PEPEES CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
for the period of 12 months ended on 31 December 2021

DRAWN UP IN ACCORDANCE WITH
INTERNATIONAL STANDARDS OF
FINANCIAL REPORTING
IN THE VERSION APPROVED BY
THE EUROPEAN COMMISSION

PEPEES CAPITAL GROUP
Consolidated financial statements
for the period of 12 months ended on 31 December 2021
(in thousands of PLN)

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1. GENERAL INFORMATION

1.1. Information on the PEPEES Group

Name of the reporting entity or other identifying information: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Explanation of changes to the name of the reporting entity or other identifying information since the end of the previous reporting period: no changes

Headquarters of the entity: ul. Poznańska 121, 18-402 Łomża

Legal form: public limited company

Country of registration: Poland

Address of the registered office of the entity: ul Poznańska 121, 18-402 Łomża

Principal place of business: ul. Poznańska 121, 18-402 Łomża

Description of the nature and primary operations of the entity: production of starch and starch products

Name of the parent company: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Name of the ultimate parent company of the group: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

The parent company of the PEPEES Capital Group ("PEPEES Group," "Group") is PEPEES S.A. ("Parent Company," "Company"). As of the date hereof, the Company's data presents itself as follows:

Full name: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.
Address of the registered office: 18-402 Łomża, ul. Poznańska 121
REGON ID: 450096365
NIP ID:7181005512
Registration body: District Court in Białystok, 12th Commercial Division of the National Court Register
Number in the register: 000038455
Legal form: Public Limited Company
Organisational form: Enterprise consisting of one plant
Primary objects according to the divisions of the Polish Classification of Business Activities: 1062Z production of starch and starch products
Industry: food
Duration: indefinite

Members of the Management Board as of 31 March 2021:

Wojciech Faszczewski President of the Management Board
Tomasz Krzysztof Rogala Member of the Management Board

Members of the Supervisory Board as of 31 March 2021:

Maciej Kaliński Chairperson of the Supervisory Board
Tomasz Nowakowski Deputy Chairperson of the Supervisory Board
Robert Malinowski Secretary of the Supervisory Board
Krzysztof Stankowski Member of the Supervisory Board
Piotr Marian Taracha Member of the Supervisory Board
Agata Czerniakowska Member of the Supervisory Board

(in thousands of PLN)

Members of the Audit Committee as of 31 December 2021:

Maciej Kaliński Chairperson of the Audit Committee
Krzysztof Stankowski Deputy Chairperson of the Audit Committee
Piotr Marian Taracha Member of the Audit Committee
Robert Malinowski Member of the Audit Committee
Tomasz Nowakowski Member of the Audit Committee

1.2. Members of the PEPEES Group

Structure of the Capital Group as of 31 December 2021

General information on related parties of the PEPEES Capital Group

In the consolidated statements of the PEPEES Capital Group for the 12-month period ended on 31 December 2021, the following related parties were subject to consolidation besides Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.:

Name	Registered office	Objects	Registration Court	Issuer's share in capital (%)	Share in the total number of shares
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sales of syrup and dried potatoes, processing of fruit and vegetables	District Court in Lublin, 11th Commercial Division of the National Court Register	82.38	82.38
Pepees InwestycjeSp. z o.o.	Łomża	Purchase and sales of real properties on own account	District Court in Białystok 12th Commercial Division of the National Court Register	100	100
PPZ BRONISŁAW S.A.	Bronisław	Production of starch and starch products,	District Court in Bydgoszcz 13th Commercial Division of the National Court Register	84.125	84.125
Gospodarstwo Rolne Ponary Sp. z o. o.	Łomża	Agricultural production combined with animal breeding	District Court in Białystok 12th Commercial Division	100	100

All subsidiaries were subject to consolidation based on the full method.

Changes in the organisation of the PEPEES Capital Group

During the reporting period, there was a change to the structure of the Issuer's Capital Group – as of 31/12/2021 CHP Energia is no longer a related entity. On 18/03/2021, PEPEES sold all of its shares in CHP Energia. The shares were purchased by ORLEN Południe S.A., a subsidiary of PKN ORLENS.A.

2. SELECTED FINANCIAL DATA CONVERTED INTO EUR

No.	SELECTED FINANCIAL DATA	IN THOUSANDS OF PLN	IN THOUSANDS OF PLN	IN THOUSANDS OF EUR	IN THOUSANDS OF EUR
	YEAR	2021	2020	2021	2020
I	Total revenues from sales	220,826	204,079	48,242	45,613
II	Net profit or loss allocated to shareholders of the Parent Company	(2,397)	6,313	(524)	1,411
III	Net comprehensive income allocated to shareholders of the Parent Company	(2,384)	6,270	(521)	1,401
IV	Net cash flows on operating activities	19,057	(118)	4,163	(26)
V.	Net cash flows on investing activities	4,076	(5,165)	890	(1,154)
VI	Net cash flows on financial activities	490	(18,405)	107	(4,114)
VII	Net cash flows	23,623	(23,688)	5,161	(5,294)
VIII	Total assets	353,489	364,838	76,855	79,058
IX	Equity allocated to shareholders of the Parent Company	171,983	173,769	37,392	37,655
X	Earnings (loss) per ordinary share in PLN/EUR	(0.03)	0.07	(0.01)	0.01
XI	Total net profit per share in PLN/EUR	(0.03)	0.07	(0.01)	0.02
XII	Book value per share in PLN/EUR	1.81	1.83	0.39	0.40

Selected financial data was converted into EUR according to the following exchange rates published by the National Bank of Poland:

- selected items of the financial standing statement as of 31/12/2021 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.5994,

- selected items of the financial standing statement as of 31/12/2020 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.6148,

- selected items of the comprehensive income statement and cash flow statement for the period from 1 January 2021 to 31 December 2021 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of 2021 and amounts to EUR 1 = PLN 4.5775,

selected items of the comprehensive income statement and cash flow statement for the period from 1 January 2020 to 31 December 2020 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of 2020 and amounts to EUR 1 = PLN 4.4742.

(in thousands of PLN)

3. CONSOLIDATED FINANCIAL STATEMENTS
3.1 CONSOLIDATED STATEMENT OF FINANCIAL STANDING

No.	ASSETS	Note	State as of 31 December 2021	State as of 31 December 2020
A	**(Long-term) fixed assets**		**172,744**	**181,307**
1.	Plant, property and equipment	10.1	151,999	158,843
2.	Intangible assets	10.2	184	499
3.	Rights to assets	10.3	11,913	11,431
4.	Investment properties	10.4	573	583
5.	Goodwill	10.5	1,320	3,095
6.	Investments in other entities	10.6	383	625
7.	Deferred income tax assets	10.22	6,372	6,231
B	**(Short-term) current assets**		**180,745**	**183,531**
I	**Current assets other than assets classified as held for sale**		**180,745**	**165,284**
1.	Stock	10.7	97,165	110,198
2.	Biological assets	10.8	560	338
3.	Trade receivables and other short-term receivables	10.9	33,922	27,872
4.	Current income tax receivables		0	1,245
5.	Other financial assets	10.6	7,125	7,281
6.	Cash and cash equivalents	10.10	41,973	18,350
II	**Assets held for sale**	10.11	**0**	**18,247**
	Total assets		**353,489**	**364,838**

No.	LIABILITIES	Note	State as of 31/12/2021	State as of 31/12/2020
A	**Equity**		**175,053**	**175,422**
I	***Equity allocated to shareholders of the Company***		**171,983**	**173,769**
1.	Share capital	10.12.	5,700	5,700
2.	Share premium	10.13.	7,562	7,562
3.	Revaluation capital	10.14.	31,027	31,014
4.	Retained earnings	10.15	127,694	129,493
II	***Non-controlling shares***		**3,070**	**1,653**
B	**Liabilities**		**178,436**	**189,416**
I	**Long-term liabilities**		**36,728**	**39,373**
1.	Loans and borrowings	10.16	8,459	11,134
2.	Liabilities due to assets under lease	10.17	16,496	16,062
3.	Deferred income tax provision	10.22	6,242	6,662
4.	Liabilities related to retirement benefits and similar ones	10.18	3,005	3,317
5.	Subsidies	10.19	2,086	2,198
6.	Other long-term liabilities		440	0
II	**Short-term liabilities**		**141,708**	**150,043**
IIa	**Short-term liabilities other than those related to assets held for sale**		**141,708**	**132,561**
1.	Trade and other short-term liabilities	10.19	24,111	23,990
2.	Current income tax liabilities		0	76
3.	Loans and borrowings	10.16	112,614	104,514
4.	Liabilities due to assets under lease	10.17	4,455	3,616
5.	Liabilities related to retirement benefits and similar ones	10.18	528	365
IIb	**Liabilities related to assets held for sale**	10.21	**0**	**17,482**
	Total liabilities		**353,489**	**364,838**

(in thousands of PLN)

3.2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

No.	Revenue and costs Gains and losses	Note	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
I	**Revenues from sales**	11.1 11.2 11.3	**220,826**	**204,079**
II	**Own cost of sales**	11.4	**(179,282)**	**(151,939)**
III	**Gross profit from sales (I-II)**		**41,544**	**52,140**
1.	Costs of sales and marketing	11.4	(15,580)	(11,441)
2.	Overheads	11.4	(33,819)	(32,238)
3.	Other operating revenue	11.7	2,736	3,092
4.	Other operating costs	11.8	(573)	(875)
IV	**Profit (loss) on operating activities**		**(5,692)**	**10,678**
1.	Financial costs	11.9	(3,499)	(4,090)
2.	Financial revenue	11.10	5,464	3,608
V.	**Profit (loss) before tax**		**(3,727)**	**10,196**
	Income tax	11.11	521	(2,699)
VI	**Net profit (loss) on continued operations**		**(3,206)**	**7,497**
	Net profit (loss) on discontinued operations		**(199)**	**(1,291)**
	Net profit (loss), including:		**(3,405)**	**6,206**
	- allocated to shareholders of the parent company		(2,397)	6,313
	- allocated to non-controlling interests		(1,008)	(107)
VII	**Other comprehensive income before tax**		**18**	**(53)**
1.	Foreign exchange differences on translation of foreign entities		0	0
	Other comprehensive income to be reclassified to profit or loss, pre-tax		0	0
2.	Reassessment of liabilities under employee benefits		18	(53)
	Other comprehensive income not to be reclassified to profit or loss, pre-tax		**18**	**(53)**
	Income tax related to other comprehensive income not to be reclassified to profit or loss		(5)	10
	Other net comprehensive income		**13**	**(43)**
VIII	**Total comprehensive income, including**		**(3,392)**	**6,163**
	allocated to shareholders of the parent company		(2,384)	6,270
	- allocated to non-controlling interests		(1,008)	(107)
IX	**Net profit (loss) per 1 ordinary share**		**(0.03)**	**0.07**
	- on continued operations		(0.03)	0.07
	- on discontinued operations		0.00	0.00
IX	**Diluted profit (loss) per 1 ordinary share**		**(0.03)**	**0.07**
	- on continued operations		(0.03)	0.07
	- on discontinued operations		0.00	0.00

(in thousands of PLN)

3.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Share premium	Treasury shares	Revaluation capital	Retained earnings	Total equity attributable to shareholders of the parent company	Non-controlling shares	Total equity
State as of 1 January 2021	**5,700**	**7,562**	**0**	**31,014**	**129,493**	**173,769**	**1,653**	**175,422**
Changes in the period from 01/01/2021 to 31/12/2021	**0**	**0**	**0**	**13**	**(1,799)**	(1,786)	**1,417**	**(369)**
Net profit	0	0	0	0	(2,397)	(2,397)	(1,008)	(3,405)
Other comprehensive income	0	0	0	13	0	13	0	13
Comprehensive income	**0**	**0**	**0**	**13**	**(2,397)**	**(2,384)**	**(1,008)**	**(3,392)**
Dividend	0	0	0	0	0	0	0	0
Other consolidation adjustments	0	0	0	0	598	598	2,425	3,023
State as of 31 December 2021	**5,700**	**7,562**	**0**	**31,027**	**127,694**	**171,983**	**3,070**	**175,053**

Specification	Share capital	Share premium	Treasury shares	Revaluation capital	Retained earnings	Total equity attributable to shareholders of the parent company	Non-controlling shares	Total equity
State as 1 January 2020	**5,700**	**7,562**	**0**	**31,057**	**134,454**	**178,773**	**1,768**	**180,541**
Changes in the period from 01/01/2020 to 31/12/2020	**0**	**0**	**0**	**(43)**	**(4,961)**	(5,004)	**(115)**	**(5,119)**
Net profit	0	0	0	0	6,313	6,313	(107)	6,206
Other comprehensive income	0	0	0	(43)	0	(43)	0	(43)
Comprehensive income	**0**	**0**	**0**	**(43)**	**6,313**	**6,270**	**(107)**	**6,163**
Dividend	0	0	0	0	(11,400)	(11,400)	0	(11,400)
Other consolidation adjustments	0	0	0	0	126	126	(8)	118
State as of 31 December 2020	**5,700**	**7,562**	**0**	**31,014**	**129,493**	**173,769**	**1,653**	**175,422**

(in thousands of PLN)

3.4. CONSOLIDATED CASH FLOW STATEMENT

	CASH-FLOW STATEMENT – indirect method	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
A.	**Cash flows on operating activities – indirect method**		
I	**Profit (loss) before tax**	**(3,727)**	**10,196**
II	**Total adjustments**	**21,762**	**(3,996)**
1.	Depreciation	15,191	15,485
2.	Foreign exchange (gains) losses	106	321
3.	Interest expense	2,449	2,296
4.	Interest revenue	0	(35)
5.	Dividend income	(200)	(75)
6.	(Profit) loss on investment activities	(5,541)	(586)
7.	Change in provisions	2,442	487
8.	Change in stock	13,033	(24,305)
9.	Change in biological assets	(222)	(16)
X.	Change in receivables	(2,871)	601
11.	Changes in short-term liabilities, except for loans and borrowings	(1,383)	7,057
12.	Change in subsidies	(112)	(3,434)
13.	Surcharges received	(1,036)	(1,104)
14.	Revaluation of financial assets	(163)	(198)
15.	Other adjustments	69	490
	Cash flow from operations (used in operations)	**18,035**	**6,200**
	Paid income tax	1,022	(6,318)
	Net cash flows on operating activities	**19,057**	**(118)**
B.	**Cash flows on investing activities**		
1.	Disposal of intangible assets and property, plant and equipment	1,055	3,663
2.	From financial assets including interest	26	0
3.	Dividends received	200	75
4.	Revenues from securities	254	18
5.	Sale of shares	1,380	0
6.	Repayment of borrowings granted	6,371	443
7.	Acquisition of intangible assets and property, plant and equipment	(3,013)	(8,366)
8.	Purchase of shares	0	(998)
9.	Purchase of property rights	(2,197)	0
	Net cash flows on investing activities	**4,076**	**(5,165)**
C.	**Cash flows on financial activities**		
1.	Loans and borrowings	87,889	77,646
2.	Surcharges received	1,775	1,104
3.	Repayment of loans and borrowings	(83,121)	(79,325)
4.	Interest on loans and borrowings	(1,923)	(2,189)
5.	Refund of the surcharge	(80)	0
6.	Payments under lease agreements	(4,050)	(4,241)
7.	Dividend and other payments to shareholders	0	(11,400)
	Net cash flows on financial activities	**490**	**(18,405)**
D.	**Total cash flow before exchange rate changes**	**23,623**	**(23,688)**
	Change in cash due to exchange differences	0	5
	Total net cash flows	**23,623**	**(23,683)**
E.	**Opening balance of cash**	**18,350**	**42,033**
F.	**Closing balance of cash (E+/-D)**	**41,973**	**18,350**
	- including of restricted use	0	1,500

4. INFORMATION ON ADOPTED ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 12 MONTHS ENDED ON 31 DECEMBER 2021

4.1 Information on reporting periods

The presented annual consolidated financial statements cover the period from 1 January 2021 to 31 December 2021 while comparable financial data and explanatory notes cover the period from 1 January 2020 to 31 December 2020.

