PEPEES CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
for the 12-month period ended 31 December 2023

DRAWN UP IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS
AS APPROVED BY
THE EUROPEAN COMMISSION

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(data in PLN thousand).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Item	Revenue and costs Profits and losses	Note	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
I	**Sales revenue**	**6.1**	**222,218**	**254,952**
II	**Own cost of sales**	6.2	**(161,728)**	**(178,114)**
III	**Gross profit on sales (I-II)**		**60,490**	**76,838**
1.	Sales and marketing costs	6.2	(10,896)	(15,334)
2.	Overheads	6.2	(37,749)	(36,833)
3.	Other operating revenue	6.3	1,538	834
4.	Other operating costs	6.3	(1,213)	(1,952)
IV	**Operating profit (loss)**		**12,170**	**23,553**
1.	Financial costs	6.4	(8,598)	(7,603)
2.	Financial revenue	6.4	4,055	1,322
V	**Pre-tax profit (loss)**		**7,627**	**17,272**
	Income tax	7	(3,959)	(6,429)
VI	**Net profit (loss) on continued operations**		**3,668**	**10,843**
	Net profit (loss) on discontinued operations		**-**	**-**
	Net profit (loss), including:		**3,668**	**10,843**
	- attributable to shareholders of the Parent Company		3,999	10,595
	- attributable to non-controlling shares		(331)	248
VII	**Other pre-tax comprehensive income**		**(80)**	**28**
1.	Exchange differences on translation of foreign parties		-	-
	Other comprehensive income to be reclassified to result, pre-tax		-	-
2.	Revaluation of employee benefit liabilities		(80)	28
	Other comprehensive income not to be reclassified to result, pre-tax		**(80)**	**28**
	Income tax under other comprehensive income not to be reclassified to result		15	(5)
	Other net comprehensive income		**(65)**	**23**
VIII	**Total comprehensive income, including:**		**3,603**	**10,866**
	attributable to shareholders of the Parent Company		3,934	10,618
	attributable to non-controlling shares		(331)	248
IX	**Net profit (loss) per ordinary share**	**8**	**0.04**	**0.11**
	- from continuing operations		0.04	0.11
	- from discontinued operations		0.00	0.00
IX	**Diluted net profit (loss) per ordinary share**		**0.04**	**0.11**
	- from continuing operations		0.04	0.11
	- from discontinued operations		0.00	0.00

(data in PLN thousand).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	ASSETS	Note	As at 31/12/2023	As at 31/12/2022
A	**(Long-term) fixed assets**		**180,779**	**171,231**
1.	Tangible fixed assets	9	159,494	151,327
2.	Intangible assets	10	165	644
3.	Rights to assets	11, 12	13,145	11,248
4.	Investment property	13	553	563
5.	Goodwill	14	1,320	1,320
6.	Investments in other parties	23.1	713	383
7.	Deferred income tax assets	15	5,389	5,746
B	**(Short-term) current assets**		**197,714**	**204,783**
	Current assets other than assets classified as held for sale		**197,714**	**204,783**
1.	Inventories	16	109,850	104,817
2.	Biological assets	17.1	34	326
3.	Trade and other short-term receivables	18	32,707	35,059
4.	Current income tax receivables		1	1
5.	Other financial assets	23	10,390	6,893
6.	Cash and cash equivalents	19	44,732	57,687
	Total assets		**378,493**	**376,014**

Item	LIABILITIES	Note	As at 31/12/2023	As at 31/12/2022
A	**Equity**	20	**180,296**	**186,534**
I	***Equity attributable to shareholders of the Company***		**177,312**	**183,219**
1.	Share capital	20.1	5,700	5,700
2.	Issue price surplus over nominal value of shares	20.2	7,562	7,562
3.	Revaluation capital	20.4	30,985	31,050
4.	Treasury shares	20.3	(1,424)	(224)
5.	Retained profit	20.5	134,489	139,131
II	***Non-controlling shares***	20.6	***2,984***	***3,315***
B	**Liabilities**		**198,197**	**189,480**
I	**Long-term liabilities**		**39,996**	**35,526**
1.	Credits and loans	23.2	12,988	6,508
2.	Liabilities for leased assets	11	14,677	17,648
3.	Deferred income tax provision	15	5,609	6,518
4.	Retirement and similar benefit liabilities	22	3,574	2,878
5.	Other long-term liabilities	21	3,148	1,974
II	**Short-term liabilities**		**158,201**	**153,954**
	Short-term liabilities other than those related to assets held for sale		**158,201**	**153,954**
1.	Trade liabilities and other short-term liabilities	21	24,474	22,881
2.	Current income tax liabilities		3,499	3,032
3.	Credits and loans	23.2	125,395	122,713
4.	Liabilities for leased assets	11	4,350	4,809
5.	Retirement and similar benefit liabilities	22	483	519
	Total liabilities		**378,493**	**376,014**

(data in PLN thousand).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	Share capital	Share premium	Treasury shares	Revaluation capital	Retained profit	Total equity attributable to shareholders of the Parent Company	Non-controlling shares	Total equity
As at 1 January 2023	**5,700**	**7,562**	**(224)**	**31,050**	**139,131**	**183,219**	**3,315**	**186,534**
Changes in the period from 01/01/2023 to 31/12/2023	**-**	**-**	**(1,200)**	**(65)**	**(4,642)**	(5,907)	**(331)**	**(6,238)**
Net profit (loss)	-	-	-	-	3,999	3,999	(331)	3,668
Other comprehensive income	-	-	-	(65)	-	(65)	-	(65)
Comprehensive income	**-**	**-**	**-**	**(65)**	**3,999**	**3,934**	**(331)**	**3,603**
Purchase of treasury shares	-	-	(1,200)	-	-	(1,200)	-	(1,200)
Dividend payment	-	-	-	-	(9,382)	(9,382)	-	(9,382)
Other consolidation adjustments	-	-	-	-	741	741	-	741
As at 31 December 2023	**5,700**	**7,562**	**(1,424)**	**30,985**	**134,489**	**177,312**	**2,984**	**180,296**

Item	Share capital	Share premium	Treasury shares	Revaluation capital	Retained profit	Total equity attributable to shareholders of the Parent Company	Non-controlling shares	Total equity
As at 1 January 2022	**5,700**	**7,562**	**-**	**31,027**	**127,694**	**171,983**	**3,070**	**175,053**
Changes in the period from 01/01/2022 to 31/12/2022	**-**	**-**	**(224)**	**23**	**11,437**	11,236	**245**	**11,481**
Net profit (loss)	-	-	-	-	10,595.	10,595	248	10,843
Other comprehensive income	-	-	-	23	-	23	-	23
Comprehensive income	**-**	**-**	**-**	**23**	**10,595**	**10,618**	**248**	**10,866**
Purchase of treasury shares	-	-	(224)	-	-	(224)	-	(224)
Dividend payment	-	-	-	-	-	-	-	-
Other consolidation adjustments	-	-	-	-	842	842	(3)	839
As at 31 December 2022	**5,700**	**7,562**	**(224)**	**31,050**	**139,131**	**183,219**	**3,315**	**186,534**

(data in PLN thousand).

CONSOLIDATED STATEMENT OF CASH FLOWS

	CASH FLOW STATEMENT - indirect method	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
A.	**Cash flow from operating activities - indirect method**		
I	**Pre-tax profit (loss)**	**7,627**	**17,272**
II	**Total adjustments**	**20,531**	**13,397**
1.	Amortisation	15,486	17,162
2.	Exchange (profit) losses	(173)	10
3.	Interest costs	7,232	5,583
4.	Revenue from interest	(58)	(7)
5.	Dividend revenue	(300)	(200)
6.	(Profit) loss on investment activities	(1,041)	60
7.	Change in provisions	2,208	590
8.	Change in inventories	(5,033)	(7,637)
9.	Change in biological assets	292	234
10.	Change in receivables	3,513	(1,778)
11.	Change in short-term liabilities, excluding credits and loans	1,551	173
12.	Change in deferred income other than contractual obligations	(97)	(207)
13.	Additional contributions received	(1,099)	(890)
14.	Revaluation of financial fixed assets	(1,949)	303
15.	Other adjustments	(1)	1
	Cash flows from operations (used in operations)	**28,158**	**30,669**
	Income tax paid	(4,075)	(2,503)
	Net cash flows from operating activities	**24,083**	**28,166**
B.	**Cash flows from investment activities**		
1.	Disposal of intangible assets and tangible fixed assets	1,749	343
2.	Under financial assets including interest	-	-
3.	Received dividends	300	200
4.	Securities revenue	320	320
5.	Share sale	-	-
6.	Repayment of loans granted	1,161	81
7.	Purchase of intangible assets and tangible fixed assets	(25,843)	(10,988)
8.	Purchase of shares	-	-
9.	Loans granted	(1,660)	-
	Net cash flows from investment activities	**(23,973)**	**(10,044)**
C.	**Cash flows from financing activities**		
1.	Credits and loans	119,757	108,221
2.	Additional contributions received	1,099	894
3.	Repayment of credits and loans	(111,885)	(99,800)
4.	Interest on bank credits and loans	(6,329)	(5,617)
5.	Repayment of additional contribution	-	-
6.	Payments from lease contracts	(4,650)	(5,812)
7.	Dividend and other payments to shareholders	(9,381)	-
8.	Purchase of treasury shares	(1,676)	(294)
	Net cash flows from financing activities	**(13,065)**	**(2,408)**
D.	**Total cash flows before exchange rate changes**	**(12,955)**	**15,714**
	Change in cash due to exchange rate differences	-	-
	Total net cash flows	**(12,955)**	**15,714**
E.	**Cash opening balance**	**57,687**	**41,973**
F.	**Cash closing balance (E+/-D)**	**44,732**	**57,687**
	- including: limited disposal cash	-	-

(data in PLN thousand).

GENERAL INFORMATION, BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER NOTES

1. General information on the financial statements

1.1 Information about the parent company

Name of Reporting Entity or other identification details: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Entity's registered office: ul. Poznańska 121, 18-402 Łomża, Poland

Legal form: spółka akcyjna [joint stock company]

State of registration: Poland

Address of the registered office of the entity: ul. Poznańska 121, 18-402 Łomża

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

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

Parent company name: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

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

The parent company of the PEPEES Capital Group ("PEPEES Group", "Group") is PEPEES S.A. ("parent company", "Company"). As at the date of this report, the Company's details were as follows:

Full name: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.
Registered office address: 18-402 Łomża, ul. Poznańska 121
REGON ID: 450096365
NIP ID: 7181005512
Registration authority: District Court in Białystok, 12th Commercial Division of the National Court Register
Register number: 000038455
Legal form: Spółka Akcyjna [joint stock company]
Organisational form: Single business enterprise
Core business by PKD division: 10.62.Z Manufacture of starches and starch products.
Industry: Food
Duration: indefinite

Composition of the Management Board as at 31 December 2023:

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

Composition of the Supervisory Board as at 31 December 2023:

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

(data in PLN thousand).

Composition of the Supervisory Board for the period from 1 January 2023 to 3 July 2023:

Maciej Kaliński	Chairman 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

Until 3 December 2022, the position of Deputy Chairman of the Supervisory Board was held by Mr. Tomasz Nowakowski, whose mandate expired upon his death. From then, until 2 July 2023, the Supervisory Board functioned without the Deputy Chairman. On 3 July 2023 the Supervisory Board of the Company elected Mr. Robert Malinowski as the Deputy Chairman of the Supervisory Board and Ms. Agata Czerniakowska as the Secretary of the Supervisory Board.
Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders.

