DINO POLSKA S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS APPROVED FOR APPLICATION IN THE EU

ALONG WITH THE INDEPENDENT STATUTORY AUDITOR'S AUDIT REPORT

Krotoszyn, 12 March 2020

Unofficial translation. Only the original Polish text is binding.

FINANCIAL HIGHLIGHTS

	PLN 000s		***EUR 000s****	
	01.01.2019-31.12.2019	***01.01.2018-31.12.2018***	***01.01.2019-31.12.2019***	***01.01.2018-31.12.2018***
Sales revenues	7,646,547	5,838,529	1,777,523	1,368,330
Operating profit	561,909	429,002	130,622	100,542
Profit before tax	502,460	383,978	116,802	89,990
Net profit	410,907	307,554	95,520	72,079
Number of shares	98,040,000	98,040,000	98,040,000	98,040,000
Basic / diluted earnings per share in PLN, EUR	4.19	3.14	0.97	0.74
Cash flow from operating activities	799,044	643,297	185,746	150,764
Cash flow from investing activities	(827,807)	(634,018)	(192,433)	(148,590)
Cash flow from financing activities	154,563	82,298	35,930	19,288
Net change in cash and cash equivalents	125,800	91,577	29,244	21,462

* In the case of data in EUR, the average EUR/PLN exchange rate in the period was used, as published by the National Bank of Poland:
- NBP's average exchange rate in 2019: 4.3018 PLN/EUR
- NBP's average exchange rate in 2018: 4.2669 PLN/EUR

	PLN 000s		***EUR 000s****	
	As at 31.12.2019	***As at 31.12.2018****	***As at 31.12.2019***	***As at 31.12.2018****
Total assets	4,350,750	3,287,690	1,021,663	764,579
Total non-current assets	3,215,763	2,458,378	755,140	571,716
Total current assets	1,134,987	829,312	266,523	192,863
Equity	1,622,353	1,211,873	380,968	281,831
Share capital	9,804	9,804	2,302	2,280
Non-current liabilities	860,217	693,176	202,000	161,204
Current liabilities	1,868,180	1,382,641	438,694	321,544

In the case of data in EUR, the average EUR/PLN exchange rates in the period, as published by the National Bank of Poland, were used:
- NBP’s average exchange rate as at 31 December 2019: 4.2585 PLN/EUR
- NBP’s average exchange rate as at 31 December 2018: 4.3000 PLN/EUR

prepared in accordance with the International Financial Reporting Standards approved for application in the EU (in thousands of PLN)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2019

	Note	*01.01.2019-31.12.2019*	*01.01.2018-31.12.2018*
Continuing operations			
Sales revenues	11	**7,646,547**	**5,838,529**
Cost of sales	13	(5,785,119)	(4,426,060)
Gross profit on sales		**1,861,428**	**1,412,469**
Other operating income	13.4	7,531	5,366
Sales and marketing expenses	13	(1,228,136)	(933,663)
General administration expenses	13	(74,498)	(52,635)
Other operating expenses	13.5	(4,416)	(2,535)
Operating profit		**561,909**	**429,002**
Financial income	13.6	938	347
Financial expenses	13.7	(60,387)	(45,371)
Profit before tax		**502,460**	**383,978**
Income tax	14	(91,553)	(76,424)
Net profit from continuing operations		**410,907**	**307,554**
Net profit for the financial year		**410,907**	**307,554**
Profit attributable:			
To owners of the parent		410,907	307,554
Earnings per share:			
– basic from profit for the year attributable to owners of the parent		4.19	3.14
– basic from profit from continuing operations for the year attributable to owners of the parent		4.19	3.14
– diluted from profit for the year attributable to owners of the parent		4.19	3.14
– diluted from profit from continuing operations for the year attributable to owners of the parent		4.19	3.14

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Net profit for the financial year	**410,907**	**307,554**
Items not subject to reclassification to profit in subsequent reporting periods:		
Actuarial gains/(losses) on defined benefit plans	(527)	(215)
Income tax on other comprehensive income	100	41
Net other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods	**(427)**	**(174)**
Net other comprehensive income	**(427)**	**(174)**
Comprehensive income for the year	**410,480**	**307,380**
Comprehensive income attributable:	**410,480**	**307,380**
To owners of the parent	**-**	**-**
Non-controlling shareholders	**410,480**	**307,380**

prepared in accordance with the International Financial Reporting Standards approved for application in the EU (in thousands of PLN)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	***31.12.2019***	***31.12.2018****
ASSETS			
Property, plant and equipment	18	2,846,818	2,347,025
Right-of-use assets	18 19.1	251,744	-
Intangible assets	20	99,048	95,024
Other non-financial assets (non-current)	21	14	22
Deferred tax assets	14.3	18,139	16,307
Total non-current assets		**3,215,763**	**2,458,378**
Inventories	22	623,995	445,357
Trade and other receivables	23	78,123	38,552
Income tax receivables		123	-
Other non-financial assets	21	37,729	76,483
Other financial assets		297	-
Cash and cash equivalents	24	394,720	268,920
Total current assets		**1,134,987**	**829,312**
TOTAL ASSETS		**4,350,750**	**3,287,690**
EQUITY AND LIABILITIES			
Equity (attributable to owners of the parent)		**1,622,353**	**1,211,873**
Share capital	25.1	9,804	9,804
Supplementary capital	26	1,652,132	1,307,273
Retained earnings		(47,083)	(112,704)
Other equity		7,500	7,500
Non-controlling interests		**-**	**-**
Total equity		**1,622,353**	**1,211,873**
Interest-bearing loans and borrowings	27	578,755	518,240
Lease liabilities	27 19	99,922	67,088
Liabilities by virtue of outstanding securities	27	169,926	99,829
Other liabilities		210	240
Provisions for employee benefits	28	1,830	1,550
Deferred tax liability	14.3	9,509	5,923
Accruals and deferred revenue	29.3	65	306
Total non-current liabilities		**860,217**	**693,176**
Trade and other payables	29.1 29.2	1,474,503	1,141,934
Current part of interest-bearing loans and borrowings	27	137,705	103,837
Lease liabilities	27 19	56,316	44,839
Liabilities by virtue of outstanding securities	27	100,724	654
Income tax liabilities	29.2	68,606	67,004
Accruals and deferred revenue	29.3	29,306	23,832
Provisions for employee benefits	28	1,020	541
Total current liabilities		**1,868,180**	**1,382,641**
Total liabilities		**2,728,397**	**2,075,817**
TOTAL EQUITY AND LIABILITIES		**4,350,750**	**3,287,690**

** Restated data according to the description in notes 7 and 8.*

prepared in accordance with the International Financial Reporting Standards approved for application in the EU (in thousands of PLN)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	*01.01.2019-31.12.2019*	*01.01.2018-31.12.2018*
Cash flow from operating activities			
Profit before tax		502,460	383,978
Adjustments in items:		296,584	259,319
Depreciation and amortization	13.1	163,517	112,058
(Profit)/loss on investment activity		2,522	1,375
Movement in receivables	30	(419)	(16,884)
Movement in inventories		(178,638)	(77,095)
Movement in liabilities, except for loans and borrowings	30	332,330	218,964
Interest revenue		(762)	(347)
Interest expense		60,344	45,386
Movement in prepayments, accruals and deferred revenue		5,678	1,918
Movement in provisions	30	759	510
Income tax paid		(88,220)	(26,351)
Other		(527)	(215)
Net cash from operating activities		**799,044**	**643,297**
Cash flow from investing activities			
Sale of items of property, plant and equipment and intangible assets		1,496	1,566
Purchase of items of property, plant and equipment and intangible assets		(829,768)	(635,931)
Interest received		762	347
Granting of loans		(297)	-
Net cash from investing activities		**(827,807)**	**(634,018)**
Cash flow from financing activities			
Payment of lease liabilities		(58,485)	(46,436)
Proceeds from obtained loans/borrowings		217,927	373,927
Repayment of loans/borrowings		(114,535)	(199,807)
Issue of debt securities		170,000	-
Interest paid		(60,344)	(45,386)
Net cash from financing activities		**154,563**	**82,298**
Net increase in cash and cash equivalents		125,800	91,577
Cash at the beginning of the period		**268,920**	**177,343**
Cash at the end of the period	24	**394,720**	**268,920**

** Restated data according to the description in notes 7 and 8.*

(in thousands of PLN)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

		Attributable to owners of the parent				
	Note	*Share capital*	*Supplementary capital*	*Retained earnings*	*Other equity*	*Total*
As at 1 January 2019		**9,804**	**1,307,273**	**(112,704)**	**7,500**	**1,211,873**
Net profit for 2019		-	-	410,907	-	410,907
Net other comprehensive income in 2019		-	-	(427)	-	(427)
Comprehensive income for the year		-	-	*410,480*	-	*410,480*
Distribution of the 2018 financial result		-	344,859	(344,859)	-	-
As at 31 December 2019	25	**9,804**	**1,652,132**	**(47,083)**	**7,500**	**1,622,353**
As at 1 January 2018		**9,804**	**1,111,860**	**(224,671)**	**7,500**	**904,493**
Net profit for 2018		-	-	307,554	-	307,554
Net other comprehensive income for 2018		-	-	(174)	-	(174)
Comprehensive income for the year		-	-	*307,380*	-	*307,380*
Distribution of the financial result for 2017		-	195,413	(195,413)	-	-
As at 31 December 2018	25	**9,804**	**1,307,273**	**(112,704)**	**7,500**	**1,211,873**

ACCOUNTING PRINCIPLES (POLICIES) AND NOTES

1. General information

The DINO Polska S.A. Group ("Group") consists of DINO Polska S.A. ("parent company", "Company") and its subsidiaries (see Note 2). The Group's consolidated financial statements cover the year ended 31 December 2019 along with comparable data.

The Company was established by a Notary Deed of 9 November 2007 under the name of DINO Polska spółka z ograniczoną odpowiedzialnością. On 21 December 2011, the Shareholder Meeting of DINO Polska spółka z ograniczoną odpowiedzialnością adopted a resolution to transform the Company into Dino Polska S.A.

The parent company is entered in the register of commercial undertakings of the National Court Register kept by the District Court for Poznań Nowe Miasto i Wilda, 9th Commercial Division of the National Court Register under file number KRS 0000408273.

The parent company has been given the following statistical number: REGON 300820828.

The Company's registered office is located at the following address: Ostrowska 122, 63-700 Krotoszyn.

The duration of the parent company and of the entities forming part of the Group is unlimited.

The Group's main line of business is retail sales in non-specialized stores with food, beverages or tobacco predominating.
Moreover, the Group also produces meat products, which are supplied to external customers through the Group's retail network.

(in thousands of PLN)

2. Composition of the Group

The Group consists of Dino Polska S.A. and the following subsidiaries:

Name of the unit	*Registered office*	*Line of business*	*Stake held by the Group*	
			31 December 2019	*31 December 2018*
DINO Polska S.A. (parent company)	Krotoszyn	Retail sale conducted in non-specialized stores with food, beverages or tobacco predominating	-	-
Agro-Rydzyna sp. z o.o.	Kłoda	Production of meat products	100%	100%
Vitrena Holdings Ltd.*	Limassol, Cyprus	Investments in properties, shares, covered bonds, bonds, provision of financial services of any type	100%	100%
Centrum Wynajmu Nieruchomości sp. z o.o.	Krotoszyn	Renting and operating of own or leased real estate	100%	100%
Centrum Wynajmu Nieruchomości 1 S.A.	Krotoszyn	Private purchases and sales of real estate, renting and operating of own or leased real estate, other financial service activities, activities of holding companies	100%	100%
Centrum Wynajmu Nieruchomości 2 S.A.	Krotoszyn	Private purchases and sales of real estate, renting and operating of own or leased real estate, other financial service activities, activities of holding companies	100%	100%
Centrum Wynajmu Nieruchomości 3 S.A.	Krotoszyn	Private purchases and sales of real estate, renting and operating of own or leased real estate, other financial service activities, activities of holding companies	100%	100%
Centrum Wynajmu Nieruchomości 4 S.A.	Krotoszyn	Private purchases and sales of real estate, renting and operating of own or leased real estate, other financial service activities, activities of holding companies	100%	100%
Centrum Wynajmu Nieruchomości 5 S.A.	Krotoszyn	Private purchases and sales of real estate, renting and operating of own or leased real estate, other financial service activities, activities of holding companies	100%	100%
Centrum Wynajmu Nieruchomości 6 S.A.	Krotoszyn	Private purchases and sales of real estate, renting and operating of own or leased real estate, other financial service activities, activities of holding companies	100%	100%
PIK Finanse sp. z o.o.	Krotoszyn	Private purchases and sales of real estate, renting and operating of own or leased real estate, other financial service activities, activities of holding companies	100%	100%
Dino Oil sp. z o.o.	Krotoszyn	Manufacture and processing of refined petroleum products, retail sale of automotive fuel in specialized stores	100%	100%
Dino Krotoszyn sp. z o.o.	Krotoszyn	Warehousing and storage services, processing and preserving of meat, excluding poultry meat	100%	100%
Dino Północ sp. z o.o.*	Krotoszyn	Retail sale conducted in non-specialized stores with food, beverages or tobacco predominating	100%	100%
Dino Południe sp. z o.o.	Krotoszyn	Operation of warehousing and storage facilities for goods	100%	100%

**As at the date of preparation of the consolidated financial statements, the company did not conduct operating activity.*

As at 31 December 2019 and 31 December 2018, the share in overall number of votes held by the Group in its subsidiaries is equal to the Group's share held in their capital.
During the reporting period the Group's composition did not change.

3. Composition of the parent company's Management Board

As at 31 December 2019, the Management Board of the parent company consisted of the following persons:

Szymon Piduch – President of the Management Board

Michał Krauze – Management Board Member

Michał Muskała – Management Board Member (since 30 August 2019)

In the period from 12 April 2019 to 11 October 2019 Jakub Macuga served as a Management Board member. Up to the date of approving these consolidated financial statements, the composition of the parent company's Management Board did not change.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board on 12 March 2020.

5. Material professional judgments and estimates

5.1. Professional judgment

The preparation of the Group's consolidated financial statements requires the Management Board of the parent company to make judgments, estimates and assumptions that affect the presented revenues, costs, assets and liabilities and related notes and disclosures regarding contingent liabilities. Uncertainty about such assumptions and estimates may result in significant adjustments to the carrying amounts of assets and liabilities in the future.

In applying the accounting policies, the Management Board has made the following judgments that have the greatest impact on the presented carrying amounts of assets and liabilities.

Leasing – the Group as a lessee

Lease-related judgments where the Group is the lessee in areas such as stating whether a contract involves a lease, a contract for an unspecified term, usage of an extention option or for shortening the lease term have been presented in note 8.1.

Classification of reverse factoring agreements

The Company utilizes reverse factoring agreements in reference to its liabilities to manage working capital whereby it submits invoices for purchases from selected suppliers for the purpose of factoring. Considering the potential impact exerted by these types of agreements on the statement of cash flows and the statement on financial position, the Management Board makes a judgment on whether in connection with the utilization of factoring, the nature of the liability materially changes and whether it is necessary to alter its presentation. The Group classifies reverse factoring trade payables as trade payables because, in the Management Board's view, no significant changes have occurred in the nature of these payables in connection with their transfer to factoring, including among other things, the term of payment for payables in reverse factoring does not exceed the terms of payment for payables established with various suppliers. The Group's accounting policy regarding reverse factoring contracts is disclosed in note 10.17, while the balance of liabilities related to these types of settlements is disclosed in note 29.1 hereof.

Settlement of revenue under contracts with suppliers

The Group enters into contracts with suppliers on whose basis rebates, discounts and additional remuneration and fees are awarded to the Group, hinging, among other things, on the volume of purchases and related to promotions and marketing. The Group 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 to unsold merchandise as at the balance sheet date as a reduction in the value thereof.

5.2. Uncertainty of estimates and assumptions

Discussed below are the main assumptions concerning the future and other major sources of uncertainty existing as at the balance sheet date, which entail a significant risk of a considerable adjustment of the carrying amounts of assets and liabilities in the next financial year. In the course of drawing up the consolidated financial statements, the Group has made certain forward-looking assumptions and estimates. These assumptions and estimates may change as a result of future events resulting from market changes or changes that are not controlled by the Group. Such changes will be reflected in the estimates or assumptions at the time of their occurrence.

Impairment of trademarks and goodwill

The Group has tested the impairment of trademarks and goodwill. It required an estimate of the value in use of the cash generating unit to which the goodwill and trademarks are allocated. The estimation of value in use is based on the determination of future cash flows to be generated by the cash generating unit and requires determination of the discount rate for calculating the present value of these cash flows. The assumptions made for this purpose are presented in Note 20.

