



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

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

for the period 01.01.2022 – 31.12.2022

Warsaw, 27 March 2023

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INDEPENDENT AUDITOR'S REPORT

for the General Meeting and the Supervisory Board of  
Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

## Report on the audit of annual financial statements

### Opinion

We have audited the annual financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. (the "Company"), consisting of the statement of financial position at 31 December 2022, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended and additional information containing a description of the adopted accounting principles and other notes ("financial statements").

In our opinion, the attached financial statements:

- give a fair and transparent presentation of the Company's property and financial standing at 31 December 2022 and of its profit/loss and cash flows for the financial year then ended in compliance with the applicable provisions of International Financial Reporting Standards as adopted by the European Union and the adopted accounting principles (policy);
- are compliant, in terms of the form and contents, with the provisions of law applicable to the Company and with the Articles of Association of the Company,
- were prepared on the basis of correctly maintained accounting books in compliance with chapter 2 of the Accounting Act of 29 September 1994 ("Accounting Act"- Dz. U. (JL) of 2022, item 120, as amended).

This opinion is consistent with the additional report for the Audit Committee issued on 27.03.2023.

### Grounds for issuing the opinion

We have performed the audit in compliance with the National Standards of Financial Auditing, adopted as the National Standards on Auditing by the Polish National Council of Statutory Auditors ("KSB") and according to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision ("Act on Statutory Auditors" – Dz. U. (JL) of 2022, item 1302 as amended) and Regulation No 537/2014 of the European Parliament on specific requirements for the statutory audit of public-interest entities ("EU Regulation" - OJ EU L158 as amended). The scope of our responsibility according to those standards is described hereinafter under Responsibility of the statutory auditor for auditing financial statements.

We are independent from the Company according to the International Code of Ethics for Professional Accountants (including the International Standards of Independence) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), adopted by the resolution of the Polish National Council of Statutory Auditors and according to other ethical requirements applicable to auditing financial statements in Poland. We have fulfilled our ethical obligations in compliance with those requirements and with the IESBA Code. During the audit the key statutory auditor and the audit firm remained independent from the Company according to the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

We believe that the audit evidence we have obtained is sufficient and adequate to provide the grounds for issuing our opinion.

### Key audit matters

Key audit matters are issues that, according to our professional judgement, were essential during the audit of the financial statements for the current reporting period. They include the most significant identified types of the risk of material distortion, including identified types of the risk of material distortion due to fraud. We have addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion and have summarised our response to these risks and, where we considered it appropriate, provided key observations concerning these risks. We will not express a separate opinion on key audit matters.

Key audit matter (description of the type of risk of material distortion)	Statutory auditor's procedures addressing key audit matters
<b>Investments in subsidiaries</b>	
<p>Investments in subsidiaries in the financial statements at 31 December 2022 amount to PLN 23 586 000. In assets, shares in subsidiaries are measured at cost less recognising impairment and amount to PLN 15 586 000, and debt instruments are measured at amortised cost and amount to PLN 800 000.</p> <p>The key to auditing the financial statements is the risk of judgement and elements of estimates mainly associated with assumptions regarding future cash flows and the calculation of discount rate, in particular the materiality of items.</p>	<p><b>The statutory auditor's procedures included:</b></p> <ul style="list-style-type: none"> <li>– Analysis and understanding of the rules for recognising investments in subsidiaries according to the company's accounting principles,</li> <li>– Assessment of key assumptions regarding impairment testing parameters, discount rates and WACC,</li> <li>– Assessment of assumptions and judgements made by the Management Board regarding the calculation of future cash flows,</li> <li>– Analysis of risks associated with the fulfilment of the underlying assumptions for impairment testing,</li> <li>– Reconciliation of data used as input in impairment testing models and assessment whether any implications for impairment exist for the needs of current forecasts and budget performance,</li> <li>– Evaluation of the key parameters for assets valuation at amortised cost,</li> <li>– Assessment of the correctness and completeness of disclosures in the financial statements according to IAS 36 <i>Impairment of assets</i> and IFRS 9 <i>Financial instruments</i>.</li> </ul>

