



## **PEPEES CAPITAL GROUP**

**CONSOLIDATED 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 CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

## **Contents**

CONSOLIDATED STATEMENT OF PROFIT OR LOSSES OR OTHER COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED CASH FLOW STATEMENT	7
1. General information concerning the financial statements	8
1.1 Information on the parent company	8
1.2 Information concerning subsidiaries	10
2. Basis for preparing the consolidated financial statements	11
2.1 Declaration of compliance	11
2.2 Going concern	11
2.3 Presentation currency and functional currency	11
2.4 Grounds for consolidation	11
2.5 New standards and interpretations issued but not yet effective.	12
3. Estimates and subjective judgements	13
3.1 Estimates and the underlying assumptions	13
3.2 Information on assets and liabilities bearing a material risk of significant adjustments	13
3.3 Reasons for the uncertainty of estimates bearing a material risk of significant adjustments	14
4. PPE, intangible assets and goodwill impairment tests	14
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	15
EXPLANATORY NOTES TO OPERATING SEGMENTS	15
5. Information concerning operating segments	15
ACCOUNTING PRINCIPLES	15
5.1 Information concerning products and services	15
5.2 Revenues and profit/loss per segment	16
5.3 Assets and liabilities per segment	16
5.4 Other information on operating segments	17
5.5 Revenues by product category	17
5.6 Revenues from sales by territory	18
5.7 Information concerning key customers	18
EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	19
6. REVENUES AND COSTS	19
6.1 Revenue from sales	19
6.2 Own sales cost	22
6.3 Other operating revenues and expenses	23
6.4 Financial income and expenses	24
7. Income tax	25
8. Earnings per share	26
EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	27
9. Property, plant and equipment	27
10. Intangible assets	30
11. Lease	31
12. Right to assets	33
13. Investment property	36
14. Goodwill	36
15. Deferred tax in the statement of financial position.	37
15.1 Deferred tax assets	37
15.2 Deferred tax reserves	38
16. Inventories	38
17. Fair value	39
17.1 Biological assets	39
18. Trade and other current receivables	40
19. Cash and cash equivalents	42

20. Equity capitals	43
20.1 Initial (share) capital	43
20.2 Share premium	44
20.3 Own shares	44
20.4 Revaluation reserve	44
20.5 Retained earnings	45
20.6 Non-controlling shares	45
21. Trade and other payables	45
22. Employee benefits	47
NOTES TO FINANCIAL INSTRUMENTS	49
23. Financial instruments	49
23.1 Investments in other entities	51
23.2 Credits and loans	52
24. Financial risk management	56
25. Capital management	57
NOTES TO CASH FLOW STATEMENT	58
26. Cash flow statement	58
OTHER NOTES	59
27. Contingent payables and receivables Litigation	59
28. Issuer's transactions with related parties	61
28.1 Transactions with subsidiaries	61
28.2 Transactions with the key personnel of the Issuer	63
29. Dividends paid	63
30. Average employment in the Group	64
31. Statutory auditor's fee	64
32. Important events after the balance sheet date	64
33. Approval of the financial statements	65
DECLARATION OF THE MANAGEMENT BOARD	65

**PEPEES CAPITAL GROUP**  
*Consolidated 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.	Income and costs Profit and losses	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>6.1</b>	<b>254 952</b>	<b>220 826</b>
<b>II</b>	<b>Cost of goods sold</b>	6.2	(178 114)	(179 282)
<b>III</b>	<b>Gross profit from sales (I-II)</b>		176 838	41 544
1.	Selling and marketing cost	6.2	(15 334)	(15 580)
2.	General and administrative expenses	6.2	(36 833)	(33 819)
3.	Other operating income	6.3	834	2 736
4.	Other operating expenses	6.3	(1 952)	(573)
<b>IV</b>	<b>Profit (loss) from operating activities</b>		<b>23 553</b>	<b>(5 692)</b>
1.	Financial expenses	6.4	(7 603)	(3 499)
2.	Financial revenues	6.4	1 322	5 464
<b>V</b>	<b>Profit (loss) before tax</b>		<b>17 272</b>	<b>(3 727)</b>
	Income tax	7	(6 429)	521
<b>VI</b>	<b>Net profit (loss) from continuing operations</b>		<b>10 843</b>	<b>(3 206)</b>
	<b>Net profit (loss) from discontinued operations</b>		-	(199)
	<b>Net profit (loss), of which:</b>		<b>10 843</b>	<b>(3 405)</b>
	- allocated to the parent company's shareholders		10 595	(2 397)
	- allocated to non-controlling shares		248	(1 008)
<b>VII</b>	<b>Other comprehensive income before tax</b>		<b>28</b>	<b>18</b>
1.	Currency translation adjustments related to foreign companies		-	-
	<b>Other comprehensive income to be reclassified as profit/loss before tax</b>		-	-
2.	Revaluation of employee benefits payable		28	18
	<b>Other comprehensive income not to be reclassified as profit or loss before tax</b>		<b>28</b>	<b>18</b>
	Income tax referring to other comprehensive income not to be reclassified as profit or loss		(5)	(5)
	<b>Other net comprehensive income</b>		<b>23</b>	<b>13</b>
<b>VIII</b>	<b>Total comprehensive income, of which</b>		<b>10 868</b>	<b>(3 392)</b>
	allocated to the parent company's shareholders		10 618	(2 384)
	allocated to non-controlling shares		248	(1 008)
<b>IX</b>	<b>Net earnings (loss) per equity share</b>	<b>8</b>	<b>0.11</b>	<b>(0.03)</b>
	- from continuing operations		0.11	(0.03)
	- from discontinued operations		0.00	0.00
<b>IX</b>	<b>Net diluted profit (loss) per equity share</b>		<b>0.11</b>	<b>(0.03)</b>
	- from continuing operations		0.11	(0.03)
	- from discontinued operations		0.00	0.00

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

No.	ASSETS	Note	At 31.12.2022	At 31 December 2021
<b>A</b>	<b>Fixed assets (long-term)</b>		<b>17 231</b>	<b>172 744</b>
1.	Tangible fixed assets	9	151 327	151 999
2.	Intangible assets	10	644	184
3.	Rights to assets	11, 12	11 248	11 913
4.	Investment property	13	563	573
5.	Goodwill	14	1 320	1 320
6.	Investments in other entities	23.1	383	383
7.	Deferred tax assets	15	5 746	6 372
<b>B</b>	<b>Current assets (short-term)</b>		<b>204 783</b>	<b>180 745</b>
	<b>Current assets other than classified as assets held for sale</b>		<b>204 783</b>	<b>180 745</b>
1.	Inventories	16	104 817	97 165
2.	Biological assets	17.1	326	560
3.	Trade and other receivables - current	18	35 059	33 922
4.	Current tax receivables		1	-
5.	Other financial assets	23	6 893	7 125
6.	Cash and cash equivalents	19	57 687	41 973
	<b>Total assets</b>		<b>376 014</b>	<b>353 489</b>

No.	LIABILITIES	Note	At 31.12.2022	At 31 December 2021
<b>A</b>	<b>Shareholders' equity</b>	20	<b>186 534</b>	<b>175 053</b>
<b>I</b>	<b>Equity capital allocated to the Company's shareholders</b>		<b>183 219</b>	<b>171 983</b>
1.	Initial (share) capital	20.1	5 700	5 700
2.	Share premium	20.2	7 562	7 562
3.	Revaluation reserve	20.4	(224)	31 027
4.	Own (treasury) shares	20.3	31 050	-
5.	Retained earnings	20.5	139 131	127 694
<b>II</b>	<b>Non-controlling shares</b>	20.6	<b>3 315</b>	<b>3 070</b>
<b>B</b>	<b>Payables</b>		<b>189 480</b>	<b>178 436</b>
<b>I</b>	<b>Non-current payables</b>		<b>35 526</b>	<b>36 728</b>
1.	Credits and loans	23.2	6 508	8 459
2.	Leased assets payable	11	17 648	16 496
3.	Deferred tax reserve	15	6 518	6 242
4.	Retirement and similar benefits payable	22	2 878	3 005
6.	Other non-current payables	21	1 974	2 526
<b>II</b>	<b>Current payables</b>		<b>153 954</b>	<b>141 708</b>
	<b>Current payables not associated with assets held for sale</b>		<b>153 954</b>	<b>141 708</b>
1.	Trade and other payables - current	21	22 881	24 111
2.	Current income tax payables		3 032	-
3.	Credits and loans	23.2	122 713	112 614
4.	Leased assets payable	11	4 809	4 455
5.	Retirement and similar benefits payable	22	519	528
	<b>Total liabilities</b>		<b>376 014</b>	<b>353 489</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Specification	Initial (share) capital	Share premium	Own (treasury) shares	Revaluation reserve	Retained earnings	Total equity allocated to the parent company's shareholders	Non-controlling shares	Total equity
<b>At 1 January 2022</b>	<b>5 700</b>	<b>7 562</b>	<b>-</b>	<b>31 027</b>	<b>127 694</b>	<b>171 983</b>	<b>3 070</b>	<b>175 05</b>
<b>Changes from 01.01.2022 to 31.12.2022</b>	<b>-</b>	<b>-</b>	<b>(224)</b>	<b>23</b>	<b>11 437</b>	<b>11 236</b>	<b>245</b>	<b>11 481</b>
Net profit (loss)	-	-	-	-	10 595	10 595	248	10 843
Other comprehensive income	-	-	-	23	-	23	-	23
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>10 595</b>	<b>10 618</b>	<b>248</b>	<b>10 866</b>
Acquisition of own shares	-	-	(224)	-	-	(224)	-	(224)
Other consolidation adjustments	-	-	-	-	842	842	(3)	839
<b>At 31 December 2022</b>	<b>5 700</b>	<b>7 562</b>	<b>(224)</b>	<b>31 050</b>	<b>139 131</b>	<b>183 219</b>	<b>3 315</b>	<b>186 534</b>

