



**REPORT OF THE INDEPENDENT CHARTER  
AUDITOR ON THE AUDIT OF THE  
CONSOLIDATED ANNUAL FINANCIAL  
STATEMENT**

**of the CAPITAL GROUP of Przedsiębiorstwo  
Przemysłu Spożywczego "PEPEES" S.A.**

**For the period from 1.01.2020 to 31.12.2020**

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**Warsaw, 27 April 2021**

## REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT

For the General Meeting and Supervisory Board of "PEPEES" S.A.

### Report on the audit of the consolidated annual financial statements

#### Opinion

We audited the consolidated annual financial statements of the Capital Group, whose holding entity is Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. ("the Holding Entity ") ("the Group"), comprising the consolidated statement of financial position as of 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow report for the year ended as of that day, additional information containing a description of adopted accounting principles and other explanatory information ("the consolidated annual financial statements").

In our opinion, the attached the consolidated financial statements:

- presents a reliable and clear image of the consolidated economic and financial position of the Group as at 31 December 2020 and its consolidated financial result, and consolidated cash flows for the financial year ended on that day in compliance with the applicable International Financial Reporting Standards approved by the European Union and adopted accounting principles (policy);
- in its form and contents complies with the legal provisions binding the Group and the Articles of Association of the Holding Entity.

This opinion is coherent with the additional report for the Audit Committee prepared by us on 27.04.2021.

#### Grounds of the opinion

Our audit was performed in compliance with the National Auditing Standards in form of the International Auditing Standards adopted with the resolutions of the National Council of Statutory Auditors no. 3430/52a/2019 of 21 March 2019 on the national auditing standards and other documents ("KSB") and in compliance with the Act on Statutory Auditors, Auditing Companies and Public Supervision of 11 May 2017 ("the Act on Statutory Auditors" Journal of Laws of 2020, item 1415) and the Regulation UE no 537/2014 dated 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation" – OJ EU L 158 of 27.05.2014, p. 77, as amended). Our liability, in compliance with these standards, was described further in the section of this report entitled *The Auditor's Liability for Audit of the Consolidated Financial Statements*.

We are independent of the Group of the Companies in compliance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) of the International Ethics Standards Board of Accountants ("IESBA Code") adopted with the resolution of 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 applicable to audits of financial statements in Poland. We have fulfilled out ethical obligations in compliance with those requirements and the IESBA Code. During the audit, the key chartered auditor and the auditing company remained independent of the Company in compliance with the independence requirements defined in the Act on Statutory Auditors and the EU Regulation.

We believe that the acquired evidence is sufficient and appropriate to serve as the basis for this opinion.

### **Key issues of the audit**

The key issues of the audit include issues that according to our professional judgement were most significant during the audit of the consolidated financial statements for the current reporting period. They include the most essential assessed risks of significant deformation, including assessed risks of deformation resulting from fraud. We referred to these issues in the context of our audit of the consolidated financial statements as a whole and while drafting our opinion and we summed up our reaction to these risks, and in cases we believe it is appropriate, we presented the most important observations related to these risks. We have not prepared a separate opinion on those issues.

<b>The key issue of the audit (description of the risk of significant deformation)</b>	<b>Chartered auditor's procedures in response to key issue of the audit</b>
<b>Net revenues from sales</b>	
<p>In the period from 1 January 2020 to 31 December 2020, having made the consolidation inclusions, the Capital Group generated the net revenues in the amount of PLN 204 079 thousand</p> <p>Due to significant value of the above item of the Consolidated statement of profit and loss or comprehensive income, the key audit risk was identified in the above area of the Company's financial statements.</p>	<p><b>The chartered auditor's procedures included among others:</b></p> <ul style="list-style-type: none"><li>• Review of the Group's accounting principles in respect to recognition of revenue,</li><li>• Assessment of the internal audit environment in respect to determination and presentation of revenues in the financial statements,</li><li>• Review of revenue accounts in order to identify non-typical: values, record/invoice numbers, credit memos and transactions between the Group's entities</li></ul>

