



**PRZEDSIĘBIORSTWO PRZEMYSŁU  
SPOŻYWCZEGO “PEPEES”  
SPÓŁKA AKCYJNA  
IN ŁOMŻA**

**FINANCIAL STATEMENTS  
for the period of 12 months ended 31 December 2022**

**PREPARED ACCORDING TO THE INTERNATIONAL  
FINANCIAL REPORTING STANDARDS (IFRS)  
AS ADOPTED BY THE EUROPEAN COMMISSION**

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## **INDEX TO ANNUAL FINANCIAL STATEMENTS**

SELECTED FINANCIAL DATA CONVERTED INTO EUR.....	4
STATEMENT OF FINANCIAL POSITION .....	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSSES OR OTHER COMPREHENSIVE INCOME .....	6
STATEMENT OF CHANGES IN EQUITY .....	7
CASH FLOW STATEMENT .....	8
INFORMATION ON ADOPTED ACCOUNTING PRINCIPLES AND OTHER NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2022 .....	9
1. General information .....	9
2. Information on reporting periods.....	11
3. Basis for preparing the annual financial statements.....	11
4. Significant accounting principles (policy).....	12
5. New accounting standards and interpretations issued but not yet effective. ....	24
6. Untypical items having material impact on assets, liabilities, equity, profit/loss and cash flows .....	25
7. Changes in accounting principles, adjustment of errors and presentation.....	25
8. Reporting according to business divisions .....	26
8.1. Information concerning products and services .....	26
8.2. Revenues by product category.....	26
8.3. Revenues from sales by territory .....	26
8.4. Information concerning key customers .....	27
9. Notes to the statement of financial position .....	27
9.1. Property, plant and equipment.....	27
9.2. Intangibles .....	29
9.3. Rights to assets .....	31
9.4. Investment property.....	31
9.5. Investments in subsidiaries.....	31
9.6. Other financial assets.....	33
9.7. Inventories .....	34
9.8. Biological assets .....	35
9.9. Trade and other current receivables.....	35
9.10. Advances .....	37
9.11. Loans granted .....	37
9.12. Cash and cash equivalents .....	37
9.13. Initial (share) capital.....	38

9.14.	Supplementary and reserve capitals .....	39
9.15.	Undistributed profit/loss from previous years .....	39
9.16.	Credits and loans .....	39
9.17.	Retirement and similar benefits payable .....	42
9.18.	Trade and other payables.....	44
9.19.	Leased assets payable .....	45
9.20.	Reserves and provisions, accruals and deferred income.....	45
9.21.	Deferred tax .....	47
10.	Notes to the statement of comprehensive income .....	48
11.	Notes to the cash flow statement .....	54
12.	Financial instruments .....	54
13.	Capital management .....	56
14.	Contingent items .....	57
15.	Transactions with related parties .....	58
16.	Average headcount in the Company.....	61
17.	Statutory auditor's fee .....	61
18.	Indication of proceedings pending before court, an arbitration authority or public administration body, referring to the Issuer's liabilities and receivables, specifying the object of proceedings, value in litigation, proceedings commencement date, parties to the proceedings, and the Issuer's position .....	61
19.	Important events after the balance sheet date .....	62
20.	Approval of the financial statements .....	63

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## SELECTED FINANCIAL DATA CONVERTED INTO EUR

No.	SELECTED FINANCIAL DATA	IN kPLN		In kEUR	
	Year	2022	2021	2022	2021
I	Total revenue from sales	186 512	163 943	39 783	35 815
II	Net profit or loss	9 204	(2 343)	1 963	(512)
III	Net comprehensive income	9 227	(2 330)	1 968	(509)
IV	Net cash flows from operating activities	25 049	21 094	5 343	4 608
V	Net cash flows from investing activities	(7 496)	2 728	(1 599)	596
VI	Net cash flows from financing activities	296	(1 627)	63	(355)
VII	Net cash flows	17 849	22 195	3 807	4 849
VIII	Total assets	289 420	267 581	61 711	58 177
IX	Shareholder's equity	165 203	156 200	35 225	33 961
X	Earnings (loss) per equity share (in PLN/EUR)	0.10	(0.02)	0.02	(0.01)
XI	Total net income per share (in PLN/EUR)	0.10	(0.02)	0.02	(0.01)
XII	Carrying amount per share (in PLN/EUR)	1.74	1.64	0.37	0.36

The following exchange rates published by the National Bank of Poland were used for converting selected financial data into EUR:

- selected items from the statement of financial position at 31.12.2022 at the average exchange rate at the balance sheet date of EUR 1 = PLN 4.6899;
- selected items from the statement of financial position at 31.12.2021 at the average exchange rate at the balance sheet date of EUR 1 = PLN 4.5994;
- selected items from the statement of comprehensive income and the statement of cash flows for the period from 1 January 2022 to 31 December 2022 at an exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland (NBP) in force on the last day of each month in 2022. i.e. EUR 1 = PLN 4.6883;
- selected items from the statement of comprehensive income and the statement of cash flows for the period from 1 January 2021 to 31 December 2021 at an exchange rate being the arithmetic mean of the average exchange rates published by the National Bank of Poland (NBP) in force on the last day of each month in 2021. i.e. EUR 1 = PLN 4.5775;

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## STATEMENT OF FINANCIAL POSITION

No.	ASSETS	NOTE	At 31 December 2022	At 31 December 2021
<b>A.</b>	<b>Fixed assets (long-term)</b>		<b>127 642</b>	<b>130 861</b>
1.	Tangible fixed assets	9.1	85 012	103
2.	Intangible assets	9.2	644	184
3.	Rights to assets	9.3	14 576	15 761
4.	Investment property	9.4	363	373
5.	Investments in subsidiaries	9.5	23 586	23 586
6.	Investments in other entities	9.6	383	383
7.	Deferred tax assets	9.22	3 078	2 471
<b>B</b>	<b>Current assets (short-term)</b>		<b>161 778</b>	<b>136 720</b>
1.	Inventories	9.7	67 050	63 277
2.	Biological assets	9.8	326	560
3.	Trade and other receivables	9.9 9.10	29 733	28 238
4.	Current tax receivables		-	-
5.	Other financial assets	9.6 9.11	13 150	10 976
6.	Cash and cash equivalents	9.12	51 519	33 670
	<b>Total assets</b>		<b>289 420</b>	<b>267 581</b>

	LIABILITIES	Note	At 31 December 2022	At 31 December 2021
<b>A</b>	<b>Shareholders' equity</b>		<b>165 203</b>	<b>156 200</b>
1.	Initial (share) capital	9.13	5 700	5 700
2.	Share premium	9.14	7 562	7 562
3.	Own shares		(224)	-
4.	Revaluation reserve	9.14	30 530	30 507
5.	Retained earnings	9.14 9.15	121 635	112 431
<b>B</b>	<b>Payables</b>		<b>124 217</b>	<b>111 381</b>
<b>I</b>	<b>Non-current payables</b>		<b>24 814</b>	<b>25 643</b>
1.	Credits and loans	9.16	2 750	3 761
2.	Leased assets payable	9.19	12 492	11 088
3.	Deferred tax reserve	9.21	5 450	5 957
4.	Retirement and similar benefits payable	9.17	2 295	2 472
5.	Subsidies (grants)	9.20	1 827	1 925
6.	Other non-current liabilities	9.18	-	(440)
<b>II</b>	<b>Current payables</b>		<b>99 403</b>	<b>85 738</b>
1.	Trade and other payables	9.18 9.20	16 257	13 280
2.	Current income tax payable		3032	
3.	Credits and loans	9.16	75 881	68 735
4.	Leased assets payable	9.19	3 737	3 371
5.	Retirement and similar benefits payable	9.17	496	352
	<b>Total liabilities</b>		<b>289 420</b>	<b>267 581</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSSES OR OTHER COMPREHENSIVE INCOME

No.	Specification	Note	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
<b>I</b>	<b>Revenue from sales</b>		<b>186 512</b>	<b>163 943</b>
1.	Sales of products	10.1	172 147	148 501
2.	Sales of services	10.2	1 246	1 141
3.	Sales of goods and materials	10.3	13 119	14 301
<b>II</b>	<b>Own sales cost</b>		<b>(130 953)</b>	<b>(128 292)</b>
1.	Cost of products sold	10.4	(111 410)	(110 718)
2.	Cost of services sold	10.4	(872)	(868)
3.	Cost of goods and materials sold		(11 603)	(13 880)
4.	Profit/loss from agricultural production	10.6	(7 086)	(2 826)
<b>III</b>	<b>Gross profit (loss) from sales (I-II)</b>		<b>55 559</b>	<b>35 651</b>
1.	Selling and marketing cost	10.4	(12 536)	(12 558)
2.	General and administrative expenses	10.4	(25 549)	(25 040)
3.	Other operating income	10.7	560	1 944
4.	Other operating expenses	10.8	(1 645)	(298)
<b>IV</b>	<b>Profit (loss) from operating activities</b>		<b>16 389</b>	<b>(301)</b>
1.	Financial expenses	10.9	(4 674)	(2 355)
2.	Financial income	10.10	1 901	992
V	Profit (loss) before tax		13 616	(1 664)
<b>VI</b>	<b>Income tax</b>	<b>10.11</b>	<b>(4 412)</b>	<b>(679)</b>
<b>VII</b>	<b>Net profit (loss)</b>		<b>9 204</b>	<b>(2 343)</b>
<b>VIII</b>	<b>Other comprehensive income</b>		<b>23</b>	<b>13</b>
1.	Revaluation of employee benefits payable		23	13
<b>IX</b>	<b>Total comprehensive income, of which</b>		<b>9 227</b>	<b>(2 330)</b>
<b>X</b>	<b>Net earnings (loss) per share</b>	<b>10.12</b>	<b>0.10</b>	<b>(0.02)</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

**STATEMENT OF CHANGES IN EQUITY**

Specification	Initial (share) capital	Share premium	Own shares	Revaluation reserve	Retained earnings	Total shareholders' equity
<b>At 1 January 2021</b>	<b>5 700</b>	<b>7 562</b>	-	<b>30 494</b>	<b>114 774</b>	<b>158 530</b>
<b>Changes from 01.01.2021 to 31.12.2021</b>	-	-	-	<b>13</b>	<b>(2 343)</b>	<b>(2 330)</b>
Distribution of profit for 2020, of which:	-	-	-			-
- increase in supplementary capital					-	-
Net profit (loss) for the financial year	-	-	-		(2 343)	(2 343)
Other comprehensive income for the financial year (net)	-	-		13	-	13
<b>At 31 December 2021</b>	<b>5 700</b>	<b>7 562</b>	-	<b>30 507</b>	<b>112 431</b>	<b>156 200</b>
<b>At 1 January 2022</b>	<b>5 700</b>	<b>7 562</b>	-	<b>30 507</b>	<b>112 431</b>	<b>156 200</b>
Net profit (loss) for the period	-	-			9 204	9 204
Purchase of own shares			(224)			(224)
Other comprehensive income for the financial year (net)	-	-			-	23
<b>At 31 December 2022</b>	<b>5 700</b>	<b>7 562</b>	<b>(224)</b>		<b>121 635</b>	<b>165 203</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## CASH FLOW STATEMENT

No.	Specification	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
<b>A.</b>	<b>Cash flows from operating activities - indirect method</b>		
<b>I</b>	<b>Profit (loss) before tax</b>	<b>13 616</b>	<b>(1 664)</b>
<b>II</b>	<b>Total adjustments</b>	<b>11 433</b>	<b>22 758</b>
1.	Depreciation/amortisation	13 407	11 637
2.	(Earnings) losses from translation adjustments	-	94
3.	Interest and profit sharing (dividends)	2 107	917
4.	(Profit) loss from investing activities	(150)	(607)
5.	Movements in reserves and provisions	(33)	(122)
6.	Movements in inventories	(3 773)	8 647
7.	Movements in biological assets	234	(222)
8.	Movements in receivables	(1 495)	(3 561)
9.	Movements in current liabilities, except loans and borrowings	2 537	2 134
10.	Movements in advance payments	-	301
11.	Income tax paid/refunded	(2 498)	1 207
12.	Movements in subsidies (grants)	(98)	(98)
13.	Movements in interest accrued on loans	(7)	-
14.	Movements in other fixed assets	1 185	1 110
15.	Contributions received	(890)	(1 036)
16.	Revaluation of financial assets	303	(163)
17.	Accumulated amortisation of CO2 emission allowances	600	2 494
18.	Other adjustments	4	26
<b>III</b>	<b>Net cash flows from operating activities</b>	<b>25 049</b>	<b>21 094</b>
<b>B.</b>	<b>Cash flows from investing activities</b>		
<b>I</b>	<b>Receipts</b>	<b>891</b>	<b>9 989</b>
1.	Disposal of intangible and tangible fixed assets	163	1 238
2.	Dividends received	200	200
3.	Revenues from securities	320	254
4.	Sale of shares	-	1 403
5.	Repayment of granted loans	208	6 894
<b>II</b>	<b>Expenditure</b>	<b>8 387</b>	<b>7 261</b>
1.	Acquisition of intangible assets and tangible fixed assets	4 960	1 464
2.	Purchase of property rights	1 027	2 197
3.	Loans granted	2 400	3 600
<b>III</b>	<b>Net cash flows from investing activities</b>	<b>(7 496)</b>	<b>2 728</b>
<b>C.</b>	<b>Cash flows from financing activities</b>		
<b>I</b>	<b>Receipts</b>	<b>67 580</b>	<b>52 814</b>
1.	Credits and loans	66 690	51 778
2.	Contributions received	890	1 036
<b>II</b>	<b>Expenditure</b>	<b>67 284</b>	<b>54 441</b>
1.	Repayment of credits and loans	60 439	50 667
2.	Interest on loans and borrowings	2 627	917
3.	Acquisition of own shares	294	-
4.	Lease payments	3 924	2 857
<b>III</b>	<b>Net cash flows from financing activities (I-II)</b>	<b>296</b>	<b>(1 627)</b>
<b>D.</b>	<b>Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>17 849</b>	<b>22 195</b>
<b>E.</b>	<b>Movements in cash balance, of which:</b>	<b>17 849</b>	<b>22 191</b>
	- movements in cash due to exchange adjustments	145	94
	- movements in overdraft facilities	-	-
<b>F.</b>	<b>Cash at the beginning of period</b>	<b>33 670</b>	<b>11 475</b>
<b>G.</b>	<b>Cash at the end of period (F+/-D)</b>	<b>51 519</b>	<b>33 670</b>
	- of which at limited disposal	-	-



**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## INFORMATION ON ADOPTED ACCOUNTING PRINCIPLES AND OTHER NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2022

### 1. General information

<b>Full name:</b>	Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A.
<b>Address:</b>	18-402 Łomża, ul. Poznańska 121
<b>Identification number:</b>	Statistical Business Registration No. (REGON): 450096365
<b>Taxpayer’s identification number (NIP):</b>	7181005512
<b>Registration authority:</b>	District Court in Białystok,  12th Commercial Division of the National Court Register
<b>Registration number:</b>	000038455
<b>Legal status:</b>	Joint stock company
<b>Form of organisation:</b>	Single-establishment enterprise
<b>Core business area according to Polish Classification of Activities (PKD):</b>	1062Z Manufacture of starches and starch products.
<b>Sector:</b>	food
<b>Duration:</b>	unspecified

#### Composition of the Management Board at 31 December 2022:

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

#### Composition of the Supervisory Board at 31 December 2022:

Maciej Kaliński	Chairperson of the Supervisory Board
Robert Malinowski	Secretary of the Supervisory Board
Kajetan Rościszewski	Member of the Supervisory Board
Jacek Okoński	Member of the Supervisory Board
Agata Czerniakowska	Member of the Supervisory Board

#### Composition of the Supervisory Board from 1 January 2022 to 3 May 2022:

Maciej Kaliński	Chairperson of the Supervisory Board
Tomasz Nowakowski	Vice-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.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

On 14 April 2022, the Ordinary General Meeting appointed the Supervisory Board, for a new term of office effective on 4 May 2022.

