

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

**To the General 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 Krotoszynie at Ostrowska Street 122, containing: the introduction to the financial statements, the balance sheet as at 31 December 2020, the income statement, the statement of changes in equity, the cash flow statement for the period from 1 January 2020 to 31 December 2020 and additional information and explanations (the 'financial statements').

The form of the financial statements prepared as at 31 December 2020 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 2020 and its financial performance and its cash flows for the period from 1 January 2020 to 31 December 2020 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 11 March 2021.

#### **Basis for opinion**

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted 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 International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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 IESBA Code. 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><b>Recognition of bonuses, discounts and associated settlements</b></p> <p>In the financial statements, the Company presents the value of goods and materials sold in the amount of PLN 7,538 million.</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 as well as discounts 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 as cost of sales at the time of sale of the merchandise. The justified portion of the benefits received is allocated during the financial year 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 of the Management Board 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>Given the scale of the aforementioned settlements and the complexity of the estimates, we regarded this issue as the key audit issue.</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</p>	<p>As part of our audit work, we documented our understanding of the contract execution process by the Company and the control procedures implemented to account correctly for settlements related to these types 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>● understanding the Company's accounting policy concerning the measurement of the value of purchases and cost of sales as well as assessment of the conformity of the policy with the applicable accounting standards;</li> <li>● we assessed the Company's internal control concerning identification and valuation of performances receivable in respect of contracts with suppliers and their allocation to inventories and cost of sales;</li> <li>● applying analytical procedures, we assessed the completeness and correctness of accounting recognition of such settlements arising from contracts with suppliers;</li> <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 checked the correctness of the allocation of the reasonable part of the performances received in respect of contracts with suppliers to merchandise unsold as at the balance sheet date;</li> <li>● we assessed the credibility of estimates of the Management Board of the Company based on the verification of the realization</li> </ul>

<p>entered into with suppliers are described in section 4.22.1. 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 notes and explanations to the financial statements.</p>	<p>in the present year of the estimate items recognized in the previous reporting period; we evaluated the adequacy of disclosures and of the accounting policy.</p>
<p><b>Measurement of inventories</b> As at 31 December 2020, the value of inventories recognized in the financial statements amounted to PLN 848 million while the impairment losses of such inventories amounted to PLN 34 million.</p> <p>The issue of measurement, including in particular ensuring the existence of inventories, was defined as the key audit issue due to the significant value of the item for the financial statements, the considerable quantity of locations where inventories are held, and due to the professional judgment of the Management Board. The professional judgment of the Management Board concerns mainly the measurement of inventories, covering the determination of the purchase price taking into account allocation of a reasonable part of the performances received in respect of contracts with suppliers to merchandise unsold as at the balance sheet date and the assessment of impairment related to measurement of inventories which does not exceed a net value obtainable in the sale process, which is affected by significant judgments regarding analysis of average selling prices in the period, obtainable selling prices and cost of sales, as well as the balance of inventories and of the estimated provision for inventory losses.</p> <p>The disclosures related to measurement of inventories are included in Note 4.11 "Inventories" of the introduction to the financial statements and in Note 24. "Inventories at purchase price" of notes and explanations to the financial statements.</p>	<p>During our audit, we gained an understanding of the process of recognition and analysis of the value of inventories at purchase prices and of confirmation of their existence, as well as of the assessment of their impairment. In addition, we assessed the internal control in this regard and carried out tests of control mechanisms with reference to confirmation of existence and measurement of inventories at purchase price, and performed other verification procedures with reference to individual items of the financial statements. When assessing the internal control, we analyzed the process of recognition of inventories at the purchase price taking into account allocation of a reasonable part of the performances received in respect of contracts with suppliers to merchandise unsold as at the balance sheet date, and assessed the internal control procedures in the Company concerning confirmation of existence of inventories, including mandatory procedures of annual stock-taking performed by inventories management departments, as well as additional control procedures performed in the Company, and assessed the conformity of the policy with the applicable accounting standards.</p> <p>As part of the work, we analyzed the accounting policy concerning recognition of inventories at purchase price and recognition of impairment losses of the value of inventories, including, due to the obtainable prices and based on selected samples, we performed the following procedures concerning measurement of inventories and confirmation of their existence:</p> <ul style="list-style-type: none"> <li>• analysis of the process of recognition of inventories at the purchase price taking into account allocation of the reasonable part of the performances received in respect of contracts with suppliers to merchandise unsold as at the balance sheet date;</li> <li>• direct participation in selected physical stock-taking processes;</li> <li>• analysis of obtainable selling prices of inventories as well as of historical data concerning the earned margins on sale and the impairment losses of the value of inventories recognized in previous periods;</li> <li>• analysis of use of impairment losses of the value of inventories recognized in the previous reporting period;</li> <li>• analytical procedures concerning the value of inventories in individual locations and the explanation of deviations, if any, from expectations in this regard;</li> <li>• analysis of other factors and assumptions regarding impairment losses of the value of inventories such as analysis of selling price of goods in the period and estimation of the provision for inventory losses.</li> </ul> <p>As part of our procedures, we received detailed representations of the Management Board of the Company as to the completeness and correctness of the data and material assumptions submitted to us.</p> <p>Furthermore, we evaluated the adequacy of disclosures and of the accounting policy.</p>

## **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, actions taken to eliminate threats or safeguards applied.

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 2020 to 31 December 2020, 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 Supervisory Board from 15 December 2010 and reappointed based on the resolution 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 2010, i.e. for the past 11 consecutive years.

Warsaw, 11 March 2021

Key Certified Auditor

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Łukasz Wojciechowski  
certified auditor  
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on behalf of:  
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