Measurement of inventories

The Group measures inventories at the lower of purchase price/production cost and net realizable price. The net realizable price is estimated as the sales price that can be achieved in the course of the entity's normal business, less the estimated costs required to finalize the sale. The Group allocates the relevant portion of the costs of delivering goods to points of sales to specify the purchase price of inventories in the Group's commercial facilities. Moreover, in order to state in real terms the balance of inventories at the end of the reporting period, the Group sets up a provision for expected, though unidentified inventory losses based on the historical statistics for inventory differences identified in commercial facilities.

Measurement of provisions for employee benefits

Provisions for employee benefits were estimated using actuarial methods. The assumptions made for this purpose, along with the sensitivity analysis, are presented in Note 28.

Estimated provisions for litigation

The Group is involved as a party in lawsuits. Based on the estimates, the Management Board has concluded that the risk of losing in the pending cases is low. Therefore, no provisions have been recognized for pending litigation.

Uncertainty related to tax settlements

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, interpretations not consistent and few established precedents that may be followed. The binding regulations also contain uncertainties resulting in differences in opinions regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorized to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. These conditions mean that the tax risk in Poland is higher than in countries with a more mature fiscal system.

Accordingly, the amounts presented and disclosed in the financial statements may change in the future as a result of a final decision of tax audit authorities.

Effective 15 July 2016, the Polish Tax Code was amended for the General Anti-Abuse Rule (GAAR) provisions. GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid payment of tax in Poland. GAAR defines tax avoidance as an act carried out primarily in order to achieve a tax benefit, contrary in the circumstances to the object and goal of provisions of a tax act. Pursuant to GAAR, such an act does not result in a tax benefit, if the mode of action was not genuine. All unjustified (i) split of operations, (ii) involvement of intermediary entities without any economic or business justification, (iii) elements that compensate or exclude each other and (iv) other actions with a similar effect to the previously mentioned, may be considered as prerequisites of artificial activities subject to GAAR. The new regulation will require significantly more judgment in assessment of the tax consequences of individual transactions.

The GAAR clause is effective with respect to transactions executed following its entry into force and transactions that were carried out before, but the benefits were / are being derived after the date of its entry into force. Implementation of the above provisions will enable the Polish tax authorities to challenge legal arrangements used by the taxpayers such as group restructurings and reorganizations.

The Group recognizes and measures assets or liabilities under current and deferred tax by applying the requirements of IAS 12 *Income tax* based on profit (tax loss), taxable income, unsettled tax losses, unused tax relief and tax rates, giving consideration to the assessment of uncertainty related to tax settlements.

If there is uncertainty on whether and to what extent a tax authority will accept various tax settlements for a transaction, the Group recognizes these settlements while giving consideration to this assessment of uncertainty.

Depreciation and amortization rates

Depreciation rates are determined based on the expected useful life of property, plant and equipment and intangible assets. On an annual basis, the Group verifies the accepted useful life periods based on current estimates.

Lessee's marginal interest rate

The Group is not easily able to establish an interest rate for lease agreements; for that reason when measuring lease liabilities the Group has applied the interest rate for 30-year treasuries plus a margin of 0.8 p.p. for the perpetual usufruct right to the use of land and a rate based on the average interest rate charged in the Group's loans for other funds. These are the interest rates the Group would have to pay to borrow for a similar term, in the same currency and with similar collateral to purchase an asset of similar value as the right-of-use asset in a similar business environment.

6. Basis for preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with the historical cost convention.

These consolidated financial statements are presented in Polish zloty ("PLN") and all amounts are given in thousands of PLN, unless otherwise stated.

These consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future, i.e. within no less than 12 months from the balance sheet date, except for Viterna Holdings Ltd. that is undergoing liquidation.

As at 31 December 2019, the Group presented an excess of current liabilities over current assets, which is typical for the retail industry and its seasonality, where a predominant part of sales is made for cash, inventories are minimized and suppliers offer deferred payment terms. At the same time, the Group intensively develops its network using free cash and funding from bank loans to increase the number of its operational stores. According to the Group, there are no credit liabilities maturing in the short-term that would generate an elevated liquidity risk, while the excess of current liabilities above current assets stems from the Group's working capital management strategy. Moreover, the Group as at the balance sheet date has open and unused lines of credit for PLN 283,000 thousand that can be used to manage the Group's liquidity. The liabilities maturity structure has also been presented in note 35.3 Liquidity risks. Covenants related to loan agreements are monitored on an ongoing basis. As at the balance sheet date of 31 December 2019, there was no default on the terms and conditions of credit agreements and the Management Board is of the opinion there is no risk that banks may terminate such agreements within 12 months of the balance sheet date of 31 December 2019. As at the date of approval of these consolidated financial statements, no circumstances have been found that would indicate a threat for the Group companies' to continue as a going concern.

6.1. Statement of conformity

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU IFRS"). As at the date of approving these financial statements for publication, considering the pending process of introducing IFRSs in the EU and the operations conducted by the Group, the IFRS applicable to these financial statements do not differ from the EU IFRS. The EU IFRS include standards and interpretations accepted and published by the International Accounting Standards Board ("IASB").

Some of the Group's entities keep their accounting books in accordance with the accounting policies set forth in the Accounting Act of 29 September 1994 (the "Act"), as amended, and the regulations issued on its basis ("Polish Accounting Standards"). These consolidated financial statements include a number of adjustments not included in the accounts of the Group companies, which were made to bring the financial statements of those companies into conformity with IFRS.

6.2. Functional currency and presentation currency

The Group's consolidated financial statements are presented in PLN, which is also the functional currency of the parent company and of the subsidiaries.

7. Correction of errors

The presentation-related adjustment in the consolidated statement of cash flows in connection with the definition of cash and cash equivalents

In prior reporting periods the Group defined receivables on payment cards as belonging to cash and cash equivalents for the purposes of the consolidated statement of cash flows. In the current reporting period this error was corrected and receivables on payment cards are no longer treated as belonging to cash and cash equivalents; consequently, a retrospective change was made to cash flow in the comparative data, whereby cash flow on operating activity in 2018 was increased by PLN 8,842 thousand compared to the figures published in the 2018 consolidated financial statements.

The accounting policy has also been modified in terms of presenting receivables on payment cards in the consolidated statement of financial position according to the description in note 8.

8. Changes in accounting policies applied

The accounting principles (policies) used to draw up these financial statements are consistent with the ones that were used to draw up the Group's financial statements for the year ended 31 December 2018 except for the application of new or modified standards and intrepretations in force for annual periods beginning on or after 1 January 2019.

The Group has made a change to accounting policy on presenting receivables on payment cards in the consolidated statement of financial position involving the recognition of these receivables in the line item "Trade and other receivables" instead of in the line item "Cash and cash equivalents". Accordingly, the pertinent reclassification has been made totaling PLN 25,283 thousand as at 1 January 2018. The amount subject to reclassifiction as at 31 December 2018 was PLN 16,441 thousand, while as at 31 December 2019 it was PLN 22,533 thousand. The foregoing change will ensure consistency between the balance of cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows, thereby providing for greater transparency of the financial statements and consistency with market practice.

The Group has applied IFRS 16 *Leases* ("IFRS 16") for the first time.

No other new or amended standards or interpretations that came into force for the first time in 2019 have any material impact on the Group's consolidated financial statements.

8.1. IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases* ("IAS 17") and the interpretations related thereto. The standard specifies the standards for the recognition, measurement, presentation and disclosure of leases and requires for lessees to settle the majority of lease agreements under a single balance sheet model.

The lessor's accounts under IFRS 16 remain substantially unchanged compared to IAS 17. Lessors will continue to classify leases as operational or financial by applying similar standards as under IAS 17. That is also why IFRS 16 did not affect the lease agreements in which the Group is the lessor.

The Group has lease agreements for real estate, means of transport and the right of perpetual usufruct for land. Prior to the adoption of IFRS 16 the Group (as a lessee) classified each lease agreement as a financial or operational lease as of the date of commencing the term of lease. A lease was classified as a financial lease if in principle the entire risk and all the benefits stemming from holding the leased object were transferred to the Group. Otherwise, a lease was classified as an operational lease. A financial lease was capitalized at the fair value of the leased object determined as at the date of commencing the term of the lease or at amounts equal to the present value of the minimum lease payments if that value was lower than the fair value. Lease payments were allocated to interest (recognized as financial expenses) and paying down the lease liability. In operating leases the subject of the agreement was not capitalized, while the lease payments were recognized as operating expenses in the statement of profit or loss according to the linear method over the term of the lease.

After adoption of IFRS 16 the Group applied one single approach to the recognition and measurement of all lease agreements in which it is the lessee, except for short-term leases and low value asset leases. The Group has diclosed lease liabilities and right-of-use assets for underlying assets.

The Group implemented IFRS 16 by applying the modified retrospective method, i.e. with the total effect of the initial application of the standard recognized on the date of initial application. The Group elected to utilize a practical solution allowing it to apply the standard only to agreements that have previously been identified as lease agreements according to IAS 17 on the date of initial application. The Group also elected to utilize exemptions on account of recognizing lease agreements whose term of lease on the date of commencement is 12 months or shorter and that do not contain a purchase option ("short-term lease") and lease agreements whose underlying asset has a low value ("low value assets"). In addition, the Group has utilized the following permissible practical solutions regarding leases previously classified as operational leases according to IAS 17:

- The Group applied a single discount rate to its portfolio of leases bearing similar attributes,
- The Group applied a simplified approach to lease agreements whose term ends after the elapse of 12 months from the date of initial application; this approach involves the recognition of these leases in accordance with the requirements pertaining to short-term lease agreements and the presentation of the costs related to them in a disclosure encompassing the costs incurred for short-term lease agreements.
- The Group excluded the initial direct costs under the measurement of a right-of-use asset on the date of initial application.

As a consequence of implementing IFRS 16 the Group has recognized right-of-use assets at a value equal to lease liabilities.

The weighted-average discount rate adopted at the time of initial application of the standard was 3.1% for store facilities and means of transport and 4.8% for perpetual usufructs for land.

The Group has applied the following judgments and estimates in the implementation of IFRS 16:

Term of lease for agreements with extension options

The Group sets the term of lease as the irrevocable term of lease, including the periods granting a lease extension option if one may posit with sufficient certainty that this option will be exercised, and including the periods granting a lease termination option, if one may posit with sufficient certainty that this option will not be exercised.

(in thousands of PLN)

Term of lease for agreements for an unspecified term

The Group has lease contracts executed for an unspecified term and contracts that have converted into contracts for an unspecified term in the situations contemplated by the Polish Civil Code in which both parties hold a termination option. When determining the lease term the Group defines the period for the enforceability of the contract. Leases cease to be enforceable if the lessee and the lessor have the right to terminate a contract without having to obtain the other party's permission without incurring penalties greater than inconsequential. The Group assesses the materiality of these broadly understood penalities, i.e. outside issues that are *stricte* contractual or financial, it incorporates any other material economic factors discouraging one from terminating a contract (e.g. material investments in the leased object, accessibility of alternative solutions, costs of relocation). If neither the Group as a lessee or as a lessor is to incur a material penalty for termination (understood broadly), the lease ceases to be enforceable and its term constitutes the term of termination. However, in a situation in which one of the parties – according to a professional judgment – is to incur a material penalty for termination (understood broadly), the Group defines the lease term as sufficiently certain (or the period for which one may with sufficient certainty assume that the contract will last).

The term of lease for an unspecified period has been determined as the average term of validity of agreements for a fixed period, i.e. 70 months from 1 January 2019 for the purpose of measuring lease liabilities under IFRS16, since, according to the Group's judgment, there are material penalties economically dissuading both parties from terminating these contracts, while the term of 70 months reflects the highly probable average term of validity of a contract.

Lessee's marginal interest rate

The Group is not easily able to establish an interest rate for lease agreements; for that reason when measuring lease liabilities the Group has applied the interest rate for 30-year treasuries plus a margin of 0.8 p.p. for the perpetual usufruct right to the use of land, i.e. 4.8% and a rate based on the average interest rate charged in the Group's loans for other funds, i.e. 3.12%. These are the interest rates the Group would have to pay to borrow for a similar term, in the same currency and with similar collateral to purchase an asset of similar value as the right-of-use asset in a similar business environment.

Impact exerted by IFRS 16 on the consolidated statement of financial position (increase / (decrease)) as at the date of initial application, i.e. 1 January 2019:

	*As at 31 December 2018**	*IFRS 16 adjustment*	*As at 1 January 2019*
ASSETS			
Property, plant and equipment	2,347,025	(196,384)	2,150,641
Right-of-use assets	-	259,050	259,050
Non-current assets	**2,458,378**	**62,666**	**2,521,044**
TOTAL ASSETS	**3,287,690**	**62,666**	**3,350,356**
EQUITY AND LIABILITIES			
Equity	**1,211,873**	**-**	**1,211,873**
Interest-bearing loans and borrowings and finance lease liabilities	585,328	(67,088)	518,240
Lease liabilities	-	120,312	120,312
Non-current liabilities	**693,176**	**53,224**	**746,400**

(in thousands of PLN)

Current part of interest-bearing loans and borrowings and finance lease liabilities	148,676	(44,839)	103,837
Lease liabilities	-	54,281	54,281
Current liabilities	**1,382,641**	**9,442**	**1,392,083**
Total liabilities	**2,075,817**	**62,666**	**2,138,483**
TOTAL EQUITY AND LIABILITIES	**3,287,690**	**62,666**	**3,350,356**

** according to the Group's approved consolidated financial statements for the year ended 31 December 2018*

Moreover, as a result of applying IFRS 16, certain changes have been made to presentation in the consolidated financial statements that have exerted an impact on the comparative data. To adjust to the presentation as at 31 December 2019, the non-current and current finance lease liabilities as at 31 December 2018 totaling PLN 67,088 thousand and PLN 44,839 thousand have been split off from the line item "Interest-bearing loans and borrowings and financial liabilities" (non-current and current) and presented in the line item "Lease liabilities" (non-current and current).

The Group's new accounting standards following the adoption of IFRS 16 have been presented in Note 10.6.2.

The table below depicts the reconciliation of future operation lease payments presented in the financial statements for the financial year ended 31 December 2018 with the value of the lease liabilities carried as at 1 January 2019:

Future payments under operating lease agreements as of 31 December 2018 (disclosure according to IAS 17)	**64,589**
Exemption for short-term leases and low value leased assets	(4,528)
Difference ensuing from the estimated terms of leases according to IFRS 16	4,341
Classification of new lease agreements under IFRS 16	15,592
Future lease payments under operating lease agreements as at 1 January 2019	**79,994**
Discount	(17,328)
Additional lease liabilities recognized as at 1 January 2019	**62,666**
Financial lease liabilities under IFRS 17 as at 31 December 2018	111,927
Lease liabilities as at 1 January 2019	**174,593**

8.2. Other changes

The other changes that do not have a material impact on the Group's consolidated financial statements are as follows:

a) Intrepretation of IFRIC 23 *Uncertainty over income tax treatments*

This interpretation clarifies the methods of disclosing and measuring income tax according to IAS 12 if there is uncertainty over its treatment. It does not pertain to taxes or fees that do not fall under the scope of IAS 12, nor does it entail the requirements concerning interest and penalties related to the uncertain treatment of income tax. The interpretation pertains to the following in particular:

- the entity's separate incorporation of cases involving uncertain tax treatment;
- assumptions made by the entity concerning the control of tax treatment by the tax authorities;
- the method in which the entity determines taxable income (tax loss), the tax base, unsettled tax losses, unused tax relief and tax rates;
- the method in which the entity takes into account changes in facts and circumstances.

The entity must ascertain whether it examines each uncertain tax treatment separately, or jointly with one or more cases of uncertain tax treatment. The approach should be followed that better anticipates the dissipation of uncertainty.

b) Amendments to IFRS 9: *Prepayment features with negative compensation*

c) Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

d) Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*
e) Changes ensuing from the IFRS 2015-2017 review:

- IFRS 3 *Business combinations* – pertaining to multi-stage acquisitions

- IFRS 11 *Joint arrangements* – pertaining to obtaining shared control of shared activity
- IAS 12 *Income tax* – pertaining to the tax effects of dividends
- IAS 23 *Borrowing costs*

The amendments specify that the entity treats any and all loans originally taken out for the purpose of producing a qualifying asset as part of general purpose loans when in principle all the measures required to prepare that asset for the intended use or sale have been completed.

The Group did not elect to apply any standard, interpretation or amendment earlier that has been published but has not yet taken force in light of the European Union regulations.