The composition of the Audit Committee as at 31 December 2023:

Maciej Kaliński	Chairman of the Audit Committee
Jacek Okoński	Deputy Chairman 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 for the period from 1 January 2023 to 27 February 2023:

Maciej Kaliński	Chairman 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

Until 3 December 2022, the position of Deputy Chairman of the Audit Committee was held by Mr. Tomasz Nowakowski, whose mandate of the Member of the Supervisory Board expired upon his death. From then, until 26 February 2023, the Audit Committee functioned without the Deputy Chairman. On 27 February 2023, the Company's Supervisory Board elected Mr. Jacek Okoński as Deputy Chairman of the Audit Committee.

Ownership structure

SHAREHOLDER STRUCTURE	Number of shares [pcs]	Share in share %	Number of votes	Share in the total number of votes at the 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**	20,423,531	21.50%	20,423,531	21.50%
Others	25,374,332	26.71%	25,374,332	26.71%

** As a result of failing to comply with notification obligations on the acquisition of significant blocks of shares under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which holds, according to the information held by the Company, 27,759,032 shares in the Company, has lost and cannot exercise voting rights under 21,402,233 shares. The Company's Management Board has therefore brought an action for determination before the District Court in Białystok. Epsilon FIZ AN takes the opposite position, maintaining that it is entitled to voting rights under 27,759,032 shares representing 29.22% of the total number of votes at the GMS. The Chairman of the Financial Supervision Authority joined the case and presented their position on 24 July 2019. The Company reported on the case in current reports Nos. 13/2019, 14 to 23/2019 and 30/2019. On 21 April 2023 the District Court in Białystok ruled that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its registered office in Warsaw has lost the voting rights and cannot exercise them under 21,402,233 ordinary bearer shares. This ruling is not final, as the Company informed in current report No. 7/2023.*
*** Mr. Maksymilian Maciej Skotnicki and Mr. Michał Skotnicki are the persons referred to in Article 87(4)(1) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, and thus the total number of shares held by the aforementioned persons comprises 41,866,636 shares, which corresponds to 44.07% of the share capital and 56.89% of the number of authorised votes in the Company (taking into account the loss of the possibility to exercise voting rights by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych).*

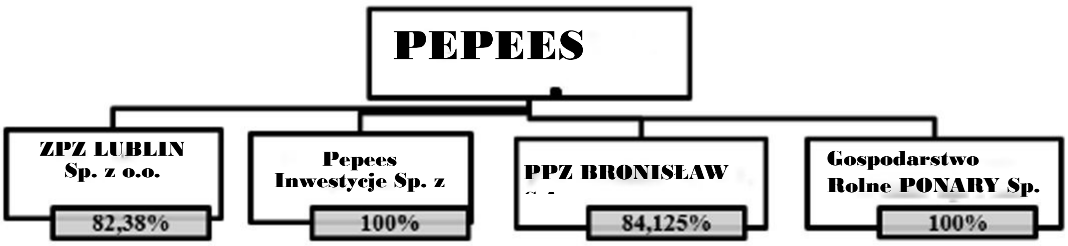
1.2 Information about the PEPEES Capital Group

The PEPEES Capital Group consists of the parent company, i.e. Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., and four fully consolidated subsidiaries.
These consolidated financial statements cover the period from 1 January 2023 to 31 December 2023 and the comparative financial data and notes cover the period from 1 January 2022 to 31 December 2022.
The financial statements of all subsidiaries have been prepared for the same reporting period as the financial statements of the parent company, using consistent accounting policies.
The core business of the PEPEES Capital Group companies includes:

- manufacture of starches and starch products;
- production of potato syrups;
- production of potato flakes;
- purchase and sales of property for own account;
- agricultural crops.

Information on subsidiaries

CAPITAL GROUP STRUCTURE AS AT 31 DECEMBER 2023



General information on related parties in the PEPEES Capital Group

In the consolidated financial statements of the PEPEES Capital Group for the 12-month period ended 31 December 2023, the following related parties were consolidated in addition to Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.:

Name	Registered office	Core business	Registration court	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 potatoes, processing of fruit and vegetables	District Court in Lublin, 11th Commercial Division of the National Court Register	82.38	82.38
Pepees Inwestycje Sp. z o.o.	Łomża	Purchase and sales of property for own account	District Court in Białystok, 12th Commercial Division of the National Court Register	100	100
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, 13th Commercial Division of National Court Register	84,125	84,125
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Agricultural crops combined with animal husbandry	District Court in Białystok, 12th Commercial Division	100	100

All subsidiaries were consolidated using the full method.

Changes in the organisation of the PEPEES Capital Group

There were no changes in the structure of the Issuer's Capital Group during the reporting period.

2. The basis for the preparation of the consolidated financial statements

2.1 Statement of compliance

This report has been prepared in compliance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations promulgated as regulations of the European Commission.

2.2 Going concern

These financial statements have been prepared on the assumption that the Group companies will continue as a going concern for at least 12 months from the reporting date. As at the date of publishing these financial statements, there are no circumstances indicating a threat to the Group's companies to continue as a going concern.

2.3 Presentation currency and functional currency

The functional (measurement) and presentation currency of the PEPEES Capital Group is the Polish zloty.
Cash assets and liabilities denominated in foreign currencies have been translated at the balance sheet date at the exchange rate applied by the bank used by the Group. All exchange rate differences are recognised in the consolidated statement of comprehensive income for the given period.
All figures are presented in zloty thousand, unless indicated otherwise.

2.4 Basis for consolidation

The financial statements have been prepared in accordance with the historical cost principle, except for:
• financial instruments measured at fair value;
• biological assets;
• assets found to be impaired.

The PEPEES Capital Group companies have been consolidated using the full method for the reporting period and comparable periods.
The financial statements of all subsidiaries have been prepared for the same reporting period as the financial statements of the Parent Company, using consistent accounting policies. Adjustments are made to agree on any divergent rules.

(data in PLN thousand).

In the course of consolidation, appropriate exclusions were made in respect of mutual receivables and liabilities, revenue and costs relating to operations between entities under consolidation, profits and losses on operations between entities, included in the values of assets and liabilities to be consolidated. In addition, the value of shares held by the Parent Company in the capital of its subsidiaries was excluded.
The consolidated statement of cash flows was prepared on the basis of the consolidated statement of comprehensive income, the consolidated statement of financial position and the notes of the consolidated companies.
The statement of changes in consolidated equity was prepared on the basis of the consolidated statement of financial position, statements of changes in equity and notes of the consolidated companies.
Subsidiaries are subject to consolidation in the period from the day the Group assumes control over them and are excluded from consolidation on the day the Group releases control over them. The Parent Company assumes control over a subsidiary when it owns directly or indirectly, through its subsidiaries, more than half of the voting rights in a company, unless it can be demonstrated that this ownership does not allow control. Exercise of control takes place when the Company, by virtue of its involvement in another entity, has rights to variable financial results and the ability to influence these financial results through the exercise of authority over that entity. Exercise of authority may also take place where the parent company does not hold more than half of the voting rights in the subsidiary.

2.5 New standards and interpretations which have been published but have not yet become effective

New standards and interpretations endorsed by the International Accounting Standards Board and approved for use in the European Union after 1 January 2023

Standard	Description of amendments	Effective date
IFRS 17 “Insurance Contracts”	Defines a new approach to recognition of revenue and profit/loss over the period of provision of insurance services	1 January 2023
Amendments to IAS 1	The amendments relate to the presentation of the financial statements – disclosure of applied accounting policy	1 January 2023
Amendments to IAS 8	The amendments relate to disclosures of applied accounting policy, including amendments to accounting estimates and adjustment of errors	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 17 “Insurance Contracts”	First-time adoption of IFRS 17 and IFRS 9 – comparative figures 1	1 January 2023

The amendments to the above standards did not have a material impact on the Company’s financial position or results of operations in the period of their initial application.

New standards and interpretations endorsed by the International Accounting Standards Board and approved for use in the European Union after 1 January 2024

Standard	Description of amendments	Effective date
Amendments to IAS 1	The amendments relate to the presentation of the financial statements – classification of liabilities as short-term and long-term	1 January 2024
Amendments to IFRS 16 "Leases"	Lease liabilities in sales and leaseback transactions	1 January 2024

Amendments rejected or deferred by the European Union (endorsed by the International Accounting Standards Board)

Standard	Description of amendments	Effective date
IFRS 14 "Regulatory Prepayments and Accruals"	Accounting policy and disclosure rules for regulatory deferral accounts	In accordance with the European Commission's decision, the approval process for the preliminary version of the standard will not be initiated until the final standard version is published
Amendments to IFRS 10 and IAS 28	Includes guidelines for the sale or contribution of assets by an investor to an associate or joint venture	Works on approval have been postponed indefinitely

The effective dates are dates resulting from the content of standards announced by the International Accounting Standards Board. The effective dates of standards in the European Union may vary from the effective dates resulting from the content of standards and are announced upon the EU approval for application.
The PEPEES Capital Group intends to adopt the above-mentioned new standards and amendments to IFRS standards and interpretations published by the International Accounting Standards Board, but not in force at the reporting date, in accordance with their effective date.
The above regulations will not have a material impact on the future financial statements of the PEPEES Capital Group.

3. Estimates and subjective assessments

3.1 Estimates and associated assumptions

The Group estimates and makes assumptions based on historical experience and other factors that are considered rational in given circumstances, and their results provide grounds for the judgement of the balance value of assets and liabilities that does not stem directly from other sources. The actual value may differ from the estimated value. The estimates and associated assumptions are verified on a regular basis. A change in estimates is recognised in the period when verification takes place if it affects that period only, or in the current and future periods if the change affects them on par with the current period.

3.2 Information on assets and liabilities under significant risk of material adjustments

The Group adopted assumptions and estimates concerning the future based on the knowledge possessed during the preparation of the financial statements. Existing assumptions and estimates may change due to future events resulting from market changes or changes outside the Group's control.

Assets and liabilities under risk of adjustments:
- goodwill – impairment
Determining whether goodwill has decreased requires an assessment of the value in use of all cash flow generating units to which goodwill has been allocated. To calculate value in use, the Management Board must estimate the future cash flows attributable to the given entity and determine the appropriate discount rate necessary to calculate the present value of those cash flows. No goodwill write-downs were made in the current reporting period.
- fixed assets – impairment
During the reporting period, the Group tested its fixed assets for impairment and found no impairment.
- fixed assets – economic useful lives
The Company reviews the expected economic useful lives of the components of its tangible fixed asset items at the end of each annual reporting period. There was no need to change these periods in the year to which the financial statements pertain or in the previous year.
- inventories – inventory revaluation write-downs
All inventories are subject to verification as at the balance sheet date, including purchase price or cost of manufacture, the date and rationale for purchase, the reason for the backlog and the possibility of future consumption. All items with no prospect of consumption or sale within more than one year are subject to a 100% revaluation write-down. Inventories whose purchase price or cost of manufacture is higher than the sales price less sales costs are measured at market value.
- receivables – revaluation write-downs
The amounts of receivables revaluation write-downs have been updated to take into account the degree of risk in not receiving payment from customers.
- provisions for retirement benefits and jubilee bonuses
Provisions were updated based on actuarial calculations as at 31/12/2023. A discount rate at the level of the average profitability of the safest long-term securities listed on the Polish capital market as at the measurement date was used to discount future benefit payments.
- provisions for unused holiday leave
Provisions were updated on the basis of the size of the projected remuneration of employees together with mark-ups charged to the employer for unused leave as at 31/12/2023.
- deferred tax assets
The Group recognises a deferred tax asset item on the basis of the assumption that taxable profit shall be achieved in the future against which it can be utilised.