**Composition of the Supervisory Board from 4 May 2022 to 3 December 2022:**

Maciej Kaliński	Chairperson of the Supervisory Board
Tomasz Nowakowski	Vice-Chairperson of the Supervisory Board
Robert Malinowski	Secretary of the Supervisory Board
Kajetan Rościszewski	Member of the Supervisory Board
Jacek Okoński	Member of the Supervisory Board
Agata Czerniakowska	Member of the Supervisory Board

The Vice-Chairperson of the Supervisory Board until 3 December 2022 was Mr Tomasz Nowakowski whose term of office expired upon his death. Tomasz Nowakowski was Member of the Supervisory Board of the Company from 18 December 2018.

**Composition of the Audit Committee at 31 December 2022:**

Maciej Kaliński	Chairperson of the Audit Committee
Agata Czerniakowska	Member of the Audit Committee
Robert Malinowski	Member of the Audit Committee
Kajetan Rościszewski	Member of the Audit Committee.

**Composition of the Audit Committee from 1 January 2022 to 3 May 2022:**

Maciej Kaliński	Chairperson of the Audit Committee
Krzysztof Stankowski	Vice-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.

On 4 May 2022 the Supervisory Board of the new term of office appointed its members to sit on a new Audit Committee.

**Composition of the Audit Committee from 4 May 2022 to 3 December 2022:**

Maciej Kaliński	Chairperson of the Audit Committee
Tomasz Nowakowski	Member of the Audit Committee
Agata Czerniakowska	Member of the Audit Committee
Robert Malinowski	Member of the Audit Committee
Kajetan Rościszewski	Member of the Audit Committee.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

The Vice-Chairperson of the Audit Committee until 3 December 2022 was Mr Tomasz Nowakowski whose term of office expired upon his death.

## **DECLARATION OF THE MANAGEMENT BOARD**

### **A. on the reliable preparation of the financial statements**

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. declares that, to the best of its knowledge, it has ensured that the annual financial statements provide a true, reliable and transparent presentation of all information essential to the assessment of the property and financial standing of the Company at 31.12.2022, and on its profit or loss for the financial year from 01.01.2022 to 31.12.2022.

In preparing these financial statements, the Management Board ensured that adequate principles were applied to the valuation and preparing the financial statements. In evaluating assets and liabilities it was assumed that in the foreseeable future the Company would continue as a going concern without a significant reduction in the scope of its activities, which complies with the factual and legal status.

The Management Board will be liable for its accounting duties as set out by the law.

These financial statements were approved for publication by PEPEES S.A. on 29 March 2023.

### **B. on the entity authorised to audit financial statements**

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. declares that the authorised financial statements auditor to audit these financial statements was selected according to applicable laws and that this entity and the statutory auditors conducting the audit fulfilled the conditions for issuing an impartial and independent opinion on the audit, according to the regulations in force.

The entity authorised to audit the financial statements of “PEPEES” S.A. for 2022 is WBS Audyt Spółka z ograniczoną odpowiedzialnością in Warsaw, ul. Grzybowska 4, lok. U9B, 00-131 Warszawa, registered in the list of authorised auditors of financial statements under reg. no. 3685 with the Polish National Chamber of Statutory Auditors based on the agreement concluded on 29.07.2020.

## **2. Information on reporting periods**

The presented annual financial statements cover the period from 1 January 2022 to 31 December 2022 and the comparative financial information and explanatory notes - from 1 January 2021 to 31 December 2021.

## **3. Basis for preparing the annual financial statements**

These financial statements were prepared in compliance with the accounting principles consistent with

- the International Financial Reporting Standards as adopted by the European Union,
- and to the extent not regulated by the above-mentioned standards - according to the provisions of the Accounting Act of 29 September 1994 (Dz. U. (JL) of 2021, item 217) and the implementing provisions.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

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

The accounting principles applied in preparing these separate financial statements are consistent with those applied in preparing the separate annual financial statements for the year ended 31 December 2021, except when applying the following new or amended standards and interpretations applicable to annual periods starting on or after 01 January 2022.

Amended standards and interpretations adopted for the first time in 2022 have no material impact on these separate financial statements.

In preparing these financial statements, the Management Board ensured that adequate principles were applied for the valuation and preparing the financial statements. In evaluating assets and liabilities it was assumed that in the foreseeable future the Company would continue as a going concern without a significant reduction in the scope of its activities, which complies with the factual and legal status. The presentation currency of these annual financial statements is Polish zloty ("PLN"), and all values are given in PLN unless specified otherwise.

These annual financial statements have been prepared upon an assumption that the Company would continue as a going-concern in the foreseeable future. At the date of approval of these annual financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. does not find implications of any risk to the Company continuing as a going concern.

The financial statements do not contain aggregate data since PEPEES is a single-establishment company.

PEPEES S.A. is a Parent Company preparing consolidated financial statements.

#### **4. Significant accounting principles (policy)**

##### **4.1. Changes in accounting principles**

The Company did not change its previously applied accounting principles, except when adopting the following new or amended standards and interpretations applicable to annual periods starting on or after 01 January 2022.

##### **4.2. Adjustment due to errors from previous periods**

No adjustments of errors from the preceding periods occurred.

##### **4.3. 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 as regulations of the European Commission.

##### **4.4. Translation of items denominated in foreign currency**

The functional (valuation) currency and the presentation currency of PEPEES S.A. is Polish zloty (PLN). Cash assets and liabilities denominated in foreign currency were converted at the balance sheet date using the exchange rate applicable at the bank providing services to the Company. All exchange adjustments are recognised in the statement of comprehensive income for the particular period.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

#### 4.5. Reporting according to business divisions

The Company produces and sells potato starch and hydrolysed starch products. Due to the concentration of the Company's operations in a single business area and in a single geographical area, it has a single reporting segment “potato processing”. The single segment is identified in daily records and internal reports.

These statements disclose information according to articles 32 through 34 of IFRS.

#### 4.6. Property, plant and equipment

Upon the adoption of IAS, the Company adopted the fair value of fixed assets assessed by an expert assessor as the assumed cost.

Fixed assets under construction for production, hiring or administrative purposes, and for other purposes not yet specified, are presented in the statement of financial position at manufacturing cost less impairment losses. The manufacturing cost is increased by charges and, where applicable, by the costs of borrowing. The Company uses linear depreciation. Depreciation of fixed assets starts upon the commencement of their use. Depreciation is calculated for all fixed assets, except land and fixed assets under construction throughout the estimated terms of actual use of such assets using the linear method. The terms of use of respective fixed assets groups are:

- buildings and structures	10 - 40 years
- machines and equipment	2- 20 years
- vehicles	3 - 5 years
- fixed furnishings and equipment	2- 15 years

The terms of use were verified and updated at the balance sheet date.

The Company, using the materiality principle, on a one-time basis recognises all fixed assets with the initial value up to PLN 3500 in the profit and loss account in the period when the respective expenditure was made.

#### 4.7. Intangible assets

Intangible assets are recognised if it is likely that in the future they will generate economic benefits for the Company directly linked with these assets. The Company holds no intangible assets with indefinite useful life.

At the balance sheet date, intangible assets are measured at cost less depreciation expenses and impairment losses, if any.

##### *(b) Trademarks and licences*

Trademarks and licences have limited (finite) economic lives and are presented in the statement of financial position at historical cost less previous accumulated depreciation. They are depreciated using a linear approach to distribute the cost over their estimated economic life (2-10 years).

##### *b) Software*

Computer software licences are capitalised at the cost of purchase

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

and preparation of specific software for use. The capitalised cost is written off over the estimated economic life of such software (2-10 years).

Costs related to development and maintenance of computer programmes are expensed upon occurrence.

*c) Pollutant emission allowances*

CO<sub>2</sub> emission allowances are recognised as intangible assets that are not amortised but should be tested for impairment.

Emission allowances that were purchased are recognised at cost, and those received free of charge - at nominal value, that is, at zero value.

The estimated CO<sub>2</sub> emissions in the reporting period are charged to the reserve for the costs of core activity.

Based on the verified annual report referred to in article 57 paragraph 3 of the Emission Allowances Trade Act, the utilised and redeemed emission allowances are not recorded. The disposal of allowances is recognised according to the First In, First Out (FIFO) approach.

#### **4.8. Rights to assets (Right of perpetual usufruct of land)**

As of 1 January 2019, the Company adopted the International Financial Reporting Standard 16 *Leases*, which introduces a uniform accounting model for the lessee and requires that the lessee recognise assets and liabilities from each lease period exceeding 12 months unless the underlying asset is a low-value asset. At the date of commencement, the lessee recognises the underlying right-of-use asset and the lease payable reflecting the lessee's obligation to make lease payments. The lessee recognises depreciation of the right-of-use asset separately from interest on the lease payable.

Until 31 December 2018, the Company treated its right of perpetual usufruct of land as operating lease, and recognised the related lease payments in the profit or loss of the reference period. As of 1 January 2019, the Company started classifying the right of perpetual usufruct as a lease contract according to IFRS 16.

The right-of-use asset and the advance towards real property lease are presented in the statement of financial position under “Rights to assets”.

#### **4.9. Investment property**

Investment property is real property treated as a source of income from rent or/ and their ownership is maintained with regard to an expected increase in their value.

An intangible asset will initially be measured at (buying or manufacturing) cost. Upon initial recognition, the Company selected the purchasing price or manufacturing cost as the valuation model for all investment property and measures them according to IAS 16 *Property, plant and equipment*, except real estates eligible for classification as assets held for sale that are measured according to IFRS 5.

Depreciation is calculated throughout the estimated economic life of such assets, applying the linear approach. Land is not depreciated.

Earnings or losses from the sale (liquidation) of investment property constitute the difference between revenues from sales and their balance sheet amount and are recognised in the statement of comprehensive income.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

#### **4.10. Financial instruments**

As of 1 January 2018, the Company classified its financial assets as one of the three classes set out in IFRS 9:

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

In the category of assets measured at amortised cost the Company classifies trade receivables, loans granted, other receivables, deposits, and cash and cash equivalents.

It measures financial assets at amortised cost using an effective rate of interest, including impairment losses. Non-current receivables subject to IFRS 9 are discounted at the balance sheet date.

Trade receivables with maturity below 12 months are measured at the amount payable less impairment losses, if any.

Assets measured at fair value through profit or loss include all financial instruments that have not been classified as measured at amortised cost or measured at fair value through other comprehensive income, as well as financial instruments the Company decided to classify as such in order to eliminate the accounting mismatch.

In this category, the Company classifies loans granted that did not pass the contractual cash flow test and derivative instruments being assets unless they have been designated as hedging instruments.

Gains and losses on a financial asset classified as measured at fair value through profit or loss are recognised in profit or loss in the period in which they originated (including income from interest and dividends received on capital instruments listed on the active market).

Assets measured after initial recognition at fair value through other comprehensive income - are financial assets held according to the business model aiming either to maintain the financial assets for contractual cash flows or sell the financial assets, and the contract concerning such financial assets provides for cash flows resulting only from repayment of the principal amount and interest.

Gains and losses from a financial asset being a capital instrument, that is measured at fair value through other comprehensive income, are recognised under other comprehensive income, except for revenues from dividends received.

In compliance with IFRS 9, the Company monitors changes in credit risk associated with respective financial assets and at every balance sheet date, for each of them, checks for objective evidence of impairment of the financial asset or a group of financial assets.

#### **4.11. Inventories**

Inventories are presented at cost (purchasing price of manufacturing cost) not exceeding their net selling price. The cost of finished products and work in progress includes raw materials, direct labour, other direct costs and corresponding production costs by division (based on normal production capacity), but it does not include borrowing costs (costs of financing provided by third parties). Inventories of materials and goods are measured using the average weighted method.

At the balance sheet date, inventories are measured observing the prudence principle, that is, at the buying or realisable selling price, whichever is lower.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Net selling price is equivalent to the estimated selling price less all necessary costs to complete production and costs to sell inventories or find a buyer (that is, selling costs, marketing costs etc.). If the buying price is higher than the realisable selling price, the Company will create revaluation expenses in the costs of products sold.

#### **4.12. Biological assets**

The Company leases agricultural holdings where it grows annual crops such as potatoes, peas, oilseed rape and cereal grains. Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less selling costs, considering the degree of the crops' maturity.

#### **4.13. Current and non-current receivables**

Trade receivables with maturity up to 180 days are recognised and disclosed at originally invoiced amounts, taking impairment losses into account. Impairment losses on trade receivables are made if there is objective evidence that the Company will not be able to collect all amounts due under the original terms of payment. Impairment losses on receivables are charged to other operating expenses. The Company makes impairment losses based on the ageing structure and analysis of credit risk of the given debtor. Receivables with payment term longer than 180 days are measured at adjusted buying price (amortised cost) at an effective rate of interest.

#### **4.14. Transactions in foreign currency**

Transactions denominated in currency other than Polish zloty are converted into Polish zloty at the rate applicable on the date of transaction.

At the balance sheet date, cash, bank credits and loans and other assets and liabilities denominated in currency other than Polish zloty are converted into Polish zloty (PLN) at the foreign exchange rate used by the bank providing its services to the company. The resulting translation differences are recognised respectively under financial revenues or expenses.

#### **4.15. Cash and cash equivalents**

Cash and cash equivalents include cash at hand, bank deposits payable on demand, other short-term investments with original maturity up to three months and high liquidity, and overdraft facilities. The overdraft facility is presented in the statement of financial position as a component of short-term credits and loans under current payables.

#### **4.16. Advances**

Expenses due to which economic benefits are expected for several accounting periods, and for which links to revenues can be determined only generally and indirectly, are included in the consolidated statement of comprehensive income systematically and rationally over time. The costs are included promptly in the statement of comprehensive income if the expenses incurred do not generate any future economic benefits.