9. New standards and interpretations published but not effective

New standards and interpretations published by the International Accounting Standards Board (IASB) but are not yet effective:

- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – the European Commission decided not to propose the standard for endorsement in its preliminary version until the final standard is published – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture* (published on 11 September 2014) – the work leading to the endorsement of these amendments has been postponed by the EU indefinitely – the effective date has been postponed by the IASB for an indefinite period of time;
- IFRS 17 *Insurance Contracts* (published on 18 May 2017) – not endorsed by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2021;
- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards* (published on 29 March 2018) – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 3 *Business Combinations* (published on 22 October 2018) – not endorsed by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: *Definition of Material* (published on 31 October 2018) – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform* (published on 26 September 2019) – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of financial statements: Separation of liabilities into current and non-current* (published on 23 January 2020) – not endorsed by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022.

As at the date of approval of these financial statements for publication, the Management Board has not yet completed the assessment of the impact that the application of the remaining standards and interpretations on the Group's accounting policies in the context of its operations and on its financial results.

10. Significant accounting policies

10.1. Consolidation rules

These consolidated financial statements include the financial statements of DINO Polska S.A. and the financial statements of its controlled entities (subsidiaries) prepared for the year ended 31 December 2019. The financial year of the parent company and the group companies is the calendar year.

The financial statements of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with IFRS, are prepared for the same reporting period as the statements of the parent company, applying consistent accounting principles, based on uniform accounting principles applied for transactions and similar economic events. To eliminate any discrepancies in the accounting standards applied, corrections are made.

All significant balances and transactions between Group units, including unrealized profits stemming from transactions within the Group have been wholly eliminated. Unrealized losses are eliminated unless they prove the occurrence of an impairment.

Subsidiaries are subject to consolidation from the date when the Group assumes control over them, and they cease to be consolidated when control no longer exists. The parent company has control only if it has:

• has power over the entity,

• is subject to exposure, or rights, to variable returns from its involvement with the entity,

• the ability to affect those returns through power over the entity.

The Company verifies the fact of having power over other entities if there is a situation indicating a change in one or more of the above mentioned pre-conditions for control.

Where the Company holds less than a majority of voting rights in an entity, but the voting rights held are sufficient to unilaterally direct the relevant activities of that entity, this means that it exercises authority over the entity. When assessing whether the voting rights in a given entity are sufficient to secure power, the Company analyzes all material circumstances, including:

• the size of the holding of voting rights compared to the size of the holding of shares and the degree of dispersion of voting rights held by other shareholders;

• potential voting rights held by the Company, other shareholders or other parties;

• rights arising from other contractual arrangements; and

• additional circumstances, which may prove whether the Company has the ability to direct the relevant activities at the moment of the decisions, including voting patterns observed at previous shareholder meetings.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the controlling and non-controlling interests should be adjusted by the Group to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received should be recognized in equity and attributed to the owners of the parent.

10.2. Fair value measurement

Fair values of financial instruments measured at amortized cost are presented in Note 36.

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction to sell the asset between market participants at the measurement date under current market conditions. A fair value measurement is based on an assumption that the asset sale or liability transfer transaction is conducted either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

Both the principal market and most advantageous market must be available to the Group.

The fair value of an asset or liability is determined using the assumption that market participants act in their best economic interest when determining the price of an asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(in thousands of PLN)

All the assets and liabilities measured at fair value or whose fair value is shown in the consolidated financial statements are classified by means of the fair value hierarchy as described below, based on the lowest level of inputs required to measure fair value as a whole:

- Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - Valuation methods for which the lowest level of inputs required to measure fair value as a whole is directly or indirectly observable.
- Level 3 - Valuation methods for which the lowest level on inputs required to measure fair value as a whole is unobservable.

For each balance sheet date, in the case of assets and liabilities occurring in the consolidated financial statements, the Group assesses whether transfers between fair value hierarchy levels have taken place by reassessing the classification to individual levels, based on the materiality of the inputs from the lowest level, which is relevant to the fair value measurement as a whole.

For the purpose of disclosing the fair value measurement results, the Group identified the asset and liability classes based on the type, characteristics and risk related to particular assets and liabilities and their fair value hierarchy level, as described above.

10.3. Currency translations

Transactions denominated in currencies other than PLN are translated into zloty at the rate effective on the transaction date.

As at the balance sheet date, monetary assets and liabilities denominated in currencies other than PLN are translated into zloty at the mid exchange rate quoted for a given currency by the National Bank of Poland (NBP) at the end of the reporting period. The resulting foreign exchange gains and losses are recognized as financial income/expenses or, where the accounting policies so provide, capitalized in the value of assets. Non-monetary assets and liabilities recognized at historical cost and expressed in a foreign currency are recognized at the historical rate in effect on the transaction date. Non-monetary assets and liabilities measured at fair value expressed in a foreign currency are translated at the exchange rate effective on the date of the fair value measurement. Gains or losses arising out of translation of non-monetary assets and liabilities recognized at fair value are recognized in the same way as any gain or loss arising out of a change in fair value is recognized (i.e. in other comprehensive income or in profit or loss, as appropriate, depending on where the change in fair value is recognized).

For the purposes of balance sheet measurement, the following exchange rates have been assumed:

	31 December 2019	*31 December 2018*
EUR	4.2585	4.3000

The functional currency of foreign subsidiaries is PLN.

Goodwill arising out of the acquisition of a foreign entity and any adjustments resulting from the measurement to fair value of assets and liabilities on such an acquisition are treated as assets or liabilities of such a foreign entity and translated at the average exchange rate set for the currency by the National Bank of Poland in effect at at the balance sheet date.

The average weighted exchange rates for individual financial periods were as follows:

	Year ended 31 December 2019	*Year ended 31 December 2018*
EUR	4.2980	4.2623

10.4. Property, plant and equipment

Property, plant and equipment are stated at purchase prices/production cost less accumulated depreciation and impairment losses. The initial value of fixed assets includes their purchase price plus all the costs directly related to the purchase and bringing the asset to the condition necessary for its use. This cost also includes the cost of replacement of component parts of machinery and equipment, which is recognized when incurred if relevant criteria are met.Costs incurred after a fixed asset is put into operation, such as costs of maintenance and repair, are charged to profit or loss when incurred. Property, plant and equipment also includes advances on future purchases of property, plant and equipment.

(in thousands of PLN)

Upon purchase, fixed assets are divided into components, which represent items of significant value that can be allocated to a separate period of useful life. The costs of major overhauls are also a component part.

Property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives, as detailed in the following table:

Type	*Period*
Perpetual usufruct right to land not depreciated up to 31 December 2018	
Buildings and structures	10-40 years
Plant and equipment	3-12 years
Means of transport	5-7 years
Other fixed assets	2-12 years

Perpetual usufruct right to land was recognized up to 31 December 2018 as property, plant and equipment. In conjunction with the implementation of IFRS 16 as of 1 January 2019 the Group treats the perpetual usufruct right as a lease and recognizes it as a right-to-use asset that is depreciated for the period for which this right is granted.

The residual values, useful economic lives and depreciation methods are reviewed annually and adjusted if required as at the balance sheet date.

A property, plant and equipment item may be derecognized from the consolidated statement of financial position after its disposal or when no economic benefits are expected from the continued use of the asset. All the profits or losses resulting from removing an asset from the consolidated statement of financial position (calculated as a difference between the possible net sale price and the carrying amount of the item) are recognized in profit or loss of the period when such removal took place.

Investments in progress are fixed assets under construction or under assembly and are recognized at purchase price or production cost less any impairment loss. Fixed assets under construction are not depreciated until the construction is completed and the fixed asset is put to use.

10.4.1. Non-current assets held for sale

Non-current assets and their groups to be sold are classified by the Group as held for sale if their carrying amount is recovered as a result of a sale transaction rather than from their continued use. This condition can only be satisfied if the sale transaction is highly probable and the asset is available for immediate sale in its present condition. Classification of an asset as held for sale assumes that the Company's management intends to make a sale within one year of classification. Non-current assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

If the Group wishes to make a disposal as a result of which it would lose control over its subsidiary then all assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain non-controlling interests after the transaction.

10.5. Intangible assets

Intangible assets acquired in a separate transaction or produced (if they meet the criteria for being recognized under cost of research and development) are initially carried at purchase price or production cost. The purchase price of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. After initial recognition, intangible assets are recognized at purchase price or production cost, less accumulated amortization and impairment loss. Outlays incurred for intangible assets developed in-house, with the exception of the outlays incurred for development work, are not capitalized and are recognized as costs of the period in which they were incurred.

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with indefinite useful lives are amortized over their useful lives and assessed for impairment whenever there is an indication of impairment. Useful lives are reviewed each year. The changes in the expected useful life or the expected method of consuming the economic benefits from a given asset are recognized through a change to the period or method of depreciation and amortization, respectively, and are treated as changes to estimates. Amortization of intangible assets with specified useful lives is recognized in profit or loss in the category that corresponds to the function of the relevant intangible asset.

Intangible assets with indefinite useful lives (goodwill and trademarks) and those which are not used are subjected to an impairment test at the level of individual assets or a cash-generating unit.

A summary of the standards used in reference to the Group's intangible assets is presented as follows:

	Goodwill and trademarks
Useful lives	Unspecified
Impairment test	Annual

	Other intangible assets
Useful lives	2-10 years
Amortization method used	Straight line method
Impairment test	Annual evaluation whether or not evidence of impairment exists.

Gains or losses arising upon derecognition of intangible assets from the consolidated statement of financial position are calculated at a difference between net sales revenues and the carrying amount of the asset and are recognized in profit or loss when they are derecognized from the consolidated statement of financial position.

10.5.1. Goodwill

Goodwill arising from the acquisition of a business is initially recognized at purchase price as an excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquiree, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held *equity interest* in the acquiree

over the net fair value of the identifiable assets acquired and liabilities assumed, as determined on the date of acquisition.

After initial recognition, goodwill is measured at purchase price less all the accumulated impairment losses. Goodwill is tested for impairment once a year or more frequently if necessary. Goodwill is not amortized.

At the acquisition date, the acquired goodwill is allocated to each cash-generating unit which may take advantage of the synergy of the combination. Each unit or group of units to which goodwill has been allocated:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes and
- is no higher than a single operating segment specified according to IFRS 8 Operating Segments.

An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the relevant goodwill has been allocated. If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. If goodwill is a part of a cash-generating unit and a part of the business within the unit is sold, the goodwill connected with the business sold, when determining profit or loss from the sale of such business, will be included in its carrying amount. In such circumstances, the goodwill sold is calculated based on the relative value of the business sold and the value of the retained part of the cash generating unit.

10.6. Leases

10.6.1. The Group as a lessee – accounting policy applied until 31 December 2018

The finance leases that transfer to the Group substantially all risks and benefits resulting from possession of the object of lease are recognized in the consolidated statement of financial position as of the date of commencing the lease, in the lower of two values: the fair value of the fixed asset being the object of the lease or the present value of minimum lease payments. Lease payments are ascribed to financial expenses and to the reduction of principal debt balance by virtue of leasing in a manner enabling the achievement of a fixed interest rate on the outstanding liability. Financial expenses are recognized directly in the profit or loss, unless the capitalization criteria are met.

Fixed assets used under finance leases are depreciated in the shorter of the two periods: the estimated period of using the fixed asset or the period of lease.

Lease agreements under which the lessor retains essentially all the risks and all the benefits derived from possession of the leased item are classified as operating lease agreements. Operating lease payments and subsequent lease installments are recognized as operating expenses through profit or loss using the straight line method during the leasing period.

Conditional lease payments are recognized as an expense in the period in which they become due.

10.6.2. The Group as a lessee – accounting policy applied since 1 January 2019

The Group assesses at the time of entering into a contract whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if it conveys the right to control the usage of an identifiable asset for a given period in exchange for consideration.

The Group applies a uniform approach to the recognition and measurement of all lease agreements except for short-term leases and low value asset leases. On the commencement date of a lease, the Group recognizes a right-of-use asset and a lease liability.

Right-of-use assets

The Group recognizes right-of-use assets on the date of commencing a lease (i.e. the day on which the underlying asset is available for use). Right-of-use assets are measured at cost minus the total depreciation charges and impairment losses adjusted for any revaluation of lease liabilities. The cost of right-of-use assets involves the amount of lease liabilities, the direct initial costs incurred and any and all lease payments paid on the date of commencement, or prior to that date, minus any and all lease incentives received. Insofar as the Group does not have sufficient certainty that it will obtain title of ownership to the leased object at the end of the lease term, the disclosed right-of-use assets are depreciated using the linear method for the shorter of two periods: the estimated period of use or the lease term. Right-of-use assets are subject to impairment tests.

Lease liabilities

On the date of commencement of a lease, the Group measures the lease liabilities as the present value of the lease payments remaining to be paid on that date. Lease payments include fixed payments (including in principle fixed lease payments) minus any and all lease incentives due, variable payments that are pegged to an index or rate and the amounts whose payment is expected under the guaranteed residual value. Lease payments also include the call option exercise price if one may with sufficient certainty posit that the Group will exercise it as well as the payments of cash penalties for the termination of a lease if the terms of the lease contemplate the Group's option to terminate the lease. Variable lease payments that are not pegged to an index or a rate are recognized as an expense in the period in which a payment-triggering event or condition transpires.

When computing the present value of lease payments the Group applies the lessee's marginal interest rate on the date of commencing the lease if the lease's interest rate cannot be determined easily. After the date of commencement the quantum of the lease liabilities is adjusted upward to reflect interest and downward to reflect the remitted lease payments. Moreover, the carrying amount of lease liabilities is subject to re-measurement if the term of the lease is changed, the fixed lease payments are fundamentally changed or the judgment concerning the purchase of the underlying assets is changed.

Short-term leases and low value asset leases and floating lease payments

The Group applies an exemption from recognizing a short-term lease among its short-term lease agreements (i.e. agreements whose term of lease is 12 months or less from the date of commencement and do not contain a purchase option). The Group also applies an exemption from recognizing low value asset leases with respect to a lower value asset lease. Lease payments for short-term and low value asset leases are recognized as operating expenses using the straight line depreciation method during the term of lease. In lease agreements for which the value of monthly rent hinges on the trading volume, the amounts of the monthly installments are recognized as costs of the period.

10.7. Impairment of non-financial non-current assets

As at every balance sheet date the Group assesses whether there are any premises indicating that an impairment could occur with respect to any of its non-financial non-current assets. If any such indication exists, or if there is a need to perform an annual impairment testing, the Group estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs.

Recoverable amount of an asset or a cash generating unit is equal to either: its fair value less the cost to sell such asset or cash generating unit, or its value in use, whichever is higher. Recoverable amount is determined for individual assets, unless the asset does not by itself generate any cash proceeds, which are mostly independent from those generated by other assets or asset groups. If the carrying amount is higher than the recoverable amount then an impairment loss is recognized. When estimating the value in use, the forecast cash flows are discounted to their present value using the discount rate before the effects of taxation are taken into account, which reflects the current market estimation of time value of money and risk typical for a given asset. Impairment losses on assets used in the continuing operations are recognized in those cost categories that correspond to the function of the impaired asset.

On each balance sheet date, the Group assesses whether any evidence exists that the impairment loss recognized in prior periods for an asset is no longer necessary or whether it should be reduced. If such evidence exists, the Group estimates the recoverable amount of the asset. The previously recognized impairment loss is reversed only when the estimated values used to determine the recoverable amount of the asset changed since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of the impairment loss for an asset is recognized promptly as revenue. After a reversal of an impairment loss is recognized, the depreciation (amortization) charge for the asset will be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

10.8. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. one that requires substantial period of time to get ready for its intended use, are capitalized as part of purchase price or production cost of that fixed asset. The Group holds no assets that require a substantial period of time to get ready for its intended use and therefore borrowing costs are not capitalized.

10.9. Financial assets

Classification of financial assets

Financial assets are classified into the following measurement categories:

- measured at amortized cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The Group does not hold any financial assets measured at fair value.
Trade receivables are held in order to collect contractual cash flows and if the Group does not sell trade receivables in factoring schemes – they are measured at amortized cost through profit or loss. The Group uses a practical exemption and for trade receivables under 12 months does not identify significant financing components.

Ceasing to recognize
Financial assets are eliminated from the accounting ledgers if:

- the right to receive cash flow from financial assets has expired or the right to receive cash flow from financial assets has been transferred while the Group has transferred in principle the entire risk and all benefits held by virtue of their ownership.
-

Debt instruments – financial assets measured at amortized cost
A financial asset is measured at amortized cost if both of the following conditions are satisfied:

a) the financial asset is held in accordance with the business model the purpose of which is to hold financial assets to obtain cash flows generated from the contract, and
b) the terms of the contract related to the financial asset cause cash flows to be generated on specific dates, such cash flows representing only the repayment of the principal and interest on the outstanding principal.

The Group classifies the following assets into the category of financial assets measured at amortized cost:

- trade receivables,
- granted loans which, according to the business model, are reported as held to generate cash flows,
- cash and cash equivalents.

Interest income is calculated using the effective interest rate method and is shown in the statement of profit or loss in the line item entitled "Financial income".

