



REPORT OF INDEPENDENT CHARTERED
AUDITOR ON THE AUDIT OF THE ANNUAL
FINANCIAL STATEMENTS

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

for the period from 01.01.2020 to 1.12.2020

Warsaw, 27 April 2020

REPORT OF INDEPENDENT CHARTERED AUDITOR ON THE AUDIT

For the General Meeting of Shareholders and the
Supervisory Board of Przedsiębiorstwo Przemysłu
Spożywczego „PEPEES” S.A.

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the annual financial statements of Przedsiębiorstwo Przemysłu Spożywczego ^{PEPEES} S.A. ("the Company"), which includes a statement of financial position as at 31 December 2020, a statement of comprehensive income, a statement of changes in equity, a cash flows statement for the year then ended, and notes, comprising a summary of accounting policies **and** other explanatory information (/#financial statements.,).

In our opinion, the accompanying financial statements:

- give a true and fair view of the Company's economic **and** financial position as at 31 December 2020 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the accounting policy;
- complies in form and content with the applicable legal regulations and the Company's Articles of Association;
- has been prepared on the basis of properly kept books of accounts in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" - Journal of Laws of 2021, item 217).

This opinion is consistent with the additional report for the Audit Committee that we issued on 27/04/2021.

Basis for the opinion

We conducted our audit in accordance with National Auditing Standards (in the version of International Auditing Standards adopted with resolutions of the National Council of Statutory Auditors No. 3430/52a/2019 of 21 March 2019 on national auditing standards and other documents (^{KS})) and in accordance with the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision ("the Act on Statutory Auditors" (Dz. U. of 2020, item 1415) and EU Regulation No. 537/2014 of 16 April 2014 on specific requirements for statutory audits of public interest entities (,EU Regulation--- OJ. EU L 158, 27.05.2014, p. 77, as amended). Our responsibility under these standards is further described in the section of our report: the Auditor' s *Responsibility for Audit of the Financial Statements*.

We are independent of the Group Companies in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the International Ethics Standards Board for Accountants (the "IESBAH Code") adopted with Resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019 on Principles of Professional Ethics for Statutory Auditors and other ethical requirements that are applicable to the audit of

financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements **and** the IESBA Code. During the audit, the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation.

We believe that the survey evidence we obtained is sufficient **and** appropriate to form the basis of our opinion.

Key issues of the audit

Key audit matters include those matters that, in our professional judgment, were most significant in our audit of the financial statements for the current reporting period. These include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have addressed these matters in the context of our audit of the financial statements taken as a whole and in forming our opinion, and have summarized our response to these risks and, where we have deemed it appropriate, have provided key observations related to these risks. We do not express a separate opinion on these matters.

The key issue of the study (description of the risk of material misstatement)	Auditor's procedures in response to key audit matters
Investment in subsidiaries	
<p>Investments in subsidiaries in the financial statements as at 31 December 2020 amount to PLN 23,586 thousand. Assets are measured at purchase price with recognized impairment .</p> <p>The risk of judgement and estimation elements, which are mainly related to the assumptions on the development of future cash flows and the calculation of the discount rate, in particular the material value of the items, is of key importance for the audit of the financial statements.</p>	<p>The auditor's procedures included among others:</p> <ul style="list-style-type: none"> • Analysis and acknowledgment of the principles of recognition of Investments in subsidiaries in accordance with the company's accounting policies and recognition of impairment, • Assessment of key assumptions regarding impairment testing parameters, discount rates and WACC, • Evaluation of assumptions and estimates adopted by the Management Board as regards the calculation of future cash flows, • Analysis of risks related to the implementation of assumptions underlying the impairment tests, • Reconciliation of source data underlying the impairment testing models and the assessment of the absence of impairment for the companies' current forecasts and budget execution, • Assessment of the correctness