#### **4.17. Shareholders' equity**

Initial capital is disclosed at the amount agreed in the articles of association of the Company entered into the National Court Register (KRS).



**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Supplementary capital is formed according to the provisions of the Company's Articles of Association and the Code of Commercial Companies and Partnerships, which stipulate that it can be increased by:

- allocating a portion of net profit,
- transferring the share premium,
- shareholders' contributions made in exchange for attaching special rights to their existing shares unless such contributions are used for offsetting extraordinary write-offs or losses,
- transferring net gains from the revaluation of fixed assets due to their disposal for sale or liquidation if separate provisions do not imply that these should be posted to profit or loss,

and decreased by:

- covering the loss,
- redeeming own shares,
- covering the cost of share issuance up to share premium; the remaining costs are charged to financial expenses,
- assigning fixed assets free of charge, according to the resolution of the General Meeting of Shareholders,
- transferring net loss from the revaluation of fixed assets due to their disposal for sale or liquidation if separate provisions do not imply that these should be posted to profit or loss.

The assets revaluation reserve is used for recognising reassessments of fixed assets increasing their value. It will also include the revaluation of provisions for future employee benefits.

Reserve capital is created according to the Articles of Association and resolutions of the General Meeting of Shareholders from net profit and is used for covering capital expenses.

#### **4.18. Bank credits and loans**

Interest-bearing bank credits and loans (including overdraft facilities) are posted at the amount received. Financial expenses (apart from those directly linked with purchasing or manufacturing PPE), including commissions payable upon repayment or redemption and direct costs of contracting credits are recognised in the statement of comprehensive income, using the effective rate of interest, and increase the instrument's carrying amount, including the portion repaid in the current period.

Credits bearing interest lower than the market rate are discounted to the market interest rate and the difference between the discounted amount and the received amounts is presented as a government grant.

Credits and loans are classified as current payables unless the Company has an unconditional right to defer the repayment of the payable for at least 12 months from the balance sheet date. Then, they are presented as non-current payables.

#### **4.19. Borrowing costs**

The borrowing costs (third party financing) directly associated with construction, adaptation, assembly or improvement of fixed assets or intangible assets over the term of construction, adaptation, assembly or improvement are included in the value of such assets if such liabilities were incurred for this purpose. Other costs of borrowing are recognised in the statement of comprehensive income.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

#### **4.20. Deferred tax**

The deferred income tax payable is recognised in full as a liability due to interim differences between the tax value of assets and liabilities and their balance sheet value in the financial statements. Deferred income tax is determined using tax rates (and regulations) legally or actually binding at the balance sheet date that are expected to apply upon realisation of respective deferred tax assets or settlement of the deferred tax payable.

Deferred tax assets are determined at the future amount deductible from income tax, in connection with negative interim differences that in the future will cause a reduction in the taxable base. Deferred tax assets are recognised if it is likely that taxable income will be generated in the future making it possible to utilise interim differences.

#### **4.21. Employee benefits**

The expected costs of employee benefits (service anniversary awards, retirement severance payments etc.) are expensed over the employment term using actuarial methods. Actuarial gains and losses due to ex post adjustment of actuarial assumptions and changes in actuarial assumptions are recognised under other comprehensive income in the statement of comprehensive income over the average expected remaining term of employment for respective employees. Independent actuaries assess the corresponding payables every six months.

Employee benefits can also be paid upon termination of employment before statutory retirement or any time the employee voluntarily accepts the termination of employment in exchange for such benefits. The Company recognises employment termination benefits if it explicitly decides to terminate it according to the existing official detailed plan with no possibility to withdraw or decides to make severance payments having encouraged the employees to terminate their employment voluntarily. Benefits payable after 12 months of the balance sheet date are discounted at their current value.

#### **4.22. Trade payables**

Trade payables, other than interest-bearing instruments, are presented in the balance sheet at the amount payable. If their valuation at adjusted buying price significantly differs from the valuation at the amount payable, such trade payables will be measured at adjusted buying price.

#### **4.23. Provisions**

Reserves and provisions are recognised when the Company has a current obligation (statutory or customary) resulting from past events and when it is certain or highly likely that the satisfaction of such an obligation will result in the necessary outflow of funds identified with economic benefits, and when the amount of such an obligation can be reliably estimated.

No provisions for future operating losses are formed.

#### **4.24. Accruals**

Accruals are payables for goods or services that have been delivered (performed) in full or in part, but have not been invoiced or where

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

payment terms were not formally agreed with the supplier. Accruals also include accrued holiday leave equivalent and accumulated depreciation of CO2 emission allowances. Accruals are recognised when the future amount payable and the payment date can be reliably estimated.

#### **4.25. Impairment of assets**

At each balance sheet date, the Company evaluates whether an objective proof indicating permanent impairment of an asset or a group of assets exists. If such a proof does exist, the Company will determine the estimated recoverable value of the asset and will make an impairment loss equivalent to the difference between the recoverable value and the carrying amount. The loss resulting from impairment is recognised in the statement of comprehensive income pertaining to the current period.

#### **4.26. Lease**

The lease contract is a contract under which, against payment or a series of payments, the lessor transfers the right to use an asset over an agreed time to the lessee.

As of 1 January 2019, the Company adopted the new standard IFRS 16 *Leases* superseding the previous IAS 17 with the same title and accompanying interpretations:

- IFRIC 4 Determining whether an Arrangement Contains a Lease;
- SIC 15 Operating Leases - Incentives;
- SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

With reference to lessees, the new standard introduces a uniform accounting model for lease contracts based on the concept of control (benefits + control) and requires that assets (right-of-use assets) and lease payables are recognised. The recognised asset is not the object used, for instance, a machine or car but the right to use it. The new standard eliminates off-balance treatment of leased assets and the lessee does not need to distinguish between operating and finance lease any more. With reference to lessors, IFRS 16 exceeds the requirements of IAS 17. The Lessor will still classify lease contracts as operating and finance lease. From 1 January 2019, in addition, service contracts can also be classified as leases. In the first place, this refers to contracts of tenancy and lease of area, perpetual usufruct of land or quasi service contracts such as those regarding IT and telecommunications services performed using fixed assets (e.g. servers, optical fibres etc.).

IFRS 16 puts certain simplifications into effect and allows lessees not to apply the requirements regarding the recognition, valuation and presentation of leases for:

- > short-term leases (contract term <1 year from the effective date of the contract); the exemption is applied consistently with reference to individual classes of leased assets; in determining the term of lease, the Company should consider a lease renewal option if it is sufficiently certain that it will renew or terminate the lease; each lease contract with an option to purchase the asset does not automatically qualify as short-term lease;
- > lease contracts where the leased asset is a low-value asset; in the Basis for Conclusions, IASB stated that the maximum value of the asset eligible for exemption is USD 5,000 (initial value of the new asset, irrespective of the leased asset's age); the exemption does not apply to subleased items. The acceptable exemption concerning short-term leases and lease of low-value assets aims to decrease the costs related to the implementation of the new standard without explicit deterioration in the quality of information following from the financial statements. In this case, the lessee recognises lease payments

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

linearly in the income statement over term of lease or in other systematic manner if it is more representative.

At the inception of the contract, the Company evaluates whether the contract is a lease or contains a lease. A lease should be understood as a contract or part of the contract by which the right to use an asset over an agreed term is transferred against consideration. It should be evaluated whether the contract involves a transfer of control over the use of a specific asset over a specified period, that is, whether so long as it used, the Entity:

- > has the right to obtain substantially all of the economic benefits from the use of the identified asset (benefit);
- > has the right to direct the use of the identified asset (control).

Lease contracts under which substantially all risks and benefits pertaining to the leased object are transferred to the Company are recognised in the assets and liabilities at the effective date of the lease. The value of assets and liabilities is assessed at the effective date of the lease at the lower of the following: fair value of the leased fixed asset or the current value of minimum lease payments.

Minimum lease payments are split between financial expenses and the decrease in the balance of lease payables to ensure a fixed rate of interest on the outstanding payable. Contingent lease payments are recognised in the costs of the period in which they were incurred.

Fixed assets used under lease contracts are depreciated using rules applied to the Company's own assets. However, if it is not sufficiently certain that the Company will acquire the ownership title before the end of lease, then the asset is depreciated over the shorter of the two: estimated economic life of the asset or the term of lease.

Lease contracts according to which generally all risks and benefits related to holding of the leased object remain with the lessor are classified as operating lease contracts. Operating lease payments are recognised as costs in the profit and loss account by straight line method over the term of lease.

#### **4.27. Recognition of income**

Revenues are recognised at the amounts of likely economic benefits to be derived by Company in connection with the particular transaction and when the revenues can be measured reliably.

Revenue from sales includes the fair value of revenues from the sale of products, goods and services, less the goods and services tax, discounts and rebates, and less the excise tax. Revenues are recognised as follows:

**a) *revenues from the sale of products and goods***

According to IFRS 15 *Revenue from contracts with customers*, since 1 January 2018, the Company has recognised revenues from contracts with customers upon fulfilment of its obligation to transfer the promised goods to the buyer, when, simultaneously, the buyer obtains control over such an asset, i.e. the ability to directly dispose of the transferred asset and derive substantially all other benefits and the ability to prevent other entities from disposing of and deriving benefits from such an asset.

The Group interprets its performance obligations as any promise made to the customer with regard to transferring identifiable goods or groups of identified goods

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

that are substantially identical and are transferred to the customer in an identical way. For each performance obligation, the Group's company determines (according to the provisions of the contract) whether it will fulfil such an obligation with time or at a specific time.

Revenue from the sale of products, goods and materials is recognised in the profit or loss on a non-recurring basis, at a specific point in time, consistent with the point in time when the performance obligation is fulfilled.

**b) *revenues from the sale of services***

According to IFRS 15 *Revenue from contracts with customers*, since 1 January 2018, the Company has recognised revenues from contracts with customers upon fulfilment of its obligation to transfer the promised service to the buyer, when, simultaneously, the buyer obtains control over such an asset, i.e. the ability to directly dispose of the transferred asset and derive substantially all other benefits and the ability to prevent other entities from disposing of and deriving benefits from such an asset.

The Company interprets its performance obligations as any promise made to the customer with regard to transferring identifiable services or groups of identified services that are substantially identical and are transferred to the customer in an identical way. For each performance obligation, the Company determines (according to the provisions of the contract) whether it will fulfil such an obligation with time or at a specific time.

Revenues from the sale of services are recognised in the profit or loss with time if one of the following conditions is satisfied:

- the customer simultaneously receives and derives economic benefits from the Company's performance as the Company fulfils its obligation, or
- due to the Company's performance, an asset is created or improved (e.g. work in progress), and as the asset is being created or improved, the customer controls it, or
- due to the Company's performance, an asset is created for which the Company has no alternative use and, simultaneously, the Company has an enforceable right to receive payment for its previous performance.

For the sales of products and goods and for the sale of services, IFRS 15 *Revenue from contracts with customers* has established the so-called Five Step Model that the Company has applied since 1 January 2018:

1. verification of contracts with customers for completeness and correctness, taking payment probability into account;
2. identification of the object of the contract, that is, the Company's performance to customers (in some cases it can be necessary to analyse several contracts and recognise the revenues as if they resulted from a single contract with the customer);
3. specification of the transaction price, that is, remuneration the Company expects to receive taking into account the fixed or variable nature of its price, its form (cash and/or non-cash), and the value of money in time when the contractor was granted a long-term mercantile credit;
4. allocation of the contractual price to particular contractual performance/obligations - revenues are allocated to particular performance based on their unit selling price, and, for discounts and other price changing elements it is analysed which performance these elements refer to and then they are allocated to the corresponding performance;
5. recognition of revenues in accounting books and financial statements upon the Company's fulfilment of its performance obligation (after

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

the goods or services are provided to the customer).

In the statement of comprehensive income, revenues from contracts with customers include revenues from the Company’s normal operations, that is, revenues from the sale of products, goods and materials.

Revenues from contracts with customers are recognised at transaction price equivalent (including all discounts and rebates).

The transaction price also reflects the money value change in time if the contract with the customer contains a significant financing element determined based on the contractual payment terms irrespective of whether or not it was explicitly specified in the contract. The financing element is deemed significant if, at the contract date, the term from the delivery of the promised goods or services to the customer until the customer’s payment for such goods or services is longer than one (1) year.

According to IFRS 15, if the consideration specified in the contract contains a variable component, the Company will assess the amount of consideration it is entitled to receive in exchange for the delivery of the promised goods or services to the customer and include the variable consideration in part or in full in the transaction price only to the extent to which it is highly likely that a considerable portion of previously recognised accumulated revenues will not be reversed when the uncertainty concerning the amount of consideration ceases.

**c) *revenues from interest***

Revenues from and costs of interest are recognised on an accrual basis at an effective rate of interest. For an impaired receivable, the Company reduces its carrying amount to the recoverable value equivalent to estimated future cash flows discounted at the primary effective rate of interest applicable to the instrument, and then gradually the discounted amount is accounted for in correspondence with revenues from interest. Revenues from interest on impaired loans granted are recognised on a cash or recovered basis as the case may be.

**d) *dividends***

Revenues from dividends are recognised upon acquisition of the right to receive payment (if it is likely that the Company will derive economic benefits and that the revenue can be reliably measured).

#### **4.28. Other operating income**

Other operating revenues include revenues and earnings not directly associated with the Company’s operations. This category covers, e.g. earnings from the sale of fixed assets, earnings from the revaluation of assets, reversal of impairment losses on receivables, received indemnification, tax overpayments except corporate income tax etc.

#### **4.29. Government grants**

Subsidies are not recognised until it is reasonably certain that the Company will fulfil the necessary prerequisites to receive them.

Government grants are recognised systematically in the profit or loss for each period in which the Company recognises expenses as costs to be offset by the grant. In particular, subsidies the underlying condition for which is the purchase, construction or other acquisition of fixed assets, are recognised as deferred income in the statement of financial position and posted to profit or loss systematically at reasonable amounts over the economic life of the corresponding assets.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Government grants to offset the previously incurred costs or offered as direct financial support to the Company without any related costs incurred in the future, are recognised in the profit or loss for the period in which they become due.

Benefits from preferential credits with below-market rates of interest, are treated as subsidies and are measured as a difference between the value of credits granted and their fair value determined at the applicable market rate of interest.

#### **4.30. Expenses**

The Company accounts for its costs by function of expenses. The costs of core activity include cost of goods sold, selling and distribution costs, and general and administrative expenses.

#### **4.31. Other operating expenses**

Other operating expenses include costs and losses not directly associated with the Company's operations. This category includes losses from the disposal of fixed assets, losses from the revaluation of assets and liabilities, impairment losses on receivables, donations made, and effects of guarantees and sureties etc.

#### **4.32. Financial expenses**

Costs of interest, dividends and investments are presented under “financial expenses”.