10.10. Offsetting financial assets and financial liabilities

In a situation where the Group:

- currently has a legally enforceable right to set off the recognized amounts
- and intends to settle it on a net basis or at the same time to realize an asset and perform an obligation

a financial asset and a financial liability are offset and the net amount presented in the statement of financial position.

10.11. Impairment of financial assets

The Group assesses its expected credit losses (ECLs) associated with debt instruments measured at amortized cost and fair value through other comprehensive income, regardless of whether or not there has been any indication of impairment.

For trade receivables, the Group applies a simplified approach and measures a loss allowance for expected credit losses at the amount equal to the expected credit losses over the instrument's lifetime. The Group uses its historical data on credit losses, adjusted on an as-needed basis for the impact of forward-looking statements.

In the case of other financial assets, the Group measures a allowance for expected credit losses at the amount equal to the financial instrument's 12-month expected credit losses. If the credit risk related to a given financial instrument has significantly increased since its initial recognition, the Group measures a loss allowance for expected credit losses on a financial instrument at the amount equal to the expected credit losses over the instrument's lifetime.

10.12. Inventories

Inventories are measured at purchase price, no higher than their net realizable price.

The purchase price or the production cost of an inventory component takes into account the costs of purchase, the costs of conversion and other equipment costs incurred in bringing the inventories to make their present location and condition - both in terms of the current and the previous year - and are determined as follows:

Materials	-	at purchase price using the "first in, first out" method
Finished goods and work in progress	-	the cost of direct materials and labor and an appropriate overhead of indirect manufacturing costs determined under the assumption of normal production capacity utilization, excluding borrowing costs
Merchandise	-	at purchase price using the "first in, first out" method

The net realizable price is the estimated sales price that can be achieved in the course of the entity's normal business, less the costs of finishing and the estimated costs required to finalize the sale. The costs of transport from the warehouse to the stores are an element of valuation of the inventories and cost of sales at the time of their sale. Moreover, in order to state in real terms the balance of inventories at the end of the reporting period, the Group sets up a provision for expected, though unidentified inventory losses based on the historical statistics for inventory differences identified in commercial facilities.

10.13. Trade receivables

Trade receivables are recognized and measured at originally invoiced amounts, including impairment for expected credit losses over the instrument's lifetime.

If the effect of the time value of money is material, the amount of receivables is determined by discounting projected future cash flows to their present value using pre-tax discount rates reflecting current market estimates of the time value of money and risks, if any, specific to a given obligation. If the discount method is applied, an increase in receivables as a result of lapse of time is recognized in financial income.

10.14. Other receivables

Other receivables include, in particular, receivables from sales vouchers, payment card payments, bid deposits made to purchase property, plant and equipment and receivables from employees. Receivables from the state budget are presented under other non-financial assets, except for corporate income tax receivables, which constitute a separate item in the consolidated statement of financial position.

10.15. Cash and cash equivalents

Cash and short-term deposits presented in the consolidated statement of financial position include cash at bank and in hand, as well as short-term deposits with an original maturity of up to three months.

The balance of cash and cash equivalents shown in the consolidated statement of cash flows includes the cash and cash equivalents listed above.

The Group does not charge and does not have funds for the Social Fund in accordance with the Remuneration Bylaws.

10.16. Interest-bearing loans, borrowings and debt securities

At initial recognition, all bank loans, borrowings and debt securities are recognized at fair value less the cost of 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 calculating amortized cost, the cost of obtaining the loan or borrowing must be taken into account, as well as any discounts and bonuses obtained in connection with the liability.

Revenues and costs are recognized in profit or loss upon derecognition of the liability from the consolidated statement of financial position and also as a result of a settlement using the effective interest rate method.

10.17. Trade payables

The amount of trade payables is determined by discounting projected future cash flows to their present value using pre-tax discount rates reflecting current market estimates of the time value of money and risks, if any, specific to a given obligation. If a discounting-based method was used, an increase of a liability associated with passage of time is recognized as financial expenses.
The Group assumes the discount rate at the level of the average interest rate on the Group's financial liabilities in the period. The average discount rate used to discount trade payables was 2.95% in 2018 and 2.94% in 2019.

Trade payables in reverse factoring are presented in the line item "Trade and other payables" in current liabilities, provided that the reverse factoring has not caused a significant change in the terms of payment. The assessment of whether a fundamental change in the conditions of payment has occurred is the Management Board's judgment described in the section professional judgment of the financial statements.

10.18. Financial liabilities

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities initially classified as measured at fair value through profit or loss. Financial liabilities are classified as held for trading if they have been acquired for the purpose of being sold in the near future. Derivatives, including separated embedded instruments, are also classified as held for trading, unless they are deemed to be effective hedging instruments.

As at 31 December 2019 and as at 31 December 2018, no financial liabilities have been designated as at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss are measured at fair value, based on their market value as at the balance sheet date, without reflecting sales transaction costs. Changes to the fair value of these instruments are recognized in profit or loss as financial expenses or income, except for changes for own credit risk on financial liabilities originally classified as belonging to categories measured at fair value through the financial result, which is recognized in other comprehensive income.

Other financial liabilities not classified as financial instruments at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

The Group derecognizes a financial liability from its balance sheet if the liability has expired, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

10.19. Other non-financial liabilities

Other non-financial liabilities include in particular liabilities to the tax office on account of value added tax and local taxes and liabilities on account of received advance payments to be settled by deliveries of goods or services. Other non-financial liabilities are recognized at the amount of required payment.

10.20. Modification of financial liabilities and change of the expected cash flow

Cash flows pertaining to a financial liability may change as a result of a change in the contractual conditions or expectations pertaining to the estimated cash flows for the purposes of measuring a financial liability at amortized cost.

a) change of contractual conditions

In the event of a change in the contractual conditions of a financial liability the Group analyzes whether the modification of the cash flows is material or not. The Group applies quantitative and qualitative criteria to identify a material modification leading to ceasing from the recognition of an existing financial liability.

The Group deems to be a material modification a change of the discounted present value of cash flow stemming from new conditions, including any and all payments made minus the payments received and discounted using the original effective interest rate of no less than 10% of the discounted present value of the other cash flows under the original financial liability.

Notwithtanding the quantitative criterion, a modification is deemed to be material in the following instances:

a) translation of a financial liability into a different currency insofar as this is not specified upfront in the terms and conditions of the contract,

b) switch of a lender,

c) material extension of the term of financing versus the original term of financing,

d) change of the interest rate from floating to fixed and vice versa,

e) change of legal form / type of financial instrument.

The Group recognizes a material modification to a financial liability as the expiration of the original financial liability and the recognition of a new financial liability.

In the event of a change in the contractual terms of a financial liability that does not result in derecognition of an existing liability, the gain or loss is recognized immediately in the financial result. A gain or loss is calculated as the difference between the present value of the modified and original cash flows, discounted using the original effective interest rate of the liability.

b) Modification of expected cash flow

In the event of financial liabilities with a floating rate, the periodic revaluation of cash flows to reflect changes in market interest rates leads to a change in the effective interest rate.

In the event the Group alters its estimate of the payments for a financial liability (except for changes pertaining to the modification of contractual cash flows), an adjustment is made to the carrying amount of the financial liability so that this amount reflects the actual and altered estimated cash flows stemming from the contract. The Group sets the carrying amount of the financial liability at the amortized cost as the present value of the estimated future cash flows stemming from a contract which are discounted at the original effective interest rate of the financial instrument. The difference in measurement is recognized as income or costs in the financial result.

10.21. Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) resulting from past events and when it is probable that the discharge of this obligation will cause an outflow of economic benefits, and the amount of the obligation may be reliably estimated. When the Group expects to receive a reimbursement of the costs covered by the provision, for example under an insurance agreement, then the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received. The costs tied to a provision are recognized in the consolidated statement of profit or loss net of any reimbursements.

If the effect of the time value of money is material, the amount of provisions is calculated by discounting projected future cash flows to their present value using a discount rate reflecting current market estimates of the time value of money and risks, if any, specific to a given obligation. If the discount method is applied, an increase in provisions as a result of lapse of time is recognized in financial expenses.

10.22. Employee benefits

In accordance with internal remuneration regulations, Group employees are entitled to retirement severance benefits. Retirement severance benefits are paid out as a one-off benefit upon retirement. The amount of retirement severance benefits depends on the number of years of employment and the average salary. The Group makes a provision for retirement severance benefits in order to allocate costs of those allowances to the periods, to which they relate. Under IAS 19, retirement severance benefits are post-employment defined benefit plans. The present value of these commitments for each balance sheet date is calculated by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and relate to the period to the balance sheet date. Demographic information and employee turnover information are based on historical data.

The remeasurement of employee benefit liabilities relating to defined benefit plans, including actuarial gains and losses, is recognized in other comprehensive income and is not reclassified subsequently to profit or loss.

The Group recognizes the following changes in net liabilities on account of defined benefits as part of: the cost of sales, general administration expenses and sales and marketing expenses, respectively, which are composed of

- service cost (including, but not limited to, current service cost, past service cost)
- net interest on the net defined benefit liability.

The Group incurs costs related to the operation of Employee Pension Schemes (“EPS”) by making contributions to an investment fund. They constitute benefits after the period of employment in the form of a defined contribution program. The Group recognizes the costs of contributions to an EPS in the same line item of costs in which it recognizes the costs of employee benefits serving as the basis for calculation. Liabilities for EPS are presented in trade and other liabilities.

10.23. Revenue

10.23.1. Revenue from contracts with customers

The Group applies IFRS 15 “Revenue from contracts with customers” to all its contracts with customers, with the exception of lease contracts covered by the scope of application of IFRS 16 “Leases”, financial instruments and other contractual rights or obligations covered by the scope of application of IFRS 9 “Financial Instruments”, IFRS

10 “Consolidated financial statements”, IFRS 11 “Joint arrangements”, IAS 27 “Separate financial statements” and IAS 28 “Investments in associates and joint ventures”.

The basic principle of IFRS 15 is the recognition of revenue at the moment of the transfer of goods or services to the customer, using a value reflecting the price expected to be received by the Group in return for the transfer of such goods or services. These rules are applied as part of the following five-step model:

- a contract with a customer has been identified,
- a performance obligation has been identified as part of the contract with the customer,
- the transaction price has been specified,
- the transaction price has been allocated to specific performance obligations,
- the moment of recognition of the revenue is the same as the moment of performance of the obligation under the contract.

Identification of a contract with a customer

The Group recognizes a contract with a customer only if all of the following criteria have been satisfied:

- the parties to the contract have entered into a contract (in writing or in compliance with other usual commercial practices) and are required to perform their obligations;
- the Group is able to identify the rights of each party related to the goods or services to be delivered;
- the Group is able to identify the payment terms for the goods or services to be delivered;
- the contract has economic content (i.e. it may be expected that as a result of the contract the risk, timing or amount of the Group’s future cash flows will be changed); and
- it is probable that the Group will receive remuneration which it will be entitled to in return for the goods or services that will be delivered to the customer.

When assessing whether the receipt of the amount of such remuneration is probable, the Group only considers the customer’s ability and intention to pay the remuneration amount in a timely manner. The remuneration amount payable to the Group may be lower than the price specified in the contract if the remuneration is variable, because the Group may offer the customer a price discount.

Identification of performance obligations

Upon execution of the contract, the Group measures the goods or services promised to be delivered in the contract with the customer and identifies as a performance obligation any promise to deliver to the customer a good or service (or a bundle of goods or services) that may be separated out or groups of separate goods or services that are basically the same and for which their delivery to the customer is of the same nature.

The good or service promised to be delivered to the customer is separate in nature if both of the following conditions are satisfied:

- the customer may benefit from the good or service either directly or through its being connected to other resources that are readily available to the customer, and
- the Group’s obligation to transfer the good or service to the customer may be identified as separate from the other obligations specified in the contract.

Determination of the transaction price

In order to determine the transaction price, the Group takes into account the terms of the contract and the customary commercial practices. The transaction price is the amount of remuneration which, as the Group expects, will be payable in return for the delivery of the promised goods or services to the customer, with the exception of any amounts collected on behalf of third parties (for instance certain sales taxes).

Allocation of the transaction price to performance obligations

The Group allocates the transaction price to each performance obligation (or to a separate good or service) in an amount that reflects the amount of remuneration which, as the Group expects, is payable to it in return for the delivery of the promised goods or services to the customer.

Fulfillment of performance obligations

The Group recognizes revenue upon (or during) fulfillment of the performance obligation realized in the form of the delivery of the promised good or service to the customer.

As regards contracts for the provision of continuous services under which the Group is entitled to receive remuneration from the customer in an amount that directly corresponds to the value of the services provided to the customer to date, the Group recognizes revenue in the amount it is entitled to invoice.

The Group generates most of its revenue on sales of food and it is not obliged to accept returns of food products and goods sold. At the time of transferring an asset to a customer (the customer obtaining control over the asset), the Group does not expect the goods and products sold to be returned in the future. The Group does not enter into any contracts with customers that include variable amounts of consideration (revenue) resulting from discounts, rebates or performance bonuses granted and it does not extend options to customers to obtain additional goods or services free of charge or at a reduced price in the form of add-ons or loyalty points.

Remuneration of the principal and remuneration of the intermediary

In the event that any other entity is involved in the delivery of goods or services to the customer, the Group determines whether the nature of the Group's promise is that of a performance obligation (in which case the Group is the principal) or that of ordering another entity to deliver such goods or services (in which case the Group is the intermediary).

The Group is the principal if it exercises control over the promised good or service before it is delivered to the customer. However, the Group does not have to act as the principal if it obtains the legal title to the product only temporarily before it is delivered to the customer. The Group acting in the contract as the principal may itself fulfill the performance obligation or may entrust the fulfillment of this obligation in full or in part to another entity (e.g. a subcontractor) on its behalf. In such a situation, the Group recognizes revenue in the gross amount of the remuneration to which, as the Group expects, it is entitled in return for the delivered goods or services.

The Group acts as the intermediary if its performance obligation consists of ensuring the delivery of goods or services by another entity. In such a case, the Group recognizes revenue in the amount of any fee or commission to which, as the Group expects, it is entitled in return for ensuring the delivery of the goods or services by such other entity. The Group acts as the intermediary in the sale of press and mobile phone top-ups.

Receivables

Within the category of receivables, the Group recognizes rights to remuneration in return for the goods or services which it has delivered to the customer if the Group's right in this respect is unconditional (and the only condition of the remuneration becoming due and payable is the elapse of a specified period of time).

Contract liabilities

Within the category of contract liabilities, the Group recognizes remuneration received from or payable by a customer, which is related to the obligation to deliver certain goods or services to the customer.

Sale of services to the suppliers of goods and sale of other services

Revenues related to the benefits from the sale of services to suppliers of goods (e.g. marketing services) that are not identified as separate services are presented by the Group as a deduction in cost of goods purchased from such vendors. Revenue on sales of other services are presented as revenue on sales of products.

10.23.2. Interest

Interest revenue is recognized gradually as it accrues (taking into account the effective interest rate method which serves as the discounting rate for future financial inflows during the estimated lifetime of financial instruments) in relation to the net carrying amount of a particular financial asset.

10.23.3. Dividends

Dividends are recognized when the shareholder's right to receive payment is established.

10.23.4. Rental revenue

Revenues from leases of property are recognized using the straight-line method for the entire term of lease, in relation to active agreements.

10.23.5. **Government grants and other grants (white certificates)**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

If a grant relates to an expense item, it is recognized as other operating income over the period necessary to match the grant on a systematic basis to the costs that the grant is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is gradually recognized in profit or loss over the expected useful life of the related asset by equal annual instalments.

10.24. Taxes

10.24.1. Current tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

10.24.2. Deferred tax

For the purposes of financial reporting, deferred tax is calculated by using the method of balance sheet liabilities in relation to all temporary differences as at the balance sheet date between the tax value of assets and liabilities and their carrying amount shown in the consolidated financial statements.

Deferred tax liability is recognized for all taxable temporary differences:

- except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, does not affect the net profit (loss) under financial accounting or tax accounting, and
- in the case of taxable temporary differences associated with investments in subsidiaries or associates, and interests in joint ventures, unless the investor is able to control the timing of the reversal of the temporary differences or it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized in relation to all deductible temporary differences, unused tax credit, and unused tax losses brought forward in the amount of the probable taxable income which would allow these differences, assets and losses to be used:

- except to the extent that the deferred tax asset relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, does not affect profit or loss under financial accounting or tax accounting, and
- in the case of deductible temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, the related deferred tax asset is recognized in the consolidated statement of financial position in the amount of the taxable income expected to be generated in the foreseeable future (as a result of the reversal of these temporary differences) which would enable the deductible temporary differences to be offset.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realization of this deferred tax asset would be generated. The unrecognized portion of the deferred tax asset is subject to reassessment at each balance sheet date and is recognized up to the amount reflecting the probability of generating future taxable income which will allow the asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured using tax rates that are expected to be applied when the asset is realized or the liability is settled, taking as the basis the tax rates (and tax laws) in effect as at the balance sheet date or the tax rates (and tax laws) whose future application is certain as at the end of the reporting period.