of assets.	
Net revenues from sales	
<p>In the period from 1 January 2020 to 31 December 2020, the Company generated net revenue of PLN 155182 thousand.</p> <p>Due to the significant value of the above-mentioned item of the Company's Statement of comprehensive Income, a key audit risk has been identified in the above-mentioned area of the Company's financial statements.</p>	<p>The chartered auditor's procedures included, among other things:</p> <ul style="list-style-type: none"> • Review of accounting principles for revenue recognition, • Evaluation of the internal control environment for the determination and presentation of revenue in the financial statements, • Review of revenue accounts, to identify unusual : values, receipt/invoice numbering, account discounts , transaction descriptions, • Analysis of material contracts and orders, • Analysis of confirmations of balances received from counterparties and payments made after the balance sheet date in connection with sales made in the period under review, • Assessment of the correctness and completeness of revenue disclosures, including from the perspective of IFRS 15 .
Assets held for sale	
<p>The value of assets held for sale as at the balance sheet date presented in the financial statements amounted to PLN9,639 thousand .</p> <p>Due to a significant impact on the financial statements of the planned sale of shares of the subsidiary company, CHP Energia Sp. z o.o., as meeting the requirements set out in the International Financial Reporting Standard 5 Assets held for sale and discontinued operations ("IFRS 5"), the key audit risk was identified in the above area of the financial statements of the Company.</p>	<p>The chartered auditor's procedures included, among other things:</p> <ul style="list-style-type: none"> • Evaluation of compliance with the applied accounting policy with the financial reporting standards , in particular IFRS 5, • Assessment of the correct classification of items (as fixed assets held for sale, • Checking whether the item has been measured at the lower of its carrying amount and fair value less costs to sell, • Assessment of correctness of presentation of assets held for sale in the financial statements and explanatory notes to financial

	<p>statements,</p> <ul style="list-style-type: none"> • Evaluation of the completeness of the disclosures in the financial statements in accordance with applicable accounting principles.
<p>The detailed testing described above, combined with the assessment of the internal control environment, provided us with sufficient and appropriate audit evidence to address the described risk in the audited entity.</p>	

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

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view of the financial position and performance of the Company in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting principles (policy) and the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error .

When preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern, and for adopting the going concern as the basis of accounting, except when the Management Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The Company's Management Board and Supervisory Board members are required to ensure that the financial statements meet the requirements of the Accounting Act. The Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for Auditing the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of certainty, but does not guarantee that an audit conducted in accordance with the KSB will always detect an existing material misstatement. Misstatements that could arise from fraud or error are considered material if they could reasonably be expected to influence, individually or in the aggregate, the economic decisions of users taken on the basis of those financial statements. The auditor uses the concept of materiality both in planning and performing the audit as well as in assessing the impact of misstatements identified during the audit and, if any, uncorrected misstatements in the financial statements, and when forming the auditor's opinion. Accordingly, all opinions and assertions contained in the audit report are expressed taking into account the qualitative and value level of materiality determined in accordance with auditing standards and the auditor's professional judgment.

The scope of the audit does not include assurance as to the future profitability of the Company or the effectiveness or efficiency of the management of its affairs by the Management Board now or in the future.

We use professional judgment and maintain professional skepticism during an audit accordance with the KSB, and also:

- we identify and assess the risks of material misstatement of the financial statements caused by fraud or error, we design and perform audit procedures appropriate to those risks and use audit evidence that is sufficient and appropriate to (form) the basis of (our) opinion. The risk of failure to detect a material misstatement due to fraud is greater than the risk of failing to detect one due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentation or circumvention of internal controls;
- we obtain an understanding of internal control relevant to the audit on order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we assess the appropriateness of the accounting policies(principles) applied and the reasonableness of the(accounting estimates and related disclosures made by the Company's Management;
- we draw a conclusion on the appropriateness of (the Company's) application of the going concern basis of accounting and, based on audit evidence¹ , whether there is any material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report; however, future events or conditions may cause the Company to cease operations as a going concern;
- we evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether thefinancial statements give a fair reliable presentation of the underlying transactions and events.

We provide the Supervisory Board with information about, among other things, the planned scope and timing of the audit and significant audit findings, including any significant internal control weaknesses that we identify during the audit.