Specification	Initial (share) capital	Share premium	Own (treasury) shares	Revaluation reserve	Retained earnings	Total equity allocated to the parent company's shareholders	Non-controlling shares	Total equity
<b>At 1 January 2021</b>	<b>5 700</b>	<b>7 562</b>	<b>-</b>	<b>31 014</b>	<b>129 493</b>	<b>173 769</b>	<b>1 653</b>	<b>175 422</b>
<b>Changes from 01.01.2021 to 31.12.2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>(1 799)</b>	<b>(1 786)</b>	<b>1 417</b>	<b>(369)</b>
Net profit (loss)	-	-	-	-	(2 397)	(2 397)	(1 008)	(3 405)
Other comprehensive income	-	-	-	13	-	13	-	13
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>(2 397)</b>	<b>(2 384)</b>	<b>(1 008)</b>	<b>(3 392)</b>
Acquisition of own shares	-	-	-	-	-	-	-	-
Other consolidation adjustments	-	-	-	-	598	598	2 425	3 023
<b>At 31 December 2021</b>	<b>5 700</b>	<b>7 562</b>	<b>-</b>	<b>31 027</b>	<b>127 694</b>	<b>171 983</b>	<b>3 070</b>	<b>175 053</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>CASH FLOW STATEMENT- indirect approach</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.</b>	<b>Operating cash flows - indirect approach</b>		
<b>I</b>	<b>Profit (loss) before tax</b>	<b>17 272</b>	<b>(3 727)</b>
<b>II</b>	<b>Total adjustments</b>	<b>13 397</b>	<b>21 762</b>
1.	Depreciation/amortisation	17 162	15 191
2.	Exchange (gains) losses	10	106
3.	Cost of interest	5 583	2 449
4.	Revenues from interest	(7)	-
5.	Revenues from dividends	(200)	(200)
6.	(Profit) loss from investing activities	60	(5 541)
7.	Movements in reserves and provisions	590	2 442
8.	Movements in inventories	(7 637)	13 033
9.	Movements in biological assets	234	(222)
10.	Movements in receivables	(1 778)	(2 871)
11.	Movements in current payables except loans and credits	173	(1 383)
12.	Movements in deferred income other than contracts payable	(207)	(112)
13.	Contributions received	(890)	(1 036)
14.	Revaluation of financial assets	303	(163)
15.	Other adjustments	1	69
	<b>Cash flows from activities (utilised in the specific activity)</b>	<b>30 669</b>	<b>18 035</b>
	Income tax paid	(2 503)	1 022
	<b>Net cash flows from operating activities</b>	<b>28 166</b>	<b>19 057</b>
<b>B.</b>	<b>Cash flows from investing activities</b>		
1.	Disposal of intangible and tangible fixed assets	343	1 055
2.	From financial assets, of which interest:	-	26
3.	Dividends received	200	200
4.	Revenues from securities	320	254
5.	Shares sold	-	1 380
6.	Repayment of granted loans	81	6 371
7.	Acquisition of intangible assets and tangible fixed assets	(9 961)	(3 013)
8.	Purchase of shares	-	-
9.	Purchase of property rights	(1 027)	(2 197)
	<b>Net cash flows from investing activities</b>	<b>(10 044)</b>	<b>4 076</b>
<b>C.</b>	<b>Cash flows from financing activities</b>		
1.	Credits and loans	108 221	87 889
2.	Contributions received	894	1 775
3.	Repayment of credits and loans	(99 800)	(83 121)
4.	Interest on loans and borrowings	(5 617)	(1 923)
5.	Contributions refunded	-	(80)
7.	Lease payments	(5 812)	(4 050)
8.	Acquisition of own shares	(294)	-
	<b>Net cash flow from financing activities</b>	<b>(2 408)</b>	<b>490</b>
<b>D.</b>	<b>Total cash flows before exchange adjustments</b>	<b>15 714</b>	<b>23 623</b>
	Movements in cash due to exchange adjustments	-	-
	<b>Total net cash flows</b>	<b>15 714</b>	<b>23 623</b>
<b>E.</b>	<b>Cash at the beginning of the period</b>	<b>41 973</b>	<b>18 350</b>
<b>F.</b>	<b>Cash at the end of period (E+/-D)</b>	<b>57 687</b>	<b>41 973</b>
	- of which at limited disposal	-	-

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

**GENERAL INFORMATION, BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER EXPLANATORY NOTES**

**1. General information concerning the financial statements**

**1.1 Information on the parent company**

Name of the Reporting unit or other identification data: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Address: ul. Poznańska 121, 18-402 Łomża, Poland

Legal status: joint stock company

Country of registration: Poland

Registered office: ul. Poznańska 121, 18-402 Łomża

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

Description of the nature and core business area of the entity: Manufacture of starches and starch products

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

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

The ultimate parent company of PEPEES Capital Group ("PEPEES Group", "the Group") is PEPEES S.A. ("parent company", "the Company"). At the date of this report, the Company's identification was follows:

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

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

**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.

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	Vice-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

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

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

**Structure of ownership**

STOCKHOLDERS	Number of shares [units]	Share in capital %	No. of votes	Share in the total number of votes at the General Meeting of Shareholders (GMS) %
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 %	25 094 581	26.42 %

**Information on PEPEES Capital Group**

PEPEES Capital Group is composed of a parent company, Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., and four fully consolidated subsidiaries.

These consolidated 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.

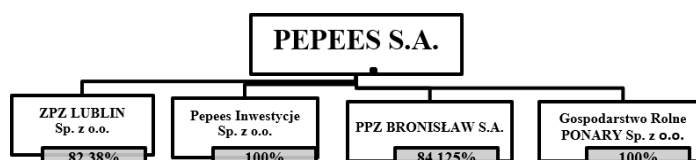
The financial statements of all subsidiaries were prepared for the reporting period corresponding to that covered by the financial statements of the parent company using consistent accounting principles.

The core business area of companies from PGE Capital Group is:

- manufacture of starches and starch products
- production of potato syrups
- production of potato flakes
- buying and selling of own real estate
- crop production

**1.2 Information concerning subsidiaries**

**STRUCTURE OF THE CAPITAL GROUP AT 31 DECEMBER 2022**



**General information concerning related parties in PEPEES Capital Group**

In the consolidated financial statements of PEPEES Capital Group for the period of 12 months ended 31 December 2022, the following related parties were consolidated in addition to Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.:

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

Name	Registered office	Business area	Court of registration	Issuer's share in capital (%)	Share in the total number of votes (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potato products, fruit and vegetable processing	District Court in Lublin, 11 <sup>th</sup> Commercial Division of the National Court Register (KRS)	82.38	82.38
Pepees Inwestycje Sp. z o.o.	Łomża	Buying and selling of own real estate	District Court in Białystok, 12 <sup>th</sup> Commercial Division of the National Court Register (KRS)	100	100
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, 13 <sup>th</sup> Commercial Division of the National Court Register (KRS)	84.125	84.125
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Mixed farming	District Court in Białystok, 12 <sup>th</sup> Commercial Division	100	100

All subsidiaries were fully consolidated.

## Changes in the organisation of PEPEES Capital Group

No changes in the structure of the Issuer's Capital Group occurred in the reporting period.

## 2. Basis for preparing the consolidated financial statements

### 2.1 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.

### 2.2 Going concern

These financial statements have been prepared on the assumption of the Group's companies continuing as a going concern for at least 12 months after the reporting date. At the date of approving these financial statements for publication no circumstances implying any risk to the Group's companies continuing as a going concern were found.

### 2.3 Presentation currency and functional currency

The functional (valuation) currency and the presentation currency of PEPEES Capital Group 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 Group. All exchange adjustments are recognised in the consolidated statement of comprehensive income for the particular period. All figures are given in thousands of Polish zloty (kPLN) unless otherwise indicated.

### 2.4 Grounds for consolidation

The financial statements were prepared at historic cost, except for:

- financial instruments measured at fair value;
- biological assets;
- impaired assets.

Companies from PEPEES Capital Group were fully consolidated in the reporting and comparative periods. The financial statements of subsidiaries were prepared for the reporting period corresponding to

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

that covered by the financial statements of the Parent Company using consistent accounting principles. Any discrepancies in accounting principles will be reconciled by adjustments.

In the course of consolidation relevant exclusions were applied to mutual receivables and payables, revenues and costs of operations between the consolidated companies, profit and losses from intercompany operations involving the consolidated assets and liabilities. In addition, the value of shares held by the Parent Company in the capital of its subsidiaries was excluded.

The consolidated cash flow statement was prepared based on the consolidated statement of comprehensive income and the consolidated statement of financial position and additional explanatory notes regarding the consolidated companies.

The statement of changes in the consolidated equity capital was prepared based on the consolidated statement of financial position, statement of changes in equity capitals and additional explanatory notes of the consolidated companies.

The subsidiaries are consolidated from the day on which the Group assumed control of them until the day on which such control ceases. Control by the parent company means that it holds, directly or indirectly through its subsidiaries, more than half of votes in the particular company unless it can be proved that holding such votes is not equivalent to exercising control. Control takes place when the Company, due to its interest in another entity, has the right to variable financial results and is able to determine the amount of such financial results through exercising power over the entity. Exercising power is also deemed a situation in which the parent company does not hold half of the votes in a subsidiary.

## **2.5 New 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:

<b>Standard</b>	<b>Description of amendments</b>	<b>Effective date</b>
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 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	The works on approval have been 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	Amendments referring to the presentation of financial statements – classification of payables as current and non-current	1 January 2023
Amendments to IAS 1	Amendments referring to the presentation of financial statements – disclosures concerning the adopted accounting policy	1 January 2023

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

Standard	Description of amendments	Effective date
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

PEPEES Capital Group 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 PEPEES Capital Group.

### **3. Estimates and subjective judgements**

#### **3.1 Estimates and the underlying assumptions**

The Group makes estimates and adopts assumptions based on historical experience and other factors deemed reasonable in specific circumstances. The outcomes provide a basis for judgements regarding the carrying amount of assets and liabilities that do not directly stem from other sources. The actual value can differ from the estimated one.

The estimates and their underlying assumptions are verified on an ongoing basis. A change in estimates should be reported in the period in which the verification occurred if it refers exclusively to such a period or both in the current and future periods if the change refers to them to an equal extent.

#### **3.2 Information on assets and liabilities bearing a material risk of significant adjustments**

The Group has adopted assumptions and estimates regarding the future based on the knowledge available at the date of the financial statements. The assumptions and estimates can change as a result of future events due to market changes or other changes beyond the Group's control.

Assets and liabilities bearing the risk of adjustments:

- goodwill - impairment

To determine that the goodwill was impaired, the usable value of all units generating cash flows to which the goodwill was assigned should be estimated. To calculate the usable value, the Management Board should estimate future cash flows of the particular entity and determine a relevant discount rate necessary for calculating the current value of such cash flows. Goodwill was not expensed in the current reporting period.

- fixed assets - impairment

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

- fixed assets – economic life

The Company verifies the expected economic lives of respective fixed assets at the end of each annual reporting period. In the year covered by the financial statements and in the preceding year it was not necessary to change the economic lives of assets.

- inventories – impairment loss on inventories

All inventories will be verified at the balance sheet date for their purchasing price or manufacturing cost, purchase date and purpose, the reason for slow turnover and future utilisation options. All items with no prospects for being utilised or sold in more than one year are covered by 100% impairment loss. Inventories whose purchasing price or manufacturing cost exceeds their selling price less selling cost will be measured at their market value.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

- receivables - impairment losses on receivables

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

- provisions for retirement benefits and service anniversary awards

The provisions were updated based on actuarial calculations at 31.12.2022. Future payments of benefits will be discounted at the mean profitability rate for the most secure long-term securities listed in the Polish capital market at the measurement date.

- provisions for unused holiday leave

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

- deferred tax assets

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

### **3.3 Reasons for the uncertainty of estimates bearing a material risk of significant adjustments**

The Group disclosed deferred tax assets of PLN 807 000 in its financial statements due to the Issuer's tax loss on capital gains. According to tax regulations, a loss can be deducted from income within the following five years of its occurrence. A retained loss should be deducted from income derived from the same source. If the Company wants to deduct the loss in full, it cannot derive sufficient income from capital gains over the following five years. In addition, the uncertain global situation (Covid, war in Ukraine) leads to fluctuations in the exchange rates, interest rates and considerable variations in the prices of raw materials, materials and the Company's products.

## **4. PPE, intangible assets and goodwill impairment tests**

Property, plant and equipment (PPE) is the most significant asset of PEPEES Capital Group. Due to variations in the macroeconomic and regulatory environment, PEPEES Capital Group, from time to time, verifies the indications of the impaired recoverable value of its assets. In evaluating the market situation, PEPEES Capital Group uses its own analytic tools and the support of independent analytical centres.

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

The Company tested each subsidiary's goodwill and financial assets for impairment - for details see section 14 of these statements

## **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **EXPLANATORY NOTES TO OPERATING SEGMENTS**

#### **5. Information concerning operating segments**

##### **ACCOUNTING PRINCIPLES**

###### Operating segments

An operating segment is a part of the Group:

- involved in economic activity in connection with which it can derive revenues and incur costs
- whose operating results are regularly reviewed by the Group's chief operating decision maker who uses such results in allocating resources to segments and evaluating the performance of segments,
- for which separate financial information is available.

