

## INDEPENDENT STATUTORY AUDITOR'S AUDIT REPORT

### For the Shareholder Meeting and Supervisory Board of Dino Polska S.A.

#### Audit report on the annual financial statements

#### Opinion

We have carried out an audit of the annual financial statements of Dino Polska S.A. ("Company") with its registered office in Krotoszyn at ul. Ostrowska 122, consisting of the following: introduction to the financial statements, balance sheet as at 31 December 2019, statement of profit or loss, statement of changes in equity and statement of cash flows for the period from 1 January 2019 to 31 December 2019 and notes and explanations ("financial statements").

The format of the financial statements drawn up as at 31 December 2019 follows from the Regulation issued by the Finance Minister on 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent ("Current and Periodic Information Regulation").

In our opinion, the financial statements:

- present an accurate and clear picture of the Company's assets and financial standing as well as its financial performance and cash flows in the period from 1 January 2019 to 31 December 2019, in accordance with applicable provisions of the Accounting Act of 29 September 1994 ("Accounting Act") as well as adopted accounting principles (policy),
- comply, in terms of form and content, with the provisions of law applicable to the Company and its articles of association,
- have been drawn up on the basis of duly kept accounting ledgers, in accordance with the provisions of chapter 2 of the Accounting Act.

This opinion is consistent with the additional report for the Audit Committee, which we issued on 12 March 2020.

## Basis for opinion

Our audit was performed in accordance with the International Standard on Auditing in the version adopted by the National Chamber of Statutory Auditors as National Auditing Standards (“NAS”) and pursuant to the statutory auditor act, audit firms and public oversight of 11 May 2017 (“Statutory Auditor Act”) and 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 (“EU Regulation”). Our responsibility resulting from these standards has been described further in this report under “*Statutory auditor’s responsibility for the audit of the financial statements*”.

In accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants (“IFAC Code”) adopted by the National Chamber of Statutory Auditors and other ethical requirements applicable for the audits on financial statements in Poland, we remain independent of the Company. We have fulfilled our other ethical obligations under these requirements and the IFAC Code. The key statutory auditor and the audit firm remained independent of the Company during the audit, in accordance with the independence requirements set forth in the Statutory Auditor Act and the EU Regulation.

We believe that the audit evidence that we obtained is sufficient and adequate to constitute the basis for our opinion.

## Key audit matters

The key audit matters are those which, according to our professional judgment, remained the most important during the audit of the financial statements for the current reporting period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. We referred to these issues in the context of the financial statements as a whole and while forming our opinion, we also summarized our reaction to such risk types and, in the cases we found appropriate, we presented the key observations on such risks. We do not express a separate opinion on these issues.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | How our audit approached it                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| <p><b>Settlement of revenue under contracts with suppliers</b></p> <p>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 price of merchandise from suppliers and accordingly a reduction in the cost of goods sold presented in the statement of profit or loss</p> | <p>As part of our audit work, we documented our understanding of the contract execution process applied by members of the Company and the control procedures implemented to correctly account for settlements related to this type of contracts with suppliers.</p> <p>In our work, we included procedures covering the following activities (without limitation):</p> <ul style="list-style-type: none"> <li>• applying analytical procedures, we assessed the completeness and correctness of accounting recognition of such settlements arising</li> </ul> |

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| <p>as cost of sales at the time of sale of the merchandise. A 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.</p> <p>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 4.22.1. of the introduction to the financial statements. The structure of the Company's revenues is presented in Note 21. Sales split by nature and territory to the financial statements.</p> | <p>from contracts with suppliers;</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• we evaluated the adequacy of disclosures and of the accounting policy.</li> </ul>                                                                                                                                              |
| <p><b>Uncertainty related to the tax treatment of transactions executed between related parties</b></p> <p>The Company executed a number of transactions 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"> <li>• reorganization of the Group in terms of managing activities related to marketing and trademarks;</li> <li>• prepayment of amounts due for services provided by related parties;</li> <li>• distribution of a dividend by a subsidiary to the parent company;</li> <li>• merger with a subsidiary.</li> </ul> <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 its judgment on the correctness of these settlements.</p>                                                                                                                                                           | <p>As part of our audit work, we documented our understanding of the interpretation process applied by the Company's 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 tax risk assessment process applied by the Company's Management Board for individual transactions included in the financial statements.</p> <p>As part of our work, we reviewed the documentation held by the Company's 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</p> |

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| <p>The manner of settlement of the 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 Company's 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 4.21 of the introduction to the financial statements presents uncertainty concerning the adopted estimates and assumptions, including those related to assets and liabilities related to current and deferred taxes.</p> | <p>Company's 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>In our work, we included procedures covering the following activities (without limitation):</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• we evaluated the 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 statements.</li> </ul> |
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## **Responsibility of the Management Board and Supervisory Board for the financial statements**

The Company's Management Board is responsible for the preparation, on the basis of duly kept accounting ledgers, of the financial statements, which present an accurate and clear picture of the Company's assets and financial standing and the financial result, in accordance with the provisions of the Accounting Act, adopted accounting principles (policy), the applicable laws and the Company's Articles of Association, as well as for the internal control that the Management Board deems necessary to prepare the financial statements not involving any significant distortion resulting from fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and using the going concern basis of accounting, except in the situation where the Management Board either intends to liquidate the Company or to discontinue operations, or has no realistic alternative for such liquidation or discontinuation.