4.2. Grounds for the annual financial statements

These annual condensed consolidated financial statements were prepared according to:

•International Financial Reporting Standards as approved by the European Union,

•to the extent not regulated by the aforementioned standards – in accordance with the requirements of the Accounting Act of 29 September 1994 (Polish Journal of Laws of 2021, item 217) and implementing legislation issued on the basis thereof.

The IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied while preparing these consolidated financial statements have not changed from those applied while preparing the annual consolidated financial statements for the year ending on 31 December 2020, save and except for the application of new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2021.

These annual consolidated financial statements are presented in Polish złoty ("PLN"), and all amounts, unless otherwise indicated, are specified in thousands of PLN.

These annual consolidated financial statements were prepared with the going concern assumption as regards the Capital Group's business operations in the foreseeable future. As of the approval date of these annual consolidated financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not observe any circumstances that could point out to the threat for the continued operations as a going concern by the Capital Group of PEPEES.

4.3. Changes in accounting policies and presentation

The Group did not change the accounting principles that had been applied earlier with the exception of new or amended standards and interpretations in force for annual periods commencing on or after 1 January 2021.

4.4. Corrections of errors from previous periods

There were no such corrections of errors from previous periods.

4.5. Declaration of compliance

These financial statements were prepared in compliance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations published in the form of regulations of the European Commission.

4.6. Principles of consolidation

PEPEES Group companies for the reporting period and comparable periods have been consolidated using the full method.

The financial statements of the subsidiaries have been prepared for the same reporting period as those of the Parent Company, applying consistent accounting policies. Adjustments are made in order to reconcile any divergent rules.

In the course of consolidation, appropriate exclusions were made as regards mutual receivables and payables, income and expenses related to inter-entity operations, gains and losses attributable to inter-entity operations included in the values of the assets and liabilities subject to consolidation. Additionally, the value of the Parent Company's shares in the capital of its subsidiaries was excluded.

The consolidated statement of cash flows was prepared on the basis of the consolidated statement of comprehensive income and the consolidated statement of financial standing, as well as additional notes of the companies subject to consolidation.

The statement of changes in consolidated equity was prepared on the basis of the consolidated statement of financial standing, statements of changes in equity and additional notes of the companies subject to consolidation.

4.7. Converting items denominated in foreign currencies

Polish złoty is the functional (valuation) currency and presentation currency of the PEPEES Capital Group. Pecuniary assets and liabilities denominated in foreign currencies were converted as of the balance sheet date at the exchange rate in force in the bank whose services are used by the Group. All exchange rate differences are recognised in the consolidated statement of comprehensive income for a given period.

4.8. Plant, property and equipment

Upon transfer into IAS, the Group accepted the fair value of fixed assets evaluated by an appraiser as the assumed costs.

Fixed assets under construction, created for the purpose of production, lease or administration, and for other purposes not defined yet, are presented in the consolidated statement of the financial standing according to their costs of production minus impairment write-offs. Costs of production are raised by fees and in case of specified assets – by costs of external funding. The Group applies depreciation on a straight-line basis. The depreciation of fixed assets starts upon the commencement of their use. Such depreciation is calculated for all fixed assets except for land and fixed assets under construction, by the estimated period of the actual use thereof on a straight-line basis. Life cycles for individual groups of fixed assets amount to:

- buildings and structures 10-40 years

- machinery and equipment 2-20 years

- means of transport 3-8 years

- fixed equipment 2-15 years

Life cycles were verified and updated as of the balance sheet date.

Own land is not subject to depreciation.

Losses and profits resulting from the sales (liquidation) of property, plant and equipment are determined as the difference between revenues from sales and the balance sheet value of such items and recorded in the consolidated profit and loss statement.

As of the balance sheet date, fixed assets are measured at cost less accumulated depreciation and impairment losses, if any.

4.9. Intangible assets

Intangible assets are recognised if likely to generate an inflow of economic values to the Group, which may be directly related to such assets. The Group does not have any intangible assets with the unspecified period of use.

As of the balance sheet date, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any.

(a) Trademarks and licences

Trademarks and licences have limited (definite) economic life cycles and are recognised in the consolidated statement of the financial standing at the historical cost minus amortisation thus far. Amortisation is calculated on the straight-line basis in order to distribute cost for the estimated economic life cycle (2-10 years).

b) Computer software

Computer software licences purchased are activated in the amount of costs spent for the purchase of specific computer software and its preparation for use. Activated costs are deducted for the estimated life cycle of software (2-10 years).

Costs related to the creation and maintenance of computer programs are recognised as costs upon their incurring.

c) CO2 emission rights

CO2 emission rights are recognised as intangible assets not subject to amortisation but subject to the analysis of impairment.

Acquired emission rights are recognised at their purchase price while rights received free of charge at nominal value, i.e. at zero value.

The provision for estimated CO2 emissions in the reporting period is created and charged to the costs of core business.

Pertaining to the verified annual report referred to in Article 57(3) of the Act on Trading in Emission Rights, used and redeemed emission rights are excluded from the records. Using the rights is recognised in compliance with FIFO (first in- first out) principle.

4.10. Goodwill

Goodwill is measured as the excess of the fair value of the consideration effectively transferred for the Group's interest in the acquiree over the net amount of the acquiree's identifiable assets and liabilities recognised.

Goodwill is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to the individual cash flow generating units of the Group expected to benefit from the synergies resulting from the merger. Such cash-generating units to which goodwill is allocated are tested for impairment annually, or more frequently if impairment can be reliably presumed to have occurred. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to that unit and then to the other assets of that unit in proportion to the carrying amount of the individual assets of that unit. The impairment loss recognised for goodwill is not reversed in the following period.

4.11. Rights to asset (perpetual usufruct rights of land)

Beginning from 01/01/2019, the Group implemented the International Financial Reporting Standard no 16 "Leasing," introducing the uniform accounting model of the lessor and requiring that the lessee recognise assets and liabilities resulting from each lease concluded for a longer period than 12 months, unless the underlying asset is of low value. As of the commencement date, the lessee recognises the asset under the right to use the underlying asset and liability under lease reflecting its obligation to pay leasing fees. The lessee records the depreciation of the asset under the right to use and interest accrued on leasing liabilities.

Until 31/12/2018, the Group treated the held perpetual usufruct right to land as the operational leasing, recording related fees as the profit or loss of the period referred to. Beginning from 01/01/2019, the perpetual usufruct right to land was qualified by the Group as the lease agreement in compliance with IFRS 16.

An asset under the right to use and prepayments for lease of real property are presented in the consolidated statement of the financial condition in line "Rights to assets."

4.12. Investment properties

Investment properties are treated as a source of rental income and/or are held due to its expected appreciation in value.

Investment properties as of the date of transition to IAS were measured at fair value and this value is used as deemed cost. Each new property is valued at cost.

Depreciation is calculated for the estimated life cycle of such assets on the straight-line basis. Land is not subject to depreciation.

Losses and profits resulting from the sales (liquidation) of investment properties are determined as the difference between revenues from sales and the balance sheet value of such items and recorded in the consolidated statement of comprehensive income.

4.13. Financial instruments

Beginning from 1 January 2018, the Group classifies financial assets as one of the following three categories specified in IFRS 9:

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

The category of assets measured at amortised cost, according to the Group's classification, includes trade receivables, granted borrowings, other receivables, deposits and cash and its equivalents.

The Group measures financial assets at amortised cost by means of the effective interest method, taking into account impairment write-offs. Long-term receivables subject to IFRS 9 are discounted as of the balance sheet date.

Trade receivables due within 12 months are measured at the payable amount minus potential write-off related to projected loss.

The category of assets measured at fair value through profit or loss covers all financial instruments that have not been classified as measured at amortised cost or measured at fair value through other comprehensive income, and the ones, in case of which the Group decided to apply such a classification to eliminate accounting mismatch.

In this category, the Group classifies granted borrowings that have not passed the contractual cash flow test and derivative instruments being assets, if not selected as hedging instruments.

Profits and losses on an financial asset classified as measured at fair value through profits and loss are recognised in the financial result in the period they arise (including interest and dividend revenues received from capital instruments quoted on an active market).

Assets measured after initial recognition at fair value through other comprehensive income are financial assets held in compliance with the business model aimed at both holding financial assets for the generation of cash flows under the agreement, as well as the sale of financial assets, and the contractual characteristics of those financial assets provide for cash flows that are solely the payments of principal and interest.

Profits and losses on a financial asset that is a capital instrument with the option of measurement at fair value though other comprehensive income is recognised in other comprehensive income, save for revenues related to received dividend.

According to IFRS 9, the Group monitors changes of the loan risk related to individual items of financial assets and for each of them, it evaluates at every balance sheet date whether there is the objective evidence of impairment of a financial asset or a group of financial assets.

4.14. Stock

Stock is recognised at a purchase price or production costs that are not higher than the net sales price. Cost of finished products and work in progress includes: project costs, raw materials, direct labour, other direct costs and respective departmental costs of production (based on ordinary production capacities), but it does not include costs of external financing. Materials and goods on stock are measured using the weighted average method.

As of the balance sheet date, the measurement of stock takes place in compliance with the prudent valuation principle, that is to say according to the purchase price or achievable sale price, depending on whether any of them is lower. Net sale price corresponds to the estimated sale price minus all costs requisite for the completion of production and costs of bringing stock to market or solicitation of a buyer (e.g. costs of sales, marketing, etc.). If the purchase price exceeds the achievable sale price, the Group establishes revaluation write-offs against the costs of products sold.

4.15. Biological assets

The Parent Company leases agricultural farms, where it grows annual plants, such as potatoes, faba bean crops (peas, field beans) and cereals. Elements of biological assets are measured at the moment of their initial recognition and at the end of each reporting period at fair value minus the costs of sales, taking into account the level of plant maturity.

4.16. Short- and long-term receivables

Trade receivables are recorded and indicated according to initially invoiced amounts, including impairment write-offs. An impairment write-off of trade receivables is established in case of objective evidence that the Group will not be capable of receiving all amounts due, resulting from initial terms and conditions of receivables. Revaluation write-offs of receivables are charged to the other operating costs.

Write-offs are made on the basis of an age analysis of receivables, a collectability analysis and from referrals to court, liquidation or bankruptcy proceedings.

4.17. Transactions in foreign currency

Transactions denominated in other currency than Polish złoty are converted into Polish zloty according to the rate prevailing on the transaction date.

As of the balance sheet date, cash, bank loan facilities and other assets and liabilities denominated in other currencies than Polish złoty are converted into Polish złoty according to the exchange rate applied by the banks that renders services to the Group. Exchange rate differences from the conversion are recognised respectively as financial revenues or costs.

4.18. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits payable at demand, other short-term investments with the initial maturity period up to three months and characterised by high liquidity, as well as current account loan facility.

Term deposits are valued at amortised cost using the effective interest rate.

The current account loan facility is presented in the consolidated statement of the financial standing as an element of short-term loans and borrowings within the scope of short-term liabilities.

4.19. Advances

In case of expenses incurred, which are expected to generate economic benefits for several settlement periods, while their relationship with revenues may be defined only generally and indirectly, costs are recorded in the consolidated statement of comprehensive income by means of systematic and rational distribution in time. Costs are recognised promptly in the consolidated statement of comprehensive income if the incurred expenses do not generate any future economic benefits.

4.20. Assets held for sale and liabilities related thereto

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is only deemed and considered to have been met if a sale transaction is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The classification of an asset as held for sale assumes the intention of the company's management to complete a sale transaction within one year of reclassification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their original carrying amount or fair value less costs to sell.

4.21. Equity

Equity consists of:

- share capital, recognised in the value defined in the Articles of Association and recorded in the National Court Register,

- share premium,

- remaining supplementary capital pursuant to the Company's Articles of Association and the Code of Commercial Partnerships and Companies,

- revaluation reserve, created in accordance with IAS,

- reserve capital pursuant to the Company's Articles of Association and the Code of Commercial Partnerships and Companies,

- net profits (losses),

- retained earnings (losses) – the effects of fundamental errors are applied to this capital and financial effects of a change in accounting policy are recognised.

The nominal value of the Company's capitals (with the exception of the revaluation capital) arises from contracts, charters and profits or unabsorbed losses left in the entity.

4.22. Bank loans and borrowings

Interest bearing bank loans and borrowings (including also loan facilities on current account) are posted in the amount of inflows received. Financial costs (except those directly related to the purchase or production of plant, property and equipment), together with commissions payable upon repayment or redemption and direct costs related to incurred loans are recorded in the consolidated statement of comprehensive income by means of the effective interest rate method and they raise the accounting value of an instrument, taking into account payments made in the ongoing period.

In case of an interest rate below the market interest rates, loans are discounted to the market level of interests, and the difference between the discounted value and received inflows is recorded as a governmental subsidy.

Loans and borrowings are included in short-term liabilities unless the Group has an unconditional right to postpone the repayment of liabilities by at least 12 months from the balance sheet date. Then, they are recognised as long-term liabilities.

4.23. Costs of external financing

Costs of external financing referring directly to construction, adjustment, assembly or improvement of fixed assets or intangible assets, for the period of construction, adjustment, assembly or improvement are recognised in the value of those assets, if liabilities are incurred for that purpose. The other costs of external financing are recorded in the consolidated statement of comprehensive income.

4.24. Deferred income tax

Deferred income tax liabilities are recorded in full amount using the liability method, due to transitory differences between the tax value of assets and liabilities and their balance sheet value in the financial statements. However, if deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination affecting neither the profit or loss nor the taxable profit (loss), then it is not recognised.

Deferred income tax is determined by means of the tax rates (and provisions) that are legally or factually applicable as of the balance sheet date, that are expected to apply at the time of executing respective deferred income tax assets or payment of deferred income tax liabilities.

Deferred income tax assets are recognised if a taxable income is likely to be achieved in the future and it will make possible to benefit from temporary differences. The value of deferred tax assets is reviewed at each balance sheet date, and a write-off is made if expected future taxable profits are insufficient to realise the asset or part of it.

4.25. Employee benefits

Expected costs of employee benefits (jubilee awards, retirement allowances, etc.) are posted throughout a period of employment by means of actuarial methods. Actuarial profits and losses from ex post adjustments of actuarial assumptions are included in other comprehensive income in the statement of comprehensive income through an average, expected and remaining period of employment of employees, to whom they refer. Valuation of respective liabilities is performed every half a year by independent actuaries.