#### **4.33. Financial income**

Financial revenues include revenues from received dividends, interest on deposits and investments and exchange gains.

#### **4.34. Earnings per share**

For each period net earnings per share are calculated by dividing the net profit of the particular period by the weighted average number of the Company's shares, because there are no preferred shares.

#### **4.35. Estimates and the underlying assumptions**

The Company makes estimates and related assumptions based on historical experience and various other factors as deemed reasonable in specific circumstances, and their results provide grounds for judgement of the carrying amount of assets and liabilities not following directly from other sources. Actual values can differ from the estimated ones.

The estimates and their underlying assumptions are verified on an ongoing basis. A change in accounting estimates is recognised in the period in which it occurred.

In the reporting period, the Company tested its fixed assets for impairment but did not find any.

Impairment losses on inventories are made based on the degree of impairment.

Impairment losses on receivables were updated, taking into account the risk of not receiving payment from buyers.

The provisions were updated based on actuarial calculations at 31.12.2022. Future payments of benefits will be discounted at

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

the mean profitability rate for the most secure long-term securities listed in the Polish capital market at the measurement date.

The provisions for unused holiday leave were updated based on expected salaries, including employer's charges for holiday entitlements not used at 31.12.2022.

The Company recognises deferred tax assets based on an assumption that in the future it will achieve tax profit that will make it possible to utilise them.

The Company reviews the adopted economic life of fixed assets and intangible assets on an annual basis. The last review was carried out on 31.12.2022.

#### **4.36. Cash flow statement**

The Company prepares indirect cash flow statements according to cash flows from operating, investing and financing activity.

Cash flows from operating activity derive primarily from the core activity. They do not contain third-party financing sources.

Cash flows from investing activities include, in particular:

- cash paid and received from the purchase (sale) of PPE, intangibles and other fixed assets,
- cash linked to the purchase or sale of capital instruments,
- dividends received,
- loans granted to third parties,
- cash from the settlement of forward contracts.

Cash flows from financing activity derive primarily from third-party financing. They include:

- receipts from the issuance of shares (absent in the presented period),
- expenditure on purchasing own shares (absent in the presented period),
- dividends and other payments to shareholders,
- contracting and repayment of credits and loans,
- subsidies and other non-refundable receipts from third-party financing sources.

#### **5. New accounting standards and interpretations issued but not yet effective.**

The following standards, amendments to the standards in force and interpretations were not adopted by the European Union or are not yet effective at 1 January 2022:

Standard	Description of amendments	Effective date
IFRS 14 Regulatory deferral accounts	Principles of accounting and disclosures for regulatory deferral accounts	According to the decision of the European Commission, the procedure for approval of the draft standard will not be initiated before



**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Standard	Description of amendments	Effective date
		the final standard is issued.
Amendments to IFRS 10 and IAS 28	Contain guidelines concerning the sale or contribution of assets by the investor to an associated company or a joint venture	Works leading to the approval of these amendments were postponed indefinitely
IFRS 17 Insurance contracts	Defines a new approach to recognising revenues and profit/loss throughout the insurance services period	1 January 2023
Amendments to IAS 1	Presentation of financial statements – classification of payables as current and non-current	1 January 2023
Amendments to IAS 1	Presentation of financial statements – disclosures concerning the adopted accounting policy	1 January 2023
Amendments to IAS 8	Amendments referring to the adopted accounting policy, including the change in estimates and adjustment of errors	1 January 2023
Amendments to IAS 12	Deferred tax associated with assets and liabilities related to a single transaction	1 January 2023
Amendments to IFRS 17 Insurance contracts	First-time adoption of IFRS 17 and IFRS 9 - comparative data 1	1 January 2023

The Issuer intends to adopt the above-mentioned new IFRS and interpretations issued by the International Accounting Standards Board (IASB) but not yet effective at the reporting date, according to their effective dates.

The above regulations will not materially affect the future financial statements of the Issuer.

## 6. Untypical items having material impact on assets, liabilities, equity, profit/loss and cash flows

No untypical items having material impact on the Company’s assets, liabilities, equity, profit/loss and cash flows occurred in these statements.

## 7. Changes in accounting principles, adjustment of errors and presentation

“PEPEES” S.A. did not adjust previous years’ errors. The Company did not change its previously applied accounting principles, except when adopting the following new or amended standards and interpretations applicable to annual periods starting on or after 01 January 2022.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## 8. Reporting according to business divisions

### 8.1. Information concerning products and services

Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” operates mainly in the “Potato processing” segment. This segment manufactures:

- potato starch for use in households and the food, pharmaceutical, paper-making, and textile industries,
- several ranges of glucose for use in the food, confectionery, and pharmaceutical industries,
- maltodextrin, being a significant component of powdered products (ice cream, sauces, soups, fruit extracts, flavoured sprinkles) as well as nutrition supplements and vitamin and mineral formulas for children and sportspeople,
- protein derived from potato juice by coagulation, separation and drying; constitutes a valuable component of animal feed rations and makes an excellent substitute for animal.
- a wide range of starch syrups used in the confectionery and bakery industry.

Other types of activity refer to:

- works and services,
- sales of specific goods and materials,
- growing and selling annual plants,

### 8.2 Revenues by product category

Product name	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Starch	114 198	100 383
Protein	8 065	12 028
Glucose	22 156	13 625
Hydrol	535	409
Maltodextrin	24 973	20 689
Starch syrups	2 270	1 366
Goods and materials	13 119	14 302
Services	1 246	1 141
<b>Total</b>	<b>186 512</b>	<b>163 943</b>

### 8.3 Revenues from sales by territory

Specification	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
<b>Poland, of which</b>	<b>113 497</b>	<b>95 139</b>
Starch	57 401	48 169
Protein	5 164	7 432
Glucose	19 561	10 992
Hydrol	535	409

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Specification	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Maltodextrin	18 367	14 262
Starch syrups	2 270	1 366
Goods and materials	8 953	11 368
Services	1 246	1 141
<b>EU member states - intra-Community supplies, of which:</b>	<b>18 143</b>	<b>13 284</b>
Starch	10 890	7 090
Protein	911	962
Maltodextrin	3 949	3 582
Glucose	2 393	1 365
Merchandise	-	285
<b>Other countries - export</b>	<b>54 872</b>	<b>55 520</b>
Starch	45 907	45 124
Protein	1 990	3 634
Glucose	202	1 268
Maltodextrin	2 607	2 845
Merchandise	4 166	2 649
<b>Total</b>	<b>186 512</b>	<b>163 943</b>

#### 8.4. Information concerning key customers

The Company has no customers generating more than 10% of its total revenue from sales. By contrast, in respective product groups, some customers account for more than 10% of the sales of the particular product. Thus:

- more than 10% of protein sold to each of the three domestic customers (15.6%; 12.1% and 11%, respectively),
- more than 10% of maltodextrin sold to each of the three domestic customers (17.8%; 15.4% and 12.9%, respectively),
- nearly 49% of syrup sold to two domestic customers (28.1% and 20.7%, respectively).

### 9. Notes to the statement of financial position

#### 9.1. Property, plant and equipment

FIXED ASSETS	At 31 December 2022	At 31 December 2021
a) fixed assets, of which:	81 091	86 914
- land	101	101
- buildings, premises and civil engineering structures	43 373	46 975
- plant, machinery and equipment	32 033	36 902
- vehicles	5 061	2 297
- other fixed assets	523	639
b) fixed assets under construction	3 921	1 189
<b>Total tangible fixed assets</b>	<b>85 012</b>	<b>103</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

<b>MOVEMENTS IN FIXED ASSETS (ACCORDING TO GROUPS OF TYPES)</b>	<b>land</b>	<b>buildings, premises and civil engineering structures</b>	<b>plant, machinery and equipment</b>	<b>vehicles</b>	<b>other fixed assets</b>	<b>Total</b>
<b>At 1 January 2021</b>						
<b>Gross</b>	<b>101</b>	<b>92 638</b>	<b>94 682</b>	<b>6 135</b>	<b>2 044</b>	<b>195 600</b>
<b>Accumulated depreciation</b>	<b>-</b>	<b>42 374</b>	<b>53 430</b>	<b>3 653</b>	<b>1 388</b>	<b>100 845</b>
<b>Net carrying amount</b>	<b>101</b>	<b>50 264</b>	<b>41 252</b>	<b>2 482</b>	<b>656</b>	<b>94 755</b>
2021						
Gross at the beginning of period	101	92 638	94 682	6 135	2 044	195 600
Increases (due to)	-	449	2 985	1 225	179	4 838
- investments						-
- purchase		449	2 426	196	179	3 250
- lease			559	1 029		1 588
Decreases (due to)	-	-	1 398	1 108	21	2 527
- sale			694	322	10	1 026
- liquidation			704	786	11	1 501
Derecognised accumulated depreciation of sold and liquidated fixed assets			(571)	(914)	(20)	(1 505)
Depreciation/amortisation	-	3 738	6 508	1 216	195	11 657
- associated with the core activity		3 673	5 711	981	177	10 542
- associated with agricultural activity		65	797	235	18	1 115
<b>At 31 December 2021</b>						
<b>Gross</b>	<b>101</b>	<b>93 087</b>	<b>96 269</b>	<b>6 252</b>	<b>2 202</b>	<b>197 911</b>
<b>Accumulated depreciation</b>	<b>0</b>	<b>46 112</b>	<b>59 367</b>	<b>3 955</b>	<b>1 563</b>	<b>110 997</b>
<b>Net carrying amount</b>	<b>101</b>	<b>46 975</b>	<b>36 902</b>	<b>2 297</b>	<b>639</b>	<b>86 914</b>
2022						
Gross at the beginning of period	101	93 087	96 269	6 252	2 202	197 911
Increases (due to)	-	81	2 860	4 383	92	7 416
- investments						-
- purchase		81	822		92	995
- lease			2 038	4 383		6 421
Decreases (due to)	-	-	2 891	323	48	3 262
- sale				323	13	336
- liquidation			2 891		35	2 926
Derecognised accumulated depreciation of sold and liquidated fixed assets			(1 827)	(323)	(34)	(2 184)
Depreciation, of which:	-	3 683	6 665	1 619	194	12 161
- associated with the core activity		3 618	5 593	971	174	10 356
- associated with agricultural activity		65	1 072	648	20	1 805
<b>At 31 December 2022</b>						
<b>Gross</b>	<b>101</b>	<b>93 168</b>	<b>96 238</b>	<b>10 312</b>	<b>2 246</b>	<b>202 065</b>
<b>Accumulated depreciation</b>	<b>-</b>	<b>49 795</b>	<b>64 205</b>	<b>5 251</b>	<b>1 723</b>	<b>120 974</b>
<b>Net carrying amount</b>	<b>101</b>	<b>43 373</b>	<b>32 033</b>	<b>5 061</b>	<b>523</b>	<b>81 091</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Upon the adoption of IAS, the fair value of fixed assets assessed by an expert assessor was adopted as the assumed cost. Adjustments due to valuation, reduced by deferred income tax, were recognised in shareholders' equity.

In the reporting period depreciation expenses on the core business activity increased the cost of products, goods and materials sold amounting to PLN 9 692 000 (PLN 8 698 000 in 2021) and general and administrative expenses - PLN 2 004 000 (PLN 1 844 000 in 2021).

Charges on property, plant and equipment due to contracted bank loans:

- registered pledge on fixed assets amounting to PLN 5 900 000 for the benefit of Santander Bank Polska S.A. (formerly Bank Zachodni WBK),
- registered pledge on fixed assets for the benefit of PKO Bank Polski S.A.

In connection with the purchase of property, plant and equipment, investment loans were contracted but on the reporting date they were fully paid up (the balance of debt at 31.12.2021 was PLN 231 000).

“Other operating revenues” in the statement of comprehensive income include indemnification from the insurance company for the impairment of property, plant and equipment due to fortuitous events amounting to PLN 35 000 (in 2021: PLN 99 000).

PROPERTY, PLANT AND EQUIPMENT UNDER FINANCE LEASE	Net at	
	31 December 2022	31 December 2021
- buildings and structures		198
- plant, machinery and equipment	2 099	3 018
- vehicles	3 426	1 010
<b>Total</b>	<b>5 525</b>	<b>4 226</b>

## 9.2. Intangibles

INTANGIBLES	At 31 December 2022	At 31 December 2021
a) acquired concessions, patents, licences and other assets, of which:	217	184
- computer software	137	103
b) gas emission allowances	427	-
<b>Total intangible assets</b>	<b>644</b>	<b>184</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

MOVEMENTS IN INTANGIBLE ASSETS	Costs of completed development works	Goodwill	Purchased concessions, patents, licences of which: computer software	Gas emission allowances	Total
<b>At 1 January 2021</b>					
<b>Gross</b>			<b>682</b>	<b>296</b>	<b>978</b>
<b>Accumulated depreciation</b>			<b>479</b>	<b>-</b>	<b>479</b>
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>203</b>	<b>296</b>	<b>499</b>
2021					
Gross at the beginning of period	-	-	682	296	978
Increases (due to)	-	-	-	2 198	2 198
- purchase				2 198	2 198
- grant					-
Decreases (due to)	-	-	-	2 494	2 494
- sale					-
- utilisation				2 494	2 494
Derecognised accumulated depreciation of sold and liquidated intangibles					-
Depreciation/amortisation			19		19
<b>At 31 December 2021</b>					<b>-</b>
<b>Gross</b>	<b>-</b>	<b>-</b>	<b>682</b>	<b>-</b>	<b>682</b>
<b>Accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>498</b>	<b>-</b>	<b>498</b>
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>184</b>	<b>-</b>	<b>184</b>
2022					
Gross at the beginning of period	-	-	682	-	682
Increases (due to)	-	-	74	1 027	1 101
- purchase	-	-	74	1 027	1 101
Decreases (due to)	-	-	-	600	600
- sale					-
- utilisation			-	600	600
Derecognised accumulated depreciation of sold and liquidated intangibles	-	-	-	-	-
Depreciation/Amortisation	-	-	41	-	41
<b>At 31 December 2022</b>					
<b>Gross</b>	<b>-</b>	<b>-</b>	<b>756</b>	<b>427</b>	<b>1 183</b>
<b>Accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>539</b>	<b>-</b>	<b>539</b>
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>427</b>	<b>644</b>

The full amortisation of intangibles was included in the statement of comprehensive income under “general and administrative expenses”.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

<b>MOVEMENTS IN CO2 EMISSION ALLOWANCES</b>	<b>Number of EUA</b>	<b>Value ( kPLN)</b>
At 01.01.2022	7 088	0
Received free of charge	7 088	0
Purchased	2 700	1 027
Redeemed	15 796	600
Sold	-	-
<b>At 31.12.2022</b>	<b>1 080</b>	<b>427</b>

At 31 December 2022, the Company created a provision amounting to PLN 1 579 000 for EUA 2022 expected to be redeemed.