Previously, four operating segments were identified in PEPEES Capital Group, including: "Potato processing", "Electricity generation", "Mixed farming", and "Buying and selling of own real estate". When the shares of CHP Energia from the "Electricity generation" segment were sold, three segments remained in the Group.

The "Mixed farming" segment contains all the assets and liabilities of Gospodarstwo Rolne Ponary, "Buying and selling of own real estate" - all the assets and liabilities of Pepees Inwestycje Sp. z o.o., and "Potato processing" - all the remaining assets and liabilities disclosed in the consolidated financial statements.

Since, in 2022, Ponary did not generate any revenue from sales, the "Mixed farming" segment was not included separately in the segments' revenues and results. Due to the value of land held by Ponary, the third segment was included separately in these statements only to present the company's assets and liabilities.

The segment derives revenues from sales to third-party customers or from transactions with other segments of the Capital Group that are disclosed in the Group's profit and loss account and can be directly allocated to the specific segment, including the corresponding part of revenues that can reasonably be assigned to this segment. The segment incurs expenses such as the cost of sales to third-party customers and costs of transactions with other segments within the Group, which are due to the operations of the particular segment and can be directly allocated to the specific segment, including the corresponding part of revenues that can reasonably be assigned to this segment. The segment's result is the difference between the segment's revenues and its expenses.

The segment's assets are operating assets used in the segment's operations that can be directly allocated to the specific segment or can reasonably be assigned to this segment. The segment's assets are operating assets used in the segment's operations that can be directly allocated to the specific segment or can reasonably be assigned to this segment. Income tax balances are not included in the segment's assets and liabilities.

##### **5.1 Information concerning products and services**

PEPEES Capital Group 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,

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

- 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 athletes,
- 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 protein,
- a wide range of starch syrups used in the confectionery and bakery industry ,
- potato grits, potato flakes, diced potatoes and dumplings; products used in the food industry.

Other types of activity refer to:

- works and services,
- sales of specific goods and materials,
- growing and selling annual plants,
- buying and selling of own real estate.

## 5.2 Revenues and profit/loss per segment

Segment	Revenues	Revenues	Profit per segment	Profit per segment
	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Potato processing	254 952	220 826	24 659	(7 919)
- of which intersegment				
Generation of electricity - discontinued activity – CHP (Energia)		1 264		(184)
- of which intersegment				
Mixed farming			24	75
Buying and selling of own real estate		-	(12)	(11)
<b>Revenue from sales</b>	<b>254 952</b>	<b>222 090</b>	<b>24 671</b>	<b>(8 039)</b>
Other operating income			834	2 823
Other operating expenses			(1 952)	(573)
Financial income			1 322	435
Profit (loss) from the sale of a subsidiary			-	5 029
Financial expenses			(7 603)	(3 601)
<b>Profit (loss) before tax</b>			<b>17 272</b>	<b>(3 926)</b>

## 5.3 Assets and liabilities per segment

Assets per segment	At 31 December 2022	At 31 December 2021
Potato processing	371 836	350 058
Mixed farming	4 120	3 360
Buying and selling of own real estate	58	71
<b>Total assets per segment</b>	<b>376 014</b>	<b>353 489</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

Liabilities per segment	At 31 December 2022	At 31 December 2021
Potato processing	189 480	178 436
Mixed farming	-	-
Buying and selling of own real estate	-	-
<b>Total liabilities per segment</b>	<b>189 480</b>	<b>178 436</b>

The “Mixed farming” segment contains all the assets and liabilities of Gospodarstwo Rolne Ponary, “Buying and selling of own real estate” - all the assets and liabilities of Pepees Inwestycje Sp. z o.o., and “Potato processing” - all the remaining assets and liabilities disclosed in the consolidated financial statements.

Since, in 2022, Ponary did not generate any revenue from sales, the “Mixed farming” segment was not included separately in the segments’ revenues and results. Due to the value of land held by Ponary, the third segment was included separately in these statements only to present the company’s assets and liabilities.

#### 5.4 Other information on operating segments

Segment	Depreciation/ amortisation	Depreciation/ amortisation	Increase fixed assets	Increase fixed assets
	2022	2021	2022	2021
Potato processing	16 096	15 136	9 976	3 358
Generation of electricity - discontinued activity – CHP (Energia)		233	-	-
<b>Total continuing operations</b>	<b>16 096</b>	<b>15 369</b>	<b>9 976</b>	<b>3 358</b>

#### 5.5 Revenues by product category

Revenue from sales Designation of product or service	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Starch	148 967	135 573
Protein	10 063	14 888
Glucose	22 677	14 028
Maltodextrin	24 902	20 668
Potato flakes	15 283	6 506
Starch syrups	7 643	5 267
Dried potato products (granulated, diced potatoes, dumplings)	14 216	12 000
Electricity	-	188
Property rights	-	397
Goods and materials	9 712	11 085
Services	1 489	1 490
<b>Total</b>	<b>254 952</b>	<b>222 090</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

## 5.6 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>16 248</b>	<b>136 048</b>
Starch	81 301	70 040
Protein	5 852	9 015
Glucose	20 082	11 395
Maltodextrin	18 046	14 241
Potato flakes	8 830	3 930
Starch syrups	7 642	5 267
Dried potato products (granulated, diced potatoes, dumplings)	14 160	11 934
Electricity	-	188
Property rights	-	397
Goods and materials	5 546	8 151
Services	1 489	1 490
<b>EU member states - intracommunity supplies, of which:</b>	<b>21 145</b>	<b>15 897</b>
Starch	12 310	8 042
Protein	1 380	1 599
Maltodextrin	3 949	3 582
Glucose	2 393	1 365
Potato flakes	1 112	958
Starch syrups	1	-
Dried potato products (granulated, diced potatoes, dumplings)	-	66
Merchandise	-	285
<b>Other countries - export</b>	<b>70 559</b>	<b>70 145</b>
Starch	55 356	57 491
Protein	2 887	4 274
Glucose	202	1 268
Maltodextrin	2 607	2 845
Potato flakes	5 341	1 618
Dried potato products (granulated, diced potatoes, dumplings)	-	-
Merchandise	4 166	2 649
<b>Total</b>	<b>254 952</b>	<b>222 090</b>

## 5.7 Information concerning key customers

The Group 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).

## **EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

### **6. REVENUES AND COSTS**

#### **6.1 Revenue from sales**

##### **ACCOUNTING PRINCIPLES**

Revenues are recognised at the amounts of likely economic benefits to be derived by the Group 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 Group 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 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 Group 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 Group 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 Group 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 Group's performance as the Group fulfils its obligation, or
- due to the Group'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

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

- due to the Group's performance, an asset is created for which the Group has no alternative use and, simultaneously, the Group 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 Group 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 Group'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 Group 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 Group's fulfilment of its performance obligation (after the goods or services are provided to the customer).

In the consolidated statement of comprehensive income, revenues from contracts with customers include revenues from the Group'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 Group 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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**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
<i>from continuing operations</i>	<b>243 751</b>	<b>208 931</b>
- potato products	243 751	208 931
<i>from discontinued operations*</i>	-	<b>585</b>
- electricity	-	585
<b>Total net revenues from the sale of products</b>	<b>243 751</b>	<b>209 516</b>

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

**Revenues from the sale 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 property lease	884	867
- transmission of electricity	135	91
- water supply and sewage disposal	6	7
- rental of equipment and cars	82	79
- services to farmers	289	392
- other services	93	54
<b>Net revenues from the sale of services, of which:</b>	<b>1 489</b>	<b>1 490</b>
<i>from continuing operations</i>	<b>1 489</b>	<b>1 348</b>
<i>from discontinued operations*</i>	-	<b>142</b>

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

**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	4 394	6 348
- potato products	3 657	2 074
- crop protection products	1 375	1 935
- materials and wastes (scrap, waste paper, and digestate)	286	273
- energy certificates	-	445
- other	-	9
<b>Total net revenues from the sale of goods and materials</b>	<b>9 712</b>	<b>11 084</b>
<i>from continuing operations</i>	<b>9 712</b>	<b>10 630</b>
<i>from discontinued operations*</i>	-	<b>454</b>

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

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

## 6.2 Own sales cost

### ACCOUNTING PRINCIPLES

The Group 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.

Manufacturing costs directly attributable to the revenues of respective entities affect their profit or loss in the reporting period in which such revenues occurred.

Manufacturing costs that can be only indirectly allocated to revenues or other benefits derived by the entities affect their profit or loss to the extent corresponding to the particular reporting period, ensuring their commensurability with revenues or other economic benefits.

<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>
a) depreciation/ amortisation	16 096	15 369
b) consumption of materials and energy	134 088	112 674
c) outsourced services	27 238	25 713
d) taxes and fees	4 124	4 288
e) payroll	33 248	31 281
f) social insurance and other benefits	7 644	6 761
g) other expenditures according to types (due to)	1 572	3 843
- costs of representation and publicity	212	148
- business trips	144	98
- costs of property and personal insurance	907	621
- costs of analyses, tests and expert opinions	354	224
- other costs	(45)	2 752
<b>Total costs according to types</b>	<b>224 010</b>	<b>199 929</b>
Movements in inventories, products and prepayments	(7 716)	18 284
Own work capitalised	(74)	(715)
Selling costs (negative value)	(15 334)	(15 580)
General and administrative expenses (negative value)	(36 833)	(33 994)
<b>Cost of manufacturing products and services sold</b>	<b>164 053</b>	<b>167 924</b>

<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>
<b>e) payroll costs, of which:</b>	<b>33 248</b>	<b>31 281</b>
- employment contracts	30 058	28 316
- contracts of mandate and similar remuneration	1 185	1 432
- remuneration for members of the Supervisory Board	1 485	1 570
- severance pay and service anniversary awards	(5)	(104)
- provisions for unused holiday leave entitlements	40	67
- provisions for bonuses for the Management Board and employees	485	-
<b>f) social insurance and other benefits, of which:</b>	<b>7 644</b>	<b>6 761</b>
- cost of social insurance	5 168	4 433

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

<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>
- Employee Retirement Scheme contributions	574	588
- labour fund write-offs	620	590
- social welfare fund write-offs	759	562
- employee training costs	63	145
- work clothes	109	319
- medical examination and OSH expenses	273	124
- other benefits	78	-
<b>Total cost of employee benefits</b>	<b>40 892</b>	<b>38 042</b>

<b>Profit/loss from agricultural production</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>

### 6.3 Other operating revenues and expenses

#### ACCOUNTING PRINCIPLES

Other operating *revenues* include revenues and earnings not directly associated with the Group'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. Subsidies are not recognised until it is reasonably certain that the Group can fulfil the necessary prerequisites to receive such subsidies.

Government grants are recognised systematically in the profit or loss for each period in which the Group 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 consolidated statement of financial position and posted to profit or loss systematically at reasonable amounts over the economic life of the corresponding assets.

Government grants to offset the previously incurred costs or offered as direct financial support to the Group without any 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.