	<ul style="list-style-type: none"> <li>• Analysis of balance confirmations in the Group in relation to the sales realised in the audited period,</li> <li>• Assessment of correctness and completeness of disclosures in respect to revenues, including from the perspective of IFRS 15.</li> </ul>
<b>Liabilities under credits and loans</b>	
<p>Credits and loans as at 31 December 2020 amount to PLN 127 739 thousand, which accounts for 33.19% of the consolidated balance sheet totals.</p> <p>Due to the significant value of the above item in the Company's balance sheet, the key audit risk was identified in the above area of the Company's financial statements.</p>	<p><b>The chartered auditor's procedures included among others:</b></p> <ul style="list-style-type: none"> <li>• Analysis of the principles of recognition and presentation of individual credit and loan items in compliance with the accounting principle applicable to the Capital Group.</li> <li>• Verification of the completeness of recognition of liabilities under credits and loans in the audited period,</li> <li>• Analysis of agreements in order to confirm the amounts of costs related to funding, as allocated to the analysed period,</li> <li>• Analysis of safeguards related to liabilities and disclosures in this respect,</li> <li>• Correctness assessment of presentation of credit and loan items in the financial statements and explanatory notes to the financial statements.</li> <li>• Assessment of completeness of disclosures in the financial statements in compliance with the applicable accounting principles.</li> </ul>
<p>The performed detailed tests, as described above, in combination with assessment of the internal audit environment provided sufficient and appropriate evidence from the audit that makes it possible to address the described risk in the area of financial assets.</p>	

#### **Liability of the Holding Company's Management Board and Supervisory Board for the consolidated financial statements**

The Management of the Holding Company is liable for preparation of the consolidated financial statements, which present – in a reliable and clear manner – the economic and financial condition and the financial result of the Group in compliance with the International Financial Reporting Standards approved by the European Union, the adopted accounting principles (policy) and legal provisions and the Articles of Association binding to the Group, as well as for internal audit that is considered necessary by the Management Board of the Holding Company in order to enable preparation of the consolidated financial statements without significant deformation resulting from fraud or error.

While preparing the consolidated financial statements, the Management Board of the Holding Company is liable for assessment of the Group's ability to continue the operations, a disclosure – if applicable – of issues related to continuation of the operation and adoption of the going concern principle as the accounting base, except when the Management Board intends to liquidate the Group or discontinue operations, or there is no other alternative but liquidation or discontinuation of operation.

The Management Board of the Holding Company and the Members of the Supervisory Board of the Holding Company are obliged to ensure that the consolidated financial statements fulfil the requirements defined in the Accountancy Act of 29 September 1994 ("the Accountancy Act " – Journal of Laws of 2020 item 217). The Members of the Supervisory Board of the Holding Company are responsible for supervision of the financial reporting process.

### **Liability of the chartered auditor for audit of the consolidated financial statements**

Our aim is to obtain rational surety whether the consolidated financial statements as a whole does not contain any significant deformation resulting from fraud or error and to prepare a report on the audit with our opinion. The rational surety means a high level of surety but it does not guarantee that an audit performed in compliance with KSB always detects existing significant deformations. Deformation may arise in result of fraud or error and are considered significant, if it is may be expected rationally that individually or jointly they could affect economic decisions of users made on the basis of the consolidated financial statements. The concept of essentiality is applied by the chartered auditor while planning and performing the audit, and while assessing the impact of deformation detected during the audit and uncorrected deformations, if any, on the financial statement, and for preparation of the chartered auditor's opinion. In relation to the foregoing, all opinions and statements included in the report on the audit are expressed taking into account the significant level in respect to quality and value, as determined in compliance with the auditing standards and the professional judgement of the chartered auditor.

The scope of the audit does not include assurance about the Group's future profitability or efficiency, or successful management of its issues by the Holding Entity's Management Board no or in the future.

During the audit compliancy with KSB, we use professional judgement and professional scepticism, and also:

- we identify and assess risks of significant deformation of the consolidated financial statements in result of fraud or errors, we design and perform audit procedures corresponding to those risks and obtain evidence of the audit that is sufficient and appropriate to serve as grounds for our opinion. The risk of failure to reveal a significant deformation resulting from fraud is bigger than the one resulting from an error, because fraud may refer to collusion, falsification, intentional omissions, misleading or circumventing the internal audit;

- we acquire understanding of internal audit appropriate for the audit in order to design the audit procedures corresponding to the circumstances concerned, but not for the purpose of the opinion on efficiency of the Group's internal audit;
- we assess suitability of applied accounting principles (policy) and reasonableness of accounting estimations and related disclosures made by the Management Board of the Holding Entity;
- we conclude about suitability of the ongoing concern principle applied by the Management Board of the Holding Entity as accounting grounds, and on the basis of obtained evidence from the audit – whether there is significant uncertainty related to events or conditions that may question the Group's ability to continue its operations. If we conclude that there is such significant uncertainty, we are required to point out in our report of the chartered auditor to related disclosures in the consolidated financial statements, or if such disclosures are inadequate, we modify our opinion. Our conclusions are based on the evidence of the audit acquired by the date of our report of the chartered auditor, but the future events or conditions may result in discontinuation of the Group's operations;
- we assess the general presentation, structure and contents of the consolidated financial statements, including disclosures and whether the consolidated financial statements present transactions and events, on which they are based, in a way ensuring their reliable presentation;
- we obtain sufficient evidence of the audit in respect to financial information on the entities or businesses within the Group in order to express the opinion on the consolidated financial statements. We are responsible for managing, supervising and performing the Group's audit and we are solely liable for our opinion on the audit.