Employee benefits may also occur due to the termination of an employment relationship before retirement or whenever an employee accepts the voluntary termination of an employment relationship in return for such benefits. The Group recognises termination benefits if it has surely decided to terminate an employment relationship with employees according to an existing detailed official plan, without a possibility to withdraw from it, or it has decided to pay severance pays due to the termination of an employment relationship as a result of the offer presented as the voluntary termination of an employment relationship. Benefits payable after the period of 12 months from the balance sheet date are discounted to the current value level.

4.26. Trade liabilities

If they are not an interest instrument, trade liabilities are presented in the balance sheet in the payable amount. If a measurement at adjusted purchase price differs significantly from the payable amount, then the trade liabilities are measured at adjusted acquisition cost.

4.27. Reserves

Provisions are presented when the Group has a (legal or customary) obligation resulting from a past event and when it is certain or very probable that the fulfilment thereof will result in the outflow of funds embodying economic benefits, and when the amount of such a liability may be estimated reliably.

No provisions are established for future operating losses.

4.28. Accruals

Accruals are liabilities to be paid for goods or services that have been received (performed) fully or partially, but have not been invoiced or terms and conditions of payment were not agreed formally with a supplier. Similarly, accruals include amounts related to accrued holiday remuneration. Accruals are recorded when the amount of future liabilities and payment dates may be estimated reliably.

4.29. Impairment of assets

As of every balance sheet date, the Group estimates whether there are objective indications of a permanent impairment of an asset or group thereof. If there are such indications, the Group determines the recoverable value of an asset and makes an impairment write-off in the amount equal to the difference between the recoverable value and balance sheet value.

The impairment loss is recorded in the comprehensive income statement for the current period. If the impairment loss is subsequently reversed, the net value of the asset increases to a new estimated recoverable amount not exceeding, however, the carrying amount of the asset that would have been determined had no impairment loss been recognised for the asset in prior years. The loss reversal is recognised immediately in the consolidated income statement.

4.30. Leasing

The lease agreement is construed as an agreement under which the right to use an asset for an agreed period is granted by the lessor on behalf of the lessee for a fee or a series thereof.

On 1 January 2019, a new standard applied by the Group, IFRS 16 "Leases," came into force, replacing the previous IAS 17 of the same name and its accompanying interpretations:

- IFRIC 4 Determining whether an arrangement contains a lease;

- SIC 15 Operating lease – Incentives;

- SIC 27 Evaluation of the substance of transactions involving the legal form of lease.

As for lessees, the new standard introduces a single accounting model for leases based on the control concept (profits + power) and requires that assets (assets related to use) and liabilities resulting from lease be recognised. The item used, such as a machine or a car, is not a recognisable asset, but the right to use the item is such. The new standard eliminates the off-balance recording of leased assets, a differentiation between financial and operating lease disappears for the lessee. In respect to lessors, IFRS 16 transfers obligations defined in IAS 17. The Lessor continues to classify lease agreements into operating and financial lease. Furthermore, service-type agreements have also been treated as lease since 1 January 2019. This mainly applies to space lease and hire agreements, perpetual usufruct of land and quasi-service agreements, such as IT, telecom agreements, executed by means of fixed assets (e.g. services, optical fibre, etc.).

IFRS 16 introduces some simplifications and allows lessees to not meet the requirements applicable to recognition, measurement and presentation of lease in relation to:

- short-term lease agreements (agreement duration <1 year from the commencement of the agreement); the release shall be applied consistently with respect to respective classes of assets subject to lease; while determining the lease period, the Group should take account of the option to prolong the lease duration, if sufficiently certain that it will use the option to prolong lease or not to execute the completion option; every lease agreement containing an asset purchase option shall not be classified automatically as a short-term lease;

- lease agreements, in case of which an asset subject to lease is of low value; IAS Council, in the Explanatory Memorandum, defined that the maximum value of an asset qualifying to a release is USD 5,000 (the initial value of a new asset regardless of age of an asset subject to lease); release shall not apply to items subject to sublease. Acceptable release pertaining to the lease of short-term agreements and the lease of low price agreements is aimed at reducing costs related to the implementation of the new standard without significantly weakening the quality of information derived from the financial statements. In such a case, the lessee records leasing fees in the profit and loss account by means of the line method in the lease period or in another systematic way, if more representative.

Upon executing the agreement, the Group estimates whether it is a lease or involves lease. Lease shall be construed as an agreement or a part thereof under which the right to use an asset is transferred for a specific period in return for a fee. Assessment consists in checking whether the right to control the use of a specific asset for a given period is transferred under an agreement, that is to say whether for the entire period of use, the Group:

- has the right to acquire economic benefits from use of an identified asset (benefit element);

- has the right to manage the use of an identified asset (the element of power).

Lease agreements under which significantly all risks and gains resulting from the possession of a subject matter of lease are transferred to the Group are recoded in assets and liabilities as of the commencement date of the lease period. The value of assets and liabilities is determined as of the lease commencement date according to the lower of the following values: fair value of fixed assets subject to lease or the current value of minimum leasing fees.

Minimum leasing fees are distributed between financial costs and reduction of the balance of liabilities under lease in such a manner as to ensure the fixed interest rate in relation to the unpaid balance of liabilities. Provision leasing fees are recorded in the costs of the period when they are borne.

Fixed assets used under a lease agreement are depreciated in compliance with the same principles as the ones applicable to the Group's own assets. If, however, there is no sufficient certainty that the Group acquires the ownership title before the end of the lease period, the asset is for the shorter of the estimated useful life of the asset or the lease period.

Lease agreements under which the lessor generally maintains all risk and gains resulting from the possession of the subject matter of lease, are deemed as operating lease agreements. Leasing fees under operating lease are presented as costs in the profit and loss account on the straight-line basis throughout the lease period.

4.31. Recording revenues

Revenues are recorded in the likely amount of economic benefit to be acquired by the Group in relation to a given transaction and if the amount of revenues may be reliably measured.

Revenues from sales include the fair value of revenues from the sales of products, goods and services minus rebates and discounts, and minus the excise tax. Revenues are recorded in the following manner:

a) revenues from the sales of products and goods

According to IFRS 15 "Revenue from contracts with customers," since 1 January 2018 the Group has recorded revenue from contracts with customers upon the fulfilment of the obligation to perform a service, through the delivery of promised goods to the purchaser, while the delivery also means the acquisition of control by the purchaser over such an asset, that is to say the capacity of the direct management of the asset delivered and acquisition of all other benefits therefrom and capacity not to allow other entities to dispose thereof and acquire benefits therefrom.

The obligation to perform a service is considered by the Group to include all promises to provide the customer with goods that may be separated or a group of separated goods that are in principle the same and are delivered to the customer in the same manner. In case of each and every obligation to perform the service, the Group company decides (based on contractual terms and conditions) whether it will execute them in time or at a specific moment.

Revenues from the sales of products, goods and materials are recorded in the financial result at once at a specific moment that corresponds to the moment fulfilling the obligation to perform the service.

b) revenues from the sale of services

According to IFRS 15 "Revenue from contracts with customers," since 1 January 2018 the Group has recorded revenue from contracts with customers upon the fulfilment of the obligation to perform a service, through the delivery of promised service to the purchaser, while the delivery also means the acquisition of control by the purchaser over such an asset, that is to say the capacity of the direct management of the asset delivered and acquisition of all other benefits therefrom and capacity not to allow other entities to dispose thereof and acquire benefits therefrom.

The obligation to perform a service is considered by the Group to include all promises to provide the customer with services that may be separated or a group of separated services that are in principle the same and are delivered to the customer in the same manner. In case of each and every obligation to perform the service, the Group decides (based on contractual terms and conditions) whether it will execute it in time or at a specific moment.

Revenue from the sale of services is included in the financial result in time, if one of the following conditions is fulfilled:

- the customer receives and has economic benefits simultaneously from the performance of services by the Group as it performs its obligation, or

- as a result of fulfilling the obligation by the Group, an asset is created or improved (e.g. work in progress), and control over such an asset in the course of its production or improvement is executed by the customer, or

- as a result of the fulfilment of the obligation by the Group, an asset created that has no alternative use for the Group and at the same time, the Group may exercise the enforceable right to the payment for the service performed thus far.

IFRS 15 "*Revenues from contracts with customers" for the sale of products and goods and sale of services established so-called* Five Step Model that has been followed by the Group since 1 January 2018:

1. verification of agreements with customers to check their completeness and correctness, taking into account the likelihood of receiving the payment;

2. determination of the contract subject matter, that is a service performed by the Group for customers (in some cases, it may be necessary to analyse several contracts and record revenue in such a manner as if it resulted from one contract with the customer);

3. determination of the transactional price, that is a fee expected by the Group, taking into account the regular or variable nature of the price, its form (financial and/or non financial), as well as the value of money in time when a longer merchant loan has been granted to a counterparty;

4. allocation of price resulting from individual services/obligations under a contract – the allocation of revenues to individual services based on their unit selling price, and in case of a discount and other elements changing the price – an analysis to what services such elements refer and their subsequent appropriate allocation;

5. recognition of the revenue in the ledgers and financial statements after the Group has completed the obligation related to the performance of a service (after goods have been provided to or a service has been performed on behalf of a counterparty).

Revenue from contracts with customers in the consolidated statement of comprehensive income comprises revenue from the Group's ordinary operating activities, that is to say revenue from the sales of products, goods and materials.

Revenue from contracts with customers are recorded in an amount equal to the transactional price (including any discounts and rebates).

A transactional price also reflects the change of money in time, if the contract with the customer contains an essential funding element defined on the basis of contractual terms and conditions of payment, regardless whether it was explicitly defined therein. The element of financing is considered essential if upon the execution of the contract, a period from the delivery of promised goods or services to a customer until the customer's payment for goods or service is longer than 1 year.

According to IFRS 15, if a fee defined in a contract includes a variable amount, the Group shall estimate the amount of the fee to which it will be entitled in return for the transfer of promised goods or services to the customer and in the transactional price, it includes a part of or entire amount of variable fee only in the scope in which it is very likely that there will be no reversal of significant parts of the amount of earlier recorded cumulative revenue when uncertainty about the amount of the fee disappears.

c) interest revenue

Interest revenue is recognised in compliance with accrual principle by means of the effective interest rate method. When receivables lose their value, the Group reduces their balance sheet value to the level of a recoverable value equal to estimated future cash flows discounted according to the primary effective interest rate of the instrument, and then gradually the discount amount is settled in correspondence with interest revenues. Interest revenues from granted borrowings that have lost their value are recorded on cash basis or the principle of cost recovery, as the case may be.

d) dividends

Dividend revenue is recorded upon the acquisition of the right to receive a payment (provided that it is probable that the Group receives economic benefits and revenue amount may be reliably estimated).

4.32. Other operating revenue

Other operating revenue includes revenues and profits not directly related to the operating activities of the Group. This category includes for instance profits from the sale of fixed assets, profits from the revaluation of assets, reversal of revaluation write-offs of receivables, received compensations, overpaid tax liabilities except corporate income tax, etc.

4.33. State subsidies

Subsidies are not recognised until certain that the Group fulfils necessary terms and conditions and receives such subsidies.

State subsidies are recognised in the profits and losses systematically for each and every period, when the Group records expenses as costs to be compensated by a subsidy. In particular subsidies whose underlying condition is purchase, construction or other manner of acquisition of fixed assets are recorded as deferred revenues in the consolidated statement of financial standing and referred to profit and losses systematically in justified amounts throughout the economic life of related assets.

State subsidies payable as the compensation of incurred costs or suffered losses or as a direct form of financial support for the Group without any related costs to be incurred in the future are recorded in profits and losses, when they become due.

Benefits from preferential loans below the market interest rate are treated as subsidies and measured as a difference between the value of the loan received and the fair value of loans determined by means of a relevant market interest rate.

4.34. Costs

The Group presents the cost accounting classified according to the function of costs. Costs generated as a result of basic operations include the own costs of sale, costs of sale and distribution and overheads.

4.35. Other operating costs

Other operating cost includes costs not directly related to the operating activities of the Group. This category includes losses from the disposal of fixed assets, losses from the revaluation of assets and liabilities, revaluation write-offs of receivables, provided donations, results of guarantees and securities, etc.

4.36. Financial costs

Costs of interest, dividends and investments are presented in the line of "financial costs."

4.37. Financial revenue

Financial income includes income from dividends received, interest on investment and investment activities and foreign exchange gains.

4.38. Profit per one share

Profit per one share for each period is calculated as net profit for a specific period divided by weighted average number of the Group's shares because there are no preferential shares.

4.39. Estimates and assumptions related thereto

The Group makes estimates and assumptions based on historical experience and other various factors that are considered rational under specific circumstances, and they serve as grounds for the judgement on the balance sheet value of assets and liabilities, which does not result directly from other sources. Real value may differ from the estimated one.

Estimations and related assumptions are subject to ongoing verification. The change of accounting estimations is recorded in the period when such estimations are changed.

In the reporting period the Group made impairment tests of fixed assets and did not identify any impairment of their value.

Revaluation write-offs of the provisions take account of the level of their impairment.

Revaluation write-offs of receivables were updated in the amount taking into account the level of risk related to failure to receive payments from recipients

Provisions for retirement benefits and jubilee awards were updated on the basis of actuarial calculations as of 31/12/2021. A discount rate equal to the average profitability of the safest long-term securities quoted on the Polish capital market as of the evaluation date was adopted for discounting the future payments of benefits.

The revaluation of provisions for unused holidays was made on the basis of expected salaries of employees together with mark-ups charged to the employer for holidays unused as of 31.12.2021.

The Group recognises deferred income tax assets, assuming that the tax profit will be generated in the future, from which the assets could be used.

Every year the Group verifies adopted useful lives of fixed assets and intangible assets. The last update took place on 31/12/2021.

4.40. Cash flow statement

The Group prepares the cash flow statement based on the indirect method with the division into operating, investment and financial parts.

Cash flows from operating activities come mainly from the primary operations. They do not include external funding sources.

Cash flows from investment operations comprise mainly:

- cash paid and obtained from purchase (sale) of plant, property and equipment, intangible assets and other fixed assets,
- cash related to the purchase or sale of capital instruments,
- dividends received,
- borrowings granted to third parties,
- funds from the settlement of forward agreements.

Cash flows from financial activities refer mainly to external funding sources. They comprise for instance:

- revenue from the issue of shares (none in the presented period),

– expenditures on the repurchase of treasury shares (none in the presented period),
– dividends and other payments for shareholders,
– incurring and repayment of loans and borrowings,
– subsidies and other non-returnable revenues from an external funding source.

4.41. Reporting on segments of the operations

Within PEPEES Capital Group, four industry segments were distinguished, that is to say "potato processing," "production of electricity," "agricultural production combined with animal breeding" and "purchase and sale of real property on own account." Upon the sale of the shares in CHP Energia, which operates in the "electricity production" segment, three segments remained in the Group.

All assets and liabilities of Gospodarstwo Rolne Ponary are allocated to the "agricultural production combined with animal breeding" segment, all assets and liabilities of Pepees Inwestycje Sp. z o.o. are allocated to the segment of "purchase and sale of real property on own account", while the "potato processing" segment gathers all other assets and liabilities disclosed in the consolidated financial statements.