### 9.3. Rights to assets

<b>Rights to assets</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
Rights to assets	14 576	15 761
<b>Total rights to assets</b>	<b>14 576</b>	<b>15 761</b>

### 9.4. Investment property

<b>Investment property</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
Investment property	363	373
<b>Total investment property</b>	<b>363</b>	<b>373</b>

Investment property includes the value of the Investments in subsidiaries apartment in Poznań that is rented.

### 9.5. Investments in subsidiaries

<b>MOVEMENTS IN INVESTMENTS IN RELATED PARTIES</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
a) at the beginning of period	23 586	23 586
- interests or shares	15 586	15 586
- bonds*	8 000	8 000
b) increases (due to)	-	-
c) decreases (due to)	-	-
- sale of shares in CHP Energia	-	5 972
- revaluation expense on the shares in CHP Energia	-	(4 569)
- reclassification of shares in CHP Energia (transfer to “Assets held for sale)	-	(1 403)
<b>d) end of period</b>	<b>23 586</b>	<b>23 586</b>
- interests or shares	15 586	15 586
- bonds*	8 000	8 000

Interests and shares are valued at their acquisition price recognising impairment.

*\*Bonds classified as instrument measured at amortised cost were presented at the issue price. Valuation at amortised cost in 2022 amounts to PLN 7 955 000, and in 2021 it amounted to PLN 8 288 000*

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Encumbrances:

- registered pledges on 32 400 shares (100% of shares) in Gospodarstwo Rolne Ponary for the benefit of PKO Bank Polski S.A. with the carrying amount of PLN 11 831 000.

Name (business name) of the subsidiary	Business area	Registered office	Consolidation method	Assumption of control	Value of interests/ shares at acquisition price	Balance sheet value	Percentage of capital	Share in the total number of votes at the General Meeting of Shareholders'
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes	Full	02.12.1996	2 550	2 550	82.38	82.38
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starch and starch products	Full	16.03.2011	1 205	1 205	84.125	84.125
Pepees Inwestycje Sp. z o.o.	Łomża	Buying and selling property on own account	Full	18.10.2010	96	-	100	100
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Mixed farming	Full	19.09.2017	11 831	11 831	100	100

Name (business name) of the subsidiary	Capital equity	Assets	Liabilities	Revenues from sales	Profit/ loss
<b>2021</b>					
ZPZ LUBLIN Sp. z o.o.	4 659	21 793	17 134	18 863	(600)
PPZ BRONISŁAW	14 173	76 744	62 571	48 398	(5 310)
Pepees Inwestycje Sp. z o.o.	71	71	-	-	(11)
Gospodarstwo Rolne PONARY Sp. z o.o.	14 367	21 634	7 267	-	75
<b>2022</b>					
ZPZ LUBLIN Sp. z o.o.	3 971	21 557	17 586	23 005	(688)
PPZ BRONISŁAW	16 486	82 550	66 064	59 427	2 313
Pepees Inwestycje Sp. z o.o.	58	58	-	-	(12)
Gospodarstwo Rolne PONARY Sp. z o.o.	15 117	21 655	6 538	-	24

The Company tested each subsidiary's assets for impairment at 31.12.2022.

The assets in ZPZ Lublin were tested for impairment based on the discounted cash flow methods ("DCF") using forecasts developed by the company's management board for the years 2023-2027. The forecasts of the management board assume CAGR for revenues at the level of 8.1% and EBIT from 3.3% to 6.4%. The discount rate defined for the needs of the test (WACC before tax) amounted to: 13.28% in 2023, 12.02% in 2024 and 10.77% in the following years, and the cash flow stream growth after the forecast period was assumed as 2.5%.



As regards PPZ Bronisław, its assets were tested for impairment based on discounted cash flows (“DCF”) using forecasts developed by the company’s management board for the years 2023-2027. The forecasts of the management board assume CAGR for revenues at the level of 7.9% and EBIT from 8.2% to 11.6%. The discount rate defined for the needs of the test (WACC before tax) amounted to: 13.28% in 2023, 12.02% in 2024 and 10.77% in the following years, and the cash flow stream growth after the forecast period was assumed as 2.5%.

The assets of Gospodarstwo Rolne PONARY were tested for impairment by estimating the recoverable value as the fair value of the company’s equity less cost to sell. The fair value of the company’s equity was determined based on the adjusted net assets including the arm’s length value of the rights to real estate estimated by the property assessor.

## 9.6. Other financial assets

MOVEMENTS IN INVESTMENTS IN OTHER ENTITIES	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
a) at the beginning of the period	7 508	7 595
- interests or shares	7 508	7 345
- bonds	-	250
b) increases:	-	163
- interests or shares		8
- revaluation of shares		155
c) decreases:	232	250
- revaluation of shares	232	
- sale of bonds	-	250
d) at the end of period	7 276	7 508
- interests or shares	7 276	7 508
- bonds	-	-

INVESTMENTS IN OTHER ENTITIES	At 31.12.2022	At 31.12.2021
<b>Interests or shares (measured at fair value through profit or loss):</b>	<b>7 276</b>	<b>7 508</b>
Bank Polskiej Spółdzielczości	75	75
Warszawski Rolno-Spożywczy Rynek Hurtowy in Bronisze	6 893	7 125
Zakłady Mięsne Ostrołęka S.A.	37	37
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bank Rozwoju	270	270
<b>Bonds (measured at amortised cost)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7 276</b>	<b>7 508</b>

“PEPEES” S.A. holds 4000 non-preference shares of “Warszawski Rolno-Spożywczy Rynek Hurtowy” Spółka Akcyjna in Bronisze (“WRSRH”) with the par value of PLN 4 000 000, purchased for a price of PLN 3 475 000 (including 1000 shares purchased on 27 July 2020 for a price of PLN 925 000).

At 31.12.2022, an independent actuary assessed the fair value of the block of shares held by “PEPEES” S.A. as PLN 6 893 000. The revaluation of the said shares, amounting to PLN 232 000, was recognised in the financial expenses for 2022.

The actuary used the discounted future cash flows method (“DCF”) based on the assumption that goodwill/amount of equity depends on the scale of financial benefits

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

generated by the assessed business to its owners during its continued operations. This assessment procedure was based on cash flows available to owners and creditors and weighted average cost of capital (WACC). The discount rate defined for the needs of the test (WACC before tax) amounted to: 12.60% in 2023, 11.57% in 2024, and 10.54% in the following years.

The shares of WRSRH account for 3.33% of the equity of WRSRH and 1.6% of the votes at the General Meeting of Shareholders. The mainowner of WRSRH is the State Treasury holding more than 71.83% of equity. PEPEES does not control WRSRH. This investment is measured at fair value through profit or loss and is presented under short-term (current) assets.

The Company also holds shares in Bank Spółdzielczy in Szepietowo totalling PLN 270 000. This is a long-term investment.

In addition, the Company holds shares in three other entities that account for less than 5% of all the votes at the general meeting and are not significant from the point of view of the Company's goodwill and investment policy. Therefore, these shares are presented in the statement at the transaction price.

## 9.7. Inventories

INVENTORIES	At 31 December 2022	At 31 December 2021
a) raw materials	7 764	4 705
b) semi-finished products and work in progress	441	1 128
c) finished products	53 182	53 682
d) goods	5 663	3 762
<b>Total inventories</b>	<b>67 050</b>	<b>63 277</b>

The balance sheet value of inventories measured at fair value less selling cost was PLN 2 435 000 at 31.12.2022 (PLN 2 299 000 in 2021).

The value of inventories recognised in the expenses of the reporting period was PLN 123 013 000 in 2022, and in 2021 it amounted to PLN 124 598 000.

Impairment losses recognised as expenses during 2021 amounted to PLN 1 045 000 and, accordingly, in 2022 the amount was PLN 666 000.

The reversal of impairment losses on inventories in 2022 amounted to PLN 333 000 (PLN 748 000 in 2021).

At 31.12.2022, impairment losses amount to PLN 517 000 (PLN 318 000 at 31.12.2021).

The balance-sheet value of inventories constituting bank loan collaterals amounts to PLN 42 875 000 (PLN 41 650 000 at the end of 2021).

Charges on inventories due to contracted bank loans:

- registered pledge on the inventories of potatoes, finished products and semi-finished products for the benefit of Powszechna Kasa Oszczędności Bank Polski S.A., as a collateral for a loan of which PLN 17 500 000 remains unpaid at 31.12.2022,
- registered pledge on the inventories of materials, finished products and goods for the benefit of Santander Bank Polska S.A. as a collateral for loans of which PLN 17 500 000 remains unpaid at 31.12.2022.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## 9.8. Biological assets

Plant assets	At 31 December 2022	At 31 December 21
Biological assets	326	560
<b>Total</b>	<b>326</b>	<b>560</b>

Since March 2014 “PEPEES” S.A. has leased an agricultural holding and since March 2018 - new land sown with annual plants. At the balance sheet date, the seed purchasing and crop growing costs amount to PLN 13 489 000, and revenues from agricultural activity PLN 5 692 000. At 31.12.2022, the value of farmsteads’ inventories totalled PLN 608 000 (wheat and peas). Biological assets were presented in the statements at their fair value.

## 9.9. Trade and other current receivables

TRADE AND OTHER CURRENT RECEIVABLES	At 31 December 2022	At 31 December 2021
Trade receivables	24 261	21 985
Other receivables	4 029	5 401
Advances	1 443	852
<b>Total</b>	<b>29 733</b>	<b>28 238</b>

TRADE RECEIVABLES	At 31 December 2022	At 31 December 2021
a) from related parties	1 404	625
- up to 12 months	1 404	625
b) receivables from other entities	22 857	21 360
- up to 12 months	22 857	21 360
<b>Total trade receivables</b>	<b>24 261</b>	<b>21 985</b>

(GROSS) TRADE RECEIVABLES WITH THE FOLLOWING MATURITY AFTER THE BALANCE SHEET DATE:	At 31 December 2022	At 31 December 2021
a) up to 1 month	14 815	12 414
b) from 1 to 3 months	5 164	4 301
c) from 3 to 6 months	-	-
d) from 6 months to 1 year	-	-
e) more than 1 year	-	-
f) Overdue receivables	5 150	5 928
Total (gross) trade receivables	25 129	22 643
g) impairment losses on trade receivables	(868)	(658)
<b>Total (net) trade receivables</b>	<b>24 261</b>	<b>21 985</b>

On average, the term for repayment of trade receivables is ca. 40 days. Statutory interest is charged on receivables not settled on time. The Company created reserves fully covering receivables overdue by more than 180 days, since historical experience implies that such receivables can become bad debts. For receivables not settled for 60 to 120 days

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

provisions are formed based on the estimated amounts of bad debts due to sales of goods according to past experience and analysis of the financial standing of respective contracting parties.

Trade receivables are insured by KUKE assessing the credit worthiness of customers and establishing credit limits on the basis of such assessments. The limits and score of the particular customer are subject to review.

Overdue receivables on which no impairment losses were made are receivables from debtors with whom the Company has worked for several years and whose economic and financial standing does not imply these might be bad debts. Their turnover ranges from several days to six months.

<b>RECEIVABLES FROM SUBSIDIARIES</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) total net trade receivables	1 228	625
b) impairment losses on receivables from related parties	176	-
Total gross current receivables from associates	1 404	625

<b>OTHER RECEIVABLES</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
- tax, subsidy, customs duty, social and health insurance and other benefits receivable	3 146	4 963
- other	883	438
Total net other current receivables	4 029	5 401
- impairment losses on other receivables	-	-
Total gross other current receivables	4 029	5 401

<b>RECEIVABLES UNDER LITIGATION</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
Gross receivables under litigation	9	136
Impairment losses on receivables	(9)	(136)
Total receivables under litigation	-	-

<b>MOVEMENTS IN IMPAIRMENT LOSSES ON CURRENT RECEIVABLES</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
At the beginning of period	794	611
a) increases (due to)	1 164	330
- created for bad trade debts	1 164	330
b) decreases (due to)	1 081	147
- reserves reversed due to payment	950	140
- cancelled	131	7
<b>Impairment losses on current receivables at the end of period</b>	<b>877</b>	<b>794</b>

Increases and decreases of impairment losses on receivables are included in the statement of comprehensive income under “other operating expenses”.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

### 9.10. Advances

ADVANCES	At 31 December 2022	At 31 December 2021
a) long-term	-	-
b) current, of which:	1 443	852
- farmstead lease fee	-	-
- advances to suppliers	683	226
- property insurance	380	254
- other accrued expenses	380	372
<b>Total</b>	<b>1 443</b>	<b>852</b>

### 9.11. Loans granted

Entity	At 31 December 2022	At 31 December 2021
PPZ BRONISŁAW S.A.	4 700	3 300
ZPZ LUBLIN Sp. z o.o.	1 007	-
GR PONARY Sp. z o.o.	550	550
<b>Loans granted, of which:</b>	<b>6 257</b>	<b>3 850</b>
- maturity up to 1 year	6 257	3 850
- maturity more than 1 year	-	-
<b>Loans in the statement of financial position</b>	<b>6 257</b>	<b>3 850</b>

All loans were granted with the rate of interest close to that used by banks providing services to the company, considering additional business risks.

Interest received due to loans granted in the reporting period totalled PLN 215 000 (in 2021: PLN 77 000).

### 9.12. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	At 31 December 2022	At 31 December 2021
Cash at hand and at banks	10 277	22 140
Short-term deposits	41 242	11 530
<b>Total cash and cash equivalents</b>	<b>51 519</b>	<b>33 670</b>
- of which of limited availability	-	-

Short-term deposits are opened for different periods - from one day to several months - depending on the company's current requirement of cash and are subject to interest according to rates agreed for such deposits.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

CASH AND CASH EQUIVALENTS (BY CURRENCY)	At 31 December 2022	At 31 December 2021
a) in Polish currency	43 525	25 070
b) in foreign currencies (according to currencies and upon conversion into PLN)	7 994	8 600
B1. unit/currency USD/thousand	965	701
kPLN	4 063	2 718
B2. unit/currency EUR/thousand	896	1 342
kPLN	3 931	5 882
<b>Total cash and cash equivalents</b>	<b>51 519</b>	<b>33 670</b>

### 9.13. Initial (share) capital

Class / issue	Type of shares	Share preference type	Limitations on the rights to shares	Number of shares	Value of the class / issue according to par value	Date of registration
A	Ordinary, bearer shares	Not preferred	No limitations	83 mln	4 980	09.05.2008
B	Ordinary, bearer shares	Not preferred	No limitations	12 mln	720	30.09.2014
<b>Total shares</b>						
<b>Total share capital</b>					<b>5 700</b>	
<b>Par value per share = PLN 0.06</b>						

No changes in the Company's share (initial) capital occurred in the reporting period.