3.3 Reasons for uncertainty in estimates with a significant risk of material adjustments

The Group recognised deferred tax assets of PLN 685 thousand in the financial statements in relation to the Issuer's tax loss for 2021 from capital profits, settled in part by income from capital profit earned in the following two years, i.e. 2022 and 2023. According to tax regulations, a loss can be deducted from income in the five years following the year in which it occurred. Loss brought forward must reduce the income received from the same source. The Company might not receive sufficient income from capital profit over the next three years to be able to fully deduct the incurred loss.
In addition, the continuing uncertain global situation (war in Ukraine, inflation) causes fluctuations in exchange rates, interest rates and large fluctuations in prices of raw materials, materials and the Company's products.

4. Impairment tests on tangible fixed assets, intangible assets and goodwill

Tangible fixed assets are the most significant item of the PEPEES Capital Group's assets. Due to the changing macroeconomic and regulatory environment, the PEPEES Capital Group periodically reviews indications that the recoverable value of its assets may be impaired. In assessing the market situation, the PEPEES Capital Group uses its own analytical tools and the support of independent analytical centres.

During the reporting period, the Group tested its fixed assets for impairment and found no impairment.

The Company has carried out impairment tests on goodwill and financial assets held in each of its subsidiaries. Details can be found in section 14 of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO OPERATING SEGMENTS

5. Information on operating segments

ACCOUNTING POLICY

<u>Operating segments</u>
The operating segment is a component of the Group:
- which engages in a business activity in connection with which it may earn revenue and incur costs;
- whose operating results are regularly reviewed by the chief body responsible for making operational decisions in the Group and which uses those results to decide on the allocation of resources to the segment and to assess the segment's performance;
- for which separate financial information is available.

Four segments were previously distinguished within the PEPEES Capital Group, i.e.: “potato processing”, “production of electricity”, “agricultural crops combined with animal husbandry” and “purchase and sales of property for own account”. Three segments remained in the Group as of 2021, when the sale of CHP Energia's shares in the “production of electricity” segment took place.
All assets and liabilities of Gospodarstwo Rolne Ponary are allocated to the “agricultural crops combined with animal breeding and husbandry” segment, all assets and liabilities of Pepees Inwestycje Sp. z o.o. are assigned to the “purchase and sales of property for own account” segment, and all other assets and liabilities recognised in the consolidated financial statements are assigned to the “potato processing” segment.
As Ponary did not generate sales revenue in 2023, the “agricultural crops combined with animal breeding and husbandry” segment was not identified in segment revenue and results. Due to the value of Ponary's land holdings, the third segment has been identified in this report solely for the purpose of presenting its assets and liabilities.

Segment revenue is revenue derived either from sales to third party customers or from transactions with other segments of the Capital Group which is recognised in the Group profit and loss account and can be directly attributed to a given segment, together with the relevant portion of revenue that can be attributed to that segment based on reasonable indications. Segment costs are comprised of sales costs to third party customers and costs of transactions with other segments within the Group that arise from the operating activities of a particular segment and are directly attributable to that segment together with the relevant portion of the business entity's costs that can be attributed to a given segment based on reasonable indications. The segment result is the difference between segment revenue and segment costs.

Segment assets are operating assets used by a segment in operating activities that can be directly attributed to the segment or allocated to a given segment based on reasonable indications. Segment liabilities are operating liabilities arising from operating activities of a segment that can be directly attributed to the segment or allocated to a given segment based on reasonable indications. Segment assets and liabilities do not include income tax settlements.

(data in PLN thousand).

5.1 Information about products and services

The PEPEES Capital Group operates mainly in the "potato processing" segment. This segment produces:

- potato starch used in households and by the food, pharmaceutical, paper and textile industries;
- several ranges of glucose used by the food, confectionery and pharmaceutical industries;
- maltodextrin, which is an important ingredient in powdered products (ice creams, sauces, soups, fruit extracts, flavoured sprinkles) and nutritional and vitamin and mineral preparations for children and athletes;
- protein which is obtained from potato cell sap by coagulation, separation and drying; it is a valuable component of animal feeds and an excellent substitute for animal protein;
- a wide range of starch syrups for use in the confectionery and baking industry;
- potato grits, potato flakes, potato cubes and dumplings; products used by the food industry.

Other activities concern:

- works and services;
- sales of certain goods and materials;
- cultivation and sale of annual plants;
- purchase and sales of property for own account.

5.2 Segment revenue and results

Segment	**Revenue**	**Revenue**	**Profit in the segment**	**Profit in the segment**
	For the 12-month period ended 31 December 2023	**For the 12-month period ended 31 December 2022**	**For the 12-month period ended 31 December 2023**	**For the 12-month period ended 31 December 2022**
Potato processing	222,218	254,952	11,770	24,659
- including between segments				
Agricultural crops combined with animal husbandry			88	24
Purchase and sales of property for own account	-		(13)	(12)
Sales revenue	**222,218**	**254,952**	**11,845**	**24,671**
Other operating revenue			1,538	834
Other operating costs			(1,213)	(1,952)
Financial revenue			4,055	1,322
Financial costs			(8,598)	(7,603)
Pre-tax profit (loss)			**7,627**	**17,272**

(data in PLN thousand).

5.3 Segment assets and liabilities

Segment assets	As at 31 December 2023	As at 31 December 2022
Potato processing	373,511	371,836
Agricultural crops combined with animal husbandry	4,936	4,120
Purchase and sales of property for own account	46	58
Total assets of the segments	**378,493**	**376,014**

Segment liabilities	As at 31 December 2023	As at 31 December 2022
Potato processing	198,197	189,480
Agricultural crops combined with animal husbandry	-	-
Purchase and sales of property for own account	-	-
Total segment liabilities	**198,197**	**189,480**

All assets and liabilities of Gospodarstwo Rolne Ponary are allocated to the “agricultural crops combined with animal breeding and husbandry” segment, all assets and liabilities of Pepees Inwestycje Sp. z o.o. are assigned to the “purchase and sales of property for own account” segment, and all other assets and liabilities recognised in the consolidated financial statements are assigned to the “potato processing” segment.
As Ponary did not generate sales revenue in 2023, the “agricultural crops combined with animal breeding and husbandry” segment was not identified in segment revenue and results. Due to the value of Ponary’s land holdings, the third segment has been identified in this report solely for the purpose of presenting its assets and liabilities.

5.4 Other segment information

Segment	Amortisation	Amortisation	Increase in fixed assets	Increase in fixed assets
	2023	2022	2023	2022
Potato processing	15,851	16,096	25,605	9,976
Total continuing operations	**15,851**	**16,096**	**25,605**	**9,976**

5.5 Revenue by product

Sales revenue Name of product or service	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Starch	129,410	148,967
Protein	9,670	10,063
Glucose	13,010	22,677
Maltodextrin	27,694	24,902
Potato flakes	9,527	15,283
Starch syrups	7,776	7,643
Dried potatoes (grits, cubes, dumplings)	14,389	14,216
Goods and materials	8,988	9,712
Services	1,754	1,489
Total	**222,218**	**254,952**

(data in PLN thousand).

5.6 Sales revenue by territorial structure

Item	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Poland, including	**163,056**	**163,248**
Starch	88,891	81,301
Protein	4,718	5,852
Glucose	11,901	20,082
Maltodextrin	19,314	18,346
Potato flakes	8,187	8,830
Starch syrups	7,776	7,642
Dried potatoes (grits, cubes, dumplings)	14,324	14,160
Goods and materials	6,191	5,546
Services	1,754	1,489
EU countries - intra-Community deliveries, including:	**16,875**	**21,145**
Starch	8,756	12,310
Protein	1,913	1,380
Maltodextrin	3,935	3,949
Glucose	1,109	2,393
Potato flakes	1,110	1,112
Starch syrups	-	1
Dried potatoes (grits, cubes, dumplings)	52	-
Goods	-	-
Other countries - export	**42,287**	**70,559**
Starch	31,764	55,356
Protein	3,039	2,887
Glucose	-	202
Maltodextrin	4,445	2,607
Potato flakes	229	5,341
Dried potatoes (grits, cubes, dumplings)	13	-
Goods	2,797	4,166
Total	**222,218**	**254,952**

5.7 Information on major customers

None of the Group's customers' sales revenue exceeds 10% of total revenue. In contrast, there are customers in the individual products' group that account for more than 10% of sales of a given product. And so:

- more than 14% of protein were sold to one of the domestic business partners;
- more than 10% of maltodextrin was sold to each of the three domestic business partners (20.9%, 13.1% and 12%, respectively);
- almost 59% of syrup was sold to two domestic business partners (35.9% and 22.8%, respectively).

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6. REVENUE AND COSTS

6.1 Sales revenue

ACCOUNTING POLICY

Revenue is recognised in the amount viewed as probable economic benefits for the Group, associated with the transaction, and when the revenue amount can be measured reliably.

Sales revenue comprises the fair value of revenue from the sales of products, goods and services, net of value added tax, rebates and discounts, and net of excise duty. Revenue is recognised as follows:

a) revenue from sales of products and goods

In accordance with IFRS 15 *"Revenue from Contracts with Customers*", as of 1 January 2018 the Group recognises revenue from contracts with customers when the performance obligation is fulfilled by transferring the promised goods to the purchaser, where this transfer simultaneously constitutes the purchaser obtaining control of the asset, i.e. the ability to directly dispose of the transferred asset and obtain substantially all the residual benefits from it, and the ability to prevent other entities from disposing of the asset and obtaining benefits from it.

The Group recognises as performance obligation any contractual promise to transfer to the customer goods that are distinguishable or groups of distinguishable goods that are substantially the same and are transferred to the customer in the same manner. For each performance obligation, the Group entity determines (based on the contractual terms) whether it will perform it over time or whether it will fulfil it at a specific point in time.

Revenue from sales of products, goods and materials is recognised in financial result on a one-off basis at a specific point in time, consistent with the point in time when the performance obligation is met.

b) revenue from sales of services

In accordance with IFRS 15 *"Revenue from Contracts with Customers*", as of 1 January 2018 the Group recognises revenue from contracts with customers when the performance obligation is fulfilled by transferring the promised service to the purchaser, where this transfer simultaneously constitutes the purchaser obtaining control of the asset, i.e. the ability to directly dispose of the transferred asset and obtain substantially all the residual benefits from it, and the ability to prevent other entities from disposing of the asset and obtaining benefits from it.

The Group recognises as performance obligation any contractual promise to transfer to the customer services that are distinguishable or groups of distinguishable services that are substantially the same and are transferred to the customer in the same manner. For each performance obligation, the Group determines (based on the contractual terms) whether it will perform it over time or whether it will fulfil it at a specific point in time.