Other operating expenses include costs and losses not directly associated with the Group'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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

<b>OTHER OPERATING INCOME</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) earnings from disposal of non-financial fixed assets	236	300
b) reversal of reserves and provisions due to:	253	203
- impairment of receivables	246	203
- payables	7	-
c) government grants, of which:	116	2 005
- subsidising wages and salaries (COVID-19 anti-crisis shield)	-	1 791
- grants on property, plant and equipment	116	214
b) other, of which:	229	316
- indemnification, penalties and fines received	59	157
- assets surplus	7	3
- other	163	155
<b>Total other operating income</b>	<b>834</b>	<b>2 823</b>

<b>OTHER OPERATING 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>
a) loss on disposal of non-financial fixed assets	-	-
b) other, of which:	<b>1 952</b>	<b>573</b>
- donations	78	44
- cost of liquidation of non-financial fixed assets	-	6
- costs of litigation	-	16
- impairment losses on receivables	-	191
- unscheduled depreciation expenses	1 066	261
- lease adjustments	-	(419)
- indemnification, penalties and fines paid	52	5
- impairment of receivables	432	221
- asset deficiency	21	13
- costs of debt collection	-	-
- costs of collision repairs	23	81
- discontinued investments	-	-
- other	280	154
<b>Total other operating expenses</b>	<b>1 952</b>	<b>573</b>

#### **6.4 Financial income and expenses**

##### **ACCOUNTING PRINCIPLES**

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

Revenues from and costs of interest are recognised on an accrual basis at an effective rate

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

with revenues from interest. Revenues from interest on impaired loans granted are recognised on a cash or recovered basis as the case may be.

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

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

FINANCIAL REVENUES	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
a) Earnings from the disposal of a subsidiary (CHP Energia)	-	5 029
b) dividends	200	200
c) interest on loans	18	17
d) interest on deposits	350	24
e) interest charged on receivables	101	15
f) revaluation of financial assets:	-	175
- revaluation of shares and interest in non-related parties (WRSRH in Bronisze and SBR)	-	163
g) interest on bonds	-	4
h) exchange gains	653	-
- realised	770	-
- unrealised	(117)	-
<b>Financial revenues, total</b>	<b>1 322</b>	<b>5 464</b>

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	4 821	1 200
b) interest on liabilities	807	910
c) impairment losses on own shares	71	-
d) impairment losses on shares in non-related parties (WRSRH in Bronisze)	232	-
e) exchange losses	388	789
- realised	388	424
- unrealised	-	365
f) other financial expenses	1 284	702
- lease charges	899	479
- fees on loans and refund of banking charges BFG	272	196
- debt redemption discount	113	15
- other	-	12
<b>Total financial expenses</b>	<b>7 603</b>	<b>3 601</b>

## 7. Income tax

### ACCOUNTING PRINCIPLES

Income tax disclosed in the profit or loss includes current and deferred tax

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

as agreed by the Group's entities in compliance with the Corporate Income Tax Act including movements in deferred tax assets and liabilities not posted to shareholder's equity.

Income tax	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Current tax	(7 608)	(25)
Dividend tax	(38)	(38)
Deferred tax	1 217	584
<b>Total income tax</b>	<b>(6 429)</b>	<b>521</b>

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:

Specification	For the period of 12 months ended 31 December 2021	For the period of 12 months ended 31 December 2021
Gross profit/loss before tax	17 272	(3 926)
Exclusions from consolidation	(2)	(4 998)
Losses incurred by companies	700	5 921
<b>Gross profit/loss without exclusions from consolidation</b>	<b>17 970</b>	<b>(3 003)</b>
Income tax at statutory 19% rate	(3 414)	571
Tax on permanent differences between gross profit and tax base	(3 015)	(50)
<b>Charge on the profit/loss at an effective rate of 37.22% in 2022 and 13.26% in 2021</b>	<b>(6 429)</b>	<b>521</b>

The Group is not a tax capital group within the meaning of the Corporate Income Tax Act. Each company accounts for its income tax separately.

In 2022, the Parent Company paid tax of PLN 2 498 000, including PLN 690 000 for 2021 and PLN 38 000 due to dividends received.

## 8. Earnings per share

### ACCOUNTING PRINCIPLES

For each period net earnings/ (loss) per share are calculated by dividing the net earnings or net loss of the parent company's shareholders in the particular period by the number of shares in the particular reporting period. There are no preferred shares.

Diluted earnings/(loss) per share are calculated by dividing the net earnings or net loss of ordinary shareholders (less interest on redeemable preferred stocks that can be converted into equity shares) by the weighted average number of equity shares issued throughout the period (adjusted by the effect of diluting stock options and diluting redeemable preferred stocks that can be converted into equity shares).

Weighted average number of shares				
beginning of period	end of period	days (A)	shares in particular period (B)	(A) x (B) / 365
01.01.2022	31.12.2022	365	95 000 000	95 000 000
<b>Total:</b>		<b>365</b>	<b>Weighted average:</b>	<b>95 000 000</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

<b>EARNINGS (LOSS) PER SHARE</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>
Net profit (loss) in PLN	10 595	(2 397)
Weighted average number of shares	95 000 000	95 000 000
Net basic earnings (loss) per share (in PLN per share)	0.11	(0.03)
Net earnings (loss) applied in determining diluted earnings per share	10 595	(2 397)
Weighted average number of equity shares for the needs of diluted earnings per share	95 000 000	95 000 000
Net diluted earnings (loss) per share (in PLN)	0.11	(0.03)

<b>TOTAL INCOME (LOSS) PER SHARE</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>
Total net income in kPLN	10 618	(2 384)
Number of shares	95 000 000	95 000 000
<b>Total income (loss) per share in PLN</b>	<b>0.11</b>	<b>(0.03)</b>

## **EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

### **9. Property, plant and equipment**

#### **ACCOUNTING PRINCIPLES**

##### Property, plant and equipment

Upon the adoption of IAS, the Group 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 consolidated 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 Group 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
- machinery and equipment 2-20 years
- vehicles 3-8 years
- fixed furnishings and equipment 2-15 years.

The terms of use were verified and updated at the balance sheet date. Own land is not subject to depreciation.

Earnings or losses from the sale (liquidation) of property, plant and equipment (that is, tangible fixed assets) constitute the difference between revenues from sales and the balance sheet value of such items and are recognised in the consolidated profit and loss account.

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

##### Costs of borrowing

The costs of borrowing directly associated with construction, adaptation, assembly or improvement of fixed assets or intangible assets throughout the term of such construction, adaptation, assembly or improvement are

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

included in the value of such assets if the liabilities were incurred to that end. Other costs of borrowing are recognised in the consolidated statement of comprehensive income.

*Impairment of non-financial fixed assets*

At each balance sheet date, the Group evaluates whether an objective proof indicating permanent impairment of an asset or a group of assets exists. If such a proof does exist, the Group 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. If the impairment loss is then reversed, the asset's net value is increased to the newly estimated recoverable value, however, not exceeding the carrying amount of the asset that would have been determined if the impairment loss on the asset had not been recognised in the preceding years. The reversed impairment loss is promptly recognised in the consolidated profit and loss account.

<b>TANGIBLE FIXED ASSETS</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) fixed assets, of which:	146 783	150 678
- land	21 428	21 428
- buildings, premises and civil engineering structures	53 476	55 954
- plant, machinery and equipment	65 108	69 586
- vehicles	6 208	3 011
- other fixed assets	563	699
b) fixed assets under construction	4 544	1 321
<b>Total tangible fixed assets</b>	<b>151 327</b>	<b>151 999</b>

<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>						
Gross	21 428	103 678	129 067	7 790	2 319	264 282
Accumulated depreciation	0	45 045	62 551	4 728	1 580	113 904
Net carrying amount	21 428	58 633	66 516	3 062	739	150 378
<b>2021</b>						
Gross at the beginning of period	21 428	103 678	129 067	7 790	2 319	264 282
Increases (due to)	-	1 403	12 997	1 598	185	16 183
- investments						-
- purchase		1 403	12 438	569	185	14 595
- lease			559	1 029		1 588
Decreases (due to)	-	21	1 492	1 147	21	2 681
- sale			694	361	10	1 065
- liquidation		21	798	786	11	1 616
Derecognised accumulated depreciation of sold and liquidated fixed assets			(603)	(933)	(20)	(1 556)
Depreciation/amortisation	-	4 061	9 038	1 485	224	14 758

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

<b>CHANGES IN FIXED ASSETS (ACCORDING TO GROUPS OF TYPES)</b>	land	buildings, premises and civil engineering structures	plant, machinery and equipment	vehicles	other fixed assets	<b>Total</b>
Net carrying amount at the end of period	21 428	55 954	69 586	3 011	699	150 678
<b>At 31 December 2021</b>						
<b>Gross</b>	<b>21 428</b>	<b>105 060</b>	<b>140 572</b>	<b>8 241</b>	<b>2 483</b>	<b>277 784</b>
<b>Accumulated depreciation</b>	<b>-</b>	<b>49 106</b>	<b>70 986</b>	<b>5 230</b>	<b>1 784</b>	<b>127 106</b>
<b>Net carrying amount</b>	<b>21 428</b>	<b>55 954</b>	<b>69 586</b>	<b>3 011</b>	<b>699</b>	<b>150 678</b>
<b>At 1 January 2022</b>						
Gross	21 428	105 060	140 572	8 241	2 483	277 784
Accumulated depreciation	-	49 106	70 986	5 230	1 784	127 106
Net carrying amount	21 428	55 954	69 586	3 011	699	150 678
<b>2022</b>						
Gross at the beginning of period	21 428	105 060	140 572	8 241	2 483	277 784
Increases (due to)	-	1 565	5 949	5 255	100	12 869
- investments						-
- purchase		1 565	3 911	872	100	6 448
- lease			2 038	4 383		6 421
Decreases (due to)	-	7	2 974	617	48	3 646
- sale				617	13	630
- liquidation		7	2 974		35	3 016
Derecognised accumulated depreciation of sold and liquidated fixed assets			(2 008)	(540)	(34)	(2 582)
Depreciation/amortisation	-	4 036	9 461	1 981	222	15 700
Net carrying amount at the end of period	21 428	53 476	65 108	6 208	563	146 783
<b>At 31 December 2022</b>						
<b>Gross</b>	<b>21 428</b>	<b>106 618</b>	<b>143 547</b>	<b>12 879</b>	<b>2 535</b>	<b>287 007</b>
<b>Accumulated depreciation</b>	<b>-</b>	<b>53 142</b>	<b>78 439</b>	<b>6 671</b>	<b>1 972</b>	<b>140 224</b>
<b>Net carrying amount</b>	<b>21 428</b>	<b>53 476</b>	<b>65 108</b>	<b>6 208</b>	<b>563</b>	<b>146 783</b>

At the time of transition to IFRS, the fair value of the fixed assets valued by the assessor was adopted as deemed cost. The difference from the valuation less deferred income tax was recognised in equity.

In the reporting period, depreciation charges increased the costs of products, goods and materials sold in the amount of PLN 12,898 thousand (2021 - PLN 12,647 thousand) , sales and marketing costs in the amount of PLN 240 thousand (2021 - PLN 140 thousand) and general and administrative expenses in the amount of PLN 2,313 thousand (2021 - PLN 1,971 thousand).

Encumbrances on property, plant and equipment due to bank borrowings:

- contractual mortgage in the amount of PLN 58,500 thousand in favour of Santander Bank Polska S.A.,
- contractual mortgage in the amount of PLN 58,500 thousand in favour of PKO Bank Polski S.A.,
- contractual mortgage in the amount of PLN 15,795 thousand in favour of PKO Bank Polski S.A.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

In connection with the purchase of property, plant and equipment investment loans were contracted with PLN 4 776 000 outstanding at the reporting date. At 31.12.2021 the outstanding amount of investment loans was PLN 5 868 000.

“Other operating revenues” in the consolidated 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).

## **10. Intangible assets**

### **ACCOUNTING PRINCIPLES**

Intangible assets are recognised if it is likely that, in the future, they will generate economic benefits for the Group directly linked with these assets. The Group 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.

#### *(A) Trademarks and licences*

Trademarks and licences have limited (finite) economic lives and are presented in the consolidated 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 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*

CO2 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 CO2 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.