We provide the Supervisory Board of the Holding Entity, among others, with information on the planned scope and time of the audit and significant findings of the audit, including on all significant weaknesses of the internal audit that are identified during our audit.

We provide the Supervisory Board of the Holding Entity with a declaration that we meet respective ethical requirements about the independence and that we will inform them on all connections and other issues that could be rationally considered as threats to our independence, and where applicable, we inform on applied safeguards.

Among the issues submitted to the Supervisory Board of the Holding Entity, we have defined the issues that was most significant during the audit of the consolidated financial statements for the current reporting period and therefore they were considered of key importance for the audit. We describe these issues in our report of the chartered auditor, unless legal provisions or regulations prohibit their public disclosure or when – in exceptional circumstance – we have determined that a given issues should not be presented in our report because it may be rationally expected that the negative consequences prevail over the benefits of such information for public interest.

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

Other information comprises the report on the Group's activities for financial year ended 31 December 2020 ("the Report on Activities") with the statement on application of the corporate governance, as referred to in article 49b sec. 1 of the Accountancy Act, which form a separate part of that statement, and the Annual Report for financial year ended 31 December 2020 ("the Annual Report") (together "Other Information").

#### *Liability of the Management Board and the Supervisory Board of the Holding Entity*

The Management Board of the Holding Entity is liable for preparation of the Other Information in compliance with the legal provisions.

The Management Board of the Holding Entity and the members of the Supervisory Board are obliged to ensure that the Report on the Group's Activities together with the separate part meets the requirements defined in the Accountancy Act.

#### *Liability of the Chartered Auditor*

Our opinion on the examination of the consolidated financial statements does not cover Other Information. In relation to the audit of the consolidated financial statements, it is our obligation to acknowledge the Other Information, and when performing this, examine whether the Other Information is not significantly in compliance with the consolidated financial statements or our knowledge obtained during the audit, or otherwise it seems significantly deformed. If on the basis of the work performed, we reveal significant deformations in the Other Information, we are obliged to inform about it in our Report on the Audit. Pertaining to the requirements of the Act on Chartered Auditors, it is our obligation also to issue an opinion whether the Report on the Group's Activities have been prepared in compliance with legal provisions and whether it complies with the information included in the consolidated financial statements. Moreover, we are obliged to give an opinion whether the Group included required information in the statement on corporate governance.

We received the Report on the Group's Activities before the date of the Report on the Audit, and the Annual Report will be available after this date. If we detect a significant deformation on the Annual Report, we are obliged to notify the Supervisory Board of the Holding Entity about it.

### **Opinion on the Report on Activities**

On the basis of the work performed during the audit, in our opinion, the Report of the Management Board on Activities of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. and the Capital Group of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. ("the Group"):

- was prepared in compliance with article 49 of the Accountancy Act and art. 70 sec. 6 of the Regulation of the Minister of Finance of 29 March 2018 on the current and periodical information

disclosed by issuers of securities and conditions to consider the information required by legal provisions of a non-EU member state as equivalent ("the Regulation on current information"- Journal of Laws 2018, item 757, as amended);

- it complies with information included in the consolidated financial statements.

Moreover, in the light of the knowledge about the Group and its environment acquired during our audit we declare that we have not found and significant deformations in the Report on Activities.

### **Opinion on the statement on corporate governance**

In our opinion, in the statement on corporate governance the Group included information defined in art. 70 sec. 6 point 5 of the Regulation on current information. Moreover, information specified in art. 70 sec. 6 point 5 letters c-f, h and i of this Regulation included in the statement on corporate governance comply with applicable provisions and information included in the consolidated financial statements.

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

#### **Report on the compliance of the format of the consolidated financial statements with the requirements of the European Single Electronic Formant („ESEF“)**

We were engaged by the Management Board of the Holding Entity under Annex no. 1 to the Agreement on the Audit of the consolidated financial statements, to perform the attestation service providing rational certainty in respect to verification of the compliance with the applicable requirements of the electronic reporting format of the consolidated financial statements of the Group of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. for year ended on 31 December 2020 („the electronic reporting format of the consolidated financial statements“).