Revenue from sales of services is recognised in financial result over time if one of the following conditions is met:

- the customer simultaneously receives and derives economic benefit from the Group's performance as it performs its obligation; or
- an asset (e.g. work in progress) is created or improved as a result of the Group's fulfilment of an obligation, while control over that asset, as it is created or improved, is vested in the customer; or

- as a result of fulfilment of an obligation by the Group, an asset is created that has no alternative use for the Group and, at the same time, the Group has an enforceable right to payment for the performance to date.

IFRS 15 "*Revenue from Contracts with Customers"* for sales of products and goods and sales of services established the so-called Five-Step Model which the Group has been applying since 1 January 2018:

1. identify the contracts with customers for completeness and accuracy, taking into account the likelihood of receiving payment;
2. identify the subject of the contract, i.e. the Group's performance obligations to customers (in some cases, it may be necessary to analyse several contracts and recognise revenue as if it arose from a single contract with the customer);
3. determine the transaction price, i.e. the remuneration expected to be received by the Group, taking into account the fixed or variable nature of the price, its form (monetary and/or non-monetary), as well as the time value of money in a situation where extended trade credit has been granted to a business partner;
4. allocate the contract price to individual benefits/contractual obligations - link revenue with individual benefits based on their unit sales price and analyse which benefits are affected by these elements and their subsequent allocation accordingly in the event of discounting and other price-modifying elements;
5. recognise revenue in the accounts and in financial statements when the Group realises the performance obligation (after the goods have been transferred to the business partner or the service has been provided to the business partner).

Revenue from contracts with customers in the consolidated statement of comprehensive income includes revenue arising from the Group's ordinary operating activities, i.e. revenue from the sales of products, goods and materials.

Revenue from contracts with customers is recognised at an amount equal to the transaction price (including any discounts and rebates).

The transaction price also reflects the change in the time value of money if the contract with the customer includes a significant financing element which is determined on the basis of the contractual payment terms, regardless of whether it is explicitly stated in the contract. An element of financing is deemed to be material if the period between the transfer of the promised goods or services to the customer and the customer's payment for the good or service will be more than one year at the time the contract is concluded.

In accordance with IFRS 15, if the contractual remuneration includes a variable amount, the Group estimates the amount of remuneration to which it will be entitled in exchange for the transfer of the goods or services promised to the customer and includes part or all of the variable remuneration in the transaction price only to the extent that it is highly probable that there will be no reversal of a significant portion of the amount of previously recognised cumulative revenue when uncertainty about the amount of consideration ceases to exist.

(data in PLN thousand).

Revenue from sales of products

NET REVENUE FROM SALES OF PRODUCTS (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
from continuing operations	***211,476***	***243,751***
- potato products	211,476	243,751
from discontinued operations	-	-
Total net revenue from sales of products	**211,476**	**243,751**

Revenue from sales of services

NET REVENUE FROM SALES OF SERVICES (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
- property rental revenue	443	884
- electricity transmission	162	135
- water supply and sewage disposal	6	6
- equipment and car rental	685	82
- services for farmers	387	289
- other services	71	93
Total net revenue from sales of services, including:	**1,754**	**1,489**
from continuing operations	*1,754*	*1,489*
from discontinued operations	-	-

Revenue from sales of goods and materials

NET REVENUE FROM SALES OF PRODUCTS AND MATERIALS (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
- potatoes	4,584	4,394
- potato products	2,502	3,657
- plant protection products	1,643	1,375
- materials and waste (scrap, waste paper, post-fermentation imprint)	259	286
- energy performance certificates	-	-
- other	-	-
Net revenues from sales of goods and materials, total	**8,988**	**9,712**
from continuing operations	*8,988*	*9,712*
from discontinued operations	-	-

(data in PLN thousand).

6.2 Own cost of sales

ACCOUNTING POLICY

The Group presents the cost account by function. Costs arising from core business include own cost of sales, sales and distribution costs and overheads.

Costs of manufacture that can be directly attributed to revenue generated by the entity affect the financial result of entities for the reporting period in which the revenue occurred.

Costs of manufacture that can be only indirectly attributed to revenue or other benefits of the entities affect the financial result of the entities to the extent that they relate to the reporting period, ensuring that they are commensurate with revenue or other economic benefits.

COSTS BY TYPE	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) amortisation	15,851	16,096
b) consumption of materials and energy	111,481	134,088
c) third party services	23,223	27,238
d) taxes and fees	4,326	4,124
e) remuneration	33,966	33,248
f) social security and other benefits	7,895	7,644
g) other costs by nature (on account of)	1,971	1,572
- entertainment and advertising costs	432	212
- business trips	205	144
- property and personal insurance costs	865	907
- costs of scientific analyses, studies and expert opinions	297	354
- other costs	172	(45)
Total costs by type	**198,713**	**224,010**
Change in inventory, products and accruals	(289)	(7,716)
Manufacturing cost of products for internal purposes	(635)	(74)
Costs of sales (negative value)	(10,896)	(15,334)
Overheads (negative value)	(37,749)	(36,833)
Manufacturing costs of products and services sold	**149,144**	**164,053**

COSTS OF EMPLOYEE BENEFITS	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
e) remuneration costs, including:	**33,966**	**33,248**
- remuneration under employment contracts	31,163	30,058
- remuneration from contracts of mandate and similar contracts	1,332	1,185
- remuneration of members of the Supervisory Board	1,351	1,485
- severance payments and jubilee bonuses	328	(5)
- provisions for remuneration for unused leave	(241)	40
- provisions for bonuses for the Management Board and employees	33	485
f) social security and other benefits, including:	**7,895**	**7,644**
- costs of social insurance	5,285	5,168

(data in PLN thousand).

- contributions to ERP	684	574
- labour fund write-downs	640	620
- social benefits fund write-downs	742	759
- employee training costs	114	63
- work clothing	155	109
- OHS and medical examinations costs	275	273
- other benefits	-	78
Total employee benefit costs	**41,861**	**40,892**

Agricultural production result	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Revenue from sales of agricultural products	4,766	4,636
Revenue from lease of agricultural land	127	165
Subsidies	1,865	1,620
Result from sales of agricultural machinery	170	-
Operating costs	(14,842)	(13,489)
Agricultural production result	**(7,914)**	**(7,068)**

6.3 Other operating revenue and costs

ACCOUNTING POLICY
Revenue and profits not directly related to the Group's operations are classified under other operating *revenue*. This category includes, for example, profits from the sale of fixed assets, profits from revaluation of assets, the reversal of receivable revaluation write-downs, compensation received, overpaid tax liabilities except for corporate income tax, etc.
Subsidies are not recognised until there is reasonable assurance that the Group will meet the necessary conditions and receive such subsidies.
Government subsidies are recognised in the result systematically for each period in which the Group recognises expenditure as costs to be compensated by the subsidy. In particular, subsidies whose primary condition is the purchase, construction or other acquisition of fixed assets are recognised as deferred revenue in the consolidated statement of financial position and are systematically charged to the result at reasonable amounts over the economic useful life of their related assets.
Government subsidies, payable as compensation for costs or losses already incurred or as a form of direct financial support to the Group without future related costs, are recognised in the result in the period in which they become due.
Benefits resulting from the receipt of concessional credits at below market interest rates are treated as subsidies and measured as the difference between the value of received credits and the fair value of credits, determined using the relevant market interest rate.
Other operating costs include costs and losses not directly related to the Group's operating activities. This category includes losses on the disposal of fixed assets, losses on the revaluation of assets and liabilities, receivable revaluation write-downs, donations made, effects of guarantees and sureties, etc.

(data in PLN thousand).

OTHER OPERATING REVENUE	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) profit on disposal of non-financial fixed assets	-	236
b) reversal of provisions, including:	730	253
- receivables write-downs	730	246
- liabilities	-	7
c) government subsidies, including:	344	116
- subsidy for electricity price increases	232	-
- subsidies for tangible fixed assets	112	116
d) other, including:	464	229
- compensation, penalties and fines received	34	59
- surplus assets	53	7
- settlement of leased property	377	-
- other	-	163
Total other operating revenue	**1,538**	**834**

OTHER OPERATING COSTS	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) loss on disposal of non-financial fixed assets	-	-
b) other, including:	**1,213**	**1,952**
- donations	28	78
- litigation costs	3	-
- receivables revaluation write-downs	435	-
- inventory revaluation write-downs	348	
- unscheduled amortisation write-downs	-	1,066.
- compensation, penalties and fines paid	127	52
- receivables written-down	-	432
- asset shortages	123	21
- post-accident repair costs	13	23
- abandoned investments	5	-
- other	131	280
Total other operating costs	**1,213**	**1,952**

6.4 Financial revenue and costs

ACCOUNTING POLICY

Financial revenue includes revenue from received dividends, interest on deposit and investment activities and foreign exchange profits.

Interest revenue and costs are recognised on an accrual basis using the effective interest rate method. When a receivable becomes impaired, the Group reduces its carrying amount to its recoverable amount, equal to the estimated future cash flows discounted at the instrument's original effective interest rate, and then progressively accounts for the discount amount against interest revenue. Interest revenue on impaired granted loans is recognised on a cash basis or on a recovered cost basis, depending on the circumstances.

(data in PLN thousand).

Dividend revenue is recognised when the right to receive payment is acquired (provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably).

Financial costs (other than those directly related to the acquisition or construction of tangible fixed assets), including commissions payable on repayment or redemption and direct costs of taking out credits, are recognised in the consolidated statement of comprehensive income using the effective interest rate method and increase the book value of the instrument taking into account repayments made in the current period.

Interest, dividends and investment costs are presented under the "financial costs" item.

FINANCIAL REVENUE	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) dividends	300	200
b) interest on loans	188	18
c) interest on deposits	885	350
d) interest on receivables	61	101
e) revaluation of financial assets	2,425	-
- revaluation of shares held in unrelated parties (WRSRH in Bronisze)	2,425	-
f) foreign exchange gains	196	653
- realised	(483)	770
- unrealised	679	(117)
Total financial revenue	**4,055**	**1,322**

FINANCIAL COSTS	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) interest on credits and loans	6,232	4,821
b) interest on liabilities	754	807
c) revaluation write-downs on treasury shares	476	71
d) revaluation write-downs of shares in unrelated parties (WRSRH in Bronisze)	-	232
e) foreign exchange losses	81	388
- realised	81	388
- unrealised	-	-
f) other financial costs	1,055	1,284
- lease payments	615	899
- credit commissions and reimbursement of bank fees, BFG	234	272
- receivable redemption discount	206	113
- other		-
Total financial costs	**8,598**	**7,603**

(data in PLN thousand).

7. Income tax

ACCOUNTING POLICY
Income tax reported in the financial result includes current and deferred tax.
The actual tax charge for the reporting period, as determined by Group entities in accordance with the applicable provisions of the Corporate Income Tax Act, and the change in deferred tax assets and liabilities not accounted for in equity are recognised in the profit and loss account.

INCOME TAX	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Current tax	(3,700)	(7,608)
Tax on dividends	(57)	(38)
Deferred tax	(202)	1,217
Total income tax	**(3,959)**	**(6,429)**

Reconciliation of income tax from gross financial result before tax at the statutory tax rate with income tax calculated according to the effective tax rate:

Item	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Gross financial result before tax	7,627	17,272
Consolidation exclusions	2,181	(2)
Losses of companies	3,948	700
Gross profit before consolidation exclusions	**13,756**	**17,970**
Income tax at the 19% statutory rate	(2,614)	(3,414)
Tax on permanent differences between gross profit and tax base	(1,345)	(3,015)
Result charge at an effective rate of 51.90% in 2023 and 37.22% in 2022	**(3,959)**	**(6,429)**

The Group does not constitute a tax capital group according to the provisions of the Corporate Income Tax Act. Each company settles income tax independently.