<b>Net revenues from sales</b>	
<p>From 1 January 2022 to 31 December 2022 the Company generated net revenues of PLN 182 512 000.</p> <p>Due to a significant value of this item in the Company's statement of profit or loss and other comprehensive income, key audit risks were identified in this area of the Company's financial statements.</p>	<p><b>The statutory auditor's procedures included:</b></p> <ul style="list-style-type: none"> <li>– Review of accounting principles to the extent of recognising revenues,</li> <li>– Assessment of internal controls to the extent of determining and presenting revenues in the financial statements,</li> <li>– Review of revenue accounts to identify unusual values, document/invoice numbering, account reversals, descriptions of operations,</li> <li>– Analysis of significant contracts and purchase orders,</li> <li>– Analysis of the reconciliation of balances with contracting parties and payments after the balance sheet date related to sales completed in the audited period,</li> <li>– Assessment of the correct and complete disclosure of revenues, including according to IFRS 15.</li> </ul>
<p>The detailed tests described above, combined with the assessment of internal controls, provided us with sufficient and appropriate audit evidence to address the risks described in the audited entity.</p>	

### **Responsibility of the Management Board and the Supervisory Board for financial statements**

The Management Board of the Company is responsible for preparing, based on correctly maintained books of accounts, the financial statements giving a fair and transparent view of the Company's economic and financial standing and its financial performance in compliance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting principles (policy) and legal provisions applicable to the Company as well as in compliance with the Articles of Association of the Company. The Management Board is also responsible for internal control it deems necessary to ensure that the financial statements are free of material distortions due to fraud or error.

In preparing the financial statements, the Management Board of the Company is responsible for evaluating the Company's ability to continue as a going concern, disclosing, if applicable, matters related to continuing as a going concern, and adopting the going concern principle as the basis for accounting except when the Management Board intends to either liquidate the Company or discontinue its activity or when there is no reasonable alternative to such liquidation or discontinuation.

The Management Board of the Company and members of the Supervisory Board of the Company are required to ensure that the report on activities complies with the requirements set out in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process in the Company.

### Responsibility of the statutory auditor for auditing financial statements

We aim at obtaining reasonable assurance that the financial statements as a whole are free of material distortions due to fraud or error and issuing a report on the audit containing our opinion. Reasonable assurance means a high level of assurance but it does not guarantee that the audit carried out according to the National Standards on Auditing can always detect the existing material distortion. Distortions can arise as a result of fraud or error and they are deemed material if it can be reasonably expected that one or all of them together could affect the economic decisions of users made on the basis of these financial statements. The concept of materiality is applied by the auditor both in planning and performing the audit, and in assessing the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in formulating the auditor's opinion. Therefore, all opinions and statements included in the audit report, are expressed considering the level of materiality in terms of quality and value established according to the standards on auditing and the auditor's professional judgement.

The audit does not include assurances of future profitability of the Company or efficient or effective management of its business affairs by the Company's Management Board now or in the future.

During the audit performed according to the National Standards on Auditing we apply professional judgement and maintain professional scepticism and:

- identify and evaluate risks of material distortions to the financial statements due to fraud or error, design and conduct auditing procedures applicable to such risks and obtain audit evidence that is sufficient and adequate to provide grounds for issuing our opinion. The risk of failure to detect a material distortion due to fraud is higher than in case of error because fraud can be connected with collusion, forgery, intentional omission, misleading or circumvention of internal controls;
- get to understand the internal controls used to design auditing procedures applicable in specific circumstances; however, not in order to express an opinion about the effectiveness of the Company's internal controls;
- evaluate the adequacy of applied accounting principles (policy) as well as reasonableness of accounting estimates and related disclosures made by the Management Board of the Company;
- draw conclusions about the adequacy of application of the going concern principle by the Company's Management Board as the basis for accounting and, based on the obtained audit evidence, we decide whether any material uncertainty exists in connection with certain events or circumstances that might make the Company's ability to continue as a going concern considerably doubtful. If we find that a material uncertainty does exist, we are required to make reference in our auditor's report to linked disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our findings are based on audit evidence obtained from the date of preparation of our auditor's report, but future events or circumstances might lead the Company to discontinue its activities;
- evaluate the general presentation, structure and contents of the financial statements, including disclosures, and assess whether the financial statements present the underlying transactions and events in a manner ensuring their reliable presentation.

