

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

### **To the Shareholders Meeting and Supervisory Board**

#### **The audit report on the annual consolidated financial statements**

We have audited the accompanying annual financial statements for the year ended 31 December 2017 of Dino Polska S.A. Group ('the Group'), for which the holding company is Dino Polska S.A. ('the Company') located in Krotoszyn at Ostrowska 122 street, containing the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the period from 1 January 2017 to 31 December 2017 and the summary of significant accounting policies and other explanatory notes ('the accompanying consolidated financial statements').

#### *Responsibilities of the Company's Management and members of the Supervisory Board for the consolidated financial statements*

The Company's Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission decrees and other applicable laws, as well as the Company's Articles of Association. The Company's Management is also responsible for such internal control as determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the Accounting Act of 29 September 1994 (the 'Accounting Act'), the Company's Management and the members of the Company's Supervisory Board are required to ensure that the accompanying consolidated financial statements meet the requirements of the Accounting Act.

#### *Auditor's responsibility*

Our objective was to express an opinion on whether the accompanying consolidated financial statements give a true and fair view<sup>1</sup> of the financial position and results of the operations of the Group in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations and adopted accounting policies.

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<sup>1</sup> Translation of the following expression in Polish is 'rzetelny i jasny obraz'.

We conducted our audit of the accompanying consolidated financial statements in accordance with:

- Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (‘Act on Statutory Auditors’),
- National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 with subsequent amendments,
- 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 (“Regulation 537/2014”).

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

The purpose of the audit is to obtain reasonable assurance as to whether the consolidated financial statements as a whole were prepared based on properly maintained accounting records and are free from material misstatement due to fraud or error, and to issue an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with the above mentioned standards will always detect material misstatements. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in aggregate, they could influence economic decisions of the users taken on the basis of these consolidated financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not recognizing a material misstatement due to an error, as fraud may involve collusion, falsification, deliberate omissions, misleading or circumventing internal control and may affect every area of law and regulation, not just this directly affecting the consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

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 consolidated 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, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and

quantitative materiality levels established in accordance with auditing standards and auditor’s professional judgement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The opinion is consistent with the additional report to the audit committee issued on the date of this report.

*Independence*

While conducting our audit, the key certified auditor and the audit firm remained independent of the entities comprising the Group in accordance with the regulations of Act on Statutory Auditors, Regulation 537/2014 and principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

Based on our best knowledge and belief, we declare that we have not provided non-audit services, that are prohibited based on article 136 of the Act on Statutory Auditors and article 5, point 1 of Regulation 537/2014, to the Company.

*Appointment of the audit firm*

We were appointed to audit the consolidated financial statements based on the Company’s Supervisory Board resolution dated 20 June 2017. We have been auditing the consolidated financial statements of the Company consecutively since the beginning of the financial year ended 31 December 2010; this is for 8 years.

*Most significant assessed risks*

In the course of our audit we have identified the below described most significant assessed risks of material misstatement (key audit matters), including due to fraud and we designed appropriate audit procedures in response to those risks. Where we considered to be relevant in order to understand the nature of the identified risk and audit procedures performed we have also included key observations arising with respect to those risks.

These matters were addressed in the context of our audit of the accompanying consolidated financial statements as a whole, and in forming our opinion thereon. Therefore we do not provide a separate opinion on these matters.

| <i>description of the nature of the risk of material misstatement (key audit matters)</i>   | <i>audit procedures in response to the identified risk</i>  |
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| <p><b>Settlement of revenues from contracts with suppliers</b></p> <p>The Group concludes agreements with suppliers under which discounts, rebates and additional remuneration and fees are granted to the Group, depending among others on the volume of purchases as well</p> | <p>In our audit, we have documented our understanding of the Group’s contracting process and the control procedures implemented to ensure correct recognition of settlements under such contracts with suppliers.</p> |

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| <p>as promotional and marketing ones. The Group recognizes the value of benefits received under the contracts mentioned above as a reduction in the purchase price of goods from suppliers and therefore a reduction in the value of goods sold presented in the profit and loss account as cost of sales, at the time of sale. A justified portion of the value of benefits received is allocated to goods not sold as at the balance sheet date as a decrease in their value.</p> <p>The large number of contracts with suppliers and the variety of terms and conditions that they include make the determination of the economic content, the moment when performance related to this transaction category is provided, and the measurement and recognition of these transactions in the books and in the financial statements an important area of estimates and judgments that is exposed to significant risk of incorrect assessment. Therefore, we have identified this issue as one of the key areas of the audit.</p> <p>The accounting policies adopted by the Group for recognition and presentation of such settlements under contracts with suppliers in the financial statements are described in item 7.21.1. of the accounting policies and notes. The structure of the Group's revenues and expenses is presented in Note 8. <i>Operating segments</i> and Note 9. <i>Revenues and costs</i> to the consolidated financial statements.</p> | <p>In particular, as part of our work, we have conducted the procedures that included, among others, the following activities:</p> <ul style="list-style-type: none"> <li>• we have applied analytical procedures to assess the completeness and correctness of recognition of such settlements under contracts with suppliers;</li> <li>• for a selected sample of suppliers, we have verified whether the settlements were based on actual contracts or agreements with suppliers, we have reconciled the calculation of the benefit recognized in the financial statements with those contracts or agreements and have checked whether the period, in which the benefit was recognized, was correct;</li> <li>• We have conducted analytical procedures in order to identify key transactions and trends relating to recognition of settlements with suppliers and to explain any deviations from expectations in this respect;</li> <li>• We have evaluated adequacy of disclosures and the accounting policies used.</li> </ul> |
| <p><b>Uncertainty related to the recognition of related party transactions for tax purposes</b></p> <p>Within its activities, the Group conducts numerous transactions between related</p>   | <p>As part of the audit, we have documented our understanding of the process of interpretation of respective related party transactions by the Company's Management Board in respect to their tax treatment and the updates made to those interpretations resulting from the changing</p>  |