In 2023, the Parent Company paid the Tax Office PLN 3,718 thousand in tax, including PLN 161 thousand for 2022 and PLN 57 thousand in tax on received dividends.

8. Profit per share

ACCOUNTING POLICY
Net profit/(loss) per share for each period is calculated by dividing the net profit or loss attributable to shareholders of the parent company for the period by the weighted average number of shares in the reporting period. There are no preference shares.
Diluted profit/(loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders (net of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

Weighted average number of shares				
net value	(income tax liabilities)	number of days (A)	number of shares in given period (B)	(A) x (B) / 365
01/01/2023	31/12/2023	365	95,000,000	95,000,000
Total:		**365**	**Weighted average:**	**95,000,000**

PROFIT (LOSS) PER SHARE	**For the 12-month period ended 31 December 2023**	**For the 12-month period ended 31 December 2022**
Net profit (loss) in PLN	3,999	10,595
Weighted average number of shares	95,000,000	95,000,000
Basic net profit (loss) per share (expressed in PLN per share)	0.04	0.11
Net profit (loss), used in determining diluted profit per share	3,999	10,595
Weighted average number of ordinary shares for diluted profit per share purposes	95,000,000	95,000,000
Diluted net profit (loss) per share (expressed in PLN)	0.04	0.11

TOTAL INCOME (LOSS) PER SHARE	**For the 12-month period ended 31 December 2023**	**For the 12-month period ended 31 December 2022**
Total net income in PLN thousand	3,934	10,618
Number of shares	95,000,000	95,000,000
Total income (loss) per share in PLN	**0.04**	**0.11**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. Tangible fixed assets

ACCOUNTING POLICY

Tangible fixed assets

At the time of transition to IAS, the Group adopted the fair value of property, plant and equipment measured by the valuer as assumed cost.

Property, plant and equipment in progress intended for manufacturing, rental, administrative or undefined purposes are presented in the consolidated statement of financial position at the cost of manufacture less impairment. The cost of manufacture is augmented by fees and, in the case of certain assets, by borrowing costs.

The Group applies straight-line amortisation. Amortisation concerning the property, plant and equipment commences the moment they are commissioned. Amortisation is calculated for all property, plant and equipment, excluding land and property, plant and equipment in progress over the estimated period of their actual use, using the straight-line method. The useful lives for various groups of property, plant and equipment are as follows:

- buildings and structures 10 - 40 years;
- machines and devices 2 - 20 years;
- vehicles 3 - 8 years;
- fixed equipment and devices 2 - 15 years.

The useful lives were reviewed and updated as at the balance sheet date.

(data in PLN thousand).

Own land is not subject to amortisation.
Profits or losses under sale (liquidation) of tangible fixed assets are determined as the difference between the sales revenue and the carrying amount of these items and are recognised in the consolidated profit and loss account.
As at the balance sheet date, property, plant and equipment are measured at cost less amortisation write-downs and impairment losses, if any.

Borrowing costs
Borrowing costs directly related to construction, adaptation, assembly or improvement of property, plant and equipment or intangible assets for the period of construction, adaptation, assembly or improvement are recognised in the value of such assets if they refer to liability which was incurred for that purpose. Other borrowing costs are recognised in the consolidated statement of comprehensive income.

Impairment of non-financial fixed assets
As at each balance sheet date, the Group assesses whether there is objective grounds for permanent impairment of an asset or group of assets. If such grounds exist, the Group determines the estimated recoverable value of the asset and recognises an impairment loss equal to the difference between the recoverable value and the carrying amount. The impairment loss is recognised in the statement of comprehensive income for the current period. If the impairment loss is subsequently reversed, the net value of the asset is increased to a new estimated recoverable amount not exceeding, however, the carrying amount of the asset that would have been determined if no impairment loss had been recognised for the asset in previous years. The loss reversal is recognised immediately in the consolidated profit and loss account.

TANGIBLE FIXED ASSETS	As at 31 December 2023	As at 31 December 2022
a) property, plant and equipment, including:	137,901	146,783
- land	21,428	21,428
- buildings, premises and civil engineering structures	50,770	53,476
- plant and machinery	57,832	65,108
- vehicles	7,448	6,208
- other property, plant and equipment	423	563
b) property, plant and equipment in progress	21,593	4,544
Total tangible fixed assets	**159,494**	**151,327**

CHANGES TO PROPERTY, PLANT AND EQUIPMENT (BY TYPE)	land	buildings, premises and civil engineering structures	plant and machinery	vehicles	other property, plant and equipment	Total
As at 1 January 2022						
Gross value	21,428	105,060	140,572	8,241	2,483	277,784
Depreciation	-	49,106	70,986	5,230	1,784	127,106
Net book value	21,428	55,954	69,586	3,011	699	150,678
2022						

Opening balance gross value	21,428	105,060	140,572	8,241	2,483	277,784
Increases (under)	-	1,565.	5,949	5,255	100	12,869
- from investments						-
- from purchase		1,565	3,911	872	100	6,448
- lease			2,038	4,383		6,421
Decreases (under)	-	7	2,974	617	48	3,646
- sales				617	13	630
- liquidation		7	2,974		35	3,016
Derecognition of depreciation of sold and liquidated property, plant and equipment			(2,008)	(540)	(34)	(2,582)
Amortisation	-	4,036.	9,461	1,981	222	15,700
Closing balance net book value	21,428	53,476	65,108	6,208	563	146,783
As at 31 December 2022						
Gross value	**21,428**	**106,618**	**143,547**	**12,879**	**2,535**	**287,007**
Depreciation	**-**	**53,142.**	**78,439**	**6,671**	**1,972**	**140,224**
Net book value	**21,428**	**53,476**	**65,108**	**6,208**	**563**	**146,783**
As at 1 January 2023						
Gross value	21,428	106,618	143,547	12,879	2,535	287,007
Depreciation	-	53,142.	78,439	6,671	1,972	140,224
Net book value	21,428	53,476	65,108	6,208	563	146,783
2023						
Opening balance gross value	21,428	106,618	143,547	12,879	2,535	287,007
Increases (under)	-	1,324	2,661	3,993	83	8,061
- from investments		1,103	301			1,404
- from purchase		221	1,803	3,993	83	6,100
- lease			557	-	-	557
Decreases (under)	-	-	1,428	564	15	2,007
- sales			1,385	506	-	1,891
- liquidation			43	58	15	116
Derecognition of depreciation of sold and liquidated property, plant and equipment			(427)	(58)	(11)	(496)
Amortisation	-	4,030	8,936	2,247	219	15,432
Closing balance net book value						
As at 31 December 2023						
Gross value	**21,428**	**107,942**	**144,780**	**16,308**	**2,603**	**293,061**
Depreciation	**-**	**57,172**	**86,948**	**8,860**	**2,180**	**155,160**
Net book value	**21,428**	**50,770**	**57,832**	**7,448**	**423**	**137,901**

The fair value of property, plant and equipment measured by the valuer as assumed cost was adopted at the time of transition to IFRS. The measurement difference less deferred income tax was recognised in equity.

In the reporting period, amortisation write-downs increased the costs of products, goods and materials sold of PLN 12,523 thousand (2022 - PLN 12,898 thousand), sales and marketing costs of PLN 229 thousand (2022 - PLN 240 thousand) and overheads of PLN 2,130 thousand (2022 - PLN 2,313 thousand).

Charges to tangible fixed assets for bank credits taken out:
- contractual mortgage of PLN 58,500 thousand to Santander Bank Polska S.A.;
- contractual mortgage of PLN 58,500 thousand to PKO Bank Polska S.A.;
- contractual mortgage of EUR 5,250 thousand to BNP Paribas Bank Polska S.A.;
- contractual mortgage of EUR 15,795 thousand to PKO Bank Polska S.A.

Investment credits were taken out in connection with the acquisition of tangible fixed assets, the outstanding value of which as at the reporting date amounts to PLN 15,342 thousand. As at 31/12/2022, the outstanding value of investment credits amounted to PLN 4,776 thousand.
Included in the consolidated statement of comprehensive income under "other operating revenue" is compensation received from an insurance company for the impairment of tangible fixed assets due to fortuitous events in the amount of PLN 28 000 thousand (2022: PLN 35 thousand).

10. Intangible assets

ACCOUNTING POLICY

Intangible assets are recognised when it is probable that they will result in future economic benefits to the Group that can be directly associated with those assets. The Group has no intangible assets with indefinite useful lives.

As at the balance sheet date, intangible assets are measured at cost less any amortisation write-downs and any impairment losses.

(a) Trademarks and licences
Trademarks and licences have limited (finite) economic lives and are recognised in the consolidated statement of financial position at historical cost less accumulated amortisation to date. Amortisation is calculated using the straight-line method to spread the cost over the estimated economic life (2-10 years).

b) Computer software
Purchased computer software licences are activated at the amount of costs incurred to purchase and prepare for the use of specific computer software. Capitalised costs are written off over the estimated useful life of the software (2-10 years).
Costs associated with the creation or maintenance of computer software are written off at the time they are incurred.

(c) Pollution emission rights
CO2 emission rights are recognised as intangible assets that are not amortised but are subject to impairment analysis.
Purchased emission right units are recognised at cost, while those received free of charge are recognised at nominal, zero value.
A provision for the estimated CO2 emissions during the reporting period is created, to be charged to the core business.
Used and redeemed emission rights shall be excluded from the records on the basis of the verified annual report referred to in Article 57(3) of the Emissions Trading Act. Expenditure of allowances is recognised according to the first-in-first-out (FIFO) method.

(data in PLN thousand).

INTANGIBLE ASSETS	As at 31 December 2023	As at 31 December 2022
Acquired permits, patents, licences and similar assets, including:	165	217
- computer software	86	137
b) gas emission rights	-	427
Total intangible assets	**165**	**644**

In the first quarter of 2023, the Issuer withdrew from the CO2 emissions trading scheme, liquidating its CO2 emission allowances and ceasing to create provisions for the estimated costs thereof.

CHANGES IN INTANGIBLE ASSETS	research and development costs	goodwill	acquired permits, patents, licences, including computer software	gas emission rights	Total
As at 1 January 2022					
Gross value	**-**	**-**	**686**	**-**	**686**
Depreciation	**-**	**-**	**502**	**-**	**502**
Net book value	**-**	**-**	**184**	**-**	**184**
2022					
Opening balance gross value	-	-	686	-	686
Increases (under)	-	-	74	1,027	1,101
- from purchase			74	1,027	1,101
Decreases (under)	-	-	-	600	600
- utilisation	-	-	-	600	600
Amortisation	-	-	41	-	41
Closing balance net book value	-	-	217	427	644
As at 31 December 2022					-
Gross value	**-**	**-**	**760**	**427**	**1,187**
Depreciation	**-**	**-**	**543**	**-**	**543**
Net book value	**-**	**-**	**217**	**427**	**644**
2023					
Opening balance gross value	-	-	760	427	1,187
Increases (under)	-	-	8	1,155	1,163
- from purchase			8	1,155	1,163
Decreases (under)	-	-	-	1,582.	1,582
- utilisation				1,582	1,582
Amortisation	-	-	60	-	60
Closing balance net book value	-	-	165	-	165
As at 31 December 2023					-
Gross value	**-**	**-**	**768**	**-**	**768**
Depreciation	**-**	**-**	**603**	**-**	**603**
Net book value	**-**	**-**	**165**	**-**	**165**

The entire amortisation of intangible assets of PLN 60 thousand (2022 - PLN 41 thousand) is included in the consolidated statement of comprehensive income under the “overheads” item.