<b>INTANGIBLE ASSETS</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
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 CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

<b>MOVEMENTS IN INTANGIBLE ASSETS</b>	costs of development works completed	goodwill	purchased concessions, patents, licences, of which: computer software	Gas emission allowances	<b>Total</b>
<b>At 1 January 2021</b>					
Gross	-	-	<b>686</b>	<b>296</b>	<b>982</b>
Accumulated depreciation	-	-	<b>483</b>	-	<b>483</b>
Net carrying amount	-	-	<b>203</b>	<b>296</b>	<b>499</b>
<b>2021</b>					
Gross at the beginning of period	-	-	686	296	982
Increases (due to)	-	-	-	2 198	2 198
- purchase				2 198	2 198
Decreases (due to)	-	-	-	2 494	2 494
- utilisation			-	2 494	2 494
Depreciation/amortisation	-	-	19	-	19
Net carrying amount at the end of period	-	-	184	-	184
<b>At 31 December 2021</b>					
<b>Gross</b>	-	-	<b>686</b>	-	<b>686</b>
<b>Accumulated depreciation</b>	-	-	<b>502</b>	-	<b>502</b>
<b>Net carrying amount</b>	-	-	<b>184</b>	-	<b>184</b>
<b>2022</b>					
Gross at the beginning of period	-	-	686	-	686
Increases (due to)	-	-	74	1 027	1 101
- purchase			74	1 027	1 101
Decreases (due to)	-	-	-	600	600
- utilisation	-	-	-	600	600
Depreciation/amortisation	-	-	41	-	41
Net carrying amount at the end of period	-	-	217	427	644
<b>At 31 December 2022</b>					-
<b>Gross</b>	-	-	<b>760</b>	<b>427</b>	<b>1 187</b>
<b>Accumulated depreciation</b>	-	-	<b>543</b>	-	<b>543</b>
<b>Net carrying amount</b>	-	-	<b>217</b>	<b>427</b>	<b>644</b>

The full amortisation of intangibles amounting to PLN 41 000 (PLN 19 000 in 2021) was included in the consolidated statement of comprehensive income under “general and administrative expenses”.

## 11. Lease

### ACCOUNTING PRINCIPLES

The lease contracts 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.

With reference to lessees, IFRS 16 introduces a uniform accounting model for lease contracts based on the concept of control (benefits + control) and requires that assets (right-of-use assets)

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

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 Group should consider a lease renewal option if it is sufficiently certain whether the renewal option will or will not be exercised; 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 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 Group 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 by the Group:

- it 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 Group 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 made.

Fixed assets used under lease contracts are depreciated using rules applied to the Group's own assets. However, if it is not sufficiently certain that the Group 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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

The Group is a lessee. The balance sheet shows the following amounts of lease:

Right-of-use assets	At 31 December 2022	At 31 December 2021
Buildings	-	198
Machinery and equipment	2 314	3 425
Vehicles	3 455	1 050
<b>Total</b>	<b>5 769</b>	<b>4 673</b>

Depreciation of right-of-use assets	At 31 December 2022	At 31 December 2021
Buildings	51	51
Machinery and equipment	2 085	2 083
Vehicles	587	939
<b>Total</b>	<b>2 723</b>	<b>3 073</b>

FINANCE LEASE PAYABLES	At 31 December 2022	At 31 December 2021
a) non-current (from 1 to 5 years)	17 648	16 496
b) current (up to 1 year)	4 809	4 455
<b>Total</b>	<b>22 457</b>	<b>20 951</b>

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.

FINANCE LEASE PAYABLES	2023	2024-2026	Total
Nominal value of minimum lease payments	5 728	19 977	25 705
Future financial expenses	(919)	(2 329)	(3 248)
<b>Current value of minimum lease payments</b>	<b>4 809</b>	<b>17 648</b>	<b>22 457</b>

## 12 Right to assets

### ACCOUNTING PRINCIPLES

As of 01.01.2019, the Group 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 separately recognises depreciation of the right-of-use asset and interest on the lease payable.

Until 31.12.2018 the Group treated its right of perpetual usufruct of land as operating lease, and recognised the related lease payments in the profit or loss of the period to which these payments referred. As of

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

01.01.2019, the Group classified 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 consolidated statement of financial position under "Rights to assets".

As defined in IFRS 16, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. Due to the lease interest rate, the current value of lease payments and the non-guaranteed residual value is equivalent to the sum of the fair value of the underlying asset and all initial direct costs incurred by the lessor. The lessee's incremental borrowing rate (IBR) is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar collateral, the funds necessary to purchase an asset of similar value to the right-of-use asset in a similar economic environment. The lessee recognises the right-of-use asset on the effective date. The Group, in its capacity as lessee, uses the exemption from recognising, assessing the value and presenting short-term leases, that is, leases with a term shorter than 12 months and without the option to purchase the asset.

On the lease effective date, the lessee assesses the value of the right-of-use asset at cost. The cost of the right-of-use asset should include: initial value of the lease payable, all lease payments paid on or after the effective date of lease less any lease incentives received, any initial direct costs incurred by the lessee and estimated costs to be incurred by the lessee in connection with the disassembly and removal of the underlying asset, restoring the place where the leased asset was located or the leased asset to the condition required by the terms and conditions of lease unless such costs are incurred to produce inventories. The Lessee undertakes to cover such costs at the effective date of lease or as a result of using the underlying asset over a specified period. After the effective date, the lessee assesses the value of the right-of-use asset at cost. The Lessee assesses the value of the right-of-use asset at cost less total (accumulated) depreciation expenses and total impairment losses. Depreciation expenses are made over the term of lease from the moment of putting the asset to use. No depreciation expenses are made on the right-of-use asset classified as fixed assets held for sale and adjusted due to revaluation of the payable (e.g. change in lease payments).

**Adopted economic lives for the groups of right-of-use assets**

Group of types	Average remaining years of depreciation/amortisation	Complete years of depreciation/amortisation
Land tenancy and lease contracts	8	2-70
Right of perpetual usufruct of land	68	12-90

Group of types	At 31 December 2022	At 31 December 2021
Land tenancy and lease contracts	6 317	7 483
Right of perpetual usufruct of land	10 674	10 729
<b>NET RIGHTS TO USE ASSETS</b>	<b>16 991</b>	<b>18 212</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**Movements in the right-of-use assets by group of types**

	<b>Tenancy and lease</b>	<b>Right of perpetual usufruct of land (perpetual usufruct)</b>	<b>Total</b>
<b>At 1 January 2021</b>			0
Gross	7 439	11 211	18 650
Accumulated depreciation		319	319
Net carrying amount	7 439	10 892	18 331
<b>2021</b>			0
Gross at the beginning of period	7 439	11 211	18 650
Increases:	880	0	880
- contracts concluded in the current period	880	0	880
Decreases:	836	0	836
- farmstead lease fee charged to expenses	836	0	836
Changes, updates of liability, modifications of contracts		0	0
Depreciation/amortisation		163	163
Net carrying amount at the end of period	7 483	10 729	18 212
<b>At 31 December 2021</b>			0
<b>Gross</b>	<b>7 483</b>	<b>11 211</b>	<b>18 694</b>
<b>Accumulated depreciation</b>	<b>0</b>	<b>482</b>	<b>482</b>
<b>Net carrying amount</b>	<b>7 483</b>	<b>10 729</b>	<b>18 212</b>
<b>2022</b>			0
Gross at the beginning of period	7 483	11 211	18 694
Increases:	0	0	0
- contracts concluded in the current period		0	0
Decreases:	1 166	0	1 166
- farmstead lease fee charged to expenses	1 166	0	1 166
Changes, updates of liability, modifications of contracts		110	110
Depreciation/amortisation		165	165
Net carrying amount at the end of period	6 317	10 564	16 881
<b>At 31 December 2022</b>			0
<b>Gross</b>	<b>6 317</b>	<b>11 321</b>	<b>17 638</b>
<b>Accumulated depreciation</b>	<b>0</b>	<b>647</b>	<b>647</b>
<b>Net carrying amount</b>	<b>6 317</b>	<b>10 674</b>	<b>16 991</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

### 13. Investment property

#### ACCOUNTING PRINCIPLES

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

Upon adoption of IAS, investment property was measured at fair value and this value is the assumed cost. Each new property is measured at the purchasing price or manufacturing cost.

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 consolidated statement of comprehensive income.

Investment property	At 31 December 2022	At 31 December 2021
Investment property	563	573
<b>Total investment property</b>	<b>563</b>	<b>573</b>

Investment property present the value of the Issuer's apartment in Poznań that is rented (PLN 363 000) and the value of water ponds, being the property of PPZ Bronisław situated in Roje, Miłakowo commune (PLN 200 000).

### 14. Goodwill.

#### ACCOUNTING PRINCIPLES

Goodwill is measured as the surplus of the fair value of the effectively transferred payment for the Group's shares in the acquired entity over net identifiable recognised assets and liabilities of the acquired entity.

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

For impairment testing, goodwill is allocated to the Group's respective cash flow centres that should derive benefits from synergies resulting from the business combination. Entities generating cash flows to which goodwill is allocated are tested for impairment once a year or more often if it can be reasonably supposed that the impairment loss did occur. If the recoverable goodwill of the cash flow generating centre is lower than its balance sheet value, the impairment loss is first allocated to reduce the balance sheet value of goodwill allocated to such centre, and then to other assets of this centre in proportion to the balance sheet value of respective assets of this entity. The impairment loss recognised for goodwill is not reversible in the subsequent period.

Upon the sale of a subsidiary or a jointly controlled entity, the corresponding portion of goodwill is considered in calculating profit/loss from sale.

Consolidated goodwill from the acquisition of subsidiaries:

Name of subsidiary	At 31 December 2022	At 31 December 2021
PPZ Bronisław Sp. z o.o.	486	486
Gospodarstwo Rolne PONARY Sp. z o.o.	879	879
Goodwill write-off in Gospodarstwo Rolne PONARY Sp. z o.o.	(45)	(45)
<b>Total</b>	<b>1 320</b>	<b>1 320</b>

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

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

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 property estimated by the property assessor.

## **15. Deferred tax in the statement of financial position.**

### **ACCOUNTING PRINCIPLES**

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. If, however, the deferred income tax arose due to initial recognition of an asset or liability in a transaction other than business combination that does not affect the profit or loss (financial result) or the tax profit (tax loss) - it is not disclosed.

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 liability.

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. The value of deferred tax assets will be analysed on each balance sheet date and if the expected future tax gains are insufficient to realise the asset or its part, it will be written off.

#### **15.1 Deferred tax assets**

<b>DEFERRED TAX ASSETS</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
Unpaid remuneration	174	144
Provision for unused holiday leave	165	152
Retirement benefits and service anniversary awards	645	672
Unrealised exchange adjustments	154	121
Impairment losses on receivables	14	16
Impairment losses on inventories	98	62
Impairment losses on shares	18	18

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

DEFERRED TAX ASSETS	At 31 December 2022	At 31 December 2021
Accrued interest on loans	27	-
Lease payables	752	912
Consolidation adjustments - retained earnings	(18)	(15)
Provision for bonuses for the Management Board and employees	98	6
Provision for utilised CO2 emission allowances	300	462
Valuation of assets	2 291	2 330
Tax loss	807	1 368
Other	221	124
<b>Total deferred tax assets</b>	<b>5 746</b>	<b>6 372</b>

## 15.2 Deferred tax reserves

DEFERRED TAX RESERVES	At 31 December 2022	At 31 December 2021
Difference between the balance sheet value and the tax value of PPE assets	5 825	5 545
Unrealised exchange adjustments	-	4
Valuation of investments	693	693
<b>Total deferred tax reserves</b>	<b>6 518</b>	<b>6 242</b>

## 16. Inventories

### ACCOUNTING PRINCIPLES

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 design costs, 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. The 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 Group will create revaluation expenses in the costs of products sold.