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| <p>parties. Among others, it conducted the following significant transactions affecting the Group's tax settlements in the past:</p> <ul style="list-style-type: none"> <li>• reorganization of the Group with respect to the management of marketing activities and trademarks;</li> <li>• prepayment of receivables for services provided by related parties;</li> <li>• payment of dividend by a subsidiary to the parent company.</li> </ul> <p>The Company's Management Board presented a detailed description of these transactions in Note 10. <i>Income tax</i> to the financial statements, providing its judgment on the correctness of these settlements.</p> <p>External entities, including fiscal authorities, may adopt a different interpretation of the settlement method of related party transactions from the interpretation adopted by the Company's Management Board. Therefore, the accepted settlement method is an important area of judgment by the Company's Management Board, which may have a significant influence on the consolidated financial statements.</p> <p>The Company's Management Board presented transactions with related parties in Note 29. <i>Information on related parties</i>, while the tax treatment of key transactions subject to judgment and its impact on the consolidated financial statements is presented in Note 10. <i>Income tax</i> to the financial statements.</p> | <p>interpretation environment and the accounting and reporting effects of the accepted settlement method, as well as the process used by the Company's Management Board to assess tax exposure for respective issues.</p> <p>As part of our work, we have reviewed the documentation held by the Company's Management Board, including risk assessment analyses prepared by independent tax law experts. We have also assessed the competence of the experts who prepare these analyses.</p> <p>In the review of documentation and interpretations held by the Management Board for selected significant transactions with related parties, we have also engaged experts in the field of tax law, who assisted us in evaluating the assumptions made by the Management Board and the tax settlement of the transactions.</p> <p>In particular, as part of our work, we have conducted the procedures that included, among others, the following activities:</p> <ul style="list-style-type: none"> <li>• we have assessed correctness of recognition of transactions and completeness of the titles based on which tax assets, liabilities and expenses were recognized in accordance with the accounting policies;</li> <li>• we have assessed conformity of selected transactions with tax regulations and evaluated the possibility of realization of the assets resulting from tax settlements with the assistance of tax law experts;</li> <li>• we have assessed the correctness of presentation of tax liabilities and disclosures of potential tax risks in the consolidated statement of financial position, consolidated profit and loss account, as well as in the accounting policies and the notes.</li> </ul> |
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## *Opinion*

In our opinion, accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2017 and its financial performance for the year from 1 January 2017 to 31 December 2017 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and other applicable laws 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 Articles of Association.

## **Report on other legal and regulatory requirements**

### *Opinion on the Directors' Report*

Our opinion on the consolidated financial statements does not include the Directors' Report.

The Company's Management is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition, the Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report meets the requirements of the Accounting Act.

Our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the Director's Report, except for the chapter 'Statement on non-financial information', was prepared in accordance with relevant laws and that it is consistent with the information contained in the accompanying consolidated financial statements.

Our responsibility was also to make a statement, on whether based on our knowledge about the Company and its environment obtained during the audit of the financial statements we have identified in the Director's Report any material misstatements and to indicate the nature of each of material misstatement.

In our opinion the Directors' Report was prepared in accordance with the relevant regulations and reconciles with the information derived from the accompanying financial statements. Moreover, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, we have not identified material misstatements in the Directors' Report.

### *Opinion on the corporate governance application representation*

The Company's Management and members of the Company's Supervisory Board are responsible for preparation of the representation on application of corporate governance in accordance with the applicable laws.

In connection with the conducted audit of the consolidated financial statements, our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the issuer, obliged to present a representation on application of corporate governance, constituting a separate part of the Director's Report, included in the representation information required by applicable laws and whether the related information is in accordance with

applicable regulations and with the information included in the accompanying consolidated financial statements.

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 91, section 5, point 4, letter a, b, g, j, k and l of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of deeming information required by the regulations of a non-member country equal ('Regulation'). Information stipulated in paragraph 91, section 5, point 4 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 accompanying consolidated financial statements.

*Information on preparation of the statement on non-financial information*

In accordance with the Act on Statutory Auditors, we inform, 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 Director's Report.

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

Warsaw, 16 March 2017

Key Certified Auditor

Łukasz Wojciechowski

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certified auditor  
No. 12273

on behalf of  
Ernst & Young Audyt Polska spółka  
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