11. Lease

ACCOUNTING POLICY
A lease contract is understood as a contract under which the lessor transfers to the lessee the right to use an asset for an agreed period of time in return for payment or a series of payments.
For lessees, IFRS 16 introduces a single accounting model for leases based on the concept of control (benefit + authority) and requires the recognition of lease assets (right-of-use assets) and lease liabilities. The recognised asset is not the object in use, e.g. a machine or a car, but the right to use it. The new standard means elimination of off-balance-sheet recognition of leased assets, while for the lessee - disappearance of distinction between operating and finance leases. For lessors, IFRS 16 carries over the requirements of IAS 17. The lessor will continue to classify leases into operating and finance leases. Since 1 January 2019 service-type contracts are also treated as leases. This applies in particular to contracts for the lease and rental of space, perpetual usufruct of land or quasi-service contracts, such as IT and telecommunications contracts which are performed with the utilisation of property, plant and equipment (e.g. servers, fibre optics, etc.).
IFRS 16 introduces certain simplifications and allows lessees not to apply the recognition, measurement and presentation requirements for leases with regard to:

- short-term leases (contract term <1 year from commencement of the contract); exemption applies consistently to different classes of assets being the leased property; in determining the lease term, the Group should take into account the option to extend the lease term if it is reasonably certain that it will exercise the extension option or not exercise the termination option; any lease contract that includes an option to purchase an asset automatically does not qualify as a short-term lease;
- lease contracts where the assets being the leased property is of low value; the IAS Board stated in the *Justification of Proposals* that the maximum value of an asset qualifying for the exemption is USD 5,000 (the initial value of the new asset, regardless of the age of lease asset); the exemption does not apply to subleased items. The permitted exemption for short-term contracts' leases and low-value assets' leases is intended to reduce the costs associated with implementing the new standard without clearly undermining the quality of financial statements' information. In this case, the lessee recognises lease payments in the profit and loss account using the straight-line method over the lease term, or in another systematic manner if it is more representative.

At the time of concluding a contract, the Group assesses whether the contract is or contains a lease. Lease should be understood as a contract or part of a contract under which the right to use an asset for a given period is transferred in exchange for remuneration. The assessment consists of verifying whether the contract transfers the right to control the use of the asset for a given period, i.e. whether over the entire period of use by the Group:

- it has the right to receive substantially economic benefits from the use of the identified asset (the benefit element);
- it has the right to direct the use of the identified asset (the authority element).

Lease contracts that transfer substantially all the risks and benefits of leased property ownership to the Group are recognised as assets and liabilities at the commencement of the lease term. The value of assets and liabilities is determined at lease commencement at the lower of the two values: fair value of the asset being leased property or the present value of minimum lease fees.
The minimum lease fees are apportioned between the financial costs and reduction of the liability under leasing, so as to produce a constant interest rate in relation to the remaining liability balance. Contingent lease fees are recognised as costs in the period in which they are incurred.

(data in PLN thousand).

Property, plant and equipment used under lease contracts are amortised under the same principles as those applied to the Group's own assets. However, if it is not reasonably certain that the Group will gain the ownership right by the end of the lease term, the asset is amortised over the shorter of the two periods: the estimated useful life of the asset or the lease term.
Lease contracts under which the lessor keeps substantially the entire risk and all benefits arising from the ownership of the subject of lease are classified as operating lease contracts. Lease fees under operating lease are recognised as costs in the profit and loss account using the straight-line method throughout the term of lease.

The Group is a lessee. The following lease amounts are recognised in the balance sheet:

Right-of-use assets	As at 31 December 2023	As at 31 December 2022
Equipment and machines	3,826	2,314
Vehicles	934	3,455
Total	**4,760**	**5,769**

Amortisation of right-of-use assets	As at 31 December 2023	As at 31 December 2022
Buildings	-	51
Equipment and machines	616	2,085
Vehicles	353	587
Total	**969**	**2,723**

LIABILITIES UNDER FINANCIAL LEASE	As at 31 December 2023	As at 31 December 2022
a) long-term (from one to five years)	14,677	17,648
b) short-term (up to one year)	4,350	4,809
Total	**19,027**	**22,457**

Payments are made in monthly instalments according to a repayment schedule - the last payment will be made in August 2026. The liability bears interest according to WIBOR 1M variable interest rate plus margin. Under the terms of the contracts, all statutory warranty and warranty rights are transferred to the Lessee. The exception to this is the option to withdraw from the sales contract, a right which is exclusive to the Lessor.
It is the responsibility of the Lessee to pay the instalments on time, in accordance with the schedule accepted by the Lessee. In the event of late payment or non-payment of instalments, the Lessor shall have the right to terminate the contract and have the leased property returned. At the end of the lease, the lessor transfers ownership of the leased property to the lessee.

LIABILITIES UNDER FINANCIAL LEASE	2024	2025-2026	Total
Nominal value of lease payments	5,166	16,075	21,241
Future financial costs	(816)	(1,398)	(2,214)
Present value of minimum lease payments	**4,350**	**14,677**	**19,027**

(data in PLN thousand).

12 Right to assets

ACCOUNTING POLICY

From 01/01/2019, the Group has implemented International Financial Reporting Standard 16 “Leases” which introduces a single lessee accounting model and requires the lessee to recognise assets and liabilities arising from any lease with a term exceeding 12 months, unless the underlying asset is of low value. At the commencement date, the lessee recognises an asset under the right to use the underlying asset and a lease liability that reflects its obligation to make lease payments. The lessee separately recognises amortisation of the right-of-use asset and interest on the lease liability.

Until 31/12/2018 the Group treated its perpetual usufruct rights to land as operating leases, recognising the payments made in respect thereof in the profit or loss for the period to which the payments related. With effect from 01/01/2019, the perpetual usufruct right has been classified by the Group as a lease contract, in accordance with IFRS 16.

The right-of-use asset and advances on property leases are presented under the “Rights to assets” in the consolidated statement of financial position.

As defined in IFRS 16, a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for remuneration.

The lease interest rate is an interest rate that causes the present value of the lease fees and the non-guaranteed residual value to equal the sum of fair value of the underlying asset and any initial direct costs incurred by the lessor. The lessee’s marginal interest rate is the interest rate that a lessee would have to pay to borrow the funds necessary to purchase an asset with value similar to that of a right-of-use asset in a similar economic environment for a similar term and with similar collateral. The lessee recognises the right-of-use asset at the commencement date. As a lessee, the Group applies an exemption in terms of recognition, measurement and presentation to short-term leases, i.e. leases that have a lease term of 12 months or less and do not have a call option.

At the commencement date, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset should include: the amount of the initial measurement of the lease liability, any lease fees paid on or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of the costs to be incurred by the lessee due to dismantling and removing the underlying asset, refurbishing the site where it was located or refurbishing the underlying asset to bring it back to the condition required by the terms of the lease, unless those costs are incurred to create inventories. The lessee assumes an obligation to pay these costs at the commencement date or as a result of using the underlying asset for a given period. After the commencement date, the lessee measures the right-of-use asset using the cost model. The lessee measures the right-of-use asset at cost less accumulated amortisation write-downs (depreciation) and accumulated impairment losses. Amortisation write-downs are made over the entire lease term, from the moment the asset is put into use. No amortisation write-downs are made on the right of use classified as fixed assets held for sale and adjusted for the revaluation of the liability (e.g. as a result of changes in lease fees).

Assumed useful lives for various groups of rights to use assets

Types of categories	Average remaining amortisation period in years	Applied total amortisation periods in years
Land lease and rental contracts	7	2-70
PULR (perpetual usufruct)	67	12-90

(data in PLN thousand).

Types of categories	**As at 31 December 2023**	**As at 31 December 2022**
Land lease and rental contracts	7,779	6,317
PULR (perpetual usufruct)	10,496	10,674
NET VALUE OF RIGHTS TO USE ASSETS	**18,275**	**16,991**

Changes in rights to use assets by type group

	Rental and leasing	**PULR (perpetual usufruct)**	**Total**
As at 1 January 2022			0
Gross value	**7,483**	**11,211**	**18,694**
Depreciation	**0**	**482**	**482**
Net book value	**7,483**	**10,729**	**18,212**
2022			0
Opening balance gross value	7,483	11,211	18,694
Increases:	0	0	0
- contracts concluded during the current period		0	0
Decreases:	1,166	0	1,166
- charge of farm lease rent to costs	1,166	0	1,166
Amendments, liability update, modifications of contracts		110	110
Amortisation		165	165
Closing balance net book value	6,317	10,564	16,881
As at 31 December 2022			0
Gross value	**6,317**	**11,321**	**17,638**
Depreciation	**-**	**647**	**647**
Net book value	**6,317**	**10,674**	**16,991**
2023			
Opening balance gross value	6,317	11,321	17,638
Increases:	2,518		2,518
- contracts concluded during the current period	2,518		2,518
Decreases:	1,056		1,056
- charge of farm lease rent to costs	1,056		1,056
Amendments, liability update, modifications of contracts		(9)	(9)
Amortisation		169	169
Closing balance net book value	7,779	10,505	18,284
As at 31 December 2023			-
Gross value	**7,779**	**11,312**	**19,091**
Depreciation	**-**	**816**	**816**
Net book value	**7,779**	**10,496**	**18,275**

(data in PLN thousand).

13. Investment property

ACCOUNTING POLICY
Investment properties are properties that are treated as a source of lease revenue and/or are maintained for capital appreciation.
Investment properties at the date of transition to IAS were measured at fair value and this value is used as assumed cost. Each new property is measured at purchase price or cost of manufacture.
Amortisation is calculated over the estimated economic life of these assets using the straight-line method. Land is not subject to amortisation.
Profits or losses arising from sales (liquidation) of investment properties are determined as the difference between the sales revenue and the carrying amount of these items and recognised in the consolidated statement of comprehensive income.

Investment property	As at 31 December 2023	As at 31 December 2022
Investment property	553	563
Total investment properties	**553**	**563**

Investment properties present the value of the Issuer's rented out flat in Poznań (PLN 353 thousand) and the value of the ponds owned by PPZ Bronisław located in Roje, Miłakowo commune (PLN 200 thousand).

14. Goodwill

ACCOUNTING POLICY
Goodwill is measured as the excess of fair value of effectively transferred payment for the Group's interest in the acquired entity over the net amount of the acquired entity's identifiable recognised assets and liabilities.
Goodwill is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment loss.
For the purpose of impairment testing, goodwill is allocated to individual units of the Group generating cash flows that should benefit from the synergies resulting from the merger. Entities generating cash flows to which goodwill is allocated are tested for impairment once a year or more frequently, if it can be credibly assumed that impairment has occurred. If the recoverable value of the unit generating cash flows is smaller than its carrying amount, the impairment loss is allocated first in order to decrease the carrying amount of goodwill allocated to this unit, and then to other assets of this unit, proportionally to the carrying amount of individual assets of this entity. An impairment loss recognised for goodwill is not reversed in the following period.
At the time of disposal of a subsidiary or jointly controlled entity, the attributable portion of goodwill is included in the calculation of the profit/loss on disposal.