Due to the fact, that in 2021 Ponary company did not generate any revenues from sales, the segment of "agricultural production combined with animal breeding" was not separated in revenues and results of the segments. As regards the value of land owned by Ponary, the third segment of this activity was separated in these financial statements only for the purpose of presenting its assets and liabilities.

5. Compliance with accounting standards in 2021

Use of new interpretation and changes in standards in 2021 did not impact the financial standing of PEPEES Capital Group.

6. New accounting standards and interpretations not used in these statements

<u>New standards and interpretations entering into force after the balance sheet date </u>(issued by the International Accounting Standards Board and approved for application in the EU, and which enter into force at a later date):

- Amendments to IAS 16 Property, plant and equipment – revenue arising before a non-current asset is placed in service approved in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Conditional Liabilities and Conditional Assets" – onerous contracts – cost of fulfilling a contract approved in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 "Business Combinations" – amendments of references to the conceptual assumptions together with amendments to IFRS 3 endorsed in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- IFRS 17 "Insurance Contracts" as amended by IFRS 17 endorsed in the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- Amendments to various standards "Improvements to IFRSs (2018 - 2020 cycle)" – Amendments made under the annual improvement procedure to IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) mainly aimed at resolving inconsistencies and clarifying vocabulary – approved in the EU on 28 June 2021 (amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 are related only to an illustrative example and, therefore, no effective date is provided).

New standards and interpretations awaiting endorsement for use in the European Union:

IFRSs as endorsed by the EU do not currently differ significantly from the regulations issued by the International Accounting Standards Board (IASB), except for the following new standards and amendments to standards which, as of 31 December 2021, had not yet been endorsed for use in the EU (effective dates below refer to the standards in their full version):

- IFRS 14 "Deferred balances from regulated activities" (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to initiate the endorsement process for this interim standard for use within the EU until the final version of IFRS 14 is issued,

- Amendments to IAS 1 "Presentation of financial statements" – Classification of liabilities as current or non-current (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 1 "Presentation of financial statements" – Disclosures of accounting policies used (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 12 "Income Taxes" – Deferred tax on assets and liabilities from a single transaction (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" – Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (effective date of the amendments deferred until the completion of the research work on the equity method),

- Amendments to IFRS 17 "Insurance Contracts" – first-time adoption of IFRS 17 and IFRS 9 – comparative data (effective for annual periods beginning on or after 1 January 2023).

The effective dates are those resulting from the content of the standards promulgated by the International Financial Reporting Council. The application dates of the standards in the European Union may differ from the application dates implied by the content of the standards and are announced at the time of approval for application by the European Union.

The Issuer has not opted for the early application of any standard, interpretation or amendment published but not yet effective.

The Management Board is in the process of analysing what impact the above changes will have on the Group's financial statements.

(in thousands of PLN)

7. Amendments to applied accounting principles, correction of errors and presentation

The PEPEES Capital Group has not corrected errors from previous years. The Group did not change the accounting principles that had been applied earlier with the exception of new or amended standards and interpretations in force for annual periods commencing on or after 1 January 2021.

8. Financial instruments

The main financial instruments used by the Group include bank loans, lease, cash and short-term deposits. The main purpose thereof is to acquire funds for the operations of the Group. Similarly, the Group has other financial instruments, such as trade receivables and liabilities arising directly in the course of operations performed by the Company.

Financial assets	State as of 31 December 2021	State as of 31 December 2020
Assets measured at purchase price	-	-
Financial assets measured at fair value through profit or loss,	51,231	45,942
Financial assets measured at amortised costs	31,657	25,100
Total financial assets	82,888	71,042

Financial assets presented in the financial statements as:	State as of 31 December 2021	State as of 31 December 2020
Investments in other entities	383	625
Other financial assets	7,125	6,970
Trade receivables	24,959	19,161
Other receivables	8,448	7,378
Borrowings granted	-	311
Cash and cash equivalents	41,973	18,350
Assets held for sale*	-	18,247
Total financial assets	82,888	71,042

) There has been a reclassification of CHP Energia's assets to "Assets held for sale."

Financial liabilities	State as of 31 December 2021	State as of 31 December 2020
Financial liabilities measured at amortised cost	162,608	173,026
Total financial liabilities	162,608	173,026

Financial liabilities presented in the financial statements as:	State as of 31 December 2021	State as of 31 December 2020
Long-term loans and borrowings	8,459	11,134

(in thousands of PLN)

Liabilities due to assets under lease	20,951	19,678
Trade liabilities	15,916	14,609
Short-term credits and loans	112,614	104,514
Other short-term liabilities	4,668	5,609
Liabilities related to assets held for sale*	-	17,482
Total financial liabilities	162,608	173,026

****) There has been a reclassification of CHP Energia's liabilities to "Liabilities related to assets held for sale"***

9. Reporting on segments of the operations

Starting from 2021, the PEPEES Capital Group has distinguished three segments, that is to say "potato processing," "agricultural production combined with animal breeding" and "purchase and sale of real property on own account." By the end of 2020, the Group had identified a fourth one, "production of electricity," presented in accordance with IFRS 5 as discontinued operations as of 31/12/2020.

9.1. Information about products and services

The PEPEES Capital Group operates mainly in the "potato processing" segment. In this segment, it manufactures:

- potato starch used by households and food, pharmaceutical, paper and textile industries,
- several selections of glucose used in the food, confectionery and pharmaceutical industries,
- maltodextrin that is an essential element of powder products (ice cream, sauces, soups, fruit extracts, flavoured toppings) and nutritional supplements and vitamin and mineral supplements for children and athletes.
- protein received from potato cell cytoplasm through coagulation, separation and drying; it is a valuable component of feed mixtures for animals and an excellent substitute of animal protein.
- wide range of starch syrups used in the confectionery and
- potato grits, potato flakes, potato cubes and dumplings; products used by the food industry.

The other types of operations are related to:
generation of thermal energy, primarily for own use, while some of it is resold to the neighbouring plants (as of 31/12/2020, this segment was presented in accordance with IFRS 5 as discontinued operations),

- works and services,
- sale of selected goods and materials,
- growing and sale of annual plants.
- purchase and sale of real property on own market.
-

9.2. Segment revenues and results

Segment	Revenues	Revenues	Profit in the segment	Profit in the segment
	For the period of 12 months ended on 31 December 2021	**For the period of 12 months ended on 31 December 2020**	**For the period of 12 months ended on 31 December 2021**	**For the period of 12 months ended on 31 December 2020**
Potato processing	220,826	204,356	(7,919)	8,364
- of which between the segments		709		
Production of electricity (discontinued operations in 2020 – CHP Energia)	1,264	7,646	(184)	(1,234)
- of which between		358		

(in thousands of PLN)

segments				
Agricultural production combined with animal breeding			75	106
Purchase and sale of real properties on own account	-	-	(11)	(9)
Revenues from sales	**222,090**	**210,935**	**(8,039)**	**7,227**
Other operating revenue			2,823	3,800
Other operating costs			573	(901)
Financial revenue			435	3,979
Profit (loss) on the disposal of a subsidiary			5,029	
Financial costs			(3,601)	(5,200)
Profit (loss) before tax			**(3,926)**	**8,905**

9.3. Assets and liabilities of the segments

Assets of the segments	State as of 31 December 2021	State as of 31 December 2020
Potato processing	350,058	343,800
Production of electricity (discontinued operations – in 2020 assets presented as *assets held for sale*)	-	18,247
Agricultural production combined with animal breeding	3,360	2,556
Purchase and sale of real properties on own account	71	235
Total assets of segments	**353,489**	**364,838**

Liabilities of the segments	State as of 31 December 2021	State as of 31 December 2020
Potato processing	178,436	154,452
Production of electricity (discontinued operations – in 2020 liabilities presented as ones related *to assets held for sale*)	-	17,482
Agricultural production combined with animal breeding	-	-
Purchase and sales of real properties on own account	-	-
Total liabilities of the segments	**178,436**	**171,934**

All assets and liabilities of CHP Energia presented as "Assets held for sale" and "Liabilities related to assets held for sale" in the statement of financial standing as of 31/12/2020, were assigned to the "production of electricity" segment at the end of the previous year.

All assets and liabilities of Gospodarstwo Rolne Ponary are allocated to the "agricultural production combined with animal breeding" segment, all assets and liabilities of Pepees Inwestycje Sp. z o.o. are allocated to the segment of "purchase and sale of real property on own account", while the "potato processing" segment gathers all other assets and liabilities disclosed in the consolidated financial statements.

(in thousands of PLN)

Due to the fact, that in 202 Ponary company did not generate any revenues from sales, the segment of "agricultural production with animal breeding" was not separated in revenues and results of the segments. As regards the value of land owned by Ponary, the third segment of this activity was separated in these financial statements only for the purpose of presenting its assets and liabilities.

9.4. Other information on the segments

Segment	Depreciation	Depreciation	Increase in non-current assets	Increase in non-current assets
	2021	2020	2021	2020
Potato processing	15,136	14,014	3,358	9,352
Production of electricity (in 2020, discontinued operations)	233	1,439	-	12
Total continued operations	**15,369**	**15,453**	**3,358**	**9,364**

9.5. Revenues by products

Revenues from sales Product or service name	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Starch	135,573	117,694
Protein	14,888	14,250
Glucose	14,028	10,585
Maltodextrin	20,668	22,575
Potato flakes	6,506	5,568
Starch syrups	5,267	4,836
Dried potatoes (grits, cubes, dumplings)	12,000	12,295
Feed and fertilisers	-	257
Electricity	188	3,711
Property rights (electricity and heat)	397	2,496
Goods and materials	11,085	15,000
Services	1,490	1,668
Total	**222,090**	**210,935**

9.6. Revenues from sales according to the geographical structure

Specification	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Poland, including	136,048	149,404
Starch	70,040	73,279
Protein	9,015	9,638
Glucose	11,395	9,179
Maltodextrin	14,241	18,085
Potato flakes	3,930	3,964

(in thousands of PLN)

Starch syrups	5,267	4,836
Dried potatoes (grits, cubes, dumplings)	11,934	12,211
Feed and fertilisers	-	257
Electricity	188	3,711
Property rights (electricity and heat)	397	2,496
Goods and materials	8,151	10,080
Services	1,490	1,668
EU countries – intra-Community supplies, including:	**15,897**	**12,984**
Starch	8,042	5,918
Protein	1,599	1,588
Maltodextrin	3,582	4,026
Glucose	1,365	964
Potato flakes	958	352
Dried potatoes (grits, cubes, dumplings)	66	74
Goods	285	62
Other countries – exports	**70,145**	**48,547**
Starch	57,491	38,497
Protein	4,274	3,024
Glucose	1,268	442
Maltodextrin	2,845	464
Potato flakes	1,618	1,252
Dried potatoes (grits, cubes, dumplings)	-	10
Goods	2,649	4,858
Total	222,090	210,935

9.7. Information about key customers

The Group has no customer whose revenues from sales exceed 10% of total revenues. However, in the group of individual products there are customers whose share accounts for more than 10% of the sale of a given product. And so:

- Above 10% of protein was sold to two domestic counterparties (17.7% and 12.9% respectively),
- above 10% of maltodextrin was sold to each of two domestic counterparties (17.9% and 13.5% respectively),
- more than 10% of syrup was sold to three domestic contractors (27.2%, 24.4% and 16.8% respectively).

10. Explanatory notes to the consolidated statement of economic standing

10.1. Plant, property and equipment

PLANT, PROPERTY AND EQUIPMENT	State as of 31 December 2021	State as of 31 December 2020
a) fixed assets, including:	150,678	150,379
- land	21,428	21,429
- buildings, premises and civil engineering structures	55,954	58,633

(in thousands of PLN)

- technical equipment and machinery	69,586	66,516
- means of transport	3,011	3,062
- other fixed assets	699	739
b) fixed assets under construction	1,321	8,464
Total plant, property and equipment	151,999	158,843

CHANGES IN FIXED ASSETS (BY GENERIC GROUPS)	land	buildings, premises and civil engineering structures	technical equipment and machinery	means of transport	other fixed assets	Total
State as of 1 January 2020						
Gross value	21,428	103,678	129,067	7,790	2,319	264,282
Redemption	0	45,045	62,551	4,728	1,580	113,904
Net accounting value	21,428	58,633	66,516	3,062	739	150,378
2020						
Opening balance of gross value	22,528	107,387	140,400	8,308	4,913	283,536
Increase (due to)	-	2,480	6,168	1,074	86	9,808
- investments		1,564				1,564
- purchase		916	1,981	659	86	3,642
- lease			4,187	415		4,602
Decrease (due to)	-	331	4,338	1,362	10	6,041
- sale		54	3,374	48.	8	3,484
- liquidation		277	964	1,314	2	2,557
Derecognition of the redemption of fixed assets sold and liquidated		(276)	(1,262)	(1,191)	(10)	(2,739)
Depreciation	-	4,235	8,961	1,604	305	15,105
Net accounting value as of the end of the period	22,528	63,131	74,177	3,095	3,017	165,948
State as of 31 December 2020						
State as of the end of 2020 *(before the reclassification of CHP Energia's fixed assets to assets held for sale*)						
Gross value	22,528	109,536	142,230	8,020	4,989	287,303
Redemption	-	46,405	68,053	4,925	1,972	121,355
Net accounting value	22,528	63,131	74,177	3,095	3,017	165,948
Reclassification of CHP Energia's fixed assets to assets held for sale*						
Gross value	(1,100)	(5,858)	(13,163)	(230)	(2,670)	(23,021)
Redemption	-	(1,360)	(5,502)	(197)	(392)	(7,451)
Net accounting value	(1,100)	(4,498)	(7,661)	(33)	(2,278)	(15,570)

(in thousands of PLN)

State as of 31 December 2020 *(after reclassification)**						
Gross value	21,428	103,678	129,067	7,790	2,319	264,282
Redemption	0	45,045	62,551	4,728	1,580	113,904
Net accounting value	21,428	58,633	66,516	3,062	739	150,378
State as of 1 January 2021						
Gross value	21,428	103,678	129,067	7,790	2,319	264,282
Redemption	0	45,045	62,551	4,728	1,580	113,904
Net accounting value	21,428	58,633	66,516	3,062	739	150,378
2021						
Opening balance of gross value	21,428	103,678	129,067	7,790	2,319	264,282
Increase (due to)	-	1,403	12,997	1,598	185	16,183
- investments						-
- purchase		1,403	12,438	569	185	14,595
- lease			559	1,029		1,588
Decrease (due to)	-	21	1,492	1,147	21	2,681
- sale			694	361	10	1,065
- liquidation		21	798	786	11	1,616
Derecognition of the redemption of fixed assets sold and liquidated			(603)	(933)	(20)	(1,556)
Depreciation	-	4,061	9,038	1,435	224	14,758
Net accounting value as at the end of the period	21,428	55,954	69,586	3,011	699	150,678
State as of 31 December 2021						
Gross value	21,428	105,060	140,572	8,241	2,483	277,784
Redemption	-	49,106	70,986	5,230	1,784	127,106
Net accounting value	21,428	55,954	69,586	3,011	699	150,678

) In 2020, there was the reclassification of CHP Energia's assets (including all fixed assets) to "Assets held for sale."

