



The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the Shareholders Meeting and Supervisory Board of Dino Polska S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of Dino Polska S.A. (the 'Company') located in Krotoszyn at Ostrowska 122, containing: the introduction to the financial statements, the balance sheet as at 31 December 2018, the income statement, the statement of changes in equity, the cash flow statement for the period from 1 January 2018 to 31 December 2018 and additional information and explanations (the 'financial statements').

The form of the financial statements prepared as at 31 December 2018 is prescribed by the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the period from 1 January 2018 to 31 December 2018 in accordance with required applicable rules of the Accounting Act dated 29 September 1994 ('the Accounting Act') and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act.

The opinion is consistent with the additional report to the Audit Committee issued on 14 March 2019.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors (“NAS”) and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the ‘Act on Statutory Auditors’) and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the ‘Regulation 537/2014’). Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the ‘Code of ethics’), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p><u>Settlement of revenue under contracts with suppliers</u> The Company enters into contracts with suppliers on whose basis rebates, discounts and additional remuneration and fees are awarded to the Company, hinging, among other things, on the volume of purchases and related to promotions and marketing. The Company recognizes the benefits derived from these contracts by subtracting them from the purchase</p>	<p>As part of our audit work, we documented our understanding of the contract execution process applied by the Company and the control procedures implemented to correctly account for settlements related to this type of contracts with suppliers. In our work, we included procedures covering the following activities (without limitation):</p>

<p>price of merchandise from suppliers and accordingly a reduction in the cost of goods sold presented in the statement of profit or loss as cost of sales at the time of sale of the merchandise. The justified portion of the benefits received is allocated to unsold merchandise as at the balance sheet date as a reduction in the value thereof.</p> <p>The large number of contracts with suppliers and the diversity of their terms make it a sizable area of estimation and judgment burdened with a significant risk of incorrect assessment to properly define their nature and the moment when these transactions should be recognized in the accounting ledgers and financial statements. For this reason, we have come to the conclusion that this issue is among the key issues of our audit.</p> <p>The accounting policy adopted by the Company with regard to the recognition and presentation in the financial statements of such settlements arising from contracts entered into with suppliers are described in section 4.21.1. of the introduction to the financial statements. A breakdown of the Company’s revenues is presented in Note 21 “Sales split by nature and territory” to the financial statements.</p>	<ul style="list-style-type: none"> • applying analytical procedures, we assessed the completeness and correctness of accounting recognition of such settlements arising from contracts with suppliers; • for a selected sample of suppliers, we verified whether the settlements were based on actual contracts or agreements with suppliers, we reconciled the calculation of the value of the performance recognized in the financial statements with the relevant contracts and agreements and we verified whether the performance period was recognized properly; • we ran analytical procedures to identify key transactions and trends in the recognition of settlements with suppliers and to explain deviations, if any, from our expectations in this regard; <p>we evaluated the adequacy of disclosures and of the accounting policy.</p>
<p><u>Uncertainty related to the tax treatment of transactions executed between related parties</u></p> <p>A number of transactions are executed by the Company with related parties, including reorganizations that affect tax settlements. For instance, the following significant transactions have been executed to date affecting the Company’s tax settlements:</p> <ul style="list-style-type: none"> • reorganization of the Group in terms of managing activities related to marketing and trademarks; • prepayment of amounts due for services provided by related parties; • distribution of a dividend by a subsidiary to the parent company; • merger with a subsidiary <p>The Company’s Management Board has presented a detailed description of these transactions in Note 26 “Income tax” to the financial statements along with the</p>	<p>As part of our audit work, we documented our understanding of the interpretation process applied by the Management Board of individual transactions with related parties in terms of their tax treatment and updating these interpretations as a result of evolution in the interpretation environment as well as the accounting and reporting effects of the adopted settlement method along with the assessment process applied by the Management Board of tax exposure to specific issues.</p> <p>As part of our work, we reviewed the documentation held by the Management Board, including risk assessment analyses prepared by experts in the field of tax law.</p> <p>We also involved our own experts in the field of tax law in the process of reviewing the documentation and interpretations held by the Management Board in respect of selected significant transactions with related parties in order to support us in evaluating the assumptions adopted for the transactions in question and the manner of their settlement for tax purposes.</p>

<p>Management Board’s judgment on the correctness of these settlements.</p> <p>The manner of settlement of transactions executed with related parties and their impact on the Company may be interpreted differently by external entities, including tax offices, from the interpretations adopted by the Company’s Management Board. Accordingly, the adopted settlement method is a significant area of the Management Board’s judgment, and as such may significantly affect the financial statements.</p> <p>The Management Board has presented transactions with related parties in Note 40 “Information about the Group and transactions with related entities” and tax treatment of key transactions subject to judgment and their impact on the financial statements in Note 26 “Income tax” to the financial statements.</p> <p>Also section 4.20 of the introduction to the financial statements presents uncertainty concerning the adopted estimates and assumptions, including those related to assets and liabilities and possible provisions related to current and deferred taxes.</p>	<p>In our work, we included procedures covering the following activities (without limitation):</p> <ul style="list-style-type: none"> • we evaluated the recognition of the transactions in question and the complete fulfillment of grounds for the recognition of assets, liabilities and tax-deductible expenses in accordance with the accounting policy; • we analyzed compliance of these transactions with the applicable tax regulations and assessed the possibility of realizing assets arising from tax settlements with the assistance of experts in the field of tax law; <p>we evaluated the adequacy of presentation of tax liabilities and disclosures pertaining to potential tax risks in the balance sheet, the statement of profit or loss and the notes to the financial statement</p>
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Responsibilities of the Company’s Management and members of the Supervisory Board for the financial statements

The Company’s Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of the Accounting Act, the adopted accounting policies, other applicable laws, as well as the Company’s Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company’s Management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company’s Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company’s Management and the members of the Company’s Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company’s Supervisory Board are responsible for overseeing the Company’s financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises: the Directors' Report for the period from 1 January 2018 to 31 December 2018, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 49b, section 1 of the Accounting Act as a separate element of the Directors' Report (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree on current and periodic information,
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Regulation on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Regulation included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on non-financial information

In accordance with the Act on Statutory Auditors, we confirm, that the Company has prepared a statement on non-financial information mentioned in article 49b, section 1 of the Accounting Act as a separate element of the Directors' Report.

We have not performed any attestation procedures in respect to the statement on non-financial information and do not express any assurance in its respect.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which we have provided to the Company and its subsidiaries, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on



Statutory Auditors. The non-audit services, which we have provided to the Company and its subsidiaries in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of Dino Polska's Supervisory Board from 15 December 2010 and reappointed based on the resolution No. 24/2018 of Dino Polska's Supervisory Board from 6 July 2018. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December, i.e. for the past 9 consecutive years.

Warsaw, 14 March 2019

Key Certified Auditor

Łukasz Wojciechowski
certified auditor
no in the register: 12273

on behalf of:
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