Goodwill on consolidation arose from the acquisition of subsidiaries:

Subsidiary name	As at 31 December 2023	As at 31 December 2022
PPZ Bronisław Sp. z o.o.	486	486
Gospodarstwo Rolne PONARY Sp. z o.o.	879	879
Write-down of goodwill in Gospodarstwo Rolne PONARY Sp. z o.o.	(45)	(45)
Total	**1,320**	**1,320**

The Company has carried out impairment tests on goodwill and financial assets held in each of its subsidiaries as at 31/12/2023.

(data in PLN thousand).

The asset impairment test of ZPZ Lublin was carried out using the discounted cash flow (“DCF”) method based on projections developed by the company’s management board for 2024-2028. The management board’s projections assume a CAGR for revenue of 7.1% and an EBIT profitability between 9.3% and 17.2%. A discount rate (WACC before tax) was defined for the purposes of the test in the amount of 12.01% in 2024 and 11.25% in subsequent years, and the cash flow growth parameter after the forecast period is assumed to be 2.5%.
In the case of PPZ Bronisław, the asset impairment test was carried out using the discounted cash flow (“DCF”) method based on projections developed by the company’s management board for 2024-2028. The management board’s projections assume a CAGR for revenue of 4.2% and an EBIT profitability between 9.3% and 10.1%. A discount rate (WACC before tax) was defined for the purposes of the test in the amount of 12.01% in 2024 and 11.25% in subsequent years, and the cash flow growth parameter after the forecast period is assumed to be 2.5%.
The asset impairment test at Gospodarstwo Rolne PONARY was carried out by estimating the recoverable amount as the fair value of the company’s equity less the costs of making market. The fair value of the company’s equity was determined on the basis of the adjusted net asset value method, taking into account the market value of the property rights as estimated by a valuer.

15. Deferred tax in the statement of financial position

ACCOUNTING POLICY
A deferred tax liability is recognised in full using the liability method for temporary differences between the base tax value of assets and liabilities and their carrying amounts in the financial statements. However, it is not recognised if deferred income tax arose from the initial recognition of an asset or liability in a transaction other than a business combination that affects neither the financial result nor the tax profit (tax loss).
Deferred income tax is determined using the tax rates (and laws) which are expected to apply when the related deferred tax assets are realised or the deferred tax liability is settled in force legally or in fact at the balance sheet date.
A deferred tax asset is recognised when it is probable that future taxable profit will be available, allowing temporary differences to be utilised. The value of a deferred tax asset is subject to analysis as at each balance sheet date, and in the event that the expected future tax profits are not sufficient for the realisation of an asset component or a part thereof, it is written down.

15.1 Deferred income tax assets

DEFERRED INCOME TAX ASSETS	As at 31 December 2023	As at 31 December 2022
Unpaid remuneration	185	174
Provision for unused holiday leave	116	165
Retirement benefits and jubilee bonuses	771	645
Unrealised foreign exchange differences	96	154
Receivables revaluation write-downs	14	14
Inventory revaluation write-downs	319	98
Share revaluation write-downs	18	18
Accrued interest on credits	43	27
Leased asset liabilities	351	752
Consolidation adjustments - retained profit	199	(18)
Provision for bonuses for the Management Board and employees	104	98
Provision for used CO2 emission rights	-	300
Asset measurement	2,366	2,291
Tax loss	685	807
Other	122	221
Total deferred tax assets	**5,389**	**5,746**

(data in PLN thousand).

15.2 Deferred income tax provisions

DEFERRED INCOME TAX PROVISIONS	As at 31 December 2023	As at 31 December 2022
Difference between carrying amount and tax value of tangible fixed assets	4,403	5,825
Unrealised foreign exchange differences	97	-
Measurement of investments	1,109	693
Total deferred tax provisions	**5,609**	**6,518**

16. Inventories

ACCOUNTING POLICY

Inventories are recorded at purchase price or cost of manufacture, provided that these are not higher than the net sales price. The cost of finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related departmental production costs (based on normal production capacity), but excludes borrowing costs. Inventories of materials and goods are measured using the weighted average method.

As at the balance sheet date, inventories are measured on a conservative measurement basis, i.e. at the purchase price or realisable sales price, whichever is lower. The net sales price is equal to an estimated sales price, less all costs connected with completing production or delivering the inventory to be sold or finding a buyer (i.e. selling costs, marketing, etc.). The Group recognises impairment losses against the cost of sold products where the purchase price is higher than the realisable sales price.

INVENTORIES	As at 31 December 2023	As at 31 December 2022
a) materials	6,510	9,243
b) semi-finished products and work in progress	710	441
c) finished products	87,487	89,915
d) goods	16,820	5,735
Gross inventories	**111,527**	**105,334**
Revaluation write-downs	**(1,677)**	**(517)**
Net inventories	**109,850**	**104,817**

The value of inventories recognised as cost in the reporting period amounted to PLN 152,733 thousand (2022 - PLN 170,028 thousand).
The amount of revaluation write-downs recognised as costs during the period amounted to PLN 2,295 thousand and, respectively, in 2022 - PLN 666 thousand.
The amount of reversal of inventory write-downs in 2023 was PLN 1,134 thousand (2022 - PLN 333 thousand).
The value of revaluation write-downs as at 31/12/2023 amounted to PLN 1,677 thousand (31/12/2021 - PLN 517 thousand).

The carrying amount of inventories pledged as security for the repayment of bank credits amounts to PLN 72,290 thousand (31/12/2022 - PLN 63,174 thousand).

Charges on stocks due to bank credits:
- a registered pledge on stocks of potatoes, finished and semi-finished products for Powszechna Kasa Oszczędności Bank Polski S.A., as hedging for credits, under which the amount owed as at 31/12/2023 is PLN 60,394 thousand;
- a registered pledge on stocks of materials, finished and semi-finished products for Santander Bank Polska S.A., as hedging for credits, under which the amount owed as at 31/12/2023 is PLN 60,089 thousand.

17. Fair value

ACCOUNTING POLICY
Fair value is the price that would be received for selling an asset or paid for transferring a liability as part of a transaction under standard conditions between market participants as at the measurement date.
In the presented reporting periods, the Group classified assets measured at fair value in the statement of financial position into the appropriate categories as follows:
Category I (active market quotations): debt, equity and derivative financial instruments measured on the basis of quotation prices in an active market as at the balance sheet date. In this category, the Group classifies shares in listed companies, including treasury shares and CO2 emission rights.
Category II (measurement methods based on market-derived parameters). In this category, the Group classifies biological assets which are measured on the basis of market prices for agricultural crops, taking into account the degree of maturity and less sales prices.
Category III (measurement methods using significant market-derived parameters). This category includes equity securities not quoted in an active market, measured by the Group on the basis of an expert measurement model by independent actuaries.
The purpose of using measurement methods is to determine fair value, i.e. the price that would be received for selling an asset as part of a transaction conducted under standard conditions between market participants as at the measurement date.

17.1 Biological assets

ACCOUNTING POLICY
The Parent Company leases farms where it carries out agricultural activities. Agricultural activity means the business entity’s management of the biological transformation of assets to obtain agricultural products or other biological assets for sale. Harvesting or obtaining refers to the point at which the agricultural product (agricultural raw material) is separated from the biological asset, or the point at which the life processes of biological assets are completed. After the harvest, agricultural products are recognised as inventories in the report. The Company grows annual crops such as potatoes, bean plants (peas, field bean) and cereals. As at the balance sheet date, there are unripe winter cereals.
Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less sales costs, taking into account the ripeness of the plants. . A reliable method to determine the fair value of biological assets and agricultural products is the market price in an active market.

Biological assets by sown crops:

Plant assets	As at 31 December 2023	As at 31 December 2022
Winter wheat		80
Rapeseed	34	246
Total	**34**	**326**

The Issuer has been leasing a farm (Roje) since March 2014, agricultural land (Krzekoty) since October 2021 and additional land (Wrzosy) since March 2023. All three of these farms were sown with annual crops. Seed acquisition and cultivation costs as at the balance sheet date amounted to PLN 15,042 thousand, while agricultural operations revenue amounted to PLN 7,128 thousand.
As at 31/12/2023, there were wheat stocks on farms with a total value of PLN 112,000 thousand and stocks of goods (fertilisers and plant protection products) with a total value of PLN 1,354 thousand. Biological assets were recognised at fair value in the report.

18. Trade and other short-term receivables

ACCOUNTING POLICY

Trade receivables are recognised and reported at the originally invoiced amounts, taking into account impairment losses.
An impairment loss on trade receivables is recognised when there is objective evidence that the Group will not be able to receive all amounts due under the original terms of receivables. Receivables revaluation write-downs are charged to other operating costs.
Write-downs are made on the basis of an age analysis of receivables, a collectability analysis and on receivables referred to court, liquidation or bankruptcy proceedings.
When expenses are incurred that are expected to generate economic benefits over several accounting periods and their relationship to revenue can only be determined generally and indirectly, the costs are recognised in the consolidated statement of comprehensive income by systematic and rational distribution over time. Costs are recognised immediately in the consolidated statement of comprehensive income if the incurred expenses do not generate any future economic benefits.

Trade and other short-term receivables	As at 31 December 2023	As at 31 December 2022
Trade receivables	21,544	25,273
Other receivables	9,144	6,268
Advances	2,019	3,518
Total	**32,707**	**35,059**

CURRENCY STRUCTURE OF TRADE RECEIVABLES	As at 31 December 2023	As at 31 December 2022
a) in Polish zloty	16,517	19,299
b) in foreign currencies (acc. to currency and after conversion into PLN)	5,027	5,974
B1. unit/currency USD/thousand	772	556
PLN 000s	3,037	2,340

B2. unit/currency EUR/thousand	458	811
PLN 000s	1,990	3,634
Total short-term receivables	**21,544**	**25,273**

(GROSS) TRADE RECEIVABLES WITH MATURITY AS AT THE BALANCE SHEET DATE:	As at 31 December 2023	As at 31 December 2022
a) up to 1 month	14,292	14,996
b) between 1 and 3 months	4,150	5,537
c) between 3 and 6 months	24	18
d) between 6 months and 1 year	111	-
e) over 1 year	-	-
f) overdue receivables	3,739	5,790
(Gross) total trade receivables	22,316	26,341
g) trade receivables revaluation write-downs	(772)	(1,068)
(Net) total trade receivables	**21,544**	**25,273**

Overdue receivables, on which no revaluation write-downs were made, are receivables from debtors with whom the Group has been working for several years and based on an assessment of these debtors' economic and financial position there is no indication that they are doubtful receivables. The overdue period of these receivables ranges from a few days to three months.

Other receivables

OTHER RECEIVABLES	As at 31 December 2023	As at 31 December 2022
- taxes, subsidies, customs duties, social and health insurance, and other benefits	7,334	5,330
- other	1,810	938
Total net other short-term receivables	**9,144**	**6,268**
- receivables revaluation write-downs	-	-
Total gross other short-term receivables	**9,144**	**6,268**

Receivables referred to court

RECEIVABLES REFERRED TO COURT	As at 31 December 2023	As at 31 December 2022
Gross receivables referred to court	-	9
Receivables revaluation write-downs	-	(9)
Total receivables referred to court	**-**	**-**

(data in PLN thousand).