Upon transfer into IAS, the fair value of fixed assets assessed by an appraiser was adopted as the assumed costs. The difference from valuation minus deferred income tax was referred to the equity.

During the reporting period, depreciation charges increased the costs of products, goods and materials sold, sales and marketing expenses and general and administrative expenses.

Encumbrances of property, plant and equipment as a result of bank loans incurred:
- contractual mortgage in the amount of PLN 58,500 thousand on behalf of Santander Bank Polska S.A.,
- contractual mortgage in the amount of PLN 58,500 thousand on behalf of PKO Bank Polski S.A.,
- contractual mortgage in the amount of PLN 15,795 thousand on behalf of PKO Bank Polski S.A.,
- registered pledge on fixed assets in the amount of PLN 9,822 thousand on behalf of BNP PARIBAS.

Investment loan facilities were incurred due to the purchase of property, plant and equipment, and their outstanding value as of the reporting date amounts to PLN 5,868 thousand As of 31/12/2021, the outstanding value of investment loans amounted to PLN 17,563 thousand.

(in thousands of PLN)

The line entitled "other operating revenues" in the consolidated statement of comprehensive income includes compensations received from an insurance company for loss of property, plant and equipment in result of fortuitous events in the amount of PLN 99 thousand (in 2020: PLN 92 thousand).

10.2. Intangible assets

INTANGIBLE ASSETS	State as of 31 December 2021	State as of 31 December 2020
a) purchased concessions, patents, licences and similar assets, including:	184	203
- computer software	103	124
b) right to gas emissions	-	296
Total intangible assets	184	499

CHANGES IN INTANGIBLE ASSETS	costs of finished R&D works	goodwill	purchased concessions, patents, licences, including computer software	Right to gas emissions	Total
State as of 1 January 2020					
Gross value	-	-	671	202	873
Redemption	-	-	457	-	457
Net accounting value	-	-	214	202	416
2020					
Opening balance of gross value	-	-	671	202	873
Increase (due to)	-	-	15	927	942
- purchase	-	-	15	927	942
Decrease (due to)	-	-	-	833	833
- use			-	833	833
Depreciation	-	-	26	-	26
Net accounting value as at the end of the period	-	-	203	296	499
State as of 31 December 2020					-
Gross value	**-**	**-**	**686**	**296**	**982**
Redemption	**-**	**-**	**483**	**-**	**483**
Net accounting value	**-**	**-**	**203**	**296**	**499**
2021					
Opening balance of gross value	-	-	686	296	982
Increase (due to)	-	-	-	2,198	2,198
- purchase				2,198	2,198
Decrease (due to)	-	-	-	2,494	2,494
- use			-	2,494	2,494
Amortisation	-	-	19	-	19
Net accounting value as at the end of the period	-	-	184	-	184
State as of 31 December 2021					
Gross value	**-**	**-**	**686**	**-**	**686**
Redemption	**-**	**-**	**502**	**-**	**502**
Net accounting value	**-**	**-**	**184**	**-**	**184**

The entire amortisation of intangible assets was presented in the consolidated statement of comprehensive income in line "overheads."

(in thousands of PLN)

10.3. Rights to assets

Detailed information is presented in note 13.a) herein.

10.4. Investment properties

Investment properties	State as of 31 December 2021	State as of 31 December 2020
Investment properties	573	583
Total investment properties	**573**	**583**

Investment properties present the value of a flat owned by the Issuer in Poznań, which is rented (PLN 373,000) and the value of ponds owned by PPZ Bronislaw located in Roje, Miłakowo commune (PLN 200,000).

10.5. Goodwill

Goodwill on consolidation arose from the acquisition of subsidiaries.

Name of subsidiary	State as of 31 December 2021	State as of 31 December 2020
CHP Energia Sp. z o.o.	-	6,120
PPZ BRONISŁAW Sp. z o.o.	486	486
Gospodarstwo Rolne Ponary Sp. z o. o.	879	879
Write-off of goodwill in CHP Energia Sp. z o.o.	-	(4,345)
Write-off of goodwill in the Farming Company	(45)	(45)
Total	**1,320**	**3,095**

The Company performed impairment tests of the goodwill and financial assets in each of its subsidiaries.

The asset impairment test for ZPZ Lublin was performed on the basis of the discounted cash flow method ("DCF") based on forecasts prepared by the Company's Management Board for 2022 -2026. The management forecasts a CAGR for the revenue of 7.4% (revenue growth of 18% in 2022, following a 3.9% decline in nominal sales in 2021 and a 9.0% decline in real terms) and an EBIT yield in the range of 2.2% to 7.8%. For the purpose of the test, the discount rate (WACC before taxation) was set as 11.9%, while the growth parameter of the cash streams in the forecast period was assumed at the level of 2%.

In case of PPZ Bronisław, the asset impairment test was performed on the basis of the discounted cash flow method ("DCF") based on forecasts prepared by the Company's Management Board for 2022 -2026. The Management Board's forecasts assume CAGR for revenues at the level of 2.7% and EBIT in the range of 1.8%-10.4%. For the purpose of the test, the discount rate (WACC before taxation) was set as 12.19%, while the growth parameter of the cash streams in the forecast period was assumed at the level of 2%.

The asset impairment test in Gospodarstwo Rolne PONARY was performed through the estimation of recoverable value as the fair value of the company's entity minus costs of preparation for sales. The fair value of the company's equity was determined on the basis of the methods of adjusted net asset value, taking into account the market value of rights to real property, as estimated by an asset valuer.

(in thousands of PLN)

10.6. Investments in other entities

CHANGE IN INVESTMENTS IN OTHER ENTITIES	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance	7,595	6,451
- shares	7,345	6,201
- bonds	250	250
b) increase:	163	946
- shares	8	946
- purchase of bonds	-	-
- revaluation of shares	155	198
c) decrease:	250	-
- sale of bonds	250	-
d) closing balance	**7,508**	**7,595**
- shares	7,508	7,345
- bonds	-	250

Investments in other entities	State as of 31/12/2021	State as of 31/12/2020
Shares (measured at fair value through profit or loss):	**7,508**	**7,345**
Bank Polskiej Spółdzielczości	75	75
Warszawski Rolno-Spożywczy Rynek Hurtowy in Bronisze	7,125	6,970
Zakłady Mięsne Ostrołęka S.A.	37	37
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bank Rozwoju	270	262
Bonds (measured at amortised cost):	**-**	**250**
Spółdzielczy Bank Rozwoju	-	250
Total	**7,508**	**7,595**

"PEPEES" S.A. has 4,000 non-preferential shares of "Warszawski Rolno-Spożywczy Rynek Hurtowy" Spółka Akcyjna, with its registered office in Bronisze ("WRSRH"), of the nominal value of PLN 4,000 thousand, and purchased for the price of PLN 3,475 thousand (of which 1,000 shares were acquired on 27 July 2020 at PLN 925 thousand).

The fair value of the share package held by "PEPEES" S.A. was estimated by an independent actuary as of 31/12/2021 for the amount of PLN 7,125 thousand. The revaluation of the foregoing shares in the amount of PLN 155 thousand was included in financial revenues in 2021.

The shares account for 3.33% of WRSRH's equity and 1.6% share of votes at the AGM. The State Treasury is WRSRH's major owner and holds a 71.83% share in equity. PEPEES does not control WRSRH. The investment is measured at fair value through profit and loss and it was included in short-term assets.

The Company also holds shares of SBR Bank Spółdzielczy in Szepietów for the total amount of PLN 270 thousand. It is a long-term investment.

Similarly, the Company holds shares in three other entities accounting for less than 5% of the total number of votes at the general meeting and are not significant from the perspective of the value and the Company's investment policy. Therefore, the shares were included in the statement in the transactional price.

10.7. Stock

(in thousands of PLN)

STOCK	State as of 31 December 2021	State as of 31 December 2020
a) materials	5,790	3,875
b) semi-finished products and work in progress	1,128	799
c) finished products	83,730	100,068
d) goods	6,835	5,760
Gross value of stock	**97,483**	**110,502**
Revaluation write-offs	**(318)**	**(304)**
Net value of stock	**97,165**	**110,198**

Value of stock recognised as cost in the reporting period amounted to PLN 176,761 thousand (in 2020 - PLN 154,542 thousand).
The amount of revaluation write-offs, recognised as costs during the period amounted to PLN 761 thousand and respectively in 2020 – PLN 1,109 thousand.
The amount of reversal of stock revaluation write-offs in 2020 amounted to PLN 747 thousand (2020 – PLN 1,326 thousand).
The value of revaluation write-offs according to the state at 31/12/2020 amounts to PLN 318 thousand (31/12/2020 – PLN 304 thousand).

The balance sheet value of stock on which the repayment of bank credits is secured amounts to PLN 54,315 thousand (31/12/2020 – PLN 52,759 thousand).

Encumbrances of stock as a result of taken bank loans:

- registered pledge on stock of potatoes, ready products and semi-finished products on behalf of Powszechna Kasy Oszczędności Bank Polski S.A., as security of the loans under which the total debt amounts to PLN 26,654 thousand as of 31/12/2021,

- registered pledge on stock of material, ready products and goods on behalf of Santander Bank Polska S.A. as security of credits under which the total debt amounts to PLN 27,661 thousand as of 31/12/2021.

–

10.8. Biological assets

Plant assets	State as of 31 December 2021	State as of 31 December 2020
Biological assets	560	338
Total	**560**	**338**

Since March 2014, "PEPEES" S.A. has leased an agricultural farm and since March 2018 new land where seeds of annual plants were planted. Costs related to the purchase of seeds and growing them as of the balance sheet date amounted to PLN 7,413 thousand, whereas revenues from agricultural activities – PLN 4,587 thousand. There was no stock on farms as of 31/12/2021. Biological assets were presented in the statement at fair value.

10.9. Trade receivables and other short-term receivables

Trade receivables and other short-term receivables	State as of 31 December 2021	State as of 31 December 2020
Trade receivables	24,959	19,161
Other receivables	8,448	7,378
Advances	515	1,333
Total	**33,922**	**27,872**

(in thousands of PLN)

CURRENCY STRUCTURE OF TRADE RECEIVABLES	State as of 31 December 2021	State as of 31 December 2020
a) in Polish currency	15,341	14,149
b) in foreign currencies (by currencies and after conversion into Polish zloty)	9,618	5,012
B1. unit/USD currency/thousand	1,152	637
thousands of PLN	4,461	2,260
B2. unit/EUR currency/thousand	1,175	633
thousands of PLN	5,157	2,752
Total short-term receivables	**24,959**	**19,161**

TRADE RECEIVABLES (GROSS) WITH THE PERIOD OF PAYMENT REMAINING AFTER THE BALANCE SHEET DATE:	State as of 31 December 2021	State as of 31 December 2020
a) up to 1 month	15,492	10,042
b) above 1 month and up to 3 months	3,875	3,037
c) above 3 months and up to 6 months	4	-
d) above 6 months up to 1 year	32	136
e) above 1 year	-	-
f) past due receivables	6,436	6,607
Total (gross) trade receivables	25,839	19,822
g) revaluation write-offs of trade receivables	(880)	(661)
Total (net) trade receivables	**24,959**	**19,161**

Past due receivables, in case of which revaluation write-offs have not been made, are receivables from debtors with which the Group has cooperated for many years and according to the assessment of their economic and financial standing such receivables do not constitute bad debts. They are past due from a few days to 3 months.

Other receivables

(in thousands of PLN)

OTHER RECEIVABLES	State as of 31 December 2021	State as of 31 December 2020
- due to taxes, subsidies, customs duties, social and health insurance and other benefits	8,010	6,992
- other	438	386
Total other net short-term receivables	8,448	7,378
- revaluation write-offs of other receivables	-	-
Total other gross short-term receivables	**8,448**	**7,378**

Receivables subject to litigation

RECEIVABLES SUBJECT TO LITIGATION	State as of 31 December 2021	State as of 31 December 2020
Gross receivables subject to litigation	136	135
Revaluation write-offs of receivables	(136)	(135)
Total receivables subject to litigation	**-**	**-**

Revaluation write-offs of receivables

CHANGE IN REVALUATION WRITE-OFFS OF SHORT-TERM RECEIVABLES	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Opening balance	**797**	**2,028**
a) increase (due to)	**423**	**318**
- establishment for bad debts related to supplies	336	318
- establishment for due interest	2	-
- establishment for receivables claimed in litigation	85	-
b) decrease (due to)	203	1,549
- dissolution of provisions due to payment	196	130
- utilisation due to cancellation and sale of receivables	-	551
- release of write-offs for CHP Energia receivables as a result of revaluation to value to be recovered – assets classified as held for sale	-	868
- cancellation	7	-
State of revaluation write-offs of short-term receivables at the end of the period	**1,017**	**797**

(in thousands of PLN)

The increase and decrease of revaluation write-offs of receivables were recorded in the statement of comprehensive income under "other operating expenses."

Advances

ADVANCES	State as of 31 December 2021	State as of 31 December 2020
a) long-term, including:	-	-
b) short-term, including:	515	1,333
- fee for the lease of the agricultural farm	-	618
- departmental costs of seasonal production	86	286
- advances for deliveries	103	303
- property insurance	276	32
- other	50	94
Total	**515**	**1,333**

10.10. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	State as of 31 December 2021	State as of 31 December 2020
Cash in bank and at hand	30,443	16,463
Short-term deposits	11,530	1,887
Total cash and cash equivalents	**41,973**	**18,350**
- including of restricted use	-	*1,500*

Short-term deposits are established for various periods, from one to a few months depending on current demand for cash and interest accrues on them according to interest rates agreed for them.

In the previous reporting period, the deposit agreement of 22/09/2020 was executed by and between "PEPEES" S.A. and Spółdzielczy Bank Rozwoju w Szepietowie (SBR). Thereunder, the Issuer transferred to the account of Bank SBR the amount of PLN 1.5 million as a deposit, which is a security for the repayment of working capital facility in the amount of PLN 1,300 thousand, granted by SBR to the subsidiary CHP Energia Sp. z o.o. The deposit was returned to the Issuer upon the sale of the shares of CHP Energia, so there is no longer any restricted cash as of 31/12/2021.

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE)	State as of 31 December 2021	State as of 31 December 2020
a) in Polish currency	32,276	17,560
b) in foreign currencies (by currencies and after conversion into Polish zloty)	9,697	790
B1. unit/USD currency/thousand	872	56
thousands of PLN	3,381	194
B2. unit/EUR currency/thousand	1,441	135
thousands of PLN	6,316	596
Total cash and cash equivalents	41,973	18,350

(in thousands of PLN)

10.11. Assets held for sale

As of 31/12/2021, PEPEES does not have any assets and related liabilities that would require classification as held for sale.

As of 31/12/2020, in the previous reporting year, as regards the execution of the Preliminary Agreement for the sale of shares in CHP Energia with Orlen Południe S.A. on 19/02/2021, the group presented the total assets of CHP Energia Sp. z o.o. in the statement of financial standing.

The sale of the shares was settled on 18/03/2021 and the impact of the sale on the Group's financial result is described in note 11.11.