Furthermore, the Company's Management Board and Supervisory Board members are obligated to ensure that the financial statements satisfy the requirements stipulated in the Accounting Act. Supervisory Board Members are responsible for supervising the Company's financial reporting process.

## **Statutory auditor's responsibility for the audit of the financial statements**

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with the NASs will always reveal a material misstatement. Misstatements may arise from fraud or error and are material when they can be reasonably expected to influence, individually or taken together, the economic decisions of users taken based on these financial statements.

In accordance with § 5 of International Auditing Standard 320, the concept of materiality is applied by the auditor both when planning and carrying out the audit and when assessing the impact of the misstatements identified during the audit and uncorrected deformations, if any, on the financial statements, as well as when formulating the Statutory Auditor's opinion. Therefore, all opinions, assertions and statements contained in the audit report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the auditing standards and the registered auditor's professional judgment.

The scope of the audit does not include any assurance as to the Company's future profitability or the efficiency or effectiveness of the management of the Company's affairs at present or in the future by the Management Board.

As part of an audit in accordance with the NASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements caused by fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Board,
- conclude on the appropriateness of the Company's Management Board'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 material uncertainty exists, we are required to draw attention in our 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 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 provide the Audit Committee with information 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 also provide to the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with 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 with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our report of the Statutory Auditor unless law or regulation precludes public disclosure about the matters or where, in exceptional circumstances, we determine that an issue should not be presented in our report because adverse consequences could reasonably be expected to outweigh the public interest benefits of such information.

## **Other information, including the Activity Report**

The other information comprises the Company's activity report for the period from 1 January 2019 to 31 September 2019 (the "Activity Report") with a corporate governance statement and a non-financial information statement as referred to in Article 49b sec. 1 of the Accounting Act, which are separate parts of this report (jointly referred to as the "Other Information").

### *Responsibility of the Management Board and Supervisory Board*

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

Furthermore, the Company's Management Board and the Supervisory Board members are obliged to ensure that the Activity Report with its separate parts satisfies the requirements stipulated in the Accounting Act.

### *Auditor's responsibility*

Our opinion on the financial statements does not cover 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 the Other Information is materially inconsistent with the financial statements or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in the Other Information, we are required to report this fact in our audit report. In accordance with the requirements of the Statutory Auditor Act it is also our responsibility to issue an opinion as to whether the Activity Report has been prepared in compliance with the law and whether it is consistent with the information disclosed in the financial statements.

In addition, we are obligated to inform whether the Company has drawn up a representation on non-financial information and to issue an opinion whether the Company has included the required information in the corporate governance statement.

## **Opinion on the Activity Report**

Based on the work during the audit, in our opinion, the Company's Activity Report:

- has been prepared in compliance with Article 49 of the Accounting Act and § 70 of the Finance Minister's Regulation of 29 March 2018 on current and periodic information transmitted by securities issuers and the conditions for recognizing information required by the laws of a non-member state as equivalent (the "Current Information Regulation"),
- is consistent with the information found in the financial statements.

In addition, in light of the knowledge about the Company and its environment obtained in our audit, we hereby represent that we have not found any material misstatements in the Company's Activity Report.

### **Opinion on the corporate governance statement**

In our opinion, in the corporate governance statement, the Company has included information referred to in § 70 sec. 6 item 5 of the Current Information Regulation.

Furthermore, we believe that the information referred to in § 70 sec. 6 item 5, sub-items c-f, h and i of the Regulation included in the corporate governance statement is consistent with the applicable laws and information found in the financial statements.

### **Statement on non-financial information**

In accordance with the requirements of the Statutory Auditor Act, we hereby confirm that the Company has drawn up a statement on non-financial information as referred to in Article 49b sec. 1 of the Accounting Act, as a separate part of the Activity Report.

We have not performed any assurance work pertaining to the statement on non-financial information and we do not give any assurance in respect thereof.

### **Statement on provision of non-audit services**

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services that are prohibited under Article 5(1) of the EU Regulation and Article 136 of the Statutory Auditor Act. The non-audit services we have provided to the Company and its subsidiaries in the audited reporting period are listed in the Company's Activity Report.

### **Selection of the audit firm**

We were appointed to audit the Company's financial statements for the first time with the resolution adopted by the Supervisory Board on 15 December 2010 and again with resolution 24/2018 adopted by the Supervisory Board on 6 July 2018. We have audited the Company's financial statements without interruption since the financial year ended 31 December 2010, or for 10 consecutive years.

Warsaw, 12 March 2020

Key statutory auditor

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Łukasz Wojciechowski  
Statutory Auditor  
no. 12273

acting on behalf of:  
Ernst & Young Audyt Polska spółka  
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record number: 130