INVENTORIES	At 31 December 2022	At 31 December 2021
a) raw materials	9 243	5 790
b) semi-finished products and work in progress	441	1 128
c) finished products	89 915	83 730
d) merchandise	5 735	6 835
<b>Gross inventories</b>	<b>105 334</b>	<b>97 483</b>
<b>Impairment losses</b>	<b>517</b>	<b>(318)</b>
<b>Net inventories</b>	<b>104 817</b>	<b>97 165</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

The value of inventories recognised in the expenses of the reporting period was PLN 170 028 000 (PLN 176 761 000 in 2021).

Impairment losses recognised as expenses during the period amounted to PLN 666 000 and, respectively, PLN 761 000 in 2021.

The reversal of impairment losses on inventories in 2022 amounted to PLN 333 000 (PLN 747 000 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 63 174 000 (PLN 54 315 000 at 31.12.2021).

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 loans of which PLN 30 833 000 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 32 341 000 remain unpaid at 31.12.2022.

## **17. Fair value**

### **ACCOUNTING PRINCIPLES**

Fair value is the price that would be received for selling an asset or paid for transferring a liability under a transaction carried out on at arm's length at the valuation date. In the presented reporting periods, the Group classified the assets measured at fair value in the statement of financial position into respective categories: Category I (active market quotation): debt, capital and derivative financial instruments that at the balance sheet date were measured based on prices quoted on the active market. In this category the Group classifies listed companies' stocks, including own shares and CO2 emission allowances.

Category II (valuation techniques based on market parameters). In this category the Group classifies biological assets measured based on the market prices of agricultural crops, considering the degree of their maturity, less selling prices.

Category III (valuation techniques using significant non-market parameters): This category includes capital securities not quoted on the active market, measured by the Group based on the expert valuation model developed by independent actuaries.

The valuation techniques are used in determining the fair value, that is, the price that would be paid for the sale of an asset in an arm's length transaction between market participants at the valuation date.

#### **17.1 Biological assets**

##### **ACCOUNTING PRINCIPLES**

The Parent Company leases agricultural holdings in which it runs agricultural activity. Agricultural activity means the management of biological assets by the business unit to obtain agricultural products or other biological assets held for sale. Harvest denotes the moment of separating the agricultural product (agricultural raw material) from the biological asset or the moment of completion of the life cycle of biological assets. After harvest, agricultural products are presented in the statements as inventories. The Company grows annual crops such as potatoes, leguminous plants (peas, field bean) and cereal grains. Immature winter crops occur at the balance sheet date.

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. The active market price is a reliable method for determining the fair value of biological assets and agricultural products.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**Biological assets according to crops sown:**

Plant assets	At 31 December 2022	At 31 December 2021
Winter wheat	80	392
Oilseed rape	246	168
<b>Total</b>	<b>326</b>	<b>560</b>

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).

## 18. Trade and other current receivables

### ACCOUNTING PRINCIPLES

Trade receivables are recognised and presented at originally invoiced amounts, including impairment losses. Impairment losses on trade receivables are made if there is objective evidence that the Group 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.

They are based on the ageing of receivables, analysis of collectibility and apply to receivables under litigation, liquidation or bankruptcy proceedings.

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 consolidated statement of comprehensive income if the expenses incurred do not generate any future economic benefits.

Trade and other current receivables	At 31 December 2022	At 31 December 2021
Trade receivables	25 273	24 959
Other receivables	6 268	8 448
Advances	3 518	515
<b>Total</b>	<b>35 059</b>	<b>33 922</b>

TRADE RECEIVABLES BY CURRENCY	At 31 December 2022	At 31 December 2021
a) in Polish currency	19 299	15 341
b) in foreign currencies (in specific currency and converted into PLN)	5 974	9 618
B1. unit/currency USD/thousand	556	1 152
kPLN	2 340	4 461
B2. unit/currency EUR/thousand	811	1 175
kPLN	3 634	5 157
<b>Total current receivables</b>	<b>25 273</b>	<b>24 959</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

<b>(GROSS) TRADE RECEIVABLES WITH THE FOLLOWING MATURITY AFTER THE BALANCE SHEET DATE:</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) up to 1 month	14 996	15 492
b) more than 1 month up to 3 months	5 537	3 875
c) more than 3 months up to 6 months	18	4
d) more than 6 months up to 1 year	-	32
e) more than 1 year	-	-
f) overdue receivables	5 790	6 436
Total (gross) trade receivables	26 341	25 839
g) impairment loss on trade receivables	(1 068)	(880)
<b>Total (net) trade receivables</b>	<b>25 273</b>	<b>24 959</b>

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

**Other receivables**

<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	5 330	8 010
- other	938	438
Total net other current receivables	<b>6 268</b>	<b>8 448</b>
- impairment losses on other receivables	-	-
<b>Total gross other current receivables</b>	<b>6 268</b>	<b>8 448</b>

**Receivables under litigation**

<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)
<b>Total receivables under litigation</b>	<b>-</b>	<b>-</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**Impairment losses on receivables**

CHANGE IN IMPAIRMENT LOSSES ON CURRENT RECEIVABLES	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
<b>Beginning of period</b>	<b>1 017</b>	<b>797</b>
a) increases (due to)	<b>1 164</b>	<b>423</b>
- created for bad trade debt	1 164	336
- created for due interest	-	2
- created for receivables under litigation	-	85
b) decreases (due to)	<b>1 103</b>	<b>203</b>
- reversed payment reserve	972	196
- utilised due to accumulated depreciation and sale of receivables	-	-
- cancelled	131	7
<b>Impairment losses on current receivables at the end of period</b>	<b>1 078</b>	<b>1 017</b>

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

**Advances**

ADVANCES	At 31 December 2022	At 31 December 2021
a) long-term, of which:	-	-
B) short-term, of which:	3 518	515
- seasonal production costs by division	1 925	86
- advances to suppliers	683	103
- property insurance	474	276
- other	436	50
<b>Total</b>	<b>3 518</b>	<b>515</b>

**19. Cash and cash equivalents**

**ACCOUNTING PRINCIPLES**

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 Group measures term deposits at amortised cost using the effective interest rate.

The overdraft facility is presented in the consolidated statement of financial position as a component of short-term credits and loans under current payables.

CASH AND CASH EQUIVALENTS	At 31 December 2022	At 31 December 2021
Cash at hand and at banks	16 445	30 443
Short-term deposits	41 242	11 530
<b>Total cash and cash equivalents</b>	<b>57 687</b>	<b>41 973</b>
- of which at limited disposal	-	-

Short-term deposits have various duration - from one day to several months, depending

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

on the company's current requirement for cash and bear interest at the agreed corresponding rates.

<b>CASH AND CASH EQUIVALENTS (BY CURRENCY)</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) in Polish currency	49 006	32 276
b) in foreign currencies (in specific currency and converted into PLN)	8 681	9 697
B1. unit/currency USD/thousand	1 040	872
thousand PLN	4 391	3 381
B2. unit/currency EUR/thousand	973	1 441
thousands PLN	4 290	6 316
<b>Total cash and cash equivalents</b>	<b>57 687</b>	<b>41 973</b>

## 20. Equity capitals

### ACCOUNTING PRINCIPLES

Equity capitals comprise:

- initial capital disclosed at the amount agreed in the articles of association of the Company entered into the National Court Register (KRS),
- supplementary capital from share premium,
- other supplementary capital created according to the Company's articles of association and the Code of Commercial Companies and Partnerships,
- revaluation reserve created in compliance with IAS,
- reserve capital created according to the Company's articles of association and the Code of Commercial Companies and Partnerships,
- net earnings (losses),
- retained earnings (losses) - effects of basic errors are charged to and the financial effects of changes in the accounting policy are recognised in this capital.

The nominal value of the Company's capitals (except revaluation capital) follows from agreements, articles of association, and the entity's retained profit or uncovered loss.

Own shares and due share capital contributions reduce the value of the parent company's equity.

In the consolidated statement of financial position equity is presented as:

- capital allocated to controlling shareholders,
- capital allocated to non-controlling shareholders.

#### 20.1 Initial (share) capital

<b>Class / issue</b>	<b>Type of shares</b>	<b>Type of preference on shares</b>	<b>Type of limitation of title to shares</b>	<b>Number of shares</b>	<b>Value of the class / issue according to par value of the shares</b>	<b>Date of registration</b>
<b>A</b>	ordinary bearer shares	not preferred	no limitations	83 million	4 980	09.05.2008
<b>B</b>	ordinary bearer shares	Not preferred	no limitations	12 million	720	30.09.2014
<b>Total shares</b>				<b>95 million</b>		
<b>Share capital, total</b>					<b>5 700</b>	
<b>Par value per share = PLN 0.06</b>						

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

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

STOCKHOLDERS	Number of shares [units]	Share in capital %	No. of votes	Share in the overall number of votes at the GM %
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.

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

## 20.2 Share premium

SHARE PREMIUM	At 31 December 2022	At 31 December 2021
a) share premium	7 562	7 562
<b>Total share premium</b>	<b>7 562</b>	<b>7 562</b>

## 20.3 Own shares

Own shares	At 31 December 2022	At 31 December 2021
Own shares at buying price	294	-
Impairment loss on own shares	(70)	-
<b>Own shares at fair value</b>	<b>224</b>	<b>-</b>

## 20.4 Revaluation reserve

REVALUATION RESERVE	At 31 December 2022	At 31 December 2021
a) created from reassessment of assets (not subject to division)	31 122	31 122
b) reassessment of employee benefits payable	(89)	(117)4
c) deferred tax on the effects of reassessment	17	22
<b>Total revaluation reserve</b>	<b>31 050</b>	<b>31 027</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

## 20.5 Retained earnings

RETAINED EARNINGS	At 31 December 2022	At 31 December 2021
a) statutory capital	1 660	1 660
b) capital from gains	43 889	52 142
<b>Supplementary capital from profit sharing</b>	<b>45 549</b>	<b>53 802</b>
c) investment fund	81 634	81 634
<b>Reserve capital from profit sharing</b>	<b>81 634</b>	<b>81 634</b>
d) retained profit (loss)	1 353	(455)
e) net profit or loss for the period	10 595	(7 287)
<b>Undistributed profit</b>	<b>11 948</b>	<b>(7 742)</b>
<b>Total retained earnings</b>	<b>139 131</b>	<b>127 694</b>

## 20.6 Non-controlling shares

### ACCOUNTING PRINCIPLES

Non-controlling shares are the part of subsidiary's capital that cannot be directly or indirectly attributed to the parent company. Upon the assumption of control, non-controlling shares are measured at the amount of the proportional share in the fair value of the subsidiary's identifiable net assets. On subsequent dates, the balance sheet value of non-controlling shares is updated with the value of total income allocated to non-controlling shareholders.

The Group treats transactions with non-controlling shareholders as transactions with holders of the Group's equity. For purchases from non-controlling shareholders, the difference between the payment made and the corresponding purchased share in the subsidiary's net assets at their carrying amount is recognised in the shareholders' equity. Gains or losses from sale to non-controlling shareholders are also included in the shareholders' equity.

Non-controlling shares presented in the Group's equity refer to the following subsidiaries:

Subsidiaries	At 31 December 2022	At 31 December 2021
PPZ "Bronisław" S.A.	2 616	2 249
ZPZ Lublin Sp. z o.o.	699	821
<b>Total non-controlling shares</b>	<b>3 315</b>	<b>3 070</b>

## 21. Trade and other payables

### ACCOUNTING PRINCIPLES

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.

