nano and the total gross value of goods sold through the Dietly platform (including value added tax)

I

IR, Integrated Report, Report
this document being a comprehensive report containing both financial and non-financial information to provide a holistic view of an organisation's performance and value creation

Integrated Reporting <IR> Framework
a global guideline for organizations to report on their financial, environmental, social, and governance performance in a concise, integrated, and transparent manner

K

KPI(s)
Key Performance Indicator(s)

L

LfL sales growth
Like for Like, comparison of sales to end customers in Żabka stores, taking into account the sales of stores operating on the same day in both the current and previous period

Lite e-commerce
Lite ecommerce sp. z o.o. with its registered office in Warsaw

LTM
Last Twelve Months

M

M&A
Mergers and acquisitions

Maczfit
Maczfit Foods sp. z o.o., with its registered office in Warsaw

MBO
Management By Objectives

Meals delivered
Number of meals delivered by Maczfit

Multiple the sales value of own brand products promoting a sustainable lifestyle by 2025
Sales to end customers of Żabka's own brand products promoting healthier and sustainable lifestyle - own brand food products meeting at least one of the following conditions: Nutri-Score A, B or C, clean label, plant-based or have a health/nutrition claim

N

Net cash flows from operating activities
IFRS measure representing net cash flows from operating activities

Net debt (excl. real estate leases) / adj. EBITDA (post-rent)
Net debt (excl. real estate leases), being the sum of loans and borrowings and lease liabilities (other than real estate leases) less cash and cash equivalents, divided by adjusted EBITDA reduced by rent (real estate rent cost as incurred)

Net profit
IFRS measure representing net profit from continuing operations

NPS
Net Promoter Score

Number of franchisees
The number of franchisees running a Żabka store at the end of the reporting period

O

OptiPlan
an efficiency and management tool to increase productivity at the store level

Q

Q-commerce
a new category of e-commerce that aims to deliver products to customers as quickly as possible, usually within an hour or less

QMS
Quick Meal Solutions

R

Responsibility Report
a report that outlines a Company's environmental, social and governance (ESG) performance (data and metrics) as well as initiatives and projects undertaken by the company; it is prepared in accordance with the international non-financial reporting standard Global Reporting Initiative (GRI), in line with the recommendations of the Sustainability Accounting Standard Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD).

rPET
recycled PET (or Polyethylene terephthalate) plastic

S

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

Sales to end customers
Measure of the sales to end customers generated by Żabka stores, as well as digital platforms (Maczfit, Dietly and q-commerce businesses). It is not equivalent to the Group's statutory revenue

SBTi
Science Based Targets initiative

Share of app purchases in total sales
Percentage of sales to end customers with Żappka app scanned at the checkout.

SKU
Stock Keeping Unit

Suppliers' NFS survey
a survey conducted by the research company Advantage among suppliers

T

Total points of sale, number of stores
Total number of Żabka stores, including unmanned Żabka Nano stores

W

WOŚP
The Great Orchestra of Christmas Charity (Polish Wielka Orkiestra Świątecznej Pomocy) is a public benefit organisation aiming to support and improve medical care in public hospitals nationwide

V

VCP
Value Creation Plan

Venture Studio
a part of the Żabka Group whose role is to look for innovative solutions

YoY
Year over Year

Ż

Żabka, Żabka Group
the Company and its subsidiaries

Żabka Jush!
a part of Lite e-commerce group, a brand offering 15-minute deliveries of approximately 1,500 products ordered via the Żabka Jush! app

Żabka Nano
Żabka Nano sp. z o.o. with its registered office in Poznań

Żappka
Żabka mobile application for customers

Żapps
Loyality points collected by customers in Żappka app

The 2022 Integrated Report was compiled with the participation of many teams and people within the organisation.

Any questions concerning the data contained in this Report should be submitted to the External Financial Communication Department which coordinated the publication process:

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żabka group

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www.zabkagroup.com

see the message from our CEO:
www.zabkagroup.com/investors

read our Responsibility Report:
www.zabkagroup.com/esg