We inform the Supervisory Board, among other things, about the planned scope and time of audit and material findings of the audit, including any material weaknesses of internal control that we have identified during the audit.

We represent to the Supervisory Board that we followed relevant ethical standards of independence and will communicate all the links and other

issues that could be reasonably deemed to compromise our independence, and where applicable, inform about precautions undertaken.

Among matters communicated to the Supervisory Board we identified those found the most essential during the audit of the consolidated financial statements pertaining to the current reporting period and therefore considered them the key audit matters. We describe such matters in the auditor's report unless the law or regulations forbid their public disclosure or when, in exceptional circumstances, we find that a specific issue should not be presented in our report because it could be reasonably expected that the negative consequences of such a disclosure would outweigh its benefits to public interest.

#### **Other information, including Report on the activities**

Other information consists of the report on the Company's activities for the financial year ended 31 December 2022 ("Report concerning the activities") including the corporate governance declaration being a separate part of this Report, and the Annual Report for the financial year ended 31 December 2022 ("Annual Report") (collectively "Other information").

##### *Responsibility of the Management Board and the Supervisory Board*

The Management Board of the Company is responsible for preparing other information in compliance with applicable laws.

The Management Board of the Company and members of the Supervisory Board are required to ensure that the report on the Company's activities meets the requirements set out in the Accounting Act.

##### *Responsibility of the auditor*

Our opinion on the audit of the consolidated financial statements does not include Other information. In connection with the audit of the financial statements, we are required to review Other information, and, in doing so, examine whether or not it is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit or seems materially distorted in any other way. If, based on our audit work, we identify any material distortions in Other information, we are obliged to indicate this fact in our audit report. According to the requirements of the Act on Statutory Auditors, we are also obliged to issue an opinion whether or not the Report on activities was drawn up in compliance with the law and whether or not it is consistent with information provided in the financial statements. In addition, we have an obligation to issue an opinion whether the Company issued a declaration on non-financial information and whether the Company's corporate governance declaration contains the required information.

We received the Report concerning the Company's activities before the date of this audit report, and the Annual Report will be available after this date. If we find any material distortion in the Annual Report, we are obliged to notify this fact to the Supervisory Board of the Company.

### **Opinion concerning the Report on the activities**

Based on our audit work, we are of an opinion that the Report on activities of the Company:

- was prepared as required by Article 49 of the Accounting Act and Article 71 paragraph 1 point 8 of the Regulation of the Minister of Finance of 29 March 2018 concerning current and interim reporting by issuers of securities and the terms and conditions of harmonisation of the information required under regulations applicable in non-member states ("Regulation on Current Reports" – Dz. U. (JL) of 2018, item 757, as amended);
- is consistent with information provided in the financial statements.

In addition, considering information about the Company and its business environment obtained during our audit, we declare that we have not identified any material distortions in the Report on activities of the Company.

### **Opinion on the corporate governance declaration**

In our opinion, the Company has included the required information set out in Article 70 paragraph 6 point 5 of the Regulation on Current Reports in its corporate governance declaration. Moreover, we believe that the information indicated in Article 70 paragraph 6 point 5 letters c-f, h and i) of this Regulation, provided in the corporate governance declaration, is consistent with the applicable regulations and the information contained in the financial statements.

### **Report concerning other legal provisions and regulations**

#### **Declaration concerning non-audit services provided**

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries comply with the laws and regulations applicable in Poland, and that we have not provided any non-audit services prohibited under Article 5 paragraph 1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services that we provided to the Company and its subsidiaries in the audited period are listed in Note II.36 to the Report concerning the activities of the issuer and of the Capital Group Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

### **Selection of the audit firm**

The Company's Supervisory Board, in its Resolution of 6 July 2020, appointed our firm to audit the Company's financial statements. We have audited its financial statements continuously from the financial year ended 31 December 2018, i.e. for 5 consecutive financial years.

The key statutory auditor in charge of the audit resulting in this independent statutory auditor's report is Marcin Wasil.

Acting on behalf of WBS Audit. o.o. in Warsaw, ul. Grzybowska 4 lok. U9B, reg. no. 3685 in the list of audit firms, on whose behalf the key statutory auditor audited the financial statements.

Marcin Wasil

Key Statutory Auditor Reg. No. 9846

**Warsaw, 27 March 2023**