10.12. Share capital

Series / issue	Type of shares	Type of preference of shares	Type of restricted rights to shares	Number of shares	Value of a series/issue at nominal value	Registration date
A	ordinary, bearer	Non-preferential	no restrictions	83 million	4,980	09/05/2008
B	ordinary, bearer	Non-preferential	no restrictions	12 million	720	30/09/2014
Total number of shares				**95 million**		
Total share capital					**5,700**	
Nominal value of one share = PLN 0.06						

According to the Issuer's best knowledge, as of the balance sheet date, the ownership structure was as follows:

SHAREHOLDING	Number of shares [pcs.]	Share in capital %	Number of votes	Share in the total number of shares at the AGM%
EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27,759,032	29.22%	6,356,799	6.69%
Michał Skotnicki**	21,399,174	22.53%	21,399,174	22.53%
Maksymilian Maciej Skotnicki**	20,703,282	21.79%	20,703,282	21.79%
Newth Jonathan Reginald	7,995,200	8.42%	7,995,200	8.42%
Richie Holding Ltd.	6,133,100	6.46%	6,133,100	6.46%
Other	11,010,212	11.59%	11,010,212	11.59%

*Due to the failure to fulfil the reporting obligation on the purchase of a significant package of shares, according to the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, holding – pursuant to the information known to the Company – 27,759,032 shares of the Company, has lost and cannot exercise the rights to vote in relation to 21,402,233 shares. Therefore, the Company's Management Board filed an action to the Regional Court in Białystok to decide on the issue. Epsilon FIZ AN is of the contrary opinion, claiming that is entitled to vote in relation to 27,759,032 shares accounting for 29.22% of the total number of votes at the AGM. The Chairperson of the Polish Financial Supervision Authority joined the case; he presented his opinion on 24 July 2019. The Management Board is awaiting a valid and binding ruling of the court. The Company discussed the issue in current reports no. 13/2019, 14-23/2019 and 30/2019.

(in thousands of PLN)

** Mr Maksymilian Maciej Skotnicki and Michał Skotnicki are persons referred to in Article 87(4)(1) of the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies; therefore, the total shareholding of the aforementioned individuals comprises 42,102,456 shares, which accounts for 44.32% share in share capital and 57.21% of the number of entitled votes in the Company.

None of the remaining shareholders reported on the possession of at least 5% share in the share capital and in the total number of votes at the AGM.

10.13. Share premium

SHARE PREMIUM	State as of 31 December 2021	State as of 31 December 2020
a) from the sale of shares above their nominal value	7,562	7,562
Share premium	**7,562**	**7,562**

10.14. Revaluation capital

REVALUATION CAPITAL	State as of 31 December 2021	State as of 31 December 2020
a) established from the reassessment of the assets (not to be divided)	31,122	31,122
b) reassessment of liabilities under employee benefits	(117)	(133)
c) deferred tax on the result of reassessment	22	25
Total revaluation capital	**31,027**	**31,014**

10.15. Retained earnings

RETAINED EARNINGS	State as of 31 December 2021	State as of 31 December 2020
a) established under statutory provisions	1,660	1,660
b) established from profit	52,142	44,812
Reserve capital created from the distribution of profits	**53,802**	**46,472**
c) investment fund	81,634	81,634
Reserve capital established from the distribution of profits	**81,634**	**81,634**
(d) retained earnings (loss) from previous years	(455)	(4,926)
(e) net result for the period	(7,287)	6,313
Undistributed result	**(7,742)**	**1,387**
Total retained earnings	**127,694**	**129,493**

10.16. Loans and borrowings

(in thousands of PLN)

Long-term loans

LONG-TERM LIABILITIES WITH THE FOLLOWING REPAYMENT PERIODS FROM THE BALANCE SHEET DATE:	State as of 31 December 2021	State as of 31 December 2020
a) above 1 year and up to 3 years	3,009	3,240
b) above 3 years and up to 5 years	752	2,256
c) above 5 years	4,698	5,638
Total long-term liabilities	**8,459**	**11,134**

No.	Type of loan	Borrower	Loan amount under an agreement	Currency	Loan/ Borrowing amount to be repaid	Currency	Interest rate	Repayment date
1	Investment loan to finance and refinance the purchase of 100% shares in Gospodarstwo Rolne Ponary Sp. z o.o.	Pepees	10,530	PLN	5,265	PLN	1-M WIBOR interest rate for deposits plus the Bank's margin	30/06/2025
2	Investment loan	Bronisław	8,456	PLN	5,637	PLN	1-M WIBOR interest rate for deposits plus the Bank's margin	31/12/2027
			18,986	PLN	10,902	PLN		

Loans were measured according to IFRS 9 and at amortised cost.

The amount of PLN 2,443 thousand was recorded in the consolidated statement of financial condition in short-term liabilities, because it will be repaid within 12 months from the balance sheet date.

Securities

Ad.1

The loan is secured with total mortgage up to the amount of PLN 15,795 thousand, transfer of cash receivables under an insurance agreement, registered pledges on 32,400 shares (100% shares) in Gospodarstwo Rolne Ponary, blank own promissory note.

Ad. 2

The loan is secured by a loan repayment guarantee granted by "PEPEES" S.A. in the amount of PLN 12,684 thousand.

Short-term loans

(in thousands of PLN)

No.	Type of loan	Borrower	Loan/Borrowing amount under an agreement	Currency	Loan/Borrowing amount to be repaid	Currency	Interest rate	Repayment date
1	Loan on the current account	Pepees	4,000	PLN	-	PLN	1-month WIBOR+bank's margin	31/08/2022
2	Revolving loan	Pepees	16,500	PLN	16,500	PLN	1-month WIBOR+bank's margin	31/08/2022
3	Working capital loan	Pepees	17,000	PLN	17,000	PLN	1-month WIBOR+bank's margin	31/08/2022
4	Loan on the current account	Pepees	4,000	PLN	-	PLN	1-month WIBOR+bank's margin	31/08/2022
5	Revolving loan	Pepees	16,500	PLN	16,500	PLN	1-month WIBOR+bank's margin	31/08/2022
6	Working capital loan for potato purchase	Pepees	17,000	PLN	17,000	PLN	1-month WIBOR+bank's margin	31/08/2022
7	Investment loan for the construction of a starch drying facility, unloading hub and water treatment station	Pepees	9,822	PLN	231	PLN	3-M WIBOR interest rate for deposits plus the Bank's margin	25/02/2022
8	Working capital loan	Lublin	2,000	PLN	1,655	PLN	1-month WIBOR+bank's margin	31/08/2022
9	Working capital loan	Lublin	2,000	PLN	1,662	PLN	1-month WIBOR+bank's margin	31/08/2022
10	Revolving loan	Lublin	4,000	PLN	3,380	PLN	1-month WIBOR+bank's margin	31/08/2022
11	Working capital loan	Lublin	4,000	PLN	3,448	PLN	1-month WIBOR+bank's margin	31/08/2022
12	Loan on the current	Lublin	2,000	PLN	-	PLN	1-month WIBOR+bank's	31/08/2022

(in thousands of PLN)

	account						margin	
13	Loan on the current account	Lublin	2,000	PLN	-	PLN	1-month WIBOR+bank's margin	31/08/2022
14	Loan on the current account	Bronisław	700	PLN	-	PLN	1-month WIBOR+bank's margin	31/08/2022
15	Purchase loan	Bronisław	9,000	PLN	8,999	PLN	1-month WIBOR+bank's margin	31/08/2022
16	Revolving loan	Bronisław	7,300	PLN	7,300	PLN	1-month WIBOR+bank's margin	31/08/2022
17	Loan on the current account	Bronisław	700	PLN	197	PLN	1-month WIBOR+bank's margin	31/08/2022
18	Purchase loan	Bronisław	8,000	PLN	7,999	PLN	1-month WIBOR+bank's margin	31/08/2022
19	Revolving loan	Bronisław	8,300	PLN	8,300	PLN	1-month WIBOR+bank's margin	31/08/2022
			134,822	**PLN**	**110,171**	**PLN**		

**In the statement of financial standing is contained the amount of PLN 112,614 thousand; the difference in the amount of PLN 2,443 thousand refers to long-term loans that will be repaid within 12 months from the balance sheet date.*

Securities

The loans were concluded on the basis of two loan agreements, referred to as the "Multiline Agreement" (Santander Bank Polska) and "Multipurpose Credit Limit Agreement" (PKO BP), which are secured:

– cumulative contractual mortgage in the amount of PLN 58,500 thousand on real properties:

- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

– assignment of rights under the insurance policy of the real property:

- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

– registered pledge on assets:

- owned by PEPEES S.A.
- owned by PPZ Bronisław S.A.

- owned by ZPZ Lublin Sp. z o.o.

– assignment of rights under the insurance policy of fixed assets

– registered pledge on stock of the value that at least amounts to 145% of the balance of the working capital loan and assignment of stock insurance policy,

– assignment of rights under insurance policy of stock,

– transfer of receivables arising from the business activities conducted by PEPEES S.A., PPZ Bronisław S.A., ZPZ Lublin Sp. z o.o.,

– blank promissory note with a promissory note agreement.

– blank promissory note with a promissory note agreement issued by:

- PEPEES S.A.

- PPZ Bronisław S.A.

- ZPZ Lublin Sp. z o.o.

– contractual mortgage up to the amount of PLN 58,500 thousand on real properties:

- owned by PPZ Bronisław S.A.

- owned by ZPZ Lublin Sp. z o.o.

– assignment of rights under the insurance policy of the real property:

- owned by PPZ Bronisław S.A.

- owned by ZPZ Lublin Sp. z o.o.

– registered pledge on fixed assets

- owned by PEPEES S.A.

- owned by PPZ Bronisław S.A.

- owned by ZPZ Lublin Sp. z o.o.

– assignment of rights under insurance policies of fixed assets

– registered pledge on stock

- owned by PEPEES S.A.

- owned by PPZ Bronisław S.A.

- owned by ZPZ Lublin Sp. z o.o.

– assignment of rights under insurance policy of stock

(in thousands of PLN)

- general assignment of 40% of receivables:

- owned by PEPEES S.A.
- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

Ad. 7

The loan is secured on the contractual mortgage in the amount of PLN 14,734 thousand, assignment of rights under the insurance policy, statement on submission to enforcement.

Information on an unpaid loan or borrowing, or the violation of material provisions of a loan or borrowing agreement, in case of which no remedies undertaken by the end of the reporting period:

All loans are repaid according to maturity dates under the agreement executed. In the reporting period, no provisions of the loan agreements were breached.

10.17. Liabilities due to assets under lease

LIABILITIES UNDER FINANCIAL LEASE	State as of 31 December 2021	State as of 31 December 2020
a) long-term (from one year to 5 years)	16,496	16,062
b) short-term (up to one year)	4,455	3,616
Total	**20,951**	**19,678**

The above liability arises from contracts executed for the financing of cars, machinery and equipment. Payments are made in monthly instalments according to payment schedule; the last payment is scheduled for August 2025. The interest on the liability accrues according to the variable interest rate WIBOR 1M and margin. According to the provisions of the agreements, all rights related to implied warranty and guarantee are transferred to the Lessee. The sole exception to this rule is the right to withdraw from the sale agreement, and only the Lessor is entitled to do so. The Lessee's obligations include the timely payment of instalments according to payment schedule accepted by the Lessee. In case of delays in the payment of instalments or failure to pay them, the Lessor is entitled to terminate the agreement and demand that the subject matter of lease be returned. Having terminated the lease agreement, the ownership title to the subject matter of lease is transferred by the Lessor to the Lessee.

LIABILITIES UNDER FINANCIAL LEASE	2022	2023-2025	Total
Nominal value of leasing fees	5,272	18,614	23,886
Future financial costs	(817)	(2,118)	(2,935)
Current value of minimum leasing fees	**4,455**	**16,496**	**20,951**

10.18. Liabilities related to retirement benefits and similar ones

LIABILITIES RELATED TO RETIREMENT BENEFITS AND SIMILAR ONES (BY TITLE)	State as of 31 December 2021	State as of 31 December 2020
a) long-term, including:	3,006	3,318
- retirement benefits	564	630

(in thousands of PLN)

- jubilee awards	2,442	2,688
b) short-term, including:	527	364
- retirement benefits	138	100
- jubilee awards	389	264
Total	**3,533**	**3,682**

CHANGE IN LIABILITIES RELATED TO RETIREMENT BENEFITS AND SIMILAR ONES (BY TITLE)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance	**3,682**	**3,195**
- retirement benefits	729	600
- jubilee awards	2,953	2,595
b) increase (due to)	**236**	**837**
- retirement benefits	24	138
- jubilee awards	212	699
c) use (due to)	**330**	**329**
- retirement benefits	33	9
- jubilee awards	297	320
d) dissolution (due to)	**55**	**21**
- retirement benefits	17	-
- jubilee awards	38	21
e) closing balance	**3,533**	**3,682**
- retirement benefits	703	729
- jubilee awards	2,830	2,953

Jubilee awards are paid to employees working for at least 20 years in total, and every 5 years. The period of work making the employee eligible for such an award includes work for "PEPEES" S.A. and companies separated from "PEPEES" S.A., subject to the transfer of the employee from "PEPEES" S.A. to these companies, pertaining to Article 231 of the Labour Code and the period of work in all entities being employers within the meaning of the provisions of the Labour Code and periods of work on a farm in case of the acquisition of ownership of such a farm by the employee.

A jubilee award is obtained on the condition of work for at least 5 years for "PEPEES" S.A. and subsidiaries separated from "PEPEES" S.A., and subject to the transfer of the employee from "PEPEES" S.A. to those companies pursuant to Article 231 of the Labour Code.

The amount of such an award is based on the equivalent of 150% of the gross minimum salary as defined in compliance with the applicable provisions of law.

The amount of the award is calculated only for the period of work on behalf of "PEPEES" S.A. and companies separated from "PEPEES" S.A., and subject to the transfer of the employee from "PEPEES" S.A. to those companies pursuant to Article 231 of the Labour Code.

The amount of the award depending of the total period of work amounts to the following percentage of the calculation of the award base:

- after 20 years of work -200%,
- after 25 years of work -250%,
- after 30 years of work -300%,
- after 35 years of work -350%,
- after 40 years of work and after each following 5-year period of work -400%.

(in thousands of PLN)

Part-time employees receive the jubilee award in the proportional amount to the time of work specified in the employment agreement.

Retirement and disability pension benefits at the Group are paid pursuant to the provisions of Article 921 of the Labour Code.

The employee who fulfils the terms and conditions of the disability or retirement pension entitlement and whose employment relationship has been terminated due to retirement is eligible for a severance pay equal to one month's salary.

Pensioners who are re-employed do not gain the right to the severance pay again.

The amount of liabilities at **ZPZ Lublin** for each period was calculated by an independent actuary.

The base for the award is the basic salary on the entitlement date of the award. The amount of the award is dependent on length of service and is 100% of basic salary for every five years worked.

The periods of service entitling to severance pay are set out in the Company Collective Labour Agreement. After 20 or more years of service, the severance pay is 200% of the basic salary.

An employee who has received the severance pay may not become entitled thereto again.