(in thousands of PLN)

Income tax relating to items which are not recognized in profit or loss is not recognized in profit or loss but under other comprehensive income (income tax relating to items recognized in other comprehensive income) or directly in equity (income tax relating to items recognized directly in equity).

The Group offsets deferred tax assets and deferred tax liabilities if, and only if it has a legally enforceable right to set off the current tax receivables and liabilities and the deferred tax relates to the same taxpayer and the same fiscal authority.

10.24.3. Value added tax

Revenues, costs, assets and liabilities are recognized net of the amount of value added tax, except when:

- the value added tax paid on purchase of assets or services is not recoverable from the fiscal authorities, in which case it is recognized as part of the purchase price of the asset or as part of the cost item, as applicable, or
- receivables and liabilities are recognized inclusive of the value added tax.

The net amount of value added tax recoverable from, or payable to, the fiscal authority is shown as part of receivables or liabilities in the consolidated statement of financial position.

10.24.4. Uncertainty over income tax treatments

If in the Group's opinion it is probable that the Group's approach to a tax issue or group of tax issues will be accepted by the tax authority, the Group defines income to be taxed (tax loss), taxable income, unused tax losses, unused tax breaks and tax rates including the approach to planned taxation or taxation applied in its tax declaration. When assessing this probability the Group accepts that the tax authorities authorized to review and challenge the method of a tax treatment will conduct such a review and will have access to any and all information.

If the Group asserts that it is not problable that the tax authority will accept the Group's approach to a tax issue or a group of tax issues, then the Group reflects the effects of uncertainty in an accounting recognition of the tax in the period in which it makes such a determination. The Group recognizes the income tax liability using one of the two methods mentioned below depending on which one of them better reflects the method in which the uncertainty may materialize.

- The Group specifies the most probable scenario – this is the single amount among the possible results or
- The Group recognizes the expected value - this is the sum total of the amounts weighted by probability among the possible outcomes.

10.25. Earnings per share

Earnings per share for each period are calculated by dividing the net result for a particular period by the weighted average number of shares in that reporting period.

11. Revenue from contracts with customers

The Group's main line of business entails the retail sales of goods in a diverse product range (mainly food, beverages and tobacco products) and products (meat products). Sales of goods in own and leased shops directly to individual (retail) customers represented approximately 98% of the Group's revenues. Since the Company's customers are homogenous and there is no separation into categories reflecting the manner in which economic factors affect the nature, amount, term of payment and uncertainty of income and cash flow. The detailed policies pertaining to revenue on contracts with clients have been described in note 10.23.

	01.01.2019-31.12.2019	***01.01.2018-31.12.2018***
Revenue on sales of products and services	950,103	726,848
Revenue on sales of goods and materials	6,696,444	5,111,681
Total	**7,646,547**	**5,838,529**

(in thousands of PLN)

Revenue on sales of meat products produced within the Group is presented as revenue on sales of products, while revenue on retail sales of goods purchased for further resale is presented as revenue on sales of goods. The Group recognizes rental income in sales revenue. In 2019 this revenue was 5,056 thousand PLN (in 2018: PLN 2,893 thousand). The Group does not have customers whose sales would amount to more than 10% of the total value of sales. The Group generated all sales revenues in Poland.

12. Operating segments

The DINO Polska S.A. Group runs its operations in one business sector and has one operating and reporting segment in the form of sales in a retail store network.

Its revenues may be broken down by type of product or merchandise or product group. However, the Management Board does not measure detailed operating results generated by any of such categories, which means that it would be problematic to ascertain the unambiguous impact of the allocation of resources on each category. As such, information on revenues generated in each category is of a limited decision-making value. Because the smallest area of business for which the Management Board reviews profitability ratios is the level of the DINO Polska S.A. Group as a whole, only one operating segment has been isolated.

13. Revenues and costs

13.1. Costs by nature:

	Note	***01.01.2019-31.12.2019***	***01.01.2018-31.12.2018***
Depreciation and amortization	13.2	163,517	112,058
Consumption of materials and energy		704,142	512,155
External services		305,862	238,042
Taxes and fees		38,096	30,207
Employee benefits	13.3	854,033	649,399
Other costs by nature		34,543	26,601
Cost of goods and materials sold		4,989,994	3,843,414
Total costs by nature, including:		**7,090,187**	**5,411,876**
Items captured in cost of sales		5,785,119	4,426,060
Items captured in sales and marketing expenses		1,228,136	933,663
Items captured in general administration expenses		74,498	52,635
Movement in products		2,434	(482)

13.2. Depreciation and amortization costs recognized in profit or loss

	01.01.2019-31.12.2019	***01.01.2018-31.12.2018***
Items captured in cost of sales:	*20,233*	*13,469*
Depreciation of fixed assets	8,762	13,469
Depreciation and amortization right-of-use assets (in 2019 under IFRS 16)	11,471	-
Items captured in sales and marketing expenses:	*138,709*	*96,096*
Depreciation of fixed assets	103,529	95,293
Depreciation and amortization right-of-use assets (in 2019 under IFRS 16)	34,239	-

(in thousands of PLN)

Amortization of intangible assets	941	803
Items captured in general administration expenses:	*4,575*	*2,493*
Depreciation of fixed assets	467	712
Amortization of intangible assets	4,108	1,781

13.3. Employee benefits

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Employee benefits	695,191	526,441
Provisions for employee benefits, including:	6,181	6,492
- for unused holiday leave	5,421	5,936
- for retirement and disability benefits	760	556
Social security contributions	152,351	116,466
Costs of contributions to EPS	310	-
Total employee benefits, including:	**854,033**	**649,399**
Items captured in cost of sales	39,877	31,442
Items captured in sales and marketing expenses	769,812	584,057
Items captured in general administration expenses	44,344	33,900

13.4. Other operating income

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Impairment losses for receivables	1	35
Grants	664	589
Damages	1,250	1,169
Income for making timely payments PIT-4	149	119
Sales of PMEF certificates	-	684
Other (including debit/credit notes)	5,467	2,770
Total other operating income	**7,531**	**5,366**

13.5. Other operating expenses

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Impairment losses for receivables	127	86
Losses resulting from inventory shortages	454	492
Sale and decommissioning of property, plant and equipment	2,522	1,273
Costs of litigation	59	-
Donations	400	371
Other (including VAT, for 90 days)	854	313
Total other operating expenses	**4,416**	**2,535**

(in thousands of PLN)

13.6. Financial income

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Interest income from banks	718	320
Interest income on receivables	44	27
Foreign exchange gains	176	-
Total financial income	**938**	**347**

13.7. Financial expenses

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Interest on bank loans	23,352	18,473
Interest on trade payables	24,833	19,502
Interest on other payables	56	35
Interest on bonds	6,173	3,011
Interest on lease agreements	5,445	3,873
Foreign exchange losses	-	14
Commissions	524	450
Other	4	13
Total financial expenses	**60,387**	**45,371**

Interest on trade payables includes amounts charged for discounting them and interest on factoring

14. Income tax

14.1. Tax expense

The key tax expense item for the year ended 31 December 2019 and 31 December 2018 are as follows:

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Recognized in profit or loss		
Current income tax		
Current income tax expense	(89,799)	(72,743)
Deferred tax		
Related to occurrence and reversal of temporary differences	(1,754)	(3,681)
Tax expense recognized in consolidated profit or loss	**(91,553)**	**(76,424)**
Consolidated statement of comprehensive income		
Deferred tax		
Tax on actuarial gains/losses	100	41
Tax credit/(tax expense) recognized in other comprehensive income	**100**	**41**

(in thousands of PLN)

14.2. Reconciliation of effective tax rate

The reconciliation of income tax on profit (loss) before tax at the statutory tax rate with income tax calculated at the Group's effective tax rate for the years ended 31 December 2019 and 31 December 2018 is as follows:

	01.01.2019-31.12.2019	***01.01.2018-31.12.2018***
Profit before tax from continuing operations	502,460	383,978
Profit before tax	502,460	383,978
Tax at the statutory tax rate in Poland at 19% (in the comparative period: 19%)	(95,467)	(72,956)
Investment allowance for operating in a special economic zone	2,037	9,900
Income and expense items that are never taxable or deductible	(45)	(13,368)
Settlement of the items for which no deferred tax assets were set up in prior periods	1,922	-
Tax at the effective tax rate	(91,553)	(76,424)
Income tax (expense) recognized in consolidated profit or loss	(91,553)	(76,424)

14.3. Deferred tax

Deferred tax is calculated on the basis of the following items:

	Consolidated statement of financial position		*Consolidated statement of profit or loss for the year ended*	
	31.12.2019	*31.12.2018*	*31.12.2019*	*31.12.2018*
Deferred tax liability				
Temporary difference in the value of fixed assets	28,084	19,644	8,440	6,002
Accrued interest as at the balance sheet date	6,523	5,685	838	1,411
Provision for future income	10,052	7,510	2,542	2,776
Other	22	37	(15)	15
Presentation adjustment*	(35,172)	(26,953)	(8,219)	(7,776)
Deferred tax liability	**9,509**	**5,923**		
Deferred tax assets				
Difference in measurement of inventories	16,161	11,893	4,268	3,290
Provisions for retirement severance benefits	494	368	126	101
Provision for unused holiday leave	5,132	4,209	923	640
Provision for other liabilities (e.g. energy, bonuses, audit of financial statements)	1,907	2,107	(200)	(281)
Mandate contracts paid in the subsequent year	672	160	512	(39)
Social security contributions	4,704	3,737	967	896
Accrued interest as at the balance sheet date	6,707	3,935	2,772	1,623
Other (including foreign exchange losses)	151	17	134	(355)
Losses deductible from future taxable income	246	246	-	(2,298)
Temporary difference in the value of fixed assets	4,413	3,864	549	397
Allowance on the amount of eligible capital expenditures for business in a Special Economic Zone	12,724	12,724	-	8,724
Prepaid rents	-	-	-	(6,175)
Presentation adjustment*	(35,172)	(26,953)	(8,219)	(7,776)
Deferred tax assets	**18,139**	**16,307**		
Deferred tax expense			(1,754)	(3,681)

** The presentation adjustment is associated with offsetting the deferred tax asset and liability at the level of distinct member companies of the group.*

In its calculation of deferred income tax, in 2013 the Group recognized a deferred tax asset on the amount of prepaid rents for the lease of investment property within the Group. According to analysis performed by the Management Board, tax regulations stipulate that prepaid rents became taxable revenue on the date of their receipt, whereas tax-deductible expense is settled throughout the term of the lease agreement. For balance sheet purposes, this transaction was canceled out by way of consolidation exclusions, thus a negative difference emerged between the carrying amount and the taxable amount of the prepayments at the Group level. As at 31 December 2019 and as at 31 December 2018 the Group did not disclose a deferred tax asset regarding this issue.

In 2015, the Management Board made a decision to concentrate its marketing and trademark management activities in Pol-Food Polska sp. z o.o., a company which had previously been engaged in private label management activities within the Group. As a result of this decision, intangible assets in the form of “Dino” and “Agro – Rydzyna” trademarks were transferred Pol-Food Polska sp. z o.o. Also transferred to this company were employees in charge of discharging those functions who had previously been employed by other member companies of the Group. Among the reasons for the reorganization decision was the objective to create within the Group an entity specialized in carrying out marketing and trademark management activities. The utilization of existing competence of the staff of Pol-Food Polska sp. z o.o. reinforced by that of other companies’ employees is intended to enable the creation, within the Group, of a professional competence center streamlining the Group’s operations, reducing its operating expenses and ensuring better legal protection for its trademarks. Transactions related to the transfer of the said trademarks to Pol-Food Polska sp. z o.o. were effected on the basis of the fair values of the trademarks as at the transaction date. These values were also used as the basis for the depreciation of the trademarks for tax purposes by the entity that became their new owner as a result of the reorganization. Consequently, a negative temporary difference was created between the carrying amount and the tax value of these trademarks. The Management Board estimated future tax results of both Pol-Food Polska sp. z o.o. and the Group and applied its discretion to the possibility of recognizing trademark depreciation charges as tax-deductible expenses. In 2018 Pol – Food Polska sp. z o.o. was merged with Dino Polska S.A.

In 2016 the Company received a dividend from a subsidiary in which the Company holds 100% of its shares. The dividend was tax exempt because the Company holds 100% of its shares for more than 2 years (according to Article 22 of the Corporate Income Tax Act).

The Management Board analyzed the possibility of tax settlement of the above transactions in the adopted manner and on the basis of the documentation in its possession regarding binding tax interpretations and professional judgment, and entered these transactions in the ledgers and consolidated financial statements in accordance with the above description. It should be pointed out in this context that the Management Board keeps monitoring the interpretations issued by the competent authorities and the legislative changes being introduced in Poland, meaning that it cannot be ruled out that the Management Board’s estimates or judgments as to the suitability of the above approach get modified in the future.

Pursuant to permit no. 204 of 29 October 2010 and permit no. 289 of 14 April 2014 issued by Wałbrzyska Specjalna Strefa Ekonomiczna “INVEST-PARK” sp. z ograniczoną odpowiedzialnością as the administrator the Wałbrzych Special Economic Zone, Dino Krotoszyn sp. z o.o. is covered by an exemption from corporate income tax applicable to the company’s business referred to in these permits.

Pursuant to permit no. 157/LSSE of 5 July 2017 issued by Legnicka Specjalna Strefa Ekonomiczn S.A. [Legnica Special Economic Zone], Dino Południe sp. z o.o. is covered by an exemption from corporate income tax applicable to the company’s business referred to in this permit.

The said exemptions are contingent in nature. The use of an exemption covering a business conducted in a Special Economic Zone may be the subject matter of an inspection by competent authorities. If the inspection reveals that the company fails or will fail in the future to satisfy all pertinent requirements, it may have the exemptions withdrawn and be required to pay overdue tax liabilities with interest. The provisions of the Special Economic Zones Act stipulate that the right to an exemption may be revoked if any of the following circumstances occurs:

– the company ceases to conduct its business within the area of the zone in respect of which the permit was issued,

– the company grossly fails to satisfy the conditions set forth in the permit,

– the company fails to remove any deficiencies ascertained during the inspection by the time limit for their removal specified in the summons issued by the minister in charge of the economy,

– the company transfers in any form the ownership of the assets to which the tax exemption applied within a period of less than 5 years from the date of their entry in the accounting records,

– any machinery or equipment is apportioned to conduct any business outside the zone,

– the company receives a refund of the incurred capital expenditures in any form,

– the company is put under liquidation or is declared bankrupt

The occurrence of these circumstances may cause that the amounts carried in the financial statements may be subject to change at a later date after they are ultimately determined by the tax authorities. The Group recognized an asset by virtue of unused tax credits in the total amount of PLN 12,724 thousand (in 2018: PLN 12,724 thousand). This asset was recognized on the basis of revenues forecasted for a 5-year period, reflecting projections about the future. The basis for calculating the maximum intensity of aid is 40% of eligible expenses.

Taxable income was calculated on the basis of the Group's long-term plans assuming an increase in sales and higher production capacities owing to ongoing investments.

15. Non-current assets classified as held for sale

As at 31 December 2019 and 31 December 2018, no non-current assets were classified as held for sale.

16. Earnings per share

Basic earnings per share shall be calculated by dividing consolidated net profit for the period attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the period. The Group does not have any diluting instruments in place.

	01.01.2019-31.12.2019	***01.01.2018-31.12.2018***
Net profit attributable to ordinary shareholders	410,907	307,554
Number of shares used for the calculation (000s)	98,040	98,040
Earnings per share	4.19	3.14

17. Dividends distributed and proposed for distribution

In the period from 1 January 2019 to 31 December 2019, neither the parent company nor the subsidiaries distributed any dividends. The consolidated financial statements were prepared prior to the adoption of the resolution to distribute profit for the current year. The Company's Management Board will propose to allocate the profit for the year to the Company's supplementary capital.

In the period from 1 January 2018 to 31 December 2018 subsidiary Pol – Food Polska sp. z o.o. paid out dividends to its shareholders in the total amount of PLN 56,223 thousand.