Accruals are payables for goods or services that have been delivered (performed) in full or in part, but have not been invoiced or where payment terms were not formally agreed with the supplier. Accruals also include the accrued holiday leave equivalent. Accruals are recognised when the future amount payable and the payment date can be reliably estimated.

**PEPEES CAPITAL GROUP**  
*Consolidated 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>
<b>CURRENT PAYABLES</b>		
- trade payable with the maturity of:	14 862	15 916
- other current payables	4 850	4 668
- provisions for other payables and charges	3 169	3 527
<b>Total trade payables, other payables and provisions for liabilities</b>	<b>22 881</b>	<b>24 111</b>

<b>CURRENT PAYABLES</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
- trade payable with the maturity of:	14 862	15 916
- up to 12 months	14 862	15 916
- above 12 months	-	-
- social insurance, tax, customs duty and other benefits payable	2 341	2 905
- payroll payable	1 436	880
- other	1 073	883
<b>Total trade and other payables</b>	<b>19 712</b>	<b>20 584</b>

<b>ACCRUALS, DEFERRED INCOME (BY TITLE)</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
<b>a) non-current, of which:</b>	<b>1 974</b>	<b>2 086</b>
- grants on property, plant and equipment	1 974	2 086
<b>b) current, of which:</b>	<b>3 169</b>	<b>3 527</b>
- grants on property, plant and equipment	98	98
- provision for the costs of environmental protection	73	84
- provisions for unused holiday leave equivalent	870	782
- provisions for bonuses to suppliers	-	59
- provision for bonuses for the Management Board and employees	515	48
- provision for uninvoiced services	34	27
- provision for utilised CO2 emission allowances	1 579	2 429
<b>Total</b>	<b>5 143</b>	<b>5 613</b>

<b>MOVEMENTS IN CURRENT RESERVES AND PROVISIONS (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>
<b>a) beginning of period</b>	<b>3 527</b>	<b>3 772</b>
- 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	800	715
- gas emission allowances	2 429	2 283
- bonuses for the Management Board and employees	30	533
<b>b) increases (due to)</b>	<b>1 388</b>	<b>3 380</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

<b>MOVEMENTS IN CURRENT RESERVES AND PROVISIONS (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>
- provision for utilised CO2 emission allowances	-	2 226
- environmental fee	78	92
- provisions for unused holiday leave equivalent	734	493
- provisions for contracting parties' performance	32	95
- bonuses for the Management Board and employees	544	474
<b>c) utilised (due to)</b>	<b>1 496</b>	<b>3 625</b>
- environmental fee	89	125
- provisions for unused holiday leave equivalent	664	408
- provision for utilised CO2 emission allowances	600	2 080
- provision for contracting parties' performance	84	35
- bonuses for the Management Board and employees	59	977
<b>d) reversed (due to)</b>	<b>250</b>	<b>-</b>
- bonuses for the Management Board and employees	250	-
<b>e) end of period</b>	<b>3 169</b>	<b>3 527</b>
- 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	870	800
- bonuses for the Management Board and employees	515	30
- provisions for contracting parties' performance	34	86

## **22. Employee benefits**

### **ACCOUNTING PRINCIPLES**

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 Group 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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**Retirement and similar benefits payable**

<b>RETIREMENT AND SIMILAR BENEFITS PAYABLE (BY TITLE)</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
a) non-current, of which:	2 878	3 006
- retirement severance payments	552	564
- service anniversary awards	2 326	2 442
b) current, of which:	519	527
- retirement severance payments	56	138
- service anniversary awards	463	389
<b>Total</b>	<b>3 397</b>	<b>3 533</b>

<b>MOVEMENTS IN RETIREMENT AND SIMILAR BENEFITS PAYABLE (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>
<b>a) beginning of period</b>	<b>3 533</b>	<b>3 682</b>
- retirement severance payments	703	729
- service anniversary awards	2 830	2 953
<b>b) increases (due to)</b>	<b>462</b>	<b>236</b>
- retirement severance payments	40	24
- service anniversary awards	422	212
<b>c) used (due to)</b>	<b>457</b>	<b>330</b>
- retirement severance payments	48	33
- service anniversary awards	409	297
<b>d) released (due to)</b>	<b>141</b>	<b>55</b>
- retirement severance payments	86	17
- service anniversary awards	55	38
<b>e) end of period</b>	<b>3 397</b>	<b>3 533</b>
- retirement severance payments	609	703
- service anniversary awards	2 788	2 830

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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

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 Group 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.

The payables of **ZPZ Lublin** in respective periods were calculated by an independent actuary.

The award is based on the basic salary amount on the award eligibility date. The amount of the award depends on the time worked and corresponds to 100% basic salary for every five (5) years worked.

The working periods eligible for severance payment are set out in the Company Collective Bargaining Agreement. After 20 and more years of work the severance payment corresponds to 200% of basic pay.

An employee who has received severance payment will not be entitled to receive it again.

Underlying actuarial assumptions	Balance sheet date 31.12.2022	Balance sheet date 31.12.2021
Annual salary 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%

## NOTES TO FINANCIAL INSTRUMENTS

### 23. Financial instruments

#### ACCOUNTING PRINCIPLES

The Group 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 Group classifies trade receivables, loans granted, other receivables, deposits, and cash and cash equivalents.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

The Group 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 Group decided to classify as such in order to eliminate the accounting mismatch.

In this category the Group 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 Group 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.

Impairment losses on trade receivables are made if there is objective evidence that the Group 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.

They are based on the ageing of receivables, analysis of collectibility and apply to receivables under litigation, liquidation or bankruptcy proceedings.

The main financial instruments used by the Group are bank credits and loans, leases, cash and short-term deposits. The main purpose of these financial instruments is to obtain funding for the Group's operations. The Group also holds other financial instruments such as trade payables and trade receivables created directly in the course of its operations.

<b>Financial assets</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
Own shares measured at buying price	-	-
Financial assets measured at fair value through profit or loss	66 963	51 231
Financial assets measured at amortised cost	39 327	31 657
<b>Total financial assets</b>	<b>106 290</b>	<b>82 888</b>

<b>Cash assets presented in the financial statements as:</b>	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>
Investments in other entities	383	383
Other financial assets	6 893	7 125
Trade receivables	35 059	24 959

**PEPEES CAPITAL GROUP**  
*Consolidated 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 receivables	6 268	8 448
Granted loans	-	-
Cash and cash equivalents	57 687	41 973
<b>Total financial assets</b>	<b>106 290</b>	<b>82 888</b>

Financial liabilities	At 31 December 2022	At 31 December 2021
Financial liabilities measured at amortised cost	171 390	162 608
<b>Total financial liabilities</b>	<b>171 390</b>	<b>162 608</b>

Financial liabilities presented in the financial statements as:	At 31 December 2022	At 31 December 2021
Long-term credits and loans	6 508	8 459
Leased assets payable	22 457	20 951
Trade payables	14 862	15 916
Short-term credits and loans	122 713	112 614
Other current payables	4 850	4 668
<b>Total financial liabilities</b>	<b>171 390</b>	<b>162 608</b>

### 23.1 Investments in other entities

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) beginning of period	7 508	7 595
- shares or stocks	7 508	7 345
- bonds	-	250
b) increases:	-	163
- shares or stocks	-	8
- purchase of bonds	-	-
- revaluation of shares	-	155
c) decreases:	232	250
- sale of bonds	-	250
- revaluation of shares	232	-
d) end of period	<b>7 276</b>	<b>7 508</b>
- shares or stocks	7 276	7 508
- bonds	-	-

INVESTMENTS IN OTHER ENTITIES	At 31.12.2022	At 31.12.2021
<b>Shares or stocks (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

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

INVESTMENTS IN OTHER ENTITIES	At 31.12.2022	As at 31.12.2021
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bank Rozwoju	270	270
<b>Bonds (measured at amortised cost):</b>	-	-
Spółdzielczy Bank Rozwoju	-	-
<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. An update in the value 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 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 main owner 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 SBR 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.

## 23.2 Credits and loans

### ACCOUNTING PRINCIPLES

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 consolidated 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 Group 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.

### Long-term loans

NON-CURRENT LIABILITIES WITH THE FOLLOWING MATURITY AFTER THE BALANCE SHEET DATE	At 31 December 2022	At 31 December 2021
a) more than 1 year up to 3 years	2 750	3 009
b) more than 3 up to 5 years	720	752
c) more than 5 years	3 038	4 698
<b>Total non-current liabilities</b>	<b>6 508</b>	<b>8 459</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

No.	Type of credit/ loan	Borrower	Contracted amount	Currency	Amount to be repaid	Currency	Rate of interest	Maturity
1	Investment loan for financing and refinancing the acquisition of 100% shares in the company Gospodarstw Rolne Ponary Sp. z o. o.	Pepees	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	Pepees	937	PLN	733	PLN	Rate of interest WIBOR for 1 month deposits plus Bank's margin	13.08.2024
3	Investment loan	Bronisław	8 456	PLN	4 776	PLN	WIBOR reference rate of interest for 1-month deposits plus Bank's margin	31.12.2027
			<b>19 923</b>	<b>PLN</b>	<b>9 396</b>	<b>PLN</b>		

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

The amount of PLN 2 888 000 was recognised in the consolidated statement of financial position under current payables because it will be paid within 12 months of the balance sheet date.

*Collaterals*

**Re 1**

The credit 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.

**Re 3**

The credit is collateralised by surety of PLN 12 684 000 granted by "PEPEES" S.A.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**Short-term loans**

No.	Type of credit/ loan	Borrower	Contracted credit/ loan amount	Currency	Amount of borrowing/ loan to be repaid	Currency	Rate of interest	Maturity
1	Overdraft facility	Pepees	4 000	PLN	-	PLN	1-month WIBOR + bank's margin	31.08.2023
2	Revolving credit facility	Pepees	19 000	PLN	19 000	PLN	1-month WIBOR+ bank's margin	31.08.2023
3	Revolving facility	Pepees	17 500	PLN	17 500	PLN	1-month WIBOR+ bank's margin	31.08.2023
4	Overdraft facility	Pepees	4 000	PLN	-	PLN	1-month WIBOR + bank's valuation	31.08.2023
5	Revolving credit facility	Pepees	19 000	PLN	19 000	PLN	1-month WIBOR+ bank's margin	31.08.2023
6	Revolving facility for potato procurement	Pepees	17 500	PLN	17 500	PLN	1-month WIBOR+ bank's margin	31.08.2023
7	Overdraft facility	Pepees	1 000	EUR	207	EUR	1-month EURIBOR + bank's margin	19.12.2023
8	Revolving facility	Lublin	1 500	PLN	1 510	PLN	1-month WIBOR+ bank's margin	31.08.2023
10	Revolving credit facility	Lublin	5000	PLN	4 833	PLN	1-month WIBOR+ bank's margin	31.08.2023
11	Revolving facility	Lublin	6 500	PLN	6 341	PLN	1-month WIBOR+ bank's margin	31.08.2023
12	Overdraft facility	Lublin	2 000	PLN	-	PLN	1-month WIBOR+ bank's margin	31.08.2023
13	Overdraft facility	Lublin	2 000	PLN	-	PLN	1-month WIBOR+ bank's margin	31.08.2023
14	Overdraft facility	Bronisław	700	PLN	-	PLN	1-month WIBOR+ bank's margin	31.08.2023
15	Procurement credit	Bronisław	8 500	PLN	8 500	PLN	1-month WIBOR+ bank's margin	31.08.2023
16	Revolving credit facility	Bronisław	9 300	PLN	7 596	PLN	1-month WIBOR+ bank's margin	31.08.2023
17	Overdraft facility	Bronisław	700	PLN	-	PLN	1-month WIBOR+ bank's margin	31.08.2023
18	Procurement credit	Bronisław	8 500	PLN	8 500	PLN	1-month WIBOR+ bank's margin	31.08.2023
19	Revolving credit facility	Bronisław	9 300	PLN	8 534	PLN	1-month WIBOR+ bank's margin	31.08.2023
<b>Loans in PLN</b>			<b>135 000</b>	<b>PLN</b>	<b>118 814</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>139 886</b>	<b>PLN</b>	<b>119 825</b>	<b>PLN</b>		

*\*The statement of financial position shows an amount of PLN 122 713 000; the difference in value amounting to PLN 2 888 000 refers to the portion of non-current credits and loans to be repaid within 12 months of the balance sheet date.*

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

*Collaterals*

The credits were contracted based on two credit agreements - so-called "Multi-Line Facility Agreement" (Santander Bank Polska) and so-called "Multi-Purpose Credit Facility Agreement" (PKO BP) - 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.
- blank promissory note with a promissory note agreement issued by:
  - PEPEES S.A.
  - PPZ Bronisław S.A.
  - ZPZ Lublin Sp. z o.o.
- contractual mortgage up to 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 fixed assets
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- assignment of rights under insurance policies for fixed assets
- registered pledge on inventory
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

- owned by ZPZ Lublin Sp. z o.o.
- assignment of rights under the insurance policy for inventories
- general assignment of 40% of receivables
- owned by PEPEES S.A.
- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

Overdraft facility in EUR is collateralised by:

- blank promissory note issued by the Borrower including 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.