Basic actuarial assumptions	Balance sheet date 31/12/2021	Balance sheet date 31/12/2020
Annual salary growth rate	3.50%	3.50%
Discount rate	3.60%	1.25%

10.19. Trade and other short-term liabilities

TRADE AND OTHER SHORT-TERM LIABILITIES	State as of 31 December 2021	State as of 31 December 2020
- trade liabilities with maturity date:	15,916	14,609
- other short-term liabilities	4,668	5,609
- provisions for remaining liabilities and other charges	3,527	3,772
Total trade liabilities, other liabilities and provisions therefor	**24,111**	**23,990**

SHORT-TERM LIABILITIES	State as of 31 December 2021	State as of 31 December 2020
- trade liabilities with maturity date:	15,916	14,609
- up to 12 months	15,916	14,609
- over 12 months	-	-
- due to social insurance, taxes, custom duties and other benefits	2,905	2,404
- due to remuneration	880	1,728
- other	883	1,477
Trade and other liabilities	**20,584**	**20,218**

PROVISIONS, ACCRUALS AND DEFERRED	State as of 31 December 2021	State as of 31 December

REVENUE (BY TITLE)		2020
a) long-term, including:	**2,086**	**2,198**
- subsidies to plant, property and equipment	2,086	2,198
b) short-term, including:	**3,527**	**3,772**
- subsidies to plant, property and equipment	98	98
- provision for environmental protection costs	84	117
- provisions for holiday remuneration	782	715
- provision for supplier bonuses	59	
- provision for bonuses for the Management Board and employees	48	533
- provision for invoiced services	27	26
- provision for used CO2 emission rights	2,429	2,283
Total	**5,613**	**5,970**
CHANGE OF THE CONDITION OF SHORT-TERM PROVISIONS (BY TYPE)	**For the period of 12 months ended on 31 December 2021**	**For the period of 12 months ended on 31 December 2020**
a) opening balance	**3,772**	**4,319**
- subsidies to plant, property and equipment	98	622
- provision for benefits performed by counterparties	26	23
- fee for using the natural environment	117	83
- provisions for holiday remuneration	715	702
- rights to emission of gases	2,283	1,434
- bonuses for the Management Board and employees	533	1,455
b) increase (due to)	**3,380**	**2,510**
- provision for used CO2 emission rights	2,226	1,682
- fee for using the natural environment	92	102
- provisions for holiday remuneration	493	438
- provisions for benefits performed by counterparties	95	26
- bonuses for the Management Board and employees	474	262
c) use (due to)	**3,625**	**1,556**
- fee for using the natural environment	125	68
- provisions for holiday remuneration	408	296
- provision for used CO2 emission rights	2,080	833
- provision of benefits performed by counterparties	35	23
- bonuses for the Management Board and employees	977	336
d) dissolution (due to)	**-**	**848**
- bonuses for the Management Board and employees	-	848
e) reclassification of liabilities related to assets held for sale (applies to CHP Energia)	**-**	**653**
- subsidies to plant, property and equipment	-	524
- provisions for holiday remuneration	-	129
e) closing balance	**3,527**	**3,772**
- subsidies to plant, property and equipment	98	98
- provision for used CO2 emission rights	2,429	2,283
- fee for using the natural environment	84	117
- provisions for holiday remuneration	800	715
- bonuses for the Management Board and employees	30	533
- provisions for benefits performed by counterparties	86	26

(in thousands of PLN)

10.20. Derivative financial instruments

On the balance sheet date of 31/12/2021, the PEPEES Group had no outstanding forward contracts.

10.21. Liabilities related to assets held for sale

Last year, CHP Energia's total liabilities as of 31/12/2020 less consolidation exclusions and, therefore, CHP Energia's liabilities to the Issuer, were presented as liabilities related to assets held for sale in the statement of financial standing.

LIABILITIES RELATED TO ASSETS HELD FOR SALE) (liabilities of CHP Energia less liabilities to PEPEES)	**State as of 31/12/2020**	**Share %**
Long-term loans and borrowings	8,486	32.96%
Subsidies (long-term part)	2,799	10.87%
Trade liabilities	2,736	10.63%
Other short-term liabilities	2,536	9.85%
Short-term credits and loans	8,537	33.16%
Provisions for remaining liabilities and other charges	653	2.54%
Total liabilities of CHP Energia	**25,747**	**100%**
Liabilities on borrowings received from PEPEES	(4,932)	59.67%
Surety liabilities – liabilities to PEPEES	(1,127)	13.64%
Trade payables to PEPEES (receivables and advances)	(2,206)	26.69%
Total payables to PEPEES	**(8,265)**	**100%**
Total liabilities related to assets held for sale	**17,482**	

The assets held for sale to which the liabilities detailed above relate are described in note 10.11 hereof.

(in thousands of PLN)

10.22. Deferred income tax

DEFERRED INCOME TAX PROVISIONS	State as of 31 December 2021	State as of 31 December 2020
Difference between the balance sheet value and tax value of plant, property and equipment	5,545	5,925
Unrealised foreign exchange differences	4	1
Valuation of investments	693	662
Due interest not received	-	74
Total deferred income tax provisions	**6,242**	**6,662**

(in thousands of PLN)

DEFERRED INCOME TAX ASSETS	**State as of 31 December 2021**	**State as of 31 December 2020**
Unpaid remuneration	144	177
Provision for unused holiday leaves	152	136
Retirement benefits and jubilee bonuses	672	700
Unrealised foreign exchange differences	121	36
Revaluation write-offs of receivables	16	-
Revaluation write-offs of stock	62	139
Revaluation write-offs of shares	18	886
Liabilities due in relation to the subject matter of lease	912	1,218
Consolidation adjustments – retained earnings	(15)	2
Provision for bonuses for the Management Board and employees	6	102
Provision for used CO2 emission rights	462	434
Valuation of assets	2,330	2,389
Tax loss	1,368	-
Other	124	12
Total deferred income tax assets	**6,372**	**6,231**

(in thousands of PLN)

11. Explanatory notes to the comprehensive income statement

11.1. Revenues from the sales of products

NET REVENUE FROM THE SALES OF PRODUCTS (MATERIAL STRUCTURE – TYPES OF OPERATIONS)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
on continued operations	208,931	187,802
- potato products	208,931	187,802
- electricity	-	-
- other products (feed and fertiliser)	-	-
on discontinued operations	**585**	**3,968**
- electricity	585	3,711
- other products (feed and fertiliser)	-	257
Total net revenues from the sales of products	**209,516**	**191,770**

(in thousands of PLN)

) The operations of CHP Energia until 17/03/2021 are presented as discontinued operations.

11.2. Revenues from the sales of services

NET REVENUE FROM THE SALES OF SERVICES (MATERIAL STRUCTURE – TYPES OF OPERATIONS)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
- revenues from the lease of real property	867	872
- transmission of electricity	91	76
- water supply and sewage disposal	7	5
- rental of equipment and vehicles	79	-
- services for farmers	392	554
- other services	54	161
Total net revenues from the sales of services, including:	**1,490**	**1,668**
on continued operations	*1,348*	*1,183*
on discontinued operations	*142*	*485*

***) The operations of CHP Energia until 17/03/2021 are presented as discontinued operations.**

(in thousands of PLN)

11.3. Revenues from the sales of goods and materials

NET REVENUE FROM THE SALES OF GOODS AND MATERIALS (MATERIAL STRUCTURE – TYPES OF OPERATIONS)	**For the period of 12 months ended on 31 December 2021**	**For the period of 12 months ended on 31 December 2020**
- potatoes	6,348	9,376
- potato products	2,074	2,647
- pesticides	1,935	2,737
- materials and waste (scrap, waste paper, post-fermentation imprint)	273	241
- energy performance certificates	445	2,496
- other	9	-
Total net revenues from the sales of goods and materials	**11,084**	**17,497**
on continued operations	*10,630*	*14,992*
on discontinued operations	*454*	*2,505*

***) The operations of CHP Energia until 17.03.2021 are presented as discontinued operations.**

(in thousands of PLN)

11.4. Costs by type

COSTS BY TYPE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) depreciation	15,369	15,453
b) consumption of materials and energy	112,674	132,399
c) outsourcing	25,713	24,149
d) taxes and charges	4,288	4,633
e) remuneration	31,281	30,714
f) social insurance and other benefits	6,761	7,505
g) other costs by type (by subject)	3,843	3,181
- costs of representation and advertising	148	137
- business travels	98	106
- costs of property and personal insurance	621	689
- costs of analyses, research and scientific expertise	224	351
- other costs	2,752	1,898
Total costs by type	**199,929**	**218,034**
Change in stock, products and accruals	18,284	(28,266)
Costs of manufacturing products for the entity's own needs	(715)	(3,435)
Costs of sale (negative value)	(15,580)	(11,441)
Overheads (negative value)	(33,994)	(33,365)
Costs of manufacturing products and services sold	**167,924**	**141,527**

(in thousands of PLN)

11.5. Costs of employee benefits

COSTS OF EMPLOYEE BENEFITS	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
e) costs of remuneration, including:	**31,281**	**30,714**
- remuneration under employment agreements	28,316	26,993
- salaries under contracts for mandate and similar ones	1,432	1,613
- remuneration of the Members of the Supervisory Board	1,570	1,540
- severance pays and jubilee bonuses	(104)	406
- provisions for salaries for unused holidays	67	144
- provisions for bonuses for the Management Board and employees	-	18
f) social insurance and other benefits, including:	**6,761**	**7,505**
- costs of social insurance	4,433	5,090
- contributions to the employee pension scheme	588	713
- deductions to the work fund	590	601
- deduction to the social benefit fund	562	573
- costs of employee trainings	145	75
- working clothes	319	278
- costs of medical examinations and OSH	124	175
Total costs of employee benefits	**38,042**	**38,219**

(in thousands of PLN)

11.6. Result of agricultural production

Specification	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Revenues from the sales of agricultural products	2,717	2,108
Revenues from the lease of agricultural land and machinery	291	240
Subsidies	1,081	1,001
Result on the sales of agricultural machinery	272	114
Costs of operations	(7,187)	(7,025)
Result of agricultural production	**(2,826)**	**(3,562)**

(in thousands of PLN)

11.7. Other operating revenue

OTHER OPERATING REVENUE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) profit from the sales of non-financial fixed property	300	949
b) dissolving provisions due to:	203	1,483
- write-offs of receivables	203	130
- release of write-offs for CHP Energia receivables as a result of revaluation to value to be recovered – assets classified as held for sale	-	868
- release of write-offs for CHP Energia advances as a result of revaluation to value to be recovered – assets classified as held for sale	-	485
c) governmental subsidies, including:	2,005	773
- remuneration subsidies (anti-crisis shield COVID-19)	1,791	
- subsidy for electricity price increases	-	137
- subsidies to plant, property and equipment	214	636
d) other, including:	316	595
- received compensations, fines and penalties	157	337
- surplus of assets	3	3
- leased asset settlement	-	153
- other	155	102
Other total operating revenues	**2,823**	**3,800**

(in thousands of PLN)

11.8. Other operating costs

OTHER OPERATING COSTS	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) loss from the sales of non-financial fixed property	-	-
b) other, including:	**573**	**901**
- donations	44	155
- decommissioning costs of non-financial fixed assets	6	45
- costs of disputes	16	27
- revaluation write-offs of receivables	191	183
- unplanned depreciation write-offs	261	32
- adjustments from the settlement of lease contracts	(419)	-
- paid compensations, fines and penalties	5	90
- deducted receivables	221	106
- shortage of assets	13	16
- costs of collection of debts	-	1
- costs of post-accident repairs	81	39
- abandoned investments	-	50
- other	154	157
Total other operating costs	**573**	**901**

(in thousands of PLN)

11.9. Financial costs

FINANCIAL COSTS	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) interest on loans and borrowings	1,200	1,996
b) interest on liabilities	910	610
(c) valuation of shares in CHP Energia under IFRS 5 – classification as held for sale	-	1,695
d) foreign exchange losses	789	240
- realised	424	240
- unrealised	365	
(e) write-off of goodwill of GR PONARY Sp. z o.o.	-	45
f) other financial costs	690	614
- leasing fees	479	352
- loan commissions and reimbursement of bank charges BFG	196	185
- discount on the repurchase of receivables	15	77
Total financial costs	**3,601**	**5,200**

(in thousands of PLN)

11.10. Financial revenue

FINANCIAL REVENUE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) Gain on disposal of a subsidiary (CHP Energia)	5,029	-
b) dividends	200	75
b) interest on borrowings	17	34
d) interest on deposits	24	114
e) interest on receivables	15	28
f) revaluation of financial assets	175	3,216
- revaluation of shares held (WRSRH in Bronisze and SBR)	163	198
- updating of borrowings as a result of revaluation to value to be recovered – assets classified as held for sale	-	2,256
- updating of surety receivables as a result of revaluation to value to be recovered – assets classified as held for sale	-	762
g) interest on bonds	4	18
h) positive exchange rate differences	-	494
- realised	-	408
- unrealised	-	86
Total financial revenue	**5,464**	**3,979**

11.11. Disposal of activities

11.11.1 Payment received

In Q1 2021, the PEPEES Group disposed of the "production of electricity," carried out entirely by the subsidiary company CHP Energia Sp. z o.o.

On 18/03/2021, a cash payment in the amount of PLN 1,403 thousand was received for the shares sold.

Due to the monthly closing of reporting periods, items were taken as at the last day of the month preceding the sale, i.e. 28/02/2021. It was not possible to accept the figures at the end of the month in which the sale took place due to significant changes introduced by the new investor.

(in thousands of PLN)

11.11.2 Analysis of CHP Energia's assets and liabilities over which control has been lost by liquidity/*thousands of PLN/*

	28/02/2021	**31/12/2020**
Current assets	**2,120**	**2,516**
Cash and cash equivalents	24	77
Current receivables	730	690
Stock	1,366	1,749
Fixed assets	**15,497**	**15,730**
Plant, property and equipment	15,497	15,730
Current liabilities	**17,067**	**14,462**
Trade and other liabilities	7,566	5,925
Loans and borrowings	9,501	8,537
Long-term liabilities	**8,249**	**11,285**
Loans and borrowings	8,249	8,486
Other long-term liabilities		2,799
Net assets sold	**(7,699)**	**(7,501)**
Net assets disposed of attributable to the parent company (70.15%)	**(5,401)**	**(5,262)**

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11.11.3 Profit (loss) on the sale of a subsidiary

	18/03/2021
Payment received	1,403
Minus net assets disposed of attributable to the parent company	(5,401)
Minus goodwill as of the loss of control	1,775
Profit on sales (as shown in the consolidated statement of profit or loss and other comprehensive income)	**5,029**

11.11.4 Net cash proceeds from disposals

	18/03/2021
Cash payment received	1,403
Disposed of cash balance	24
Net receipts	**1,379**

(in thousands of PLN)

11.12. Income tax

INCOME TAX	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Current tax	(25)	(2,625)
Tax on divided	(38)	14.
Deferred tax	584	(60)
Total income tax	**521**	**(2,699)**

(in thousands of PLN)

Income tax matched with the gross financial result before tax according to the statutory tax rate with income tax charged according to the effective tax rate:

Specification	**For the period of 12 months ended on 31 December 2021**	**For the period of 12 months ended on 31 December 2020**
Gross financial result before tax	(3,926)	8,905
Consolidation exclusions	(4,998)	(99)
Losses of the companies	5,921	1,300
Gross profit before consolidation exclusions	**(3,003)**	**10,106**
Income tax at the statutory rate of 19%	571	(1,920)
Tax on permanent differences between gross profit and taxation base	(50)	(779)
Result charged according to the effective rate amounting to 13.26% in 2021 and 30.31% in 2020.	**521**	**(2,699)**

(in thousands of PLN)

The Group does not constitute a tax capital group pursuant to the provisions of the Corporate Income Tax Act. Each company accounts for income tax independently.