(in thousands of PLN)

18. Property, plant and equipment

Year ended 31 December 2019	*Land and buildings*	*Machinery and equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Total*
Gross value as at 1 January 2019	**1,951,573**	**390,449**	**62,102**	**235,461**	**93,937**	**2,733,522**
Transfer to the line item - Right-of-use assets (IFRS 16)	(28,240)	(144,549)	(52,597)	(57,094)	-	(282,480)
Gross value as at 1 January 2019	**1,923,333**	**245,900**	**9,505**	**178,367**	**93,937**	**2,451,042**
Purchases	-	-	-	-	806,824	806,824
Sales	(158)	(2,860)	(398)	(1,707)	(2)	(5,125)
Liquidations	(2,273)	(2,975)	(780)	(609)	(1,540)	(8,177)
Transfer to fixed assets in connection with the purchase of the leased fixed assets	-	8,776	3,149	8,009	-	19,934
Transfer from fixed assets under construction	591,477	102,601	5,312	65,546	(764,936)	-
Gross value as at 31 December 2019	**2,512,379**	**351,442**	**16,788**	**249,606**	**134,283**	**3,264,498**
Accumulated depreciation and impairment losses as at 1 January 2019	**121,558**	**134,322**	**18,868**	**111,749**	**-**	**386,497**
Transfer to the line item - Right-of-use assets (IFRS 16)	-	(50,699)	(13,089)	(22,308)	-	(86,096)
Accumulated depreciation and impairment losses as at 1 January 2019	**121,558**	**83,623**	**5,779**	**89,441**	**-**	**300,401**
Depreciation charge for the period	45,041	32,433	968	35,369	-	113,811
Sales	-	(2,328)	(363)	(1,313)	-	(4,004)
Liquidation	(1,548)	(2,476)	(702)	(455)	-	(5,181)
Transfer to fixed assets in connection with the purchase of the leased fixed assets	-	5,286	2,680	4,687	-	12,653
Accumulated depreciation and impairment losses as at 31 December 2019	**165,051**	**116,538**	**8,362**	**127,729**	**-**	**417,680**
Net value as at 1 January 2019	**1,830,015**	**256,127**	**43,234**	**123,712**	**93,937**	**2,347,025**
Net value as at 31 December 2019	**2,347,328**	**234,904**	**8,426**	**121,877**	**134,283**	**2,846,818**

(in thousands of PLN)

Year ended 31 December 2018	*Land and buildings*	*Machinery and equipment*	*Means of transport*	*Other fixed assets*	*Fixed assets under construction*	*Total*
Gross value as at 1 January 2018	**1,420,013**	**264,983**	**42,622**	**185,734**	**71,509**	**1,984,861**
Purchases	-	-	-	-	761,709	761,709
Sales	-	(718)	(354)	(13)	(1)	(1,086)
Liquidations	(531)	(3,239)	(1,047)	(6,100)	(1,045)	(11,962)
Transfer from fixed assets under construction	532,091	129,423	20,881	55,840	(738,235)	-
Gross value as at 31 December 2018	**1,951,573**	**390,449**	**62,102**	**235,461**	**93,937**	**2,733,522**
Accumulated depreciation and impairment losses as at 1 January 2018	**88,735**	**101,811**	**11,373**	**85,342**	**-**	**287,261**
Depreciation charge for the period	32,876	35,468	8,413	32,610	-	109,367
Sales	-	(440)	(321)	(9)	-	(770)
Liquidation	(53)	(2,517)	(597)	(6,194)	-	(9,361)
Accumulated depreciation and impairment losses as at 31 December 2018	**121,558**	**134,322**	**18,868**	**111,749**	**-**	**386,497**
Net value as at 1 January 2018	**1,331,278**	**163,172**	**31,249**	**100,392**	**71,509**	**1,697,600**
Net value as at 31 December 2018	**1,830,015**	**256,127**	**43,234**	**123,712**	**93,937**	**2,347,025**

The carrying amount of fixed assets used as at 31 December 2018 under finance leases according to IAS 17 is PLN 196,384 thousand. As at 1 January 2019, in connection with the implementation of IFRS 16, this value was transferred to right-of-use assets (note 8.1).
The subject matter of the executed lease agreements is predominantly the perpetual usufruct right to land, store lease, equipment used in the stores and warehouses and the acquisition of passenger cars, refrigerated trailers and forklifts.

Bank loan agreements entered into by the Group required the establishment of collateral on its assets (note 27).

(in thousands of PLN)

19. Leases

19.1. The Group as a lessee (period since 1 January 2019 – after the implementation of IFRS 16)

The carrying amounts of right-of-use assets and their change in the reporting period have been presented below:

Year ended 31 December 2019	*PWUG***	*Buildings and units*	*Machinery and equipment*	*Cars*	*Other fixed assets*	*Total*
As at 1 January 2019	**32,350**	**57,618**	**93,850**	**40,446**	**34,786**	**259,050**
Increases (new leases)	6,228	679	9,009	30,313	-	46,229
Changes to lease agreements	(456)	-	-	-	-	(456)
Transfer to fixed assets in connection with the purchase of the leased fixed assets	-	-	(3,490)	(469)	(3,322)	(7,281)
Revaluation of lease liabilities*	-	(88)	-	-	-	(88)
Depreciation and amortization	(56)	(9,443)	(18,109)	(10,845)	(7,257)	(45,710)
As at 31 December 2019	**38,066**	**48,766**	**81,260**	**59,445**	**24,207**	**251,744**

** Revaluation of a liability in connection with the change of the rate.*

***Perpetual usufruct right to land*

The carrying amounts of lease liabilities and their change in the reporting period have been presented below:

	2019
As at 1 January	**174,593**
Increases (new leases)	40,322
Changes to lease agreements	(104)
Revaluation*	(88)
Interest	5,445
Payments	(63,930)
As at 31 December	**156,238**
Current	56,316
Non-current	99,922

** Revaluation of a liability in connection with the change of the rate.*

An analysis of the due and payability of lease liabilities has been presented in Note 35.3. Liquidity risk.

Revenue, expense and profit and loss items resulting from leases captured in the consolidated statement of profit or loss have been presented below:

	2019
The cost of depreciation and amortization of right-of-use assets	45,710
Costs of interest under lease liabilities	5,445
Floating lease payments not recognized in the measurement of lease liabilities (included in selling expenses)	14,321
Profits or losses on sale and lease back	325
The total amount recognized in the consolidated statement of profit or loss / statement of comprehensive income	**65,801**

The total outflow of cash flows on account of lease agreements in 2019 was PLN 78,246 thousand.

(in thousands of PLN)

19.2. Operating lease liabilities – Group as a lessee (period up to 31 December 2018) – prior to the implementation of IFRS 16)

As at 31 December 2018, the future minimum lease payments under operating leases (lease agreements) were as follows:

	01.01.2018-31.12.2018
Within a year	24,515
From one to five years	31,436
Over five years	8,638
	64,589

Under operating leases, the Group leases roughly 11% of the total number of its stores and also its warehouse facilities. The lease agreements for the stores are executed for a definite term with an extension option for an indefinite term. The lease agreement for the warehouse facility in Piotrków Trybunalski is executed for a definite term until 2019 but provides for an extension option. In 2019 the Company did not exercise an option to extend a contract. A minor portion of the stores is covered by contingent fees dependent on the amount of generated revenues.

19.3. Financial lease liabilities – Group as a lessee (period up to 31 December 2018) – prior to the implementation of IFRS 16)

As at 31 December 2018, the future minimum lease payments under these agreements and the present value of the minimum net lease payments were as follows:

	31.12.2018	
	Minimum payments	*Present value of fees*
Within 1 year	47,918	44,839
From 1 to 5 years	69,941	67,088
Over 5 years	-	
Total minimum lease payments	117,859	
Minas financial expenses	(5,932)	
Present value of the minimum lease payments, including:	111,927	
Current	44,839	
Non-current	67,088	

The executed lease agreements provide for an option to acquire the leased assets after the lease term.

(in thousands of PLN)

20. Intangible assets

Year ended 31 December 2019	*Goodwill*	*Trademarks*	*Other intangible assets*	*Total intangible assets*
Gross value as at 1 January 2019	**64,989**	**17,025**	**25,729**	**107,743**
Purchases	-	-	8,020	8,020
Gross value as at 31 December 2019	**64,989**	**17,025**	**33,749**	**115,763**
Depreciation and impairment losses as at 1 January 2019	**-**	**-**	**12,719**	**12,719**
Depreciation charge for the period	-	-	3,996	3,996
Depreciation and impairment losses as at 31 December 2019	**-**	**-**	**16,715**	**16,715**
Net value as at 1 January 2019	64,989	17,025	13,010	95,024
Net value as at 31 December 2019	64,989	17,025	17,034	99,048

Year ended 31 December 2018	*Goodwill*	*Trademarks*	*Other intangible assets*	*Total intangible assets*
Gross value as at 1 January 2018	**64,989**	**17,025**	**20,788**	**102,802**
Purchases	-	-	4,941	4,941
Liquidations	-	-	-	-
Gross value as at 31 December 2018	**64,989**	**17,025**	**25,729**	**107,743**
Depreciation and impairment losses as at 1 January 2018	**-**	**-**	**10,028**	**10,028**
Depreciation charge for the period	-	-	2,691	2,691
Liquidations	-	-	-	-
Depreciation and impairment losses as at 31 December 2018	**-**	**-**	**12,719**	**12,719**
Net value as at 1 January 2018	64,989	17,025	10,760	92,774
Net value as at 31 December 2018	64,989	17,025	13,010	95,024

Other intangible assets consist of acquired licenses and software depreciated in accordance with the rules adopted by the Group.

Under its intangible assets, the Group presents goodwill and trademarks of an indefinite useful life. The Group considers the trademarks of "DINO" and "Agro-Rydzyna" to be recognizable trademarks on the market and intends to use them in its operations during an indefinite period of time. Accordingly, the Group assumes that the useful life of these trademarks is indefinite and hence that they are not subject to depreciation.

According to the Management Board's judgment, goodwill from the acquisition of Agro-Rydzyna Sp. z o.o. and the values of the trademarks should be considered from the Group's perspective as a whole and, accordingly, should be allocated to the cash generation center, which is the whole Group. Based on this assumption, a test was performed for impairment of intangible assets and goodwill in compliance with the requirements arising from IAS 36. The center's recoverable amount was calculated by applying the useful value computed on the basis of cash flow projections derived from the financial budgets covering a period of five years, as approved by senior management. As part of the impairment tests, the recoverable amount of the cash flow generating center was compared to the center's carrying amount. In connection with the implementation of IFRS 16, when conducting the test, the impact exerted by this standard on input data and the assumptions used to administer the test on the impairment loss and on the book value of the cash flow generating center including the right-of-use assets was analyzed.

(in thousands of PLN)

The test demonstrated that as at 31 December 2019 there was no impairment in respect of goodwill or the trademarks.

Key assumptions applied to the calculation of the recoverable amount

- the center's recoverable amount was calculated by applying the useful value computed on the basis of cash flow projections derived from the financial budgets covering a period of five years, as approved by senior management,
- the operating profit margin is based on the average values generated in the most recent period and the Group's Strategy adopted for 2020-2024; the adopted average operating profit margin in the forecast period is 7% (in 2018: 7%);
- the rate of growth in the residual period was assumed at 2% (in 2018: 2%),
- a discount rate before the tax effect of 7.70% was applied to the cash flow forecasts (in 2018: 6.94%).

Sensitivity to changes in assumptions

Management is of the opinion that no reasonably possible change to any of the key assumptions described above will result in the carrying amount of the pertinent center to be equal to its recoverable amount.

21. Other non-financial assets

	31.12.2019	*31.12.2018*
Fiscal receivables (including VAT, net of CIT)	35,544	73,858
Rents	-	36
Insurance	1,260	2,009
Other prepayments and accruals	939	602
Total	**37,743**	**76,505**
- current	37,729	76,483
- non-current	14	22

22. Inventories

	31.12.2019	*31.12.2018*
Materials	20,333	15,457
Finished products	6,933	4,499
Merchandise	596,729	425,401
Total inventories, at the lower of the following two values: purchase price (production cost) and net realizable value	**623,995**	**445,357**

The Group allocates the relevant portion of the costs of delivering goods to points of sales to specify the purchase price of inventories in the Group's commercial facilities. The Company conducts a periodic inventory of inventories. To restate them at the end of the period the inventory provision is estimated. As at 31 December 2019, the value of this provision was PLN 15,767 thousand (PLN 12,623 thousand as at 31 December 2018). As at 31

(in thousands of PLN)

December 2019, the Group established an impairment loss to the net sales price of PLN 600 thousand (there was no impairment as at 31 December 2018).

23. Trade and other receivables

	31.12.2019	*31.12.2018**
Trade receivables from third parties	48,375	16,715
Trade receivables from related parties	488	238
Other receivables from third parties	29,242	21,566
Other receivables from related parties	18	33
Total receivables (net)	78,123	38,552
Impairment loss for expected credit losses	(256)	(292)
Gross receivables	**78,379**	**38,844**

** Restated data according to the description in notes 7 and 8.*

The terms of the transactions with related parties are presented in note 33.

Other receivables comprise mainly investment receivables on payment cards. Trade receivables usually have a 14-day term of payment and include predominantly receivables from suppliers associated with marketing campaigns.

The Group has an appropriate policy in place governing its transactions with business partners. For this reason, in the opinion of management, there is no additional credit risk extending beyond the level delineated by the impairment loss on uncollectible receivables applicable to the Group's trade receivables.

As at 31 December 2019, trade and other receivables of PLN 256 thousand (PLN 292 thousand as at 31 December 2018) were considered uncollectible receivables and thus covered by the impairment loss. The changes to the impairment loss for expected credit losses were as follows:

	31.12.2019	*31.12.2018*
Impairment loss for expected credit losses as at 1 January	**292**	**451**
Increase	127	86
Utilization	(162)	(210)
Reversal	(1)	(35)
Impairment loss for expected credit losses as at 31 December	**256**	**292**

24. Cash and cash equivalents

Cash at bank bears interest at variable interest rates depending on the rate of interest on one-day bank deposits. Short-term deposits are made for various periods of between one day and one month, depending on the Group's current need for cash, and bear interest at the interest rates set for them. As at 31 December 2019, the fair value of cash and cash equivalents was PLN 394,720 thousand (as at 31 December 2018: PLN 268,920 thousand).

The balance of cash and cash equivalents shown in the consolidated statement of cash flows included the following items:

	31.12.2019	*31.12.2018**
Cash at bank and in hand	93,658	82,331
Short-term deposits	301,062	186,589
Total	**394,720**	**268,920**

** Restated data according to the description in notes 7 and 8.*

(in thousands of PLN)

Cash on VAT accounts as at 31 December 2019 totaled PLN 81 thousand (as at 31 December 2018: PLN 62 thousand). According to the Management Board's judgment, the limitations in the disposal of these funds stemming from the tax regulations pertaining to the split payment mechanism do not affect their classification as cash and cash equivalents since the Group uses them on an ongoing basis to pay current liabilities.

25. Share capital

25.1. Share capital

	31.12.2019	*31.12.2018*
Ordinary series A shares (units)	98,040,000	98,040,000

25.1.1. Nominal value of shares

As at 31 December 2019 and 31 December 2018, all outstanding shares were paid up in full.

25.1.2. Major shareholders

31 December 2019

Shareholder	*Number of shares*	*Percentage of share capital*	*Percentage of votes at the Shareholder Meeting*
Tomasz Biernacki with a subsidiary	50,103,000	51.1%	51.1%
Other shareholders	47,937,000	48.9%	48.9%
Total	**98,040,000**	**100.0%**	**100.0%**

31 December 2018

Shareholder	*Number of shares*	*Percentage of share capital*	*Percentage of votes at the Shareholder Meeting*
Tomasz Biernacki with a subsidiary	50,103,000	51.1%	51.1%
Other shareholders	47,937,000	48.9%	48.9%
Total	**98,040,000**	**100.0%**	**100.0%**

26. Supplementary capital and retained earnings

Supplementary capital was created from profits generated by all member companies of the Group in previous financial years. During the year ended 31 December 2019, supplementary capital increased by PLN 344,859 thousand forming the distribution of profits generated by the Group's members. During the year ended 31 December 2018, supplementary capital increased by PLN 195,413 thousand forming the distribution of profits generated by the Group's members.

26.1. Retained earnings and restrictions on dividend distributions

The Group's retained earnings comprise undistributed profits of the Group's member companies. Under the retained earnings heading, the Group also recognizes effects of consolidation adjustments on capital. This type of capital also includes amounts that are not distributable, meaning that they are not permitted to be disbursed as dividends.

(in thousands of PLN)

The annual financial statements of DINO Polska S.A. have been prepared in compliance with Polish accounting standards. Any dividend may be distributed only based on the profit disclosed the standalone annual financial statements prepared for the purposes provided for in the Company's articles of association.

In compliance with the requirements of the Commercial Company Code, the parent company is required to create supplementary capital to cover future losses. At least 8% of the profit generated in any financial year, as disclosed in the standalone financial statements of the parent company, is transferred to this category of capital until it reaches at least one-third of the parent company's share capital. The use of supplementary capital or reserve capital is at the discretion of the Shareholder Meeting, albeit part of the supplementary capital equal to one-third of the share capital may be used only to cover the loss disclosed in the parent entity's standalone financial statements and may not be used for any other purposes.