## **24. Financial risk management**

The main types of risk following from financial instruments of the Group 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 Group also monitors the risk of market prices for all financial instruments it holds.

### *Interest rate risk*

The Group'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 Group 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 Group 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 33% of all revenues from sale.

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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

Exchange rate increases/decreases	Impact on profit/loss	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 Group 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	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 Group enters into transactions only with verified customers having 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 exposure of the Group to the risk of bad debts is insignificant. The assessment of financial credibility by the insurance provider KUKA and of the financial limit granted is also crucial.

No significant credit risk concentrations occur in the Group.

#### *Liquidity risk*

The Group 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 Group 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.

## **25. Capital management**

The Group'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 Group's value to shareholders.

The Group monitors the performance of capitals using a gearing ratio calculated as net debt to total equity plus net debt. The Group includes credits, loans, finance lease payables, trade payables and other payables less cash and cash equivalents in its net debt.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

Specification	At 31 December 2022	At 31 December 2021
Credits, loans, finance leases payable	151 678	142 024
Trade and other payables	19 712	20 584
Cash and cash equivalents (-)	(57 687)	(41 973)
Net debt	113 703	120 635
Shareholders' equity	183 219	171 983
Net equity and debt	296 922	292 618
<b>Gearing ratio</b>	<b>38.29%</b>	<b>41.23%</b>

In 2022, the gearing ratio was lower than in the previous reporting period, as the balance of cash increased by PLN 15 714 000 compared with that in 2021, which improved the gearing ratio.

## NOTES TO CASH FLOW STATEMENT

### 26. Cash flow statement

#### ACCOUNTING PRINCIPLES

The Group 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 sources.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**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	-	(197)
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>57 687</b>	<b>41 973</b>

**Non-cash transactions**

Specification	2022	2021
Assets purchased through finance lease	(5 186)	(1 588)
Interest on loans accrued by not paid (change)	-	55

**Unused overdraft facilities**

At 31.12.2022, the Group had unused current credit funds of PLN 17 274 000 at its disposal (PLN 13 203 000 at 31.12.2021).

**OTHER NOTES**

**27. Contingent payables and receivables Litigation**

**a. Contingent assets**

The Group has 680,849 m2 of land under perpetual usufruct. The value of this land at 31.12.2022, following from the decision on the annual fee, is PLN 24 011 000 (PLN 24 011 000 also in 2021).

The Group's companies pay an annual fee of 3% on the value of land. In 2022, this fee amounted to PLN 716 000 (PLN 716 000 in 2021).

From 2019 the right of perpetual usufruct of land is presented in the statement of financial position under "rights to assets".

**b. Contingent liabilities**

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	<b>14 449</b>	<b>32 481</b>
- liabilities due to non-compete agreements	1 765	1 563
- credit sureties issued to related companies	12 684	30 918
b) increases (due to)	<b>40</b>	<b>202</b>
- liabilities due to non-compete agreements	40	202
- credit sureties issued to related companies	-	-
c) used (due to)	<b>38</b>	<b>202</b>
- liabilities due to non-compete agreements	38	202

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

<b>MOVEMENTS IN CONTINGENT LIABILITIES (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>
d) released (due to)	-	<b>18 234-</b>
- credit sureties issued to related companies	-	18 234
<b>e) end of period, of which</b>	<b>14 451</b>	<b>14 449</b>
- liabilities due to non-compete agreements	1 767	1 765
- credit sureties issued to related companies	12 684	12 684

**Indication of proceedings pending before court, an arbitration authority or public administration body, referring to the Group's liabilities and receivables, specifying the object of proceedings, value in litigation, proceedings commencement date, parties to the proceedings, and the Group'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 these statements, legal proceedings are pending in the case brought by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw against "PEPEES" S.A.:

- for repealing or invalidating two resolutions appointing members of the Supervisory Board, adopted on 11 May 2018 by the General Meeting of Shareholders, and for repealing the resolution on the distribution of profit for 2017. In its decree of 26.10.2018, the Regional Court invalidated the resolutions appointing two members of the Supervisory Board and dismissed the claim to the remaining extent. Both parties appealed against the decree. The Court of Appeal in Białystok dismissed both appeals. EPSILON filed a complaint in cassation, which the Supreme Court accepted for consideration on 21.11.2020,
- 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,
- 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 concerning: the review and approval of the financial statements for 2020, distribution of profit for 2020, and the acknowledgement of fulfilment of duties by members of the management board, adopted on 29.06.2021 by the general meeting of shareholders. 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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

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.

## 28. Issuer's transactions with related parties

### ACCOUNTING PRINCIPLES

In the financial statements the Group discloses all transactions with related parties and all receivables and payables not accounted for.

Intercompany transactions and balances and unrealised gains from transactions between the Group's companies are eliminated. Unrealised losses are also eliminated unless the transaction provides a proof of impairment of the asset carried forward. Where necessary, the accounting principles adopted by subsidiaries were changed to be consistent with the Group's accounting principles.

### 28.1 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	338
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>4 328</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	6 336
Services purchased from subsidiaries	65	57
Goods and materials purchased from subsidiaries	156	2
<b>Total procurement from related parties</b>	<b>9 094</b>	<b>6 395</b>

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

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

**PEPEES CAPITAL GROUP**  
*Consolidated 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
GR PONARY Sp. z o.o.	550	550
ZPZ Lublin Sp. z o.o.	1 007	-
<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>

**e. Bonds in related parties**

Entity	At 31 December 2022	At 31 December 2021
PPZ BRONISŁAW	8 000	8 000
<b>Total bonds from related parties</b>	<b>8 000</b>	<b>8 000</b>

**f. Interest on loans and sureties 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	284	190
GR PONARY	16	16
<b>Total</b>	<b>342</b>	<b>206</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>

**h. Interest on bonds held**

Entity	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
PPZ BRONISŁAW	320	320
<b>Total</b>	<b>320</b>	<b>320</b>

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
for the period of 12 months ended 31 December 2022 (in kPLN)

**i. 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.

**28.2 Transactions with the key personnel of the Issuer**

**a) performance to the key personnel**

Management Board in kPLN	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
Short-term benefit	1 358	1 401
Post-employment benefits		
Other long-term benefits		
Benefits due to termination of employment		
Payment in shares		

Supervisory Board in kPLN	For the period of 12 months ended 31 December 2022	For the period of 12 months ended 31 December 2021
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 concerning remuneration received by each Member of the Issuer's Management Board and the Supervisory Board is provided in the report concerning the company's activity. No transactions within the meaning of IAS 24 were recorded in the reporting period.

**29. Dividends paid**

**ACCOUNTING PRINCIPLES**

Payment of dividends to the parent company's shareholders are recognised as a liability in the Group's financial statements in the period in which they were approved by the parent company's shareholders.

The Management Board, in recommending dividend payment to the General Meeting of the Company, considers the current and expected financial standing and liquidity of PEPEES S.A. and PEPEES Capital Group and the existing and future obligations.

Dividends:	2022	2021
Dividends recognised as payments per share to shareholders	-	-
Dividends proposed or adopted but not recognised as transferred to shareholders	-	-
Dividends per share proposed or adopted but not recognised as transferred to shareholders	-	-

The following table presents dividends paid over the past five (5) years.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

For the financial year	Dividend day	Dividend payment date	Dividend amount in PLN	Dividend per share	Dividend payment rate
2018	08.07.2019	27.09.2019	11,400,000	0.12	59%
2019	01.07.2020	31.07.2020	11,400,000	0.12	65%
2020	-		-	-	-
2021	-		-	-	-
2022	to be agreed	to be agreed	8,443,216.17	0.09	100%

All shares of the Company are equity shares.

The Management Board proposes to allocate PLN 8 443 000 from the Issuer's profit for the financial year 2022, amounting to PLN 9 204 000 to dividend payment.

### 30. Average employment in the Group

Specification	Average headcount in 2022	Average headcount in 2021
White-collar workers	148	146
Blue-collar workers	280	288
Employees on parental leaves and unpaid leaves	3	2
<b>Total</b>	<b>431</b>	<b>436</b>

### 31. Statutory auditor's fee

The fee payable to the statutory auditor for the review of the semi-annual financial statements and the consolidated financial statements and for the audit of the financial statements and the consolidated financial statements amounts to PLN 77 800 plus VAT.

In addition, in the reporting period, the statutory auditor provided two certification services to PEPEES, 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 electricity consumption intensity coefficient for the years 2020-2022. The fee for these services amounted to PLN 11 000 plus VAT.

### 32. Important events after the balance sheet date

On 1 February 2023, the Parent 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 in total. They were purchased for PLN 1.65 per share.

The acquired shares account for 1.05% of the Issuer's share capital and ensure 1.05% of the total number of 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 CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

### **33. Approval of the financial statements**

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

#### **DECLARATION OF THE MANAGEMENT BOARD**

##### **A. on the reliable preparation of the consolidated 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 consolidated annual financial statements provide a true, reliable and transparent presentation of all information essential to the assessment of the property and financial standing of PEPEES Capital Group at 31.12.2022, and on its profit or loss for the financial year from 01.01.2022 to 31.12.2022.

These consolidated annual financial statements were prepared in compliance with the accounting principles consistent with the International Financial Reporting Standards as adopted by the European Union.

In preparing the consolidated annual financial statements, the Management Board ensured that adequate principles were applied to the valuation and preparing the consolidated annual financial statements. In evaluating assets and liabilities it was assumed that in the foreseeable future PEPEES Capital Group 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 consolidated annual financial statements were approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. on 29 March 2023.

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

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. declares that the entity authorised to audit financial statements auditing the consolidated annual 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 consolidated annual financial statements of PEPEES Capital Group for 2022 is WBS Audyty 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.

**PEPEES CAPITAL GROUP**  
*Consolidated financial statements*  
*for the period of 12 months ended 31 December 2022 (in kPLN)*

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

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

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

**FINANCIAL STATEMENTS PREPARED BY**

**Chief Accountant - Wiesława Zaluska**