To the best of the Issuer's knowledge, the shareholding structure at the balance sheet date was as follows:

SHAREHOLDERS	Number of shares [units]	Share in capital %	No. of votes	Percentage of the total number of votes at the General Meeting of Shareholders
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27 759 032	29.22 %	6 356 799	6.69 %
Michał Skotnicki**	21 443 105	22.57 %	21 443 105	22.57 %
Maksymilian Maciej Skotnicki**	20 703 282	21.79 %	20 703 282	21.79 %
Other	25 094 581	26.42 %	11 010 212	26.42 %

\*Due to failure to comply with the obligations to notify the acquisition of considerable blocks of shares stemming from the Act of 29 July 2005 on Public Offering, Conditions Governing Admission of Financial Instruments to Organised Trading, and Public Companies, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (closed-end investment fund involving non-public assets), according to information available to the Company, held 27,759,032 shares of the Company, lost them and cannot exercise the right to vote on 21,402,233 shares. Therefore, the Company's Management Board brought action for establishment to the Regional Court in Białystok. Epsilon FIZ AN presents a different position claiming that it is entitled to a right to vote by virtue of 27,759,032 shares accounting for 29.22% of the total number of votes at the General Meeting of Shareholders. The Chairperson of the Polish Financial Supervision Authority became involved in the case by presenting his position on 24 July 2019. The Management Board is waiting for the court's valid judgement. The Company informed about the case in its current reports number 13/2019, 14- 23/2019 and 30/2019.

\*\* Mr Maksymilian Maciej Skotnicki and Mr Michał Skotnicki are the persons referred to in article 87 paragraph 4 point 1 of 29 July 2005 on Public Offering, Conditions Governing Admission of Financial Instruments to Organised Trading, and Public Companies, and thus, the above-named persons hold 42,102,456 shares, which corresponds to 44.32% of share capital and 57.21% of voting rights in the Company.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Other shareholders did not report holding at least 5% of the share capital and total number of votes at the GM.

#### 9.14. Supplementary and reserve capitals

<b>SUPPLEMENTARY CAPITAL</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) share premium	7 562	7 562
b) created according to statutory requirements	1 660	1 660
c) created from reassessment of assets (not subject to division)	30 602	30 602
d) created from profit	23 607	25 950
<b>Total supplementary capital</b>	<b>63 431</b>	<b>65 774</b>

<b>OTHER RESERVE CAPITALS (BY PURPOSE)</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
- investment fund	87 164	87 164
<b>Total other reserve capitals</b>	<b>87 164</b>	<b>87 164</b>

<b>REVALUATION RESERVE</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
- revaluation of employee benefits payable	(89)	(117)
- deferred tax on the effects of reassessment	17	22
<b>Total other reserve capitals</b>	<b>(72)</b>	<b>(95)</b>

#### 9.15. Undistributed profit/loss from previous years

<b>UNDISTRIBUTED PROFIT/LOSS FROM PREVIOUS YEARS AND THE CURRENT YEAR</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
- profit/loss for the year	9 204	(2 343)
<b>Total undistributed profit/loss</b>	<b>9 204</b>	<b>(2 343)</b>

#### 9.16. Credits and loans

##### Non-current (long-term)

<b>OTHER NON-CURRENT PAYABLES WITH THE FOLLOWING MATURITY AFTER THE BALANCE SHEET DATE</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) from 1 to 3 years	2 750	3 009
b) from 3 to 5 years	-	752
c) more than 5 years	-	-
<b>Total non-current liabilities</b>	<b>2 750</b>	<b>3 761</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

No.	Type of credit/ loan	Contracted amount	Currency	Outstanding credit/ loan amount	Currency	Rate of interest	Maturity
1	Investment loan for financing and refinancing the acquisition of 100% shares in the company Gospodarstwo Rolne Ponary Sp. z o. o.	10 530	PLN	3 887	PLN	WIBOR reference rate of interest for 1-month deposits plus Bank's margin	30.06.2025
2	Loan for the purchase of a fixed asset - farming tractor Deutz Fahr	937	PLN	733	PLN	Rate of interest WIBOR for 1 month deposits plus Bank's margin	13.08.2024
		<b>11 467</b>	<b>PLN</b>	<b>4 620</b>	<b>PLN</b>		

Credits and loans were measured according to IFRS 9 at amortised cost.

The amount of PLN 1 870 000 was included in current payables in the statement of financial position since it should be repaid within 12 months of the balance sheet date

#### *Collaterals*

The investment loan is collateralised by joint mortgage up to PLN 15 795 000, transfer of cash receivables under an insurance contract, registered pledges on 32,400 shares (100% of shares) in Gospodarstwo Rolne Ponary, and blank promissory note.

#### **Short-term**

No.	Type of credit/ loan	Contracted credit/ loan amount	Currency	Amount of borrowing/ loan to be repaid	Currency	Rate of interest	Maturity
1	Overdraft facility	4 000	PLN	-	PLN	1-month WIBOR + bank's margin	31.08.2023
2	Revolving credit facility	19 000	PLN	19 000	PLN	1-month WIBOR+ bank's margin	31.08.2023
3	Revolving facility	17 500	PLN	17 500	PLN	1-month WIBOR+ bank's margin	31.08.2023
4	Overdraft facility	4 000	PLN	-	PLN	1-month WIBOR + bank's valuation	31.08.2023
5	Revolving credit facility	19 000	PLN	19 000	PLN	1-month WIBOR+ bank's margin	31.08.2023
6	Revolving facility for potato procurement	17 500	PLN	17 500	PLN	1-month WIBOR+ bank's margin	31.08.2023
7	Overdraft facility	1 000	EUR	207	EUR	1-month EURIBOR + bank's margin	19.12.2023
<b>Loans in PLN</b>		<b>81 000</b>	<b>PLN</b>	<b>73 000</b>	<b>PLN</b>		
<b>Loans in EUR</b>		<b>1 000</b>	<b>EUR</b>	<b>207</b>	<b>EUR</b>		
<b>Total converted into PLN</b>		<b>85 886</b>	<b>PLN</b>	<b>74 011</b>	<b>PLN</b>		

\*The statement of financial position shows an amount of PLN 75 881 000; the difference refers to the portion of non-current credits and loans to be repaid within 12 months of the balance sheet date.



**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

*Collaterals*

First three credits were contracted based on a single agreement, the so-called “Multi-Line Facility Agreement”. They are collateralised by:

- joint contractual mortgage up to PLN 58 500 000 on real estates:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- assignment of rights under the insurance policy for real estates:
  - 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 for fixed assets
- registered pledge on inventories corresponding to at least 145% of the revolving credit facility including assignment of the insurance policy related to such inventories,
- assignment of rights under the insurance policy for inventories,
- transfer of receivables due to the operation of PEPEES S.A., PPZ Bronisław S.A., and ZPZ Lublin Sp. z o.o.,
- blank promissory note with a promissory note agreement.

The following three credits were granted under the so-called “Multi-Purpose Credit Facility Agreement” collateralised by:

- contractual mortgage up to PLN 58 500 000 on real estates:
  - 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.
- transfer of cash receivables under fixed assets and inventories insurance agreements,
- registered pledge on inventories:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- general assignment of 40% of receivables:
  - owned by PEPEES S.A.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.;
- blank promissory note with a promissory note agreement.

Re 7

The credit is collateralised by:

- blank promissory note issued by the Borrower, including a promissory note agreement,
- credit guarantee granted by Bank Gospodarstwa Krajowego under the portfolio guarantee line of PLG FGK, corresponding to 80% of the Credit amount, that is, not more than PLN 3,747,440.00. The term of guarantee runs from 19 December 2022 to 19 March 2024.

**Information on failure to repay credits or loans or infringement of material provisions of the credit or loan agreement, with reference to which no remedial measures were undertaken until the end of the reporting period:**

All credits and loans are repaid according to their maturity set out in respective contracts. No provisions of credit agreements were breached in the reporting period.

## 9.17. Retirement and similar benefits payable

RETIREMENT AND SIMILAR BENEFITS PAYABLE (BY TITLE)	At 31 December 2022	At 31 December 2021
a) non-current, of which:	2 295	2 473
- retirement severance payments	309	352
- service anniversary awards	1 986	2 121
b) current, of which:	496	351
- retirement severance payments	56	41
- service anniversary awards	(440)	310
<b>Total</b>	<b>2 791</b>	<b>2 824</b>

MOVEMENTS IN RETIREMENT AND SIMILAR BENEFITS PAYABLE (BY TITLE)	At 31 December 2022	At 31 December 2021
a) at the beginning of period	2 824	2 946
- retirement severance payments	393	410
- service anniversary awards	2 431	2 536
b) increases (due to)	424	206
- retirement severance payments	20	16
- service anniversary awards	403	190
c) used (due to)	457	328
- retirement severance payments	48	33
- service anniversary awards	409	295
d) at the end of period	2 791	2 824
- retirement severance payments	365	393
- service anniversary awards	2 426	2 431

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Service anniversary awards are paid to employees who have worked at least 20 years in total, every five (5) years. The service anniversary award eligibility period consists of periods worked by the employee in “PEPEES” S.A. and in companies derived from “PEPEES” S.A. provided that the employee is transferred from “PEPEES” S.A. to such companies according to article 231 of the Labour Code, and the period worked for any employer within the meaning of the Labour Code and periods worked on the farm if the employee becomes the owner of the agricultural holding.

An employee is eligible for the service anniversary award if he/she has worked at least five (5) years with “PEPEES” S.A. and subsidiaries derived from “PEPEES” S.A., provided that the employee is transferred from “PEPEES” S.A. to such subsidiaries according to article 231 of the Labour Code.

The base for the service anniversary award is 150% of the minimum gross pay set out by generally applicable laws.

The service anniversary award refers only to the time worked for “PEPEES” S.A. and companies derived from “PEPEES” S.A., provided that the employee is transferred from “PEPEES” S.A. to such companies according to article 231 of the Labour Code.

The anniversary award depending on the length of service corresponds to the following per cent of the base:

- after 20 years worked - 200%,
- after 25 years worked - 250%,
- after 30 years worked - 300%,
- after 35 years worked - 350%,
- after 40 years worked and each subsequent 5-year working period - 400%.

For part-time employees the service anniversary award is proportional to the working time set out in the employment contract.

The Company makes retirement and disability severance payments according to article 921 of the Labour Code.

An employee eligible for disability pension or retirement pension whose employment term ceased due to retirement, will receive severance payment in cash equivalent to his/her one-month salary.

Pensioners who are re-employed will not be entitled to severance payment again.

***Underlying actuarial assumptions***

Specification	Balance sheet date	Balance sheet date
	31.12.2022	31.12.2021
Underlying actuarial assumptions		
Headcount	245	250
Annual minimum pay increase rate	14.1% in 2023 6.9% in 2024 4.5% in 2025 3.5% in subsequent years	3.50%
Discount rate	6.80%	3.60%

***Actuarial assumptions***

Reserves at 31.12.2022 were calculated with the following assumptions:

- The calculations were made in Polish zloty (PLN), results were rounded to full amount in grosze.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

- The minimum pay in the national economy from 1 January 2023 amounting to PLN 3,490.00, and from 01.07.2023 amounting to PLN 3,600.00 was adopted.
- The rate of pay rises in the Company was adopted according to the following projection (i.e. at the rate of inflation anticipated by the National Bank of Poland):
  - ✓ 13.1% in 2023,
  - ✓ 5.9% in 2024,
  - ✓ 3.5% in 2025,
  - ✓ 2.5% annually in the following years.
- The rate of increase in the minimum pay in the national economy was adopted according to the following projection:
  - ✓ 14.1% in 2023,
  - ✓ 6.9% in 2024,
  - ✓ 4.5% in 2025,
  - ✓ 3.5% annually in the following years,
 i.e. one (1) percentage point above the anticipated rate of inflation.
- Future benefit payments will be discounted at a discount rate of 6.8 %, i.e. at the weighted average rate established based on the maturity of future non-discounted payments of employee benefits covered by the valuation in the Company and mean profitability levels of the most secure long-term securities listed in the Polish capital market at the date of valuation assigned according to maturity.
- The likelihood of retirement of employees was calculated based on historical data concerning rotation in the Company and statistical data concerning retirement of employees in the industry.
- Mortality and endowment likelihood was adopted according to Life Tables 2019-2021 published by Statistics Poland, assuming that the population of the Company's employees corresponds to the national mean in terms of mortality.
- Normal mode of retirement was assumed according to detailed principles set forth in the pension act, except employees who according to information provided by the Company will meet the required conditions for early retirement.
- The health and disability pension provisions were not calculated separately; instead, people who retired on these grounds were not taken into account in calculating the likelihood of retirement.
- Current payables (maturity up to 1 year) and non-current payables (maturity above 1 year) were calculated separately.

## 9.18. Trade and other payables

TRADE AND OTHER PAYABLES	At 31 December 2022	At 31 December 2021
Trade and other current payables, of which:	16 257	13 280
- trade payables with the maturity of:	9 878	6 849
- up to 12 months	9 878	6 849
- social insurance, tax, customs duty and other benefits payable	1 514	1 884

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

<b>TRADE AND OTHER PAYABLES</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
payroll payable	1 085	546
- reserves and provisions, accruals and deferred income	3 048	3 437
Other	732	564
<b>Other non-current payables, of which:</b>		<b>440</b>
Farmstead lease fee		440
<b>Total trade and other payables</b>	<b>16 257</b>	<b>13 720</b>

Payables to related parties amount to PLN 142 000 and refer to supplies of raw materials and goods.

### 9.19. Leased assets payable

<b>PAYABLES DUE TO ASSETS UNDER FINANCE LEASE</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) non-current (from 1 to 5 years)	12 492	11 088
b) current (up to 1 year)	3 737	3 371
<b>Total</b>	<b>16 229</b>	<b>14 459</b>

These payables stem from agreements with: Santander Leasing, Raiffeisen Leasing Polska, BNP Paribas Leasing, Volkswagen Leasing and PKO Leasing S.A. for financing vehicles, plant and machinery. Payments are made monthly according to the payment schedule.

The last payment is scheduled in April 2026. The liability bears variable interest at 1M WIBOR rate plus margin. As provided for in the contracts, all the warranty and guarantee rights will be transferred to the Lessee. An exception is the option to rescind the sales contract, which is the exclusive right of the Lessor. The Lessee is obliged to make the payments on time according to the accepted payment schedule. In case of late or missing lease payments, the Lessor has the right to terminate the contract and have the leased object returned. Upon termination of the lease contract, the Lessor will transfer the ownership of the leased object to the Lessee.