Some of the Group companies are parties to loan agreements which entail certain restrictions on the disbursement of dividends, meaning that no dividend disbursements are permitted unless no financial ratios are breached as a result.

27. Interest-bearing loans, borrowings, bonds and lease liabilities

	31.12.2019	*31.12.2018*
Current		
Lease liabilities (2018: note 19.1, 2018: note 19.3)	56,316	44,839
Investment loans	117,251	93,952
Loans to finance current activity	19,998	9,455
Borrowing	456	430
Issue of debt securities	100,724	654
	294,745	**149,330**
Non-current		
Lease liabilities (2019: note 19.1, 2018: note 19.3)	99,922	67,088
Investment loans	518,528	495,050
Loans to finance current activity	60,071	22,569
Borrowing	156	621
Issue of debt securities	169,926	99,829
	848 603	**685,157**

On 13 October 2017, the Company issued 100,000 series 1/2017 secured bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 100 million. The Bonds are secured by sureties of selected Dino Polska Group companies. The issue price of the bonds was equal to their par value. The bonds bear interest at a floating interest rate of WIBOR 3M plus a fixed margin of 1.30 percentage points per annum. The redemption date of the bonds was set for 13 October 2020.
On 26 June 2019 Dino Polska issued 1,700 series 1/2019 secured bearer bonds with a nominal value of PLN 100,000 each and a total nominal value of PLN 170 million. The Bonds are secured by sureties of selected Dino Polska S.A. Group companies. The issue price of the bonds was equal to their par value. The bonds bear interest at a floating interest rate of WIBOR 3M plus a fixed margin of 1.30 percentage points per annum. The maturity date of the bonds is 26 June 2022.

Lease agreements and loan agreements bear interest at a floating WIBOR rate plus a margin.

The following tables present material terms and conditions of loan agreements, including any collateral established on the Group's assets.

(in thousands of PLN)

Type of liability	***Date agreement signed***	***Outstanding liability as at 31 December 2019**** **(thousands of PLN)**	***Interest rate***	***Date of repayment***	***Collateral type***
1. Credit facility with mBank	2013-11-22	1,404	WIBOR + margin	2023-10-31	joint contractual mortgage, assignment of rights to an insurance policy
2. Credit facility with mBank	2012-03-08	3,026	WIBOR + margin	2021-12-31	joint contractual mortgage, assignment of rights to an insurance policy
3. Credit facility with PKO BP	2012-01-26	-	WIBOR + margin	2019-10-28	joint contractual mortgage, assignment of rights to an insurance policy
4. Credit facility with PKO BP	2011-04-13	1,463	WIBOR + margin	2021-04-12	joint contractual mortgage, assignment of rights to an insurance policy
5. Credit facility with PKO BP	2013-05-23	21,667	WIBOR + margin	2021-12-31	joint contractual mortgage, assignment of rights to an insurance policy
6. Credit facility with PKO BP	2016-10-25	39,030	WIBOR + margin	2024-10-24	joint contractual mortgage, assignment of rights to an insurance policy
7. Credit facility with BZ WBK	2018-02-19	58,803	WIBOR + margin	2023-02-18	joint contractual mortgage, assignment of rights to an insurance policy
8. Credit facility with mBank	2014-01-09	12,141	WIBOR + margin	2023-11-30	joint contractual mortgage, assignment of rights to an insurance policy
9. Credit facility with ING	2014-04-15	20,838	WIBOR + margin	2022-04-14	joint contractual mortgage, assignment of rights to an insurance policy
10. Credit facility with Bank Millennium	2014-12-18	4,319	WIBOR + margin	2020-06-17	joint contractual mortgage, assignment of rights to an insurance policy
11. Credit facility with mBank	2015-04-17	13,461	WIBOR + margin	2025-03-31	joint contractual mortgage, assignment of rights to an insurance policy
12. Credit facility with ING	2014-04-15	-	WIBOR + margin	2020-04-14	joint contractual mortgage, assignment of rights to an insurance policy
13. Credit facility with Millennium	2018-08-09	-	WIBOR + margin	2021-08-08	joint contractual mortgage, assignment of rights to an insurance policy
14. Credit facility with mBank	2016-08-16	3,237	WIBOR + margin	2021-07-30	joint contractual mortgage, assignment of rights to an insurance policy
15. Credit facility with mBank	2016-11-04	-	WIBOR + margin	2019-10-08	joint contractual mortgage, assignment of rights to an insurance policy
16. Credit facility with Millennium	2016-05-12	18,250	WIBOR + margin	2021-05-11	joint contractual mortgage, assignment of rights to an insurance policy
17. Borrowing from Siemens	2016-02-24	611	WIBOR + margin	2021-02-28	bill of exchange

(in thousands of PLN)

18. Credit facility with PKO BP	2016-10-25	112,941	WIBOR + margin	2025-04-24	joint contractual mortgage, assignment of rights to an insurance policy
19. Credit facility with ING	2016-04-15	14,062	WIBOR + margin	2024-04-14	joint contractual mortgage, assignment of rights to an insurance policy
20. Credit facility with BGŻ BNP Paribas	2017-03-20	-	WIBOR + margin	2019-03-19	joint contractual mortgage, assignment of rights to an insurance policy
21. Credit facility with BGŻ BNP Paribas	2017-03-20	69,524	WIBOR + margin	2025-12-31	joint contractual mortgage, assignment of rights to an insurance policy
22. Credit facility with BGŻ BNP Paribas	2018-11-13	-	WIBOR + margin	2020-11-13	statement of submitting to enforcement under art. 777
23. Credit facility with PKO BP	2018-01-15	11,493	WIBOR + margin	2024-10-24	joint contractual mortgage, assignment of rights to an insurance policy
24. Credit facility with mBank	2011-12-14	1,866	WIBOR + margin	2021-08-31	joint contractual mortgage, assignment of rights to an insurance policy
25. Credit facility with BZ WBK	2016-05-24	22,309	WIBOR + margin	2021-04-30	joint contractual mortgage, assignment of rights to an insurance policy
26. Credit facility with mBank	2016-08-16	19,370	WIBOR + margin	2021-07-30	joint contractual mortgage, assignment of rights to an insurance policy
27. Credit facility with ING	2016-04-15	20,072	WIBOR + margin	2024-04-14	joint contractual mortgage, assignment of rights to an insurance policy
28. Credit facility with ING	2018-07-03	50,000	WIBOR + margin	2026-07-02	joint contractual mortgage, assignment of rights to an insurance policy
29. Credit facility with Bank Handlowy CITI	2018-10-03	-	WIBOR + margin	2021-10-01	joint contractual mortgage, assignment of rights to an insurance policy
30. Credit facility with PKO BP	2019-02-11	75,294	WIBOR + margin	2026-08-11	joint contractual mortgage, assignment of rights to an insurance policy
31. Credit facility with Millennium	2018-08-09	37,500	WIBOR + margin	2023-08-08	joint contractual mortgage, assignment of rights to an insurance policy
32. Credit facility with Millennium	2019-08-08	20,000	WIBOR + margin	2024-07-21	joint contractual mortgage, assignment of rights to an insurance policy
33. Credit facility with PKO BP	2019-02-11	64,672	WIBOR + margin	2026-08-11	joint contractual mortgage, assignment of rights to an insurance policy
TOTAL		**717,353**			

Type of liability	*Date agreement signed*	*Outstanding liability as at 31 December 2018** **(thousands of PLN)**	*Interest rate*	*Date of repayment*	*Collateral type*
1. Credit facility with mBank	2013-11-22	1,770	WIBOR + margin	2023-10-31	joint contractual mortgage, assignment of rights to an insurance policy
2. Credit facility with mBank	2012-03-08	4,539	WIBOR + margin	2021-12-31	joint contractual mortgage, assignment of rights to an insurance policy

(in thousands of PLN)

3. Credit facility with PKO BP	2012-01-26	-	WIBOR + margin	2019-10-28	joint contractual mortgage, assignment of rights to an insurance policy
4. Credit facility with PKO BP	2011-04-13	2,579	WIBOR + margin	2021-04-12	joint contractual mortgage, assignment of rights to an insurance policy
5. Credit facility with PKO BP	2013-05-23	32,500	WIBOR + margin	2021-12-31	joint contractual mortgage, assignment of rights to an insurance policy
6. Credit facility with PKO BP	2016-10-25	47,248	WIBOR + margin	2024-10-24	joint contractual mortgage, assignment of rights to an insurance policy
7. Credit facility with BZ WBK	2018-02-19	66,310	WIBOR + margin	2023-02-18	joint contractual mortgage, assignment of rights to an insurance policy
8. Credit facility with mBank	2014-01-09	15,327	WIBOR + margin	2023-11-30	joint contractual mortgage, assignment of rights to an insurance policy
9. Credit facility with ING	2014-04-15	29,170	WIBOR + margin	2022-04-14	joint contractual mortgage, assignment of rights to an insurance policy
10. Credit facility with Bank Millennium	2014-12-18	7,167	WIBOR + margin	2020-06-17	joint contractual mortgage, assignment of rights to an insurance policy
11. Credit facility with mBank	2015-04-17	16,025	WIBOR + margin	2025-03-31	joint contractual mortgage, assignment of rights to an insurance policy
12. Credit facility with ING	2014-04-15	-	WIBOR + margin	2020-04-14	joint contractual mortgage, assignment of rights to an insurance policy
13. Credit facility with Millennium	2018-08-09	28	WIBOR + margin	2021-08-08	joint contractual mortgage, assignment of rights to an insurance policy
14. Credit facility with mBank	2016-08-16	3,753	WIBOR + margin	2021-07-30	joint contractual mortgage, assignment of rights to an insurance policy
15. Credit facility with mBank	2016-04-11	-	WIBOR + margin	2019-10-08	joint contractual mortgage, assignment of rights to an insurance policy
16. Credit facility with Millennium	2016-05-12	24,858	WIBOR + margin	2021-05-11	joint contractual mortgage, assignment of rights to an insurance policy
17. Borrowing from Siemens	2016-02-24	1,051	WIBOR + margin	2021-02-28	bill of exchange
18. Credit facility with PKO BP	2016-10-25	134,118	WIBOR + margin	2025-04-24	joint contractual mortgage, assignment of rights to an insurance policy
19. Credit facility with ING	2016-04-15	17,186	WIBOR + margin	2024-04-14	joint contractual mortgage, assignment of rights to an insurance policy
20. Credit facility with BGŻ BNP Paribas	2017-03-20	-	WIBOR + margin	2019-03-19	joint contractual mortgage, assignment of rights to an insurance policy
21. Credit facility with BGŻ BNP Paribas	2017-03-20	80,000	WIBOR + margin	2025-12-31	joint contractual mortgage, assignment of rights to an insurance policy
22. Credit facility with BGŻ BNP Paribas	2018-11-13	-	WIBOR + margin	2020-11-13	statement of submitting to enforcement under art. 777
23. Credit facility with PKO BP	2018-01-15	13,883	WIBOR + margin	2024-10-24	joint contractual mortgage, assignment of rights to an insurance policy
24. Credit facility with mBank	2011-12-14	2,986	WIBOR + margin	2021-08-31	joint contractual mortgage, assignment of rights to an insurance policy
25. Credit facility with BZ WBK	2016-05-24	25,104	WIBOR + margin	2021-04-30	joint contractual mortgage, assignment of rights to an insurance policy
26. Credit facility with mBank	2016-08-16	22,970	WIBOR + margin	2021-07-30	joint contractual mortgage, assignment of rights to an insurance policy
27. Credit facility with ING	2016-04-15	24,527	WIBOR + margin	2024-04-14	joint contractual mortgage, assignment of rights to an insurance policy
28. Credit facility with ING	2018-07-03	50,000	WIBOR + margin	2026-07-02	joint contractual mortgage, assignment of rights to an insurance policy
29. Credit facility with Bank Handlowy CITI	2018-10-03	-	WIBOR + margin	2021-10-01	joint contractual mortgage, assignment of rights to an insurance policy
TOTAL		**623,099**			

* Balance of liabilities net of commissions.

In addition, the liabilities for loans and lease agreements also have security interests in the form of blank bills of exchange.

(in thousands of PLN)

28. Provisions for employee benefits

The Group's entities pay retiring employees retirement severance benefits in the amount defined by the Labor Code. Consequently the Group, based on a valuation prepared by a professional actuary firm, recognizes a provision for the current value of the retirement severance benefit liabilities.

Costs of contributions to EPS have been depicted in note 13.3. *Costs of employee benefits.*

A summary of the benefits, provision amount and reconciliation presenting the changes of the balance during the financial period is presented in the table below:

	Retirement and disability benefits	*Total*
Opening balance as at 1 January 2019	**2,091**	**2,091**
Current service cost	443	443
Actuarial gains and losses	527	527
Benefits paid	(265)	(265)
Interest costs	54	54
Closing balance as at 31 December 2019	**2,850**	**2,850**
Short-term provisions	1,020	1,020
Long-term provisions	1,830	1,830

	Retirement and disability benefits	*Total*
Opening balance as at 1 January 2018	**1,581**	**1,581**
Current service cost	271	271
Actuarial gains and losses	215	215
Benefits paid	(27)	(27)
Interest costs	51	51
Closing balance as at 31 December 2018	**2,091**	**2,091**
Short-term provisions	541	541
Long-term provisions	1,550	1,550

The main assumptions made to valuate the employee benefits as at the reporting date are as follows:

	31.12.2019	***31.12.2018***
Discount rate (%)	**2.10%**	**2.60%**
Anticipated inflation rate	2.50%	2.50%
Employee turnover	21.00%	20.00%
Anticipated salary increase rate	3.50%	3.50%
Weighted average duration of the old-age and disability severance pay liabilities	5.74	6.40

(in thousands of PLN)

Sensitivity analysis

Change of the adopted discount rate by 0.5 percentage points:

	Increase (thousands of PLN)	*Decrease (thousands of PLN)*
31 December 2019		
Impact on the defined benefit liabilities	(79)	85
31 December 2018		
Impact on the defined benefit liabilities	(65)	68

Change of the salary increase rate by 0.5 percentage points:

	Increase (thousands of PLN)	*Decrease (thousands of PLN)*
31 December 2019		
Impact on the defined benefit liabilities	86	(80)
31 December 2018		
Impact on the defined benefit liabilities	70	(68)

29. Trade and other payables and deferred revenue

29.1. Trade and other financial payables (current)

	31.12.2019	***31.12.2018***
Liabilities to related entities	6,193	4,950
Liabilities to other entities	920,267	685,749
Liabilities to other entities in factoring, including programs to finance suppliers	272,013	176,643
Trade payables	**1,198,473**	**867,342**
Employee payroll liabilities	58,598	43,519
Investment liabilities to related parties	98,237	90,897
Investment liabilities to other parties	55,502	90,672
Other payables	1,541	1,899
Other liabilities	**213,878**	**226,987**
Total	**1,412,351**	**1,094,329**

Rules and terms of payment of the aforementioned financial liabilities:

The terms of the transactions with related entities are presented in note 33 of notes and explanations.

The trade payables are carried as at the balance sheet date based on the adjusted purchase price (note 10.17) and settled according to diversified terms ranging from 14 to 60 days, depending on the subject matter of the transaction. The Group classifies reverse factoring liabilities as trade payables because, in the Management Board's view, no significant changes have occurred in the nature of these liabilities in connection with their transfer to factoring.

Other liabilities are usually settled with a 30-day payment term.

(in thousands of PLN)

29.2. Other non-financial liabilities

	31.12.2019	*31.12.2018*
Liabilities on taxes, customs duties, social security and other dues		
Corporate income tax	68,606	67,004
VAT	4,727	820
Personal income tax	7,282	7,614
Social security liabilities	46,027	35,772
EPS liabilities	740	-
Other	3,586	3,639
Total	**130,968**	**114,849**
- current	130,968	114,849
- non-current	-	-

29.3. Accruals and deferred revenue

	31.12.2019	*31.12.2018*
Accrued expense from:		
Unused holiday leaves	27,971	23,002
Audit of financial statements	632	135
Other	462	390
Deferred income from:		
Government grants	306	611
Total	**29,371**	**24,138**
- current	29,306	23,832
- non-current	65	306

30. Notes to the consolidated statement of cash flows

The causes of the differences between the changes resulting from the consolidated statement of financial position and the changes resulting from the consolidated statement of cash flows are presented in the tables below:

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018**
Movement in receivables resulting from the consolidated statement of financial position	(39,571)	24,722
Movement in receivables on the sale of fixed assets	838	(390)
Movement in state budget receivables	38,314	(41,216)
Movement in receivables in the consolidated statement of cash flows	**(419)**	**(16,884)**

** Restated data according to the description in notes 7 and 8.*

(in thousands of PLN)

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Movement in liabilities resulting from the consolidated statement of financial position	643,002	523,277
Balance sheet movement of loans and borrowings	(94,383)	(162,136)
Movement in lease liabilities	(44,311)	15,796
Movement in investment settlements	(376)	(111,698)
Movement in settlements regarding issue of debt securities	(170,000)	-
Movement in income tax liabilities	(1,602)	(46,275)
Movement in liabilities in the consolidated statement of cash flows	**332,330**	**218,964**

	01.01.2019-31.12.2019	*01.01.2018-31.12.2018*
Movement in provisions in the consolidated statement of financial position	4,345	2,938
Movement in deferred tax liabilities	(3,586)	(2,428)
Movement in provisions in the consolidated statement of cash flows	**759**	**510**

31. Investment liabilities

In the presented reporting period, liabilities on account of purchases of property, plant and equipment included purchases related to the further expansion of the Dino Group store network and expansion of warehouse space. As at 31 December 2019 the Group had liabilities arising from concluded preliminary agreements in the amount of PLN 456,950 thousand (as at 31 December 2018: PLN 335,411 thousand).