In 2021, the Parent Company received the refund of overpaid income tax for 2020 from the tax office in the amount of PLN 1,245 thousand. At the same time, the company paid PLN 38 thousand in tax on the dividend received.

11.13. Profit per one share

Profit per share was calculated as the quotient of profit attributable to the shares of the Parent Company for a given period divided by the weighted average number of shares. All shares are ordinary bearer shares.

Weighted average number of shares				
beginning of the period	end of the period	number of days (A)	number of shares in a given period (B)	(A) x (B) / 365
2021/01/01	2021/12/31	365	95,000,000	95,000,000
Total:		**365**	**Weighted average:**	**95,000,000**

(in thousands of PLN)

EARNINGS (LOSS) PER ONE SHARE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Net profit (loss) in PLN	(2,397)	6,313
Weighted average number of shares	95,000,000	95,000,000
Basic net profit (loss) per share (in PLN per one share)	(0.03)	0.066
Net profit (loss) for the determination of diluted profit per share	(2,397)	6,313
Weighted average number of ordinary shares for the purpose of diluted profit per share	95,000,000	95,000,000
Diluted net profit (loss) per share (in Polish złoty)	(0.03)	0.07

(in thousands of PLN)

TOTAL INCOME (LOSS) PER SHARE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Total net income in thousand PLN	(2,384)	6,270
Number of shares	95,000,000	95,000,000
Total income (loss) per share	**(0.03)**	**0.07**

(in thousands of PLN)

11.14. The Management Board's stance on the execution of the forecast

The Group did not publish the forecasts of separate results. In the near future, the Group does not intend to publish forecasts for upcoming years.

11.15. Information on paid or declared dividend, altogether and per one share, with specification concerning ordinary and preferential shares

During the reporting period, the Group companies did not pay or declare dividends.

12. Explanatory notes to the cash flow statement

12.1. Matching of amounts presented in the cash flow statement with cash and cash equivalents in the balance sheet

Specification	State as of 31 December 2021	State as of 31 December 2020
Cash and cash equivalents in the statement of financial standing	41,973	18,350
Loans on the current account	(197)	(393)
Exchange rate differences from the measurement of cash	94	(4)
Cash and cash equivalents included in "assets held for sale"	-	77
Cash amount in the cash flow statement	**41,870**	**18,030**

(in thousands of PLN)

In the previous reporting period, the deposit agreement of 22/09/2020 was executed by and between "PEPEES" S.A. and Spółdzielczy Bank Rozwoju w Szepietowie (SBR). Thereunder, the Issuer transferred to the account of Bank SBR the amount of PLN 1.5 million as a deposit, which is a security for the repayment of working capital facility in the amount of PLN 1,300 thousand, granted by SBR to the subsidiary CHP Energia Sp. z o.o. The deposit was returned to the Issuer upon the sale of the shares of CHP Energia, so there is no longer any restricted cash as of 31/12/2021.

12.2. Transactions of non-cash nature

Specification	2021	2020
Purchase of assets by means of financial lease	(1,588)	(4,602)
Charged but not paid interests on borrowing (change)	55	227

(in thousands of PLN)

12.3. Unused limits on current account

As of 31/12/2021, the Group has unused credits funds granted to it on the current account in the amount of PLN 13,203 thousand (as of 31/12/2020 it was PLN 12,007 thousand).

13. Conditional items

a. Conditional assets

The Group holds in perpetual usufruct 680,849 m^2 of land, the value of which as of 31/12/2021, resulting from the decision setting the annual fee, amounts to PLN 24,011 thousand (in 2020 it was also PLN 24,011 thousand).

The Group companies pay an annual fee of 3% on value. The fee in 2021 amounted to PLN 716 thousand (2020 – PLN 716 thousand).

Since 2019, perpetual usufruct rights to land are reported in the statement of financial standing under the "rights to assets."

b. Conditional liabilities

CHANGE IN CONDITIONAL LIABILITIES (BY TITLE)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance, including	**32,481**	**33,781**
- liabilities under non-compete agreements	1,563	1,563
- sureties of loans for related companies	30,918	32,218
b) increase (due to)	**202**	-
- liabilities under non-compete agreements	202	-
- sureties of loans for related companies	-	-
c) dissolution (due to)	-	**1,300**
- sureties of loans for related companies	-	1,300
d) closing balance, including	**32,683**	**32,481**
- liabilities under non-compete agreements	1,765	1,563
- sureties of loans for related companies	30,918	30,918

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14. Transactions with related entities

14.1. Transactions with subsidiaries

a. Revenues from the sales of products and goods

Types of revenues	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Revenues from the sales of products to subsidiaries	1,070	1,554
Revenues from the sales of services to subsidiaries	338	509
Revenues from the sales of materials to subsidiaries	-	57
Revenues from the sales of raw materials to subsidiaries	2,575	2,472
Revenues from the sales of fixed assets to subsidiaries	345	-
Total revenues from related entities	**4,328**	**4,592**

(in thousands of PLN)

The sale price is determined on the basis of cost-plus method or on the basis of price lists applicable to unrelated entities.

b. Purchase of products, goods and services from subsidiaries

Types of purchases	**For the period of 12 months ended on 31 December 2021**	**For the period of 12 months ended on 31 December 2020**
Purchases of products from subsidiaries	6,336	9,208
Purchases of services from subsidiaries	57	152
Purchase of goods and materials from subsidiaries	2	707
Total purchases from related entities	**6,395**	**10,067**

(in thousands of PLN)

c. Balances of settlements as of the balance sheet date generated as a result of the sale/purchase of goods/services

Receivables from related entities	State as of 31 December 2021	State as of 31 December 2020
PPZ BRONISŁAW	624	2,659
CHP Energia *(receivables presented as assets held for sale in the Issuer's statement of financial standing in 2020)*	-	1,161
CHP Energia advances *(advances presented as assets held for sale in the Issuer's statement of financial standing in 2020)*	-	1,044
GR PONARY	1	1
Pepees Inwestycje	-	8
Total receivables from related entities	**625**	**4,873**

(in thousands of PLN)

Liabilities due to related entities	**State as of 31 December 2021**	**State as of 31 December 2020**
ZPZ Lublin	149	181
PPZ BRONISŁAW	2	6
GR PONARY	13	13
CHP Energia *(receivables presented as liabilities associated with assets held for sale in the Issuer's statement of financial standing in 2020)*	-	1
Total liabilities due to related entities	**164**	**201**

(in thousands of PLN)

d. Borrowings granted to related entities

Borrowings granted to related entities	**State as of 31 December 2021**	**State as of 31 December 2020**
PPZ BRONISŁAW S.A.	3,300	-
CHP Energia Sp. z o.o. *(borrowings presented as assets held for sale in the Issuer's statement of financial standing in 2020)*	-	4,932
GR PONARY Sp. z o.o.	550	550
Pepees Inwestycje Sp. z o.o.	-	145
Borrowings granted, including:	3,850	5,627
- to be repaid within 1 year	3,850	5,627
- to be repaid after 1 year	-	-
Write-offs for borrowings granted to CHP Energia *(borrowings presented as assets held for sale in the Issuer's statement of financial standing in 2020)*	-	(12)
Borrowings in the statement of financial standing	**3,850**	**5,615**

(in thousands of PLN)

e. Interest on borrowings and sureties granted

Entity	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
ZPZ Lublin	-	34
PPZ BRONISŁAW	190	148
CHP Energia	-	368
GR PONARY	16	19
Total	**206**	**569**

(in thousands of PLN)

f. Interest on sureties received

Entity	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
GR PONARY	158	158
Total	**158**	**158**

g. conditional items

Contractual mortgages are established on assets of subsidiaries (ZPZ Lublin and PPZ Bronisław) that serve as the security of credits incurred by "PEPEES" S.A. to the amount of PLN 58,000 thousand.

14.2. Transactions with key managers of the Issuer

a) benefits for key managers

The Management Board in thousands of PLN:	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Short-term benefit	1,401	1,314
Benefits after the employment period		
Other long-term benefits		
Benefits related to terminating an employment relationship		
Payments in the form of shares		
Supervisory Board in thousands of PLN	**For the period of 12 months ended on 31 December 2021**	**For the period of 12 months ended on 31 December 2020**
Short-term employee benefits	1,037	969
Benefits after the period of employment		
Other long-term benefits		
Benefits related to terminating an employment relationship		
Payments in the form of shares		

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b) transactions with of the Management Board and Supervisory Board Members and their immediate family members

Information on remuneration received by the respective Management Board and Supervisory Board Members of the Issuer is presented in the report on operations.

During the reporting periods, no transactions within the meaning of IAS 24 were recorded.

15. Financial risk management

Main types of risk arising from financial instruments of the Group include the interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Management Board verifies and determines the principles of management with every type of risk. These principles are briefly discussed below. The Group also monitors the market price risk related to all financial instruments held by it.

Interest rate risk

Exposure of the Group to the risk caused by changes of interest rates refers mainly to loans with interest rate connected to the rediscount rate on bill and WIBOR rate. The Group did not conclude interest rate agreements.

The following table presents the sensitivity of the annual gross financial result to reasonably possible changes of interest rates at the assumption that the other factors remain unchanged (in relation to variable interest rate liabilities).

Increase/decrease by percentage points	**Impact on the result**	**Impact on the result**
	2021	**2020**
Increased interest rate of credits by 1%	(455)	(470)
Decreased interest rate of loans by 1%	455	470

(in thousands of PLN)

Foreign exchange risk

The Group is exposed to foreign exchange risk as regards transactions executed. It occurs as a result of export sales and sales to EU countries in other currencies than Polish złoty.

In the reporting period, exports and intra-Community supplies accounted for more than 33% of all revenues from sales.

The following table presents the sensitivity of the gross financial result in relation to change of the value of revenues and costs in case of fluctuations of USD and EUR exchange rates by 0.1 PLN/EUR/USD.

Increase/decrease of the foreign exchange rate	**Impact on the result**	**Impact on the result**
	2021	**2020**
Increased PLN/USD rate by 0.1	923	611
Increased PLN/EUR rate by 0.1	630	434
Decreased PLN/USD rate by 0.1	(923)	(611)
Decreased PLN/EUR rate by 0.1	(630)	(434)
Total impact on the result	**+/-1 553**	**+/-1,045**

(in thousands of PLN)

Furthermore, the Group has cash at bank and receivables in euros and US dollars.

The results of the altered exchange rate as of the balance sheet date for USD and EUR by 0.1 PLN/EUR/USD are presented in the table below.

Increase/decrease of the foreign exchange rate	**Impact on the result**	**Impact on the result**
	2021	**2020**
Increased PLN/USD rate by 0.1	272	18
Increased PLN/EUR rate by 0.1	588	43
Decreased PLN/USD rate by 0.1	(272)	(18)
Decreased PLN/EUR rate by 0.1	(588)	(43)
Total impact on the result	**+/-860**	**+/-61**

Loan risk

The Group enters into transactions only with reliable customers with good creditworthiness. All customers who wish to use trade credits undergo the initial verification procedure. Furthermore, due to the ongoing monitoring of receivables, the Group's risk of exposure to bad debts is negligible. The financial reliability assessment made by the insurer, KUKE, and granted financial limit are also decisive.

There are no significant loan risk concentrations in the Group.

Liquidity risk

The aim of the Group is to maintain balance between the continuity and flexibility of funding by way of various sources of funding, such as loans in the current account, preferential short-term and long-term bank loans. The Group manages the liquidity risk maintaining the appropriate amount of the supplementary capital, benefiting from quotations of bank services and reserve loan lines, monitoring constant forecasting and real cash flows, and adjusting financial assets and liabilities maturity profiles.

16. Capital management

The main objective of the Group's capital management is to ensure continued operations, taking into account projected investments with the simultaneous increase of the Group's value for shareholders.
The Group monitors the state of capitals, applying the leverage ratio calculated as the relation of the net debt to the total capitals plus the net debt. The Group treats the net debt as loans, borrowings, liabilities under financial lease, trade and other liabilities minus cash and cash equivalents.

Specification	State as of 31 December 2021	State as of 31 December 2020
Credits, borrowings and liabilities under financial lease	142,024	135,326
Trade and other liabilities	20,584	20,218
Cash and cash equivalents (-)	(41,973)	(18,350)
Net debt	120,635	137,194
Equity	171,983	173,769
Capital and net debt	292,618	310,963
Leverage ratio	41.23%	44.12%

(in thousands of PLN)

The leverage ratio in 2021 was at a lower level than in the previous reporting period, as there was an increase of PLN 23,623 thousand in cash balances compared to 2020, resulting in an improvement in the leverage ratio.

17. Mean employment at the Group

Specification	Average number of employees in 2021	Average number of employees in 2020
White collar workers	146	156
Blue collar workers	288	324
Persons on holidays	2	2
Total	436	482

18. Chartered auditor's fee

The fee due to the chartered auditor for the review of the interim financial statements and consolidated financial statements and audit of the financial statements and consolidated financial statements amounts to PLN 59,700 plus VAT.

Additionally, during the reporting period, the chartered auditor provided PEPEES with two attestation services, i.e. the audit of the remuneration report of the Management Board and Supervisory Board and a service to confirm the correctness of the calculation of the electricity consumption intensity factor for 2019-2021. The fee for these services was PLN 12,000 plus VAT.

19. Specification of significant litigations and proceedings pending in court, arbitration tribunal or public administration authority with respect to the Group's liabilities and receivables, with the information on the subject matter of the dispute, value thereof, date of commencing the litigation or proceedings, parties there and the Group's stance

On 25/06/2019, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. filed an action to the court of law, asking to have a decision issued whether EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, the Company's shareholder having, pursuant to information known to the Company – 27,714,832 shares, due to the breach of the notification obligation related to the purchase of significant packages of shares in compliance with Article 89(1)(1) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, has lost and cannot exercise the voting rights attached to 21,402,233 shares. Epsilon FIZ AN is of a contrary opinion, claiming that is entitled to the right to vote in relation to 27,714,832 shares accounting for 29.17% of the total number of votes at the AGM. The case was joined by the Chairperson of the Polish Financial Supervision Authority, who presented his opinion on 24 July 2019. The Company discussed the issue in current reports 13/2019, 14-23/2019 and 30/2019.

As of the date hereof, there is an unresolved case of EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw versus "PEPEES" S.A.:
- for revoking or rendering invalid two resolutions on the appointment of the Supervisory Board Members, as adopted on 11 May 2018 by the General Meeting of Shareholders, and for revoking the resolution on the distribution of profit for 2017. With the judgement of 26/10/2018, the Regional Court rendered invalid the resolutions on the appointment of two members of the Supervisory Board and dismissed the claim within the remaining scope. The