<b>FINANCIAL LEASE PAYABLE</b>	<b>2023</b>	<b>2024-2026</b>	<b>Total</b>
Nominal value of minimum lease payments	4 603	15 269	19 872
Future financial expenses	(866)	(2 777)	(3 643)
<b>Current value of minimum lease payments</b>	<b>3 737</b>	<b>12 492</b>	<b>16 229</b>

### 9.20. Reserves and provisions, accruals and deferred income

<b>RESERVES AND PROVISIONS, ACCRUALS, DEFERRED INCOME (BY TITLE)</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) non-current, of which:	1 827	1 925
- grants on property, plant and equipment	1 827	1 925
b) current, of which:	3 048	3 437
- grants on property, plant and equipment	98	98
- provision for the costs of environmental protection	73	84

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

<b>RESERVES AND PROVISIONS, ACCRUALS, DEFERRED INCOME (BY TITLE)</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
- provisions for unused holiday leave equivalent	779	740
- provisions for bonuses to suppliers		59
- provision for bonuses for the Management Board and employees	485	-
- provision for uninvoiced services	34	27
- provision for utilised CO2 emission allowances	1 579	2 429
<b>Total</b>	<b>4 875</b>	<b>5 362</b>

<b>MOVEMENTS IN CURRENT RESERVES AND PROVISIONS AND ACCRUALS (BY TITLE)</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
a) at the beginning of period	3 437	3 689
- grants on property, plant and equipment	98	98
- provisions for contracting parties' performance	86	26
- environmental fee	84	117
- provisions for unused holiday leave equivalent	740	673
- gas emission allowances	2 429	2 283
- bonuses for the Management Board and employees		492
b) increases (due to)	1 280	3 313
- provision for utilised CO2 emission allowances	-	2 226
- environmental fee	78	92
- provisions for unused holiday leave equivalent	685	456
- provisions for contracting parties' performance	32	95
- bonuses for the Management Board and employees	485	444
c) used (due to)	1 419	3 565
- environmental fee	89	125
- provisions for unused holiday leave equivalent	646	389
- provision for utilised CO2 emission allowances	600	2 080
- provisions for contracting parties' performance	84	35
- bonuses for the Management Board and employees		936
d) released (due to)	250	-
- provision for utilised CO2 emission allowances	250	-
e) at the end of period	3 048	3 437
- grants on property, plant and equipment	98	98
- provision for utilised CO2 emission allowances	1 579	2 429
- environmental fee	73	84
- provisions for unused holiday leave equivalent	779	740
- bonuses for the Management Board and employees	485	-
- provisions for contracting parties' performance	34	86

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## 9.21. Deferred tax

DEFERRED TAX RESERVES	At 31 December 2022	At 31 December 2021
Difference between the balance sheet value and the tax value of PPE assets	4 801	5 260
Unrealised exchange adjustments		4
Valuation of investments	649	693
Interest accrued but not received		-
<b>Total deferred tax reserves</b>	<b>5 450</b>	<b>5 957</b>

DEFERRED TAX ASSETS	At 31 December 2022	At 31 December 2021
Unpaid remunerations	137	126
Provisions for unused holiday leave equivalent	148	141
Provision for bonuses for the Management Board and employees	92	-
Retirement benefits and service anniversary awards	530	537
Unrealised exchange adjustments	154	121
Impairment losses on inventories	98	62
Impairment losses on shares	18	18
Interest on loans charged but not paid	27	
Provision for utilised CO2 emission allowances	300	462
Lease payables	752	912
Tax loss	807	84
Other prepayments	15	8
<b>Total deferred tax assets</b>	<b>3 078</b>	<b>2 471</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## 10. Notes to the statement of comprehensive income

### 10.1. Sales of products

NET REVENUES FROM THE SALE OF PRODUCTS (BY TYPE - BUSINESS AREA)	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
- potato products	172 147	148 501
- of which: from related parties	1 388	1 070
<b>Total net (revenue from) sales of products</b>	<b>172 147</b>	<b>148 501</b>
- of which: from related parties	1 388	1 070

NET REVENUES FROM THE SALE OF PRODUCTS (BY TERRITORY)	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
<b>a) domestic</b>	<b>103 298</b>	<b>82 631</b>
- of which: from related parties	1 388	1 070
- potato products	103 298	82 631
- of which: from related parties	1 388	1 070
<b>b) intra-Community deliveries</b>	<b>18 143</b>	<b>12 999</b>
- potato products	18 143	12 999
<b>c) export</b>	<b>50 706</b>	<b>52 871</b>
- potato products	50 706	52 871
<b>Total net (revenue from) sales of products</b>	<b>172 147</b>	<b>148 501</b>

### 10.2. Sales of services

NET REVENUES FROM THE SALE OF SERVICES (BY TYPE - BUSINESS AREA)	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
- revenues from real estate lease	496	325
- revenues from rental of equipment	379	373
- transmission of electricity	35	16
- services to farmers	289	392
- other services	47	35
Total net revenues from the sale of services	1 246	1 141
<b>- of which: from related parties</b>	<b>318</b>	<b>314</b>

All services were provided in Poland.

### 10.3. Sales of goods and materials

NET REVENUES FROM THE SALE OF GOODS AND MATERIALS (BY TYPE - BUSINESS AREA)	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
- potatoes	3 431	7 609
- of which: from related parties	3 192	2 575
- potato products	8 195	4 576



**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

<b>NET REVENUES FROM THE SALE OF GOODS AND MATERIALS (BY TYPE - BUSINESS AREA),</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
- of which: from related parties	-	-
- crop protection products and fertilisers	1 375	1 935
- of which: from related parties	-	-
- materials	118	181
- of which: from related parties	-	-
<b>Total net (revenue from) sales of goods and materials</b>	<b>13 119</b>	<b>14 301</b>
- of which: from related parties	3 192	2 575

<b>NET REVENUES FROM THE SALE OF GOODS AND MATERIALS (BY TERRITORY)</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
<b>a) domestic</b>	<b>8 952</b>	<b>11 367</b>
- potatoes	3 431	7 609
- of which: from related parties	3 192	2 575
- potato products	4 028	1 642
- of which: from related parties	-	-
- crop protection products and fertilisers	1 375	1 935
- of which: from related parties	-	-
- materials	118	181
- of which: from related parties	-	-
<b>b) export</b>	<b>4 167</b>	<b>2 649</b>
- of which from related parties	-	-
- potato products	4 167	2 649
<b>c) intra-Community deliveries</b>		<b>285</b>
- of which: from related parties	-	-
- potato products	-	285
<b>Total net (revenue from) sales of goods and materials</b>	<b>13 119</b>	<b>14 301</b>

#### 10.4. Costs according to types

<b>EXPENDITURES ACCORDING TO TYPES</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
a) depreciation/ amortisation	12 341	11 815
b) consumption of materials and energy	86 420	76 041
c) outsourced services	21 821	20 470
d) taxes and fees	2 634	2 627
e) payroll	20 689	20 063
f) social insurance and other benefits	4 726	4 245
g) other costs according to types (due to)	1 283	3 631
- costs of representation and publicity	198	140
- business trips	123	76
- costs of property and personal insurance	681	452

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

<b>COSTS ACCORDING TO TYPES</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
- costs of analyses, tests and expert opinions	354	224
- other costs	(73)	2 739
Total costs according to types	149 914	138 892
Changes in inventory, products and prepayments	527	10 566
Own work capitalised	(74)	(274)
Selling costs (negative value)	(12 536)	(12 558)
General and administrative expenses (negative value)	(25 549)	(25 040)
<b>Cost of manufacturing products and services sold</b>	<b>112 282</b>	<b>111 586</b>

### 10.5. Cost of employee benefits

<b>COST OF EMPLOYEE BENEFITS</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
e) payroll costs, of which:	20 689	20 063
- employment contracts	18 143	17 677
- contracts of mandate and similar remuneration	1 134	1 413
- remuneration for members of the Supervisory Board	892	1 010
- severance pay and service anniversary awards	(5)	(104)
- provisions for unused holiday leave entitlements	40	67
- provision for bonuses for the Management Board and employees	485	-
f) social insurance and other benefits, of which:	4 726	4 245
- cost of social insurance	3 105	2 612
- Employee Retirement Scheme contributions	574	588
- labour fund write-offs	367	375
- social welfare fund write-offs	446	436
- employee training costs	41	35
- work clothes	57	79
- medical examination and OSH expenses	136	120
<b>Total cost of employee benefits</b>	<b>25 415</b>	<b>24 308</b>

### 10.6. Profit/loss from agricultural production

<b>Specification</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
Revenues from the sale of agricultural products	4 636	2 717
Revenues from the lease of agricultural land and machinery	165	291
Subsidies (grants)	1 620	1 081
Profit/loss from the sale of agricultural machinery	-	272
Operating expenses	(13 489)	(7 187)
<b>Profit/loss from agricultural production</b>	<b>(7 086)</b>	<b>(2 826)</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

### 10.7. Other operating revenues

OTHER OPERATING INCOME	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
a) earnings from disposal of non-financial fixed assets	150	335
b) reversal of reserves and provisions due to:	237	147
- impairment of receivables	230	147
- payables	7	-
c) government grants, of which:	98	1 282
- subsidising wages and salaries (COVID-19 anti-crisis shield)	-	1 184
- grants on property, plant and equipment	98	98
b) other, of which:	75	181
- indemnification, penalties and fines received	35	99
- assets surplus	7	-
- other	33	81
<b>Total other operating income</b>	<b>560</b>	<b>1 944</b>

### 10.8. Other operating expenses

OTHER OPERATING EXPENSES	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
a) revaluation of non-financial assets	-	-
b) other, of which:	1 645	298
- donations	74	41
- costs of litigation	-	11
- impairment losses on receivables	-	191
- unscheduled depreciation expenses	1 066	241
- lease adjustments	-	(419)
- indemnification paid	29	-
- impairment of receivables	432	128
- asset deficiency	21	13
- costs of collision repairs	23	81
- other	-	11
<b>Total other operating expenses</b>	<b>1 645</b>	<b>298</b>

### 10.9. Financial expenses

FINANCIAL EXPENSES	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
a) interest on credits and loans	2 777	791
b) interest on liabilities	653	610
c) impairment losses on own shares	71	-
d) impairment losses on shares in non-related parties	232	-
e) exchange losses	-	404

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

<b>FINANCIAL EXPENSES</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
- realised	-	39
- unrealised	-	365
f) other financial expenses	941	550
- cost of credit collaterals	158	161
- lease charges	445	192
- credit fees	225	170
- debt redemption discount	113	15
- other	-	12
<b>Financial costs, total</b>	<b>4 674</b>	<b>2 355</b>

### 10.10. Financial income

<b>FINANCIAL REVENUES</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ende31 December 2021</b>
a) dividends	200	200
b) interest on loans and sureties	278	256
c) interest on deposits	350	24
d) interest on receivables	100	13
e) revaluation of financial assets	-	175
- revaluation of shares	-	163
- revaluation of loans	-	12
f) interest on bonds	320	324
g) exchange gains	653	-
- realised	770	-
- unrealised	(117)	-
Financial income, total	1 901	992

### 10.11. Income tax

<b>Income tax</b>	<b>For the periods of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
Current tax for 2022	(4 802)	-
Current tax for 2021	(690)	
Dividend tax	(38)	(38)
Deferred tax	1 118	(641)
Total income tax	(4 412)	(679)

Reconciliation of the income tax and the gross profit/loss before tax at the statutory rate of tax where income tax is calculated at an effective tax rate:

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Specification	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Gross profit/loss before tax	13 616	(1 664)
Income tax at statutory 19% rate	(2 587)	316
Tax on permanent differences between gross profit and tax base	(1 825)	(995)
<b>Charge on the profit/loss at an effective rate of 32.40% in 2022 and 40.80% in 2021</b>	<b>(4 412)</b>	<b>(679)</b>

In 2022, the Company paid tax of PLN 2 498 000, including PLN 690 000 for 2021 and PLN 38 000 due to dividends received. Its debt due to income tax amounts to PLN 3 032 000 since the Company paid simplified monthly contributions.

## 10.12. Earnings per share

Earnings per share were calculated as earnings for the specific period divided by the weighted average number of shares. All shares were ordinary bearer shares.

Weighted average number of shares				
beginning of period	end of period	days (A)	Shares in the period (B)	(A) x (B) / 365
01.01.2021	31.12.2021	365	95 000 000	95 000 000
<b>Total:</b>		<b>365</b>	<b>Weighted average:</b>	<b>95 000 000</b>

EARNINGS (LOSS) PER SHARE	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Net profit (loss) in PLN	9 204	(2 343)
Weighted average number of shares	95 000 000	95 000 000
Net basic earnings per share (in PLN per share)	0.10	(0.02)
Net earnings applied in determining diluted earnings per share	9 204	(2 343)
Weighted average number of equity shares for the needs of diluted earnings per share	95 000 000	95 000 000
Net diluted earnings per share (in PLN per share)	0.10	(0.02)

The Management Board proposes to allocate profit for the financial year 2022 amounting to PLN 8 474 000 in full to dividend payment.

## 10.13. Position of the Management Board concerning the fulfilment of forecasts

The Company did not issue forecasts concerning separate results. In the nearest future the Issuer does not plan to issue forecast for the following years.

## 10.14. Information concerning dividend paid or declared, in total and per share, according to ordinary and preferred shares

In the reporting period the Company did not pay and did not declare dividend payments.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## 11. Notes to the cash flow statement

### 11.1. Reconciliation of amounts recognised in the cash flow statement with cash and cash equivalents in the balance sheet

Specification	At 31 December 2022	At 31 December 2021
Overdraft facilities	-	-
Exchange adjustments on cash valuation		94
<b>Cash and cash equivalents presented in the statement of financial position and in the cash flow statement</b>	<b>51 519</b>	<b>33 670</b>
- of which at limited disposal		-

### 11.2. Non-cash transactions

Specification	2022	2021
Acquisition of assets through finance lease	(5 186)	(1 588)

### 11.3. Unused overdraft facilities

At 31.12.2022, the Company had unused current credit funds of PLN 8 000 000 at its disposal (at 31.12.2021 it was also PLN 8 000 000).

## 12. Financial instruments

### 12.1. Categories of financial instruments

The main financial instruments used by the Company are bank credits and loans, leases, cash and short-term deposits. The main objective of these financial instruments is obtaining funds for its operations. The Company also holds other financial instruments such as trade payables and trade receivables formed directly in the course of business.

