

**Audit Report on Consolidated Financial Statements  
issued by an Independent Auditor**

**COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND  
SUBSIDIARIES  
Consolidated Financial Statements and  
Consolidated Management Report for the year ended  
September 30, 2021**

## **AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR**

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 32)

To the shareholders of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.:

### **Audit report on the consolidated financial statements**

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#### **Opinion**

We have audited the consolidated financial statements of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. (the Parent Company) and its Subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto, for the year then ended ("2021").

In our opinion, the accompanying consolidated financial statements, give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group as at September 30, 2021 and of its consolidated financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

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#### **Basis for opinion**

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

### *Revenue recognition: Tobacco sales*

**Description** At year-end 2021, the Group recognized, on the heading "Revenue" in the consolidated income statement, 10,414 million euros corresponding to sales of tobacco and related products, representing 96% of the total of sales of the Group. These sales correspond to the goods delivered net of discounts, excise duties on tobacco products and other sales-related taxes.

Although the recognition of these revenues is not complex, we have considered this area as a key audit matter since there is a risk associated with the timing of the recognition of this revenue, which depends of the specific conditions signed with the different manufacturers and customers.

Information on the Group's income recognition criteria, as well as a breakdown of sales, are disclosed in Notes 4.15 and 25, respectively, of the accompanying consolidated financial statements.

### **Our response**

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Our audit procedures include, among others, the following:

- ▶ Understanding the processes established by Group Management related to tobacco sales, including assessment of the design and implementation and the effectiveness of relevant controls.
- ▶ Performing tests of details on a sample of sales.
- ▶ Performing of analytical procedures reviewing the annual evolution of tobacco sales and the reasonableness of sales volumes, as well as a correlation analysis between the related accounts.
- ▶ Carrying out cut-off procedures for a sample of revenue transactions at the end of the year to determine whether they were recognized in accrual terms in accordance with the terms and conditions established in the contracts with manufacturers and customers.
- ▶ Identification and analysis of significant manual journal entries in revenue accounts.
- ▶ Review disclosures included in the accompanying consolidated financial statements in accordance with the applicable financial reporting framework.

### *Impairment of non-financial assets*

**Description** At year-end 2021, the Group recognized property, plant, and equipment under non-current assets in the amount of 313 million euros, intangible assets totalling 354 million euros, mainly related to distribution contracts with manufacturers, and goodwill amounting to 921 million euros.

The recoverable amount of the above assets is subject to the existence of potential impairment, which is determined based on complex estimates and assumptions made by Group Management using criteria, judgments, and hypotheses. We consider this to be a key audit matter due to the significant amounts and the inherent complexity of the estimation process to determine the recoverable amount of the assets.

The main assumptions on which the Group applies criteria, hypotheses and judgments are the following: estimated future margins, working capital evolution, discount rates and growth rates, as well as the economic and regulatory conditions that occur in the markets.

Information on the criteria applied by Group Management, as well as key assumptions used during the determination of impaired value of non-financial assets is disclosed in Notes 4.5 and 7, respectively, of the accompanying consolidated financial statements.

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**Our  
response**

Our audit procedures include, among others, the following:

- ▶ Understanding the processes established by Group Management to determine impairment of the value of non-financial assets, including assessment of the design and implementation of relevant controls.
- ▶ Reviewing the model used by Group Management with the assistance of our valuation specialists, encompassing its mathematical coherence, reasonableness of the projected cash flows, discount rates, and long-term growth rates, as well as the outcome of the sensitivity analyses carried out by Group Management. Throughout the performance of our work, we held interviews with the business heads and using renowned external sources and other available information to contrast data.
- ▶ Review disclosures included in the accompanying consolidated financial statements in accordance with the applicable financial reporting framework.

**Legal proceedings**

**Description** At year-end 2021, the Group is involved in certain legal proceedings, as detailed in Note 23 of accompanying consolidated financial statements.

Group Management makes estimates and applies certain judgments and assumptions on assessing the risk associated with these legal proceedings.

We have considered this area as a key audit matter due to the complexity of the judgments and assumptions applied, could have a significant impact on the consolidated balance sheet and on the consolidated income statement, considering the significance of the amounts associated with these procedures.

Disclosures for the recognition and valuation criteria, as well as the information related to these legal proceedings, are disclosed, respectively, in Notes 4.13 and 23 of the accompanying consolidated financial statements.

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**Our  
response**

Our audit procedures include, among others, the following:

- ▶ Understand the processes applied by Group Management to estimate provisions and contingencies, including assessment of the design and implementation of relevant controls.

- ▶ Obtain confirmation letters from the internal and external legal advisors of the Group.
- ▶ Involve our internal legal specialists to analyze the reasonableness of the conclusions reached by Group Management.
- ▶ Review disclosures included in the consolidated financial statements in accordance with the applicable financial reporting framework.

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#### **Other information: consolidated management report**

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the Parent Company's Directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

- a. Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above regarding the consolidated non-financial information statement is presented in a separate report, "Integrated Annual Report 2020" and that the remaining information contained in the consolidated management report is provided as stipulated by applicable regulations and is consistent with that provided in the 2021 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

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#### **Responsibilities of the Parent Company's Directors and the Audit and Control Committee for the consolidated financial statements**

The Directors of the Parent Company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and consolidated results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Control Committee of the Parent Company is responsible for overseeing the Group's financial reporting process.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Parent Company.
- ▶ Conclude on the appropriateness of the use, by the Directors of the Parent Company, of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Control Committee of the Parent Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Control Committee of the Parent Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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

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### **Additional report to the Audit and Control Committee**

The opinion expressed in this audit report is consistent with the additional report we issued to the Audit and Control Committee of the Parent Company on November 4, 2021.

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### **Term of engagement**

The annual general shareholders' meeting held on March 24, 2020 appointed us as auditors for 3 years, commencing for the year ended September 30, 2020.

ERNST & YOUNG, S.L.  
(Registered in the Official Register of  
Auditors under No. S0530)

(Signed on the original version in Spanish)

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María del Tránsito Rodríguez Alonso  
(Registered in the Official Register of  
Auditors under No. 20539)

November 4, 2021