#### **Description of the subject of assignment and applicable criteria**

The electronic reporting format of the consolidated financial statements was applied by the Management Board of the Holding Entity to meet the requirements of article 3 and 4 of Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (“ESEF Regulation”). The applicable requirements about the electronic reporting format of the consolidated financial statements are included in the ESEF Regulation.

The requirements described in the previous sentence define the grounds for application of the electronic reporting format of the consolidated financial statements and in our opinion, they serve as the rational criteria to draw a conclusion provided rational certainty.

*Liability of the Management Board of the Holding Entity and the Supervisory Board*

The Management Board of the Holding Entity is liable for application of the electronic reporting format of the consolidated financial statements, which complies with the requirements of ESEF Regulation.

This liability comprises selection and application of respective iXBRL designation with use of ESEF taxonomy, and designing, implementation and maintenance of the internal audit system as appropriate to the preparation of the electronic reporting format of the consolidated financial statements, that does not contain any significant incompliance with the requirements of the ESEF Regulation.

*Liability of the Chartered Auditor*

Our task was to draw a conclusion offering rational certainty that the electronic reporting format of the consolidated financial statements in all significant aspects complies with the ESEF Regulation.

We performed our service in compliance with the National Standard 3000 on Assurance Engagements (amended) "Attestation services, other than audits and reviews of historical financial information ", in the form of the International Standard 3000 on Assurance Engagements (amended) published by the National Council of Chartered Auditors (KSUA 3000 (Z)). The Standard obligates us to fulfil ethical requirements, planning and performance of procedures in order to obtain rational certainty that the electronic reporting format of the consolidated financial statements was applied, in all significant aspects, in compliance with the applicable requirements.

The rational certainty is high-level certainty but does not guarantee that a service performed in compliance with KSUA 3000 (Z) will always detect existing deformations.

*Quality control requirements*

We apply the provisions of the resolution of the National Council of Chartered Auditors on the internal audit principles in a form defined in the International Standard on Quality Control 1 (IAASB) and according with it, we maintain the complex control system comprising documented policies and procedures on compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We fulfil independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including the International Independence Standards) of the International Ethics Standards Board of Accountants ("IESBA Code"), as adopted with the resolution of National Council of Statutory Auditors, which is based on the fundamental principles of honesty, objectivism, professional competences and due diligence, confidentiality and professional conduct.

### **Summary of performed work**

The procedures that have been planned and performed by us, were aimed to provide us with rational certainty that the electronic reporting format of the consolidated financial statements was applied, in all significant aspects, in compliance with the applicable requirements and it does not contain significant errors or omissions. Our procedures included mainly:

- understanding of the internal audit system and processes appropriate for application of the electronic reporting format of the consolidated financial statements, including use of XHTML format and designation of the consolidated financial statements,
- verification of correct application of XHTML format,
- assessment of completeness of designation of the consolidated financial statements by means of iXBRL markets in compliance with the requirements of the implementation of electronic reporting format in the ESEF Regulation,
- assessment of suitability of the Group's application of XBRL markers selected from ESEF taxonomy and creation of markers of extensions, if the appropriate element in ESEF taxonomy was not identified,
- assessment of correct anchoring of used taxonomy extensions in the basic taxonomy defined in the ESEF Regulation.

We believe that the evidence we gathered is sufficient and appropriate to provide grounds for our conclusion.

### **Conclusion**

In our opinion, on the basis of the procedures performed, the electronic reporting format of the consolidated financial statements complies, in all significant aspects, with the ESEF Regulation.

### **Statement on rendered services other than audit of financial statements**

To our best knowledge and belief we state that non-audit services rendered by us for the Group comply with the law and provisions applicable in Poland and we have not rendered non-audit services that are prohibited under art. 5 sec. 1 of the EU Regulation and article 136 of the Act on Chartered Auditors. Non-audit services rendered by us for the Holding Entity and its subsidiaries in the audited period were listed in note II.37 of the Report on the Activities of the Issuer and PEPEES S.A. Capital Group.

### **Selection of the auditing firm**

We were selected to perform the audit of the Group's financial statements with the resolution of the Holding Entity dated 6 July 2020. We have audited the Group's financial statements without interruptions since the financial year ended on 31 December 2018, that is for 3 subsequent financial years.

Mr Marcin Wasil is the key chartered auditor responsible for the audit in result of which this report of the chartered auditor was prepared .

Acting on behalf of WBS Audyt Sp. z o.o. with registered office in Warsaw, ul. Grzybowska 4 lok. U9B, registered on the list of auditing firms under number 3685, on whose behalf the financial statements were audited by the key chartered auditor.

Marcin Wasil

Key Chartered Auditor, reg. no. 9846

Warsaw, 27 April 2021