32. Contingent liabilities

32.1. Litigation

As at 31 December 2019 and 31 December 2018 the Group was a party to several legal actions which, in the Management Board’s opinion, did not cause any major claims.

32.2. Tax settlements

Tax settlements and other areas of activity subject to regulation (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorized to impose high penalties and fines. Lack of references to established laws in Poland results in unclarities and inconsistencies in the prevailing regulations. Frequent differences of opinions as to legal interpretation of the tax regulations, both within the state bodies, and between the state bodies and enterprises, give rise to areas of uncertainty and conflicts. Therefore, the tax risk in Poland is much higher than usually observed in the countries with better developed tax systems.

Tax settlements may be subject to inspection for a period of five years, starting from the end of the year of the tax payment. As a result of such inspections, the Group’s tax settlements may be increased by additional tax liabilities. In the Management Board’s opinion, as at 31 December 2019 and 31 December 2018, there were no grounds to recognize additional provisions for identified and measurable tax risk.

33. Information on related parties

The tables below present the total amounts of transactions concluded with related parties for the reporting periods subject to these consolidated financial statements:

(in thousands of PLN)

Related party		*Sale to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities to related parties*
Key managers (Management Board members) of the Group					
	2019	1	80	-	11
	2018	1	-	-	-
Supervisory Board					
	2019	-	-	-	-
	2018	-	-	-	-

		Sale to related parties	*Purchases from related parties*	*Receivables from related parties*	*Liabilities to related parties*	*Loans granted*	*Bonds*	*Financial expenses - interest*
Parties related through the majority owner								
Zakłady Mięsne "Biernacki" Tomasz Biernacki								
	2019	4	379	2	74	-	-	-
	2018	22	493	5	97	-	-	-
BT Development BT Kapitał sp. z o.o. sp.k.								
	2019	13	4,963	1	973	-	-	-
	2018	34	4,529	5	486	-	-	-
BT Nieruchomości sp. z o.o.								
	2019	-	496	-	95	-	-	-
	2018	1	406	1	57	-	-	-
BT Kapitał sp. z o.o.								
	2019	142	1	19	-	-	2,012	-
	2018	30	-	-	-	-	2,010	-
Inwestycje BT Kapitał sp. z o.o. SKA								
	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
Krot Invest KR Inżynieria sp. z o.o. SKA								
	2019	733	341,870	480	97,547	-	-	-
	- *2018*	882	273,730	201	89,836	-	-	-
Krot Invest 2 KR Inżynieria sp. z o.o. sp.k.								
	2019	3	18,633	-	4,075	-	-	-
	2018	7	17,674	6	3,733	-	-	-
KR Inżynieria sp. z o.o.								
	2019	1	-	-	-	-	-	-
ZR 1 sp. z o.o.								
	2019	4	953	-	262	-	-	-
	2018	24	760	12	64	-	-	-
ZR 2 sp. z o.o.								
	2019	13	1,480	1	320	-	-	-
	2018	15	562	4	124	-	-	-
ZR 3 sp. z o.o.								
	2019	8	2,273	1	490	-	-	-
	2018	9	1,707	1	178	-	-	-
ZR 4 sp. z o.o.								
	2019	3	1,732	-	395	-	-	-
	2018	24	1,629	2	214	-	-	-

(in thousands of PLN)

Zielony Rynek 6 BT Kapitał sp. z o.o. sp.k.							
2019	-	686	-	48	-	-	-
2018	4	1,085	33	988	-	-	-
Parties related through key personnel							
Agrofirma Spółdzielcza							
2019	30	463	1	-	-	-	-
2018	24	183	-	4	-	-	-
TBE sp. z o.o.							
2019	5	882	1	140	-	-	-
2018	5	862	1	66	-	-	-

33.1. Terms of related party transactions

The terms of the transactions concluded by the Group with other related entities in the year ended 31 December 2019 and as at 31 December 2018 were concluded on an arm's length basis.

33.2. Loans to Management Board members

As at 31 December 2019 and 31 December 2018 the Group did not grant any loans to Management Board members.

33.3. Other transactions with participation of Management Board members

As at 31 December 2019 and 31 December 2018 there no transactions with participation of Management Board members than those listed in these consolidated financial statements.

33.4. Remuneration for the Group's senior management

	01.01.2019-31.12.2019	***01.01.2018-31.12.2018***
Parent company's Management Board		
Short-term employee benefits (salaries)	2,630	1,812
Parent company's Supervisory Board		
Short-term employee benefits (salaries)	346	405
Total	**2,976**	**2,217**

34. Information on the audit firm's fees

The table below presents the fee charged by the entity authorized to audit the financial statements paid or due for the year ended 31 December 2019 and 31 December 2018 split by the types of services:

Type of services	***01.01.2019-31.12.2019****	***01.01.2018-31.12.2018****
Mandatory audit of financial statements	432	332
Review of the interim financial statements	71	71
Other services	-	-
Tax advisory services	-	-
Total	**503**	**403**

** Refers to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.*

(in thousands of PLN)

35. Objectives and principles of managing financial risk

The main financial instruments used by the Group include bank loans, borrowings, bond issue, lease agreements, cash and current deposits. The main objective of these instruments is to raise funding for Group's activities. The Group also holds various other financial instruments, such as trade receivables and payables, which arise directly from its activities.

The rule followed by the Group currently and throughout the whole period covered by the consolidated financial statements is to refrain from dealing in financial instruments.

The main types of risk arising from the Group's financial instruments include interest rate risk, liquidity risk, and credit risk. The parent company's Management Board verifies and agrees the principles of managing each type of risk – these principles are discussed briefly below.

35.1. Interest rate risk

The Group's exposure to the risk arising from changes in interest rates refers primarily to non-current financial liabilities. The Company does not hedge its investments and liabilities using derivative financial instruments.

Interest rate risk - sensitivity to changes

The table below presents sensitivity of the profit (loss) before tax to the reasonably possible changes in interest rates, assuming that the other factors do not change (in connection with floating interest rate liabilities). The impact on the Group's equity or total comprehensive income is not presented.

	Increase/decrease by percentage points	*Impact on profit or loss before tax*
Year ended 31 December 2019		
PLN	+1	(12,280)
PLN	-1	12,280

	Increase/decrease by percentage points	*Impact on profit or loss before tax*
Year ended 31 December 2018		
PLN	+1	(8,453)
PLN	- 1	8,453

The table below presents the carrying amount of the Group's financial instruments exposed to interest rate risk by age category

31 December 2019	*< 1 year*	*1-3 years*	*3-5 years*	*> 5 years*	*Total*
Lease liabilities	56,316	72,471	17,946	9,505	156,238
Bank loans and borrowings	137,955	272,218	238,434	68,746	717,353
Outstanding securities	7,516	280,636	-	-	288,152

31 December 2018	*< 1 year*	*1-3 years*	*3-5 years*	*> 5 years*	*Total*
Lease liabilities (financial leases)	44,839	59,165	7,923	-	111,927
Bank loans and borrowings	104,127	238,932	193,837	86,203	623,099
Outstanding securities	3,020	102,378	-	-	105,398

(in thousands of PLN)

Lease liabilities and bank loans bear interest at a floating interest rate. The interest rate on variable interest rate financial instruments is updated in periods shorter than one year. The Group's other financial instruments which are not presented in the tables above do not bear interest and hence are not subject to interest rate risk.

35.2. Credit risk

Transactions effected by the Group are settled mainly in cash. Credit risk pertains to one franchisee, with whom the Group has been cooperating for many years, and supplier marketing support transactions. Since marketing support services pertain to suppliers who are at the same time the Group's buyers, the credit risk is insignificant.

35.3. Liquidity risk

The Group monitors the liquidity risk using a periodic liquidity planning tool. The tool takes into account the maturities of both investments and financial assets (e.g. the amount of receivables, other financial assets) and projected cash flows from operating activities.

The Group aims to maintain a balance between continuity and flexibility of financing by using different financing sources, such as overdrafts, bank loans, other loans, bond issues and lease contracts.

Dino Group's EBITDA was PLN 725,426 thousand in 2019 and PLN 541,060 thousand in 2018. The Dino Group defines EBITDA as operating profit (in 2019: PLN 561,909 thousand, in 2018: PLN 429,002 thousand) plus depreciation and amortization (in 2019: PLN 163,517 thousand, in 2018: PLN 112,058 thousand). EBITDA is not a measure defined in IFRS and may be defined in different ways by various market entities.

The tables below present the Group's financial liabilities as at 31 December 2019 and as at 31 December 2018 according to the maturity date according to contractual undiscounted payments.

31 December 2019	*On demand*	*Up to 1 year*	*From 1 year to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	157,443	545,868	70,142	773,453
Outstanding securities	-	100,724	169,926	-	270,650
Lease liabilities	-	60,569	95,936	9,668	166,173
Trade and other payables	-	1,414,074	-	-	1,414,074
	-	**1,732,810**	**811,730**	**79,810**	**2,624,350**

31 December 2018	*On demand*	*Up to 1 year*	*From 1 year to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	121,890	469,442	88,592	679,924
Outstanding securities	-	654	99,829	-	100,483
Lease liabilities	-	47,918	69,941	-	117,859
Trade and other payables	-	1,095,039	-	-	1,095,039
	-	**1,265,501**	**639,212**	**88,592**	**1,993,305**

36. Financial instruments

36.1. Far value of individual classes of financial instruments

In the Group's opinion, the fair value of cash, short-term deposits, trade receivables, trade payables, bank loans, other loans, bonds and finance lease liabilities does not deviate from carrying amounts.

(in thousands of PLN)

	Carrying amount	
	31.12.2019	*31.12.2018**
Debt instruments measured at amortized cost		
Trade receivables	78,123	38,552
Total	**78,123**	**38,552**
Cash and cash equivalents	394,720	268,920

	Carrying amount	
	31.12.2019	*31.12.2018**
Non-current financial liabilities – carried at amortized cost		
Interest-bearing loans and borrowings	578,755	518,240
Issue of debt securities	169,926	99,829
Lease liabilities	99,922	67,088
Total	**848,603**	**685,157**
Current financial liabilities – carried at amortized cost		
Interest-bearing loans and borrowings	137,705	103,837
Issue of debt securities	100,724	654
Lease liabilities	56,316	44,839
Trade payables	1,198,473	867,342
Total	**1,493,218**	**1,016,672**

* *Restated data according to the description in notes 7 and 8.*

(in thousands of PLN)

36.2. Revenue, expense and profit and loss items captured in the statement of profit or loss by financial instrument category

Year ended 31 December 2019

	Interest income / (expense)	*Gains (losses) arising from changes in foreign currency exchange rates*	*Reversal / (creation) of impairment losses for expected credit losses*	*Valuation gains / (losses)*	*Profit / (loss) on sales of financial instruments*	*Other*	*Total*
Financial assets							
Trade receivables	44	176	-	-	-	-	220
Cash and cash equivalents	718	-	-	-	-	-	718
Total	**762**	**176**	**-**	**-**	**-**	**-**	**938**

	Interest income / (expense)	*Gains (losses) arising from changes in foreign currency exchange rates*	*Reversal / (recognition) of impairment losses*	*Valuation gains / (losses)*	*Profit / (loss) on sales of financial instruments*	*Other*	*Total*
Financial liabilities							
Interest-bearing loans and borrowings	(23,352)	-	-	-	-	-	(23,352)
Lease liabilities	(5,445)	-	-	-	-	-	(5,445)
Trade payables	(24,833)	-	(126)	-	-	-	(24,959)
Liabilities by virtue of securities issues	(6,173)	-	-	-	-	-	(6,173)
Other financial liabilities	(584)	-	-	-	-	-	(584)
Total	**(60,387)**	**-**	**(126)**	**-**	**-**	**-**	**(60,513)**

(in thousands of PLN)

Year ended 31 December 2018

	Interest income / (expense)	*Gains (losses) arising from changes in foreign currency exchange rates*	*Reversal / (recognition) of impairment losses*	*Valuation gains / (losses)*	*Profit / (loss) on sales of financial instruments*	*Other*	*Total*
Financial assets							
Trade receivables	27	-	51	-	-	-	78
Cash and cash equivalents	320	-	-	-	-	-	320
Total	**347**	**-**	**51**	**-**	**-**	**-**	**398**

	Interest income / (expense)	*Gains (losses) arising from changes in foreign currency exchange rates*	*Reversal / (recognition) of impairment losses*	*Valuation gains / (losses)*	*Profit / (loss) on sales of financial instruments*	*Other*	*Total*
Financial liabilities							
Interest-bearing loans and borrowings	(18,473)	-	-	-	-	-	(18,473)
Liabilities under financial lease agreements and hire-purchase agreements	(3,873)	-	-	-	-	-	(3,873)
Trade payables	(19,502)	(14)	-	-	-	-	(19,516)
Liabilities by virtue of securities issues	(3,011)	-	-	-	-	-	(3,011)
Other financial liabilities	(498)	-	-	-	-	-	(498)
Total	**(45,357)**	**(14)**	**-**	**-**	**-**	**-**	**(45,371)**

(in thousands of PLN)

37. Capital management

The main objective of the Group's capital management is to maintain a good credit rating and safe capital ratios which will support the Group's operating activities and increase the shareholder value.

The Group manages the capital structure and introduces adjustments thereto as a result of changes in the economic conditions. To maintain or adjust the capital structure, the Group may change the dividend payout to shareholders, return the capital to shareholder or issue new bonds. In the years ended 31 December 2019 and 31 December 2018 the Group did not make any changes to the objectives, rules and processes in place in this area.

The Group monitors the level of capital using the leverage ratio, calculated as the ratio of net financial and trade liabilities to the sum of capital plus net financial and trade liabilities. The net financial and trade liabilities include interest-bearing loans and borrowings, bonds, trade payables and other payables, minus cash and cash equivalents.

	31.12.2019	***31.12.2018****
Interest-bearing loans and borrowings and outstanding securities lease liabilities	1,143,348	722,560
Trade and other payables	1,474,713	1,142,174
Minus cash and cash equivalents	(394,720)	(268,920)
Net financial and trade liabilities	**2,223,341**	**1,595,814**
Total equity	1,622,353	1,211,873
Equity and net financial and trade liabilities	**3,845,694**	**2,807,687**
Leverage ratio	58%	57%

** Restated data according to the description in notes 7 and 8.*

38. Employment structure

The headcount in the Group in the years ended 31 December 2019 and 31 December 2018 was as follows:

	Year ended ***31.12.2019***	*Year ended* ***31.12.2018***
Parent Company's Management Board	3	2
White-collar employees	1,588	1,248
Blue-collar employees	19,039	15,280
Total	**20,630**	**16,530**

39. Events after the reporting period

On 7 February 2020, an investment loan agreement was executed between the Company and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its registered office in Warsaw, ul. Puławska 15, for the amount of PLN 150 million. The agreement was signed to finance the ongoing rollout of the store network run by the Company under the Dino brand. The loan was extended in the Polish currency for a period from 7 February 2020 to 6 November 2023. The interest on the loan will be set using at a floating interest rate equal to the WIBOR 3M reference rate plus PKO BP SA's margin.

The business of Dino Polska S.A. and the Group may be affected by the epidemiological situation. The Company is monitoring this on an ongoing basis and we submit to the advice provided by the Chief Sanitary Inspector and other services in Poland. The Company applies and recommends that our employees apply special preventive measures aimed at reducing the risk of infection. As at the date of these financial statements, all areas of the Company's operating activity are performing efficiently and there are no significant reasons for revising the performance targets or plans set by the Company's Management Board for 2020.

In the opinion of the Management Board, there were no other material events after the balance sheet date requiring disclosure in the consolidated financial statements.