We declare to the Supervisory Board that we have complied with the applicable ethical requirements for independence and that we will inform them of all relationships and other matters that could reasonably be considered to pose a threat to our independence, and where applicable, we will inform them of the safeguards applied

Out of the matters reported to the Management Board, we identified those matters that were most significant in our audit of the financial statements for the current reporting period and therefore considered them to be key audit matters. We describe these matters in our auditor's report unless a law or regulation prohibits public disclosure or if, in exceptional circumstances, we determine that the matter should not be presented in our report because it could reasonably be expected that the adverse consequences would outweigh the benefits of such information to the public interest.

Other information, including thereport on the activity

Other Information consists of the Management Board's Report for the financial year ended 31 December 2020 ("the Management Board's Report") together with the corporate governance statement which forms an integral part thereof and the Annual Report for the financial year ended 31 December 2020. ("Annual Report") (together "Other Information").

Responsibility of the Management Board and the Supervisory Board

theCompany's Management Board is responsible for the preparation of other information in accordance with the law.

The Company's Management Board and Supervisory Board members are required to ensure that the report on the Company's activities with separated sections meet the requirements of the Accounting Act.

Auditor's liability

Our opinion on the audit of the financial statements does not include other information. In connection with our audit of the financial statements, our responsibility is to acknowledge the other information and , in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, on the basis of the work performed, we identify material misstatements in the Other Information, we are required to disclose this in our audit report. Our responsibility under the Act on Auditors is also to express an opinion on whether the management report has been prepared in accordance with the regulations and whether it is consistent with the information given in the financial statements. In addition, we are required to report whether the Company has prepared a statement on Non-Financial Information and to give an opinion on whether the Company has included the required Information in its corporate governance statement.

We have obtained the Report on the Company's activities prior to the date of this audit report and the Annual Report will be available after that date. In the event we find a material misstatement in the Annual Report, we are required to inform theCompany's Board.

Opinion on the Report on activities

On the basis of the work performed during the audit, in our opinion, the Report on activities :

was drafted in accordance with the requirement of art. 49 of the Accountancy Act and §71 sec. 6 of the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodical information disclosed by the issuer of securities and the conditions for recognition of the information required by the laws of a non-EU member state as equivalent) ("Regulation on current information"- OJ L of 2018, item 757 as amended);
it compliance with information presented in the financial statement.

In addition, in light of our knowledge of the Company and its environment obtained during our audit, we state that we have not identified any material misstatements in the Company's Financial Statements.

Opinion on the application of corporate governance

In our opinion, the Company's statement of compliance with corporate governance principles includes the information specified in art. 70 sec. 6 point 5 of the Regulation on current information. In addition, in our opinion, the information indicated in art. 70 sec. 6 (points (letters c-f, h and i) of that Regulation contained in the corporate governance statement is consistent with the applicable laws and the information contained in the financial statements.

Report on other legal and regulatory requirements

Statement on rendered non-audit services

To the best of our knowledge and belief, we represent that the non-audit services that we have provided to the Company and its subsidiaries comply with the laws and regulations applicable in Poland and that we have not provided non-audit services that are prohibited under Article 5 .1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. Non-audit services that we provided to the

Company and its subsidiaries during the period under review are listed in Note 11.37 of the Report on the Activities of the issuer and the Capital Group of Przedsiębiorstwo Przemysłu Ziemniaczanego PEPEES S.A.

Selection of an audit firm

We were appointed to audit the financial statements of the Company with the resolution of the Supervisory Board of the Company dated 6 July 2020. We have audited the financial statements of the entity continuously from the fiscal year ended December 31, 2018, that is, for 3 consecutive fiscal years.

The key statutory auditor responsible for the audit resulting in this Independent Auditor's Report is Marcin Wasil.

Acting on behalf of WBS Audyt Sp. z o.o. with registered office in Warsaw, ul. Grzybowska 4 suite U9B registered on the list of auditor companies under number 3685, on behalf of which the audit was performed by the key chartered auditor .

Marcin
Wasil

Key Chartered Auditor, registered
under number 9846

Warsaw, 27 April 2021