Financial assets	At 31 December 2022	At 31 December 2021
Own shares measured at buying price	15 586	15 586
Financial assets measured at fair value through profit or loss	60 795	42 928
Financial assets measured at amortised cost	40 547	37 486
<b>Total financial assets</b>	<b>116 928</b>	<b>96 000</b>

Cash assets presented in the financial statements as:	At 31 December 2022	At 31 December 2021
Investments in subsidiaries	23 586	23 586
Investments in other entities	383	383
Trade receivables	24 261	21 985
Other receivables	4 029	5 401
Granted loans	6 257	3 850

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Cash assets presented in the financial statements as:	At 31 December 2022	At 31 December 2021
Other financial assets	6 893	7 125
Cash and cash equivalents	51 519	33 670
Assets held for sale	-	-
<b>Total financial assets</b>	<b>116 928</b>	<b>96 000</b>

Financial liabilities	At 31 December 2022	At 31 December 2021
Financial liabilities measured at amortised cost	108 069	96 798
<b>Total financial liabilities</b>	<b>108 069</b>	<b>96 798</b>

Financial liabilities presented in the financial statements as:	At 31 December 2022	At 31 December 2021
Long-term credits and loans	2 750	3 761
Non-current (long-term) leased assets payable	12 492	11 088
Trade payables	9 878	6 849
Short-term credits and loans	75 881	68 735
Current (short-term) leased assets payable	3 737	3 371
Other current payables	3 331	2 994
Liabilities associated with assets held for sale	-	-
<b>Total financial liabilities</b>	<b>108 069</b>	<b>96 798</b>

## 12.2. Financial risk management

The main types of risk following from financial instruments of the Company are: risk of interest rate, risk of liquidity, currency risk and credit risk. The Management Board verifies and reconciles the principles for handling each risk type - the principles are briefly discussed below. The Company also monitors the risk of market prices for all financial instruments it holds.

### *Interest rate risk*

The Company's exposure to risk caused by changes in interest rates in the first place refers to credits bearing rate of interest determined by the notes rediscounting rate and WIBOR reference rate. The Company did not enter into interest rate swap contracts.

The following table shows sensitivity of annual gross profit or loss to rationally possible changes in the rate of interest assuming that other factors remain unchanged (in connection with liabilities bearing a variable rate of interest).

Increases/ decreases by percentage points	Impact on profit/loss	
	2022	2021
Interest rate on loans increased by 10%	(4,423)	(4,550)
Interest rate on loans decreased by 10%	4,423	4,550

### *Currency risk*

The Company is exposed to currency risk due to concluded transactions. Such a risk arises from the export sale and sale to the European Union member states in currencies other than Polish zloty. In the reporting period, export and intra-Community supplies accounted for more than 39% of all revenues from sale.

**“PEPEES” S.A.**  
*Financial statements*  
for the period of 12 months ended 31 December 2022  
(in kPLN)

The following table shows the sensitivity of gross profit or loss in connection with the change in the value of revenues and costs for the exchange rates of USD and EUR varying by 0.1 PLN/EUR/USD.

Exchange rate increases/decreases	Impact on profit/loss	
	2022	2021
Increase in PLN/USD exchange rate by 0.1	493	923
Increase in PLN/EUR exchange rate by 0.1	760	630
Decrease in PLN/USD exchange rate by 0.1	(493)	(923)
Decrease in PLN/EUR exchange rate by 0.1	(760)	(630)
<b>Total impact on profit/loss</b>	<b>+/-1 253</b>	<b>+/-1 553</b>

In addition, the Company holds cash at bank and receivables in Euro and US dollars.

The following table presents changes in the exchange rate of USD and EUR currency held at the balance sheet date by 0.1 PLN/EUR/USD.

Exchange rate increases/decreases	Impact on profit/loss	
	2022	2021
Increase in PLN/USD exchange rate by 0.1	406	272
Increase in PLN/EUR exchange rate by 0.1	393	588
Decrease in PLN/USD exchange rate by 0.1	(406)	(272)
Decrease in PLN/EUR exchange rate by 0.1	(393)	(588)
<b>Total impact on profit/loss</b>	<b>+/-799</b>	<b>+/-860</b>

#### *Credit risk*

The Company enters into transactions only with verified customers having a good credit rating. All customers wishing to use mercantile credits are subject to preliminary verification. In addition, thanks to continuous monitoring of accounts receivable, the Company's exposure to the risk of bad debts is insignificant. The assessment of financial credibility by the insurance provider KUKE and of the financial limit granted is also crucial.

No significant credit risk concentrations occur in the Company.

#### *Liquidity risk*

The Company aims to maintain balance between continuous and flexible financing by using various sources of financing such as overdraft facilities, and short- and long-term preferential bank loans. The Company manages the risk of liquidity maintaining adequate reserve capital, using the offer of banking services and reserve credit facilities, continually monitoring the forecasts and actual cash flows, and matching the financial assets and liabilities with similar maturity.

### **13. Capital management**

The Company's primary objective related to capital management is to ensure the capacity to continue as a going concern, considering the completion of planned investments, and at the same time increasing the Company's value to shareholders.

The Company monitors the performance of capitals using a gearing ratio calculated as net debt to total equity plus net debt. The Company includes credits,



**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

loans, finance lease payables, trade payables and other payables less cash and cash equivalents in its net debt.

Specification	At 31 December 2022	At 31 December 2021
Credits, loans, finance leases payable	94 860	86 955
Trade and other payables	16 257	9 843
Cash and cash equivalents (-)	51 519	33 670
Net debt	59 598	63 128
Shareholders' equity	165 203	156 200
Net equity and debt	224 801	219 328
<b>Gearing ratio</b>	<b>26.51</b>	<b>28.78</b>

The gearing ratio in 2022 was lower than in the preceding reporting period due to an increase in cash and shareholders' equity.

#### 14. Contingent items

MOVEMENTS IN CONTINGENT ASSETS (BY TITLE)	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
a) beginning of period, of which	15 795	15 795
- investment loan surety granted by GR PONARY	15 795	15 795
b) increases (due to)	-	-
c) used (due to)	-	-
<b>d) end of period, of which</b>	<b>15 795</b>	<b>15 795</b>
- investment loan surety granted by GR PONARY	15 795	15 795

MOVEMENTS IN CONTINGENT LIABILITIES (BY TITLE)	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
a) beginning of period, of which	13 855	32 073
- liabilities due to non-compete agreements	1 171	1 155
- credit sureties issued to related companies	12 684	30 918
b) increased (due to)	<b>40</b>	<b>16</b>
- liabilities due to non-compete agreements	40	16
c) used (due to)	<b>38</b>	<b>18 234</b>
- liabilities due to non-compete agreements	38	-
- credit sureties issued to related companies		18 234
d) reversed (due to)		-
<b>e) end of period, of which</b>	<b>13 857</b>	<b>13 855</b>
- liabilities due to non-compete agreements	1 173	1 171
- credit sureties issued to related companies	12 684	12 684

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## 15. Transactions with related parties

### 15.1. Transactions with subsidiaries

#### a. Revenues from the sale of products and goods

Types of revenues	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Revenue from the sale of products to subsidiaries	1 388	1 070
Revenue from the sale of services to subsidiaries	318	314
Revenue from the sale of raw materials to subsidiaries	3 192	2 575
Revenue from the sale of fixed assets to subsidiaries	15	345
<b>Total revenues from related parties</b>	<b>4 913</b>	<b>4 304</b>

The selling price is determined using the “cost plus” method or based on price lists used in transactions with unrelated parties.

#### b. Procurement of products, goods and services from subsidiaries

Types of procurement	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Products purchased from subsidiaries	8 873	6 252
Services purchased from subsidiaries	65	49
Goods and materials purchased from subsidiaries	156	2
<b>Total procurement from related parties</b>	<b>9 094</b>	<b>6 303</b>

#### c. Settlements at the balance sheet date resulting from the sale/purchase of goods/services

Trade receivables	At 31 December 2022	At 31 December 2021
ZPZ Lublin	118	-
PPZ BRONISŁAW	1 285	624
GR PONARY	1	1
<b>Total receivables from related parties</b>	<b>1 404</b>	<b>625</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

Payable to related parties	At 31 December 2022	At 31 December 2021
ZPZ Lublin	142	149
PPZ BRONISŁAW		2
GR PONARY		13
<b>Total payables to related parties</b>	<b>142</b>	<b>164</b>

**d. Loans granted to related parties**

Loans granted to related parties	At 31 December 2022	At 31 December 2021
PPZ BRONISŁAW S.A.	4 700	3 300
ZPZ Lublin Sp. z o.o.	1 007	
GR PONARY Sp. z o.o.	550	550
<b>Loans granted, of which:</b>	<b>6 257</b>	<b>3 850</b>
- maturity up to 1 year	6 257	3 850
- maturity more than 1 year	-	-
<b>Total loans:</b>	<b>6 257</b>	<b>3 850</b>

**e. Interest on loans granted**

Entity	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
ZPZ Lublin	42	-
PPZ BRONISŁAW	157	61
GR PONARY	16	16
<b>Total</b>	<b>215</b>	<b>77</b>

**f. Interest on sureties granted**

Entity	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
PPZ BRONISŁAW	127	130
<b>Total</b>	<b>127</b>	<b>130</b>

**g. Interest on sureties received**

Entity	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
GR PONARY	158	158
<b>Total</b>	<b>158</b>	<b>158</b>

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## **h. Contingent items**

Contractual mortgage is established on the assets of subsidiaries (ZPZ Lublin and PPZ Bronisław) as collaterals to credits and loans contracted by “PEPEES” S.A. up to PLN 58 000 000.

## **15.2. Transactions with key personnel**

### **a) Benefits for key personnel**

<b>Management Board in kPLN:</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
Short-term benefit	1 358	1 401
Post-employment benefits		
Other long-term benefits		
Benefits due to termination of employment		
Payment in shares		
<b>Supervisory Board in PLN</b>	<b>For the period of 12 months ended 31 December 2022</b>	<b>For the period of 12 months ended 31 December 2021</b>
Short-term employee benefits	917	1 037
Post-employment benefits		
Other long-term benefits		
Benefits due to termination of employment		
Payment in shares		

### **b) transactions with members of the Management Board and Supervisory Board and their family members**

Information about remuneration received by each Member of the Management Board and the Supervisory Board is provided in the report concerning the Issuer’s activity.

No transactions within the meaning of IAS 24 were recorded in the reporting period.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

## 16. Average headcount in the Company

Specification	Average headcount in 2022	Average headcount in 2021
White-collar workers	100	100
Blue-collar workers	161	167
Employees on parental and unpaid leaves	3	2
<b>Total</b>	<b>264</b>	<b>269</b>

## 17. Statutory auditor's fee

The fee payable to the statutory auditor for the review and audit of the financial statements and the consolidated financial statements amounts to PLN 53 100 plus VAT.

In addition, in the reporting period, the statutory auditor provided two certification services (engagements) to PEPEES Company, that is, audit of the report on the remuneration for the management board and the supervisory board, and the certification of the correct calculation of the energy consumption intensity coefficient. The fee for these services amounted to PLN 12 000 plus VAT.

## 18. Indication of proceedings pending before court, an arbitration authority or public administration body, referring to the Issuer's liabilities and receivables, specifying the object of proceedings, value in litigation, proceedings commencement date, parties to the proceedings, and the Issuer's position

On 25.06.2019, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. requested the court for establishing that the Company's shareholder EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, holding - according to information available to the Company - 27,714,832 shares, due to its failure to notify the sale of considerable blocks of shares according to article 89 paragraph 1 section 1 of the Act on Public Offering, Conditions Governing Admission of Financial Instruments to Organised Trading, and Public Companies, has lost and is not entitled to exercise the right to vote attached to 21,402,233 shares. Epsilon FIZ AN presents a different position claiming that it is entitled to a right to vote by virtue of 27,714,832 shares accounting for 29.17% of the total number of votes at the General Meeting of Shareholders. The Chairperson of the Polish Financial Supervision Authority became involved in the case by presenting his position on 24 July 2019. The Company informed about the case in its current reports number 13/2019, 14-23/2019 and 30/2019.

At the date of his report, unsettled cases exist filed by EPSILON Fundusz Inwestycyjny Zamknięty

Aktywów Niepublicznych in Warsaw against “PEPEES” S.A.:

- for repealing or invalidating resolutions no. 24-29 adopted on 28.06.2019 by the Ordinary General Meeting of Shareholders, including resolution no. 28 to amend the Company's Articles of Association and authorise the Company's Management Board to increase the Company's share capital within the target capital, including the Management Board's option to exclude the pre-emptive right of the Company's existing shareholders in full or in part if approved by the Company's Supervisory Board. The Regional Court suspended the proceedings until the final termination of proceedings filed by PEPEES against EPSILON for establishing the loss of voting rights,

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

- for repealing or invalidating two resolutions acknowledging the fulfilment of duties, adopted on 21.04.2020 by the General Meeting of Shareholders. The proceedings are pending before a trial court. The Regional Court suspended the proceedings until the final termination of proceedings filed by PEPEES against EPSILON for establishing the loss of voting rights,
- for repealing or invalidating four resolutions adopted on 29 June 2021 by the Ordinary General Meeting of Shareholders, that is, resolution no. 4 concerning the review and approval of the Company's financial statements for the period from 01.01.2020 to 31.12.2020, resolution no. 9 concerning the allocation of the Company's net profit for the financial year 2020, and resolutions no. 10 and 11 concerning the acknowledgement of fulfilment of duties by members of the Company's Management Board. The proceedings are pending before a trial court. On 11 January 2022, the Regional Court suspended the proceedings until the final termination of proceedings filed by PEPEES against EPSILON for establishing the loss of voting rights,
- for repealing or invalidating nine resolutions adopted on 14 April 2022 by the Ordinary General Meeting of Shareholders, concerning: the review and approval of the financial statements of the Company for the period from 01.01.2021 to 31.12.2021, consolidated statements, report concerning the Company's activity, allocation of the Company's net profit for the financial year 2021, granting an acknowledgement of the fulfilment of duties by members of the Management Board, appointment of two members of the Supervisory Board, purchase of own shares and formation of reserve capital. The proceedings are pending before a trial court.

No other significant proceedings to the remaining extent are pending before court, a competent arbitration authority or public administration body referring to the liabilities and receivables of the Issuer or its subsidiaries.

Several cases are pending in court for the recovery of trade receivables on which the Company applied impairment losses in 100%. The amounts are not significant in comparison with total receivables.

## **19. Important events after the balance sheet date**

On 1 February 2023, the Company was notified by the Brokerage House of Bank Ochrony Środowiska S.A. intermediating in accepting the Issuer's share selling offers in response to the invitation to tender of 17 January 2023 ("Invitation"), that due to the settlement of the transaction involving the purchase of shares offered in response to the Invitation, the Issuer acquired 1,000,000 own shares. They were purchased for PLN 1.65 per share.

The acquired shares account for 1.05% of the Issuer's share capital and correspond to 1.05% of all votes going with the Issuer's shares.

After the purchase of own shares, the total number of the Issuer's own shares is 1,186,487, which corresponds to 1.25% of the Issuer's share capital. The shares accounted for 1.25% of the total number of votes going with all the shares of the Issuer.

**“PEPEES” S.A.**  
*Financial statements*  
*for the period of 12 months ended 31 December 2022*  
*(in kPLN)*

**20. Approval of the financial statements**

The annual financial statements were approved for publication by the Management Board on 29 March 2023.

**SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD OF THE PARENT COMPANY**

**President of the Management Board - Wojciech Faszczewski**

**Member of the Management Board - Tomasz Krzysztof Rogala**

**FINANCIAL STATEMENTS PREPARED BY**

**Chief Accountant - Wiesława Zaluska**