Receivables revaluation write-downs

CHANGE IN REVALUATION WRITE-DOWNS FOR SHORT-TERM RECEIVABLES	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
As at the opening balance	**1,078**	**1,017**
a) increases (under)	**438**	**1,164**
- creation for doubtful trade receivables	438	1,164
- creation for interest receivable	-	-
- creation for receivables claimed in court	-	-
b) decreases (under)	**743**	**1,103**
- release of payment provisions	131	972
- utilisation due to depreciation and sale of receivables		-
- cancellations	612	131
Write-downs of short-term receivables at end of the period	**773**	**1,078**

Increases and decreases in receivable revaluation write-downs are recognised in the statement of comprehensive income under the “other operating costs” item.

Advances

ADVANCES	As at 31 December 2023	As at 31 December 2022
a) long-term, including:		-
b) short-term, including:	2,019	3,518
- farm lease rent	480	-
- departmental costs of seasonal production	387	1,925
- delivery advances	328	683
- property insurance	457	474
- other	367	436
Total	**2,019**	**3,518**

19. Cash and cash equivalents

ACCOUNTING POLICY
Cash and cash equivalents comprise cash on hand, bank deposits payable on demand, other short-term investments with original maturity of three months or less and high liquidity, and an overdraft facility.
Term deposits are measured 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 short-term liabilities.

CASH AND CASH EQUIVALENTS	As at 31 December 2023	As at 31 December 2022
Cash at bank and in hand	16,032	16,445
Short-term deposits	28,700	41,242
Total cash and cash equivalents	**44,732**	**57,687**
- including: limited disposal cash		-

Short-term deposits are made for various periods ranging from one day to several months, depending on the company's current demand for cash, and bear interest at the rates set for them.

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE)	As at 31 December 2023	As at 31 December 2022
a) in Polish zloty	37,605	49,006
b) in foreign currencies (acc. to currency and after conversion into PLN)	7,127	8,681
B1. unit/currency USD/thousand	1,257	1,040
PLN thousand	4,945	4,391
B2. unit/currency EUR/thousand	502	973
PLN thousand	2,181	4,290
Total cash and cash equivalents	**44,732**	**57,687**

20. Equity

ACCOUNTING POLICY

Equity consists of:
- share capital recognised at the value set out in the Company's Articles of Association entered in the National Court Register;
- supplementary capital from sales of shares above their nominal value;
- the remaining supplementary capital created in accordance with the Company's Articles of Association and the Commercial Companies Code;
- revaluation reserve which is created in accordance with the IAS;
- reserve capital which is created in accordance with the Company's Articles of Association and the Commercial Companies Code;
- net profit (loss);
- retained profits (losses) brought forward - the effects of fundamental errors are applied to this capital and the financial effects of a change in accounting policy are recognised here.

The nominal value of the Company's capitals (with the exception of the revaluation capital) arises from contracts, articles of association and profits or unabsorbed losses left in the entity.
The treasury shares and the due share capital contributions reduce the equity of the parent company.
In the consolidated statement of financial position, equity is presented broken down into:
- equity attributable to shareholders of the parent company;
- capital attributable to non-controlling shares.

20.1 Share capital

Series/issue	Type of share	Type of share privilege	Type of restriction of rights to shares	Number of shares	Nominal value of series/issue	Registration date
A	ordinary bearer	Non-preference	no restrictions	83 million	4,980	09/05/2008
B	ordinary bearer	Non-preference	no restrictions	12 million	720	30/09/2014
Total number of shares				**95 million**		
Total initial capital					**5,700**	
Nominal value per share = PLN 0.06						

(data in PLN thousand).

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

SHAREHOLDER STRUCTURE	Number of shares [pcs]	Share in share %	Number of votes	Share in the total number of votes at the 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**	20,423,531	21.50%	20,423,531	21.50%
Others	25,374,332	26.71%	25,374,332	26.71%

** As a result of failing to comply with notification obligations on the acquisition of significant blocks of shares under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which holds, according to the information held by the Company, 27,759,032 shares in the Company, has lost and cannot exercise voting rights under 21,402,233 shares. The Company's Management Board has therefore brought an action for determination before the District Court in Białystok. Epsilon FIZ AN takes the opposite position, maintaining that it is entitled to voting rights under 27,759,032 shares representing 29.22% of the total number of votes at the GMS. The Chairman of the Financial Supervision Authority joined the case and presented their position on 24 July 2019. The Management Board is awaiting the final decision of the court. The Company reported on the case in current reports No. 13/2019, 14 to 23/2019 and 30/2019. On 21 April 2023 the District Court in Białystok ruled that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its registered office in Warsaw has lost the voting rights and cannot exercise them under 21,402,233 ordinary bearer shares. This ruling is not final, as the Company informed in current report No. 7/2023.*
*** Mr. Maksymilian Maciej Skotnicki and Mr. Michal Skotnicki are the persons referred to in Article 87(4)(1) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, and thus the total number of shares held by the aforementioned persons comprises 41,866,636 shares, which corresponds to 44.07% of the share capital and 56.89% of the number of authorised votes in the Company (taking into account the loss of the possibility to exercise voting rights by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych).*

None of the other shareholders reported holding at least 5% of the share capital and the total number of votes at the GMS.

20.2 Excess of issue price over nominal value

EXCESS OF ISSUE PRICE OVER NOMINAL VALUE	As at 31 December 2023	As at 31 December 2022
a) from sale of shares at premium	7,562	7,562
Total issue price surplus over nominal value of shares	**7,562**	**7,562**

20.3 Treasury shares

Treasury shares	As at 31 December 2023	As at 31 December 2022
Treasury shares at purchase price	1,970	294
Revaluation write-downs on treasury shares	(546)	(70)
Treasury shares at fair value	**1,424**	**224**

(data in PLN thousand).

20.4 Revaluation capital

REVALUATION CAPITAL	As at 31 December 2023	As at 31 December 2022
a) created from asset revaluations (non-distributable)	31,122	31,122
b) revaluation of employee benefit liabilities	(169)	(89)
c) deferred tax on revaluation effects	32	17
Total revaluation reserve	**30,985**	**31,050**

20.5 Retained profit

RETAINED PROFIT	As at 31 December 2023	As at 31 December 2022
a) statutory capital	1,660	1,660
b) capital created from profits	45,349	43,889
Supplementary capital created from profit distribution	**47,009**	**45,549**
c) investment fund	81,634	81,634
Reserve capital created from profit distribution	**81,634**	**81,634**
d) unsettled profit (loss) brought forward	1,847	1,353
e) net result for the period	3,999	10,595
Retained result	**5,846**	**11,948**
Total retained profits	**134,489**	**139,131**

20.6 Non-controlling shares

ACCOUNTING POLICY
Non-controlling shares represent that part of the equity in a subsidiary which cannot be directly or indirectly attributed to the parent company. As at the date control is obtained, non-controlling shares are measured at the value of their proportionate share of the fair value of the subsidiary's identifiable net assets. As at subsequent balance sheet dates, the value of non-controlling shares is updated by the value of comprehensive income due to non-controlling shareholders.
The Group treats transactions with non-controlling shareholders as transactions with equity holders of the Group. the difference between the remuneration paid and the corresponding acquired share in the net assets of the subsidiary at their book value is recognised in equity in the case of acquisitions from non-controlling shareholders. Profits or losses on disposal to non-controlling shareholders are also recognised in equity.

The non-controlling shares presented in the Group's equity relate to the following subsidiaries:

Subsidiaries	As at 31 December 2023	As at 31 December 2022
PPZ "Bronisław" S.A.	2,066	2,616
ZPZ Lublin Sp. z o.o.	918	699
Total non-controlling shares	**2,984**	**3,315**

(data in PLN thousand).

21. Trade liabilities and other liabilities

ACCOUNTING POLICY
If trade liabilities are not an interest-bearing instrument, they are recognised in the balance sheet at the amount payable. Trade liabilities are measured at adjusted purchase price where the measurement at adjusted purchase price differs materially from the measurement at the amount payable.
Accruals are liabilities due for goods or services that have been received (provided) in full or in part, but have not been invoiced or the terms of payment have not been formally agreed with the supplier. Accruals also include amounts relating to accrued leave pay. Accruals are recognised when the amounts of the future liability and the date of payment can be reliably estimated.

TRADE LIABILITIES AND OTHER SHORT-TERM LIABILITIES	As at 31 December 2023	As at 31 December 2022
- for deliveries and services with maturity date:	16,040	14,862
- other short-term liabilities	7,076	4,850
- provisions for other liabilities and other charges	1,358	3,169
Total trade liabilities, other liabilities and provisions for liabilities	**24,474**	**22,881**

SHORT-TERM LIABILITIES	As at 31 December 2023	As at 31 December 2022
- for deliveries and services with maturity date:	16,040	14,862
- up to 12 months	16,040	14,862
- over 12 months	-	-
- from social insurance, tax, customs and other benefits	2,661	2,341
- from remuneration	1,753	1,436
- from farm lease rent	1,284	-
- other	1,378	1,073
Total trade and other liabilities	**23,116**	**19,712**

ACCRUALS, DEFERRED INCOME (ON ACCOUNT OF)	As at 31 December 2023	As at 31 December 2022
a) long-term, including:	**1,864**	**1,974**
- subsidies for tangible fixed assets	1,864	1,974
b) short-term, including:	**1,358**	**3,169**
- subsidies for tangible fixed assets	98	98
- provision for environmental protection costs	65	73
- holiday leave pay provisions	596	870
- provision for bonuses for the Management Board and employees	548	515
- provision for uninvoiced services	51	34
- provision for used CO2 emission rights	-	1,579
Total	**3,222**	**5,143**

(data in PLN thousand).

CHANGE IN SHORT-TERM PROVISIONS (ON ACCOUNT OF)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) opening balance	**3,169**	**3,527**
- subsidies for tangible fixed assets	98	98
- provisions for services rendered by business partners	34	86
- environmental fee	73	84
- holiday leave pay provisions	870	800
- gas emission rights	1,579	2,429
- bonuses for the Management Board and employees	515	30
b) increase (under)	**905**	**1,388**
- environmental fee	64	78
- holiday leave pay provisions	228	734
- provisions for services rendered by business partners	69	32
- bonus for the Management Board and employees	544	544
c) utilisation (under)	**1,137**	**1,496**
- environmental fee	72	89
- holiday leave pay provisions	502	664
- provision for used CO2 emission rights	-	600
- provision for services rendered by business partners	52	84
- bonuses for the Management Board and employees	511	59
d) release (under)	**1,579**	**250**
- provision for used CO2 emission rights	1,579	250
e) closing balance	**1,358**	**3,169**
- subsidies for tangible fixed assets	98	98
- provision for used CO2 emission rights	-	1,579
- environmental fee	65	73
- holiday leave pay provisions	596	870
- bonuses for the Management Board and employees	548	515
- provisions for services rendered by business partners	51	34

22. Employment benefits

ACCOUNTING POLICY

Anticipated employee benefit costs (jubilee awards, retirement severance payments, etc.) are accrued over the service period using actuarial methods. Actuarial profits and losses arising from ex post adjustments to actuarial assumptions and changes in actuarial assumptions are recognised in other comprehensive income in the statement of comprehensive income over the average expected remaining employment term of employees to whom they relate. A measurement of the relevant liabilities is carried out every six months by independent actuaries.
Employee benefits may also occur on account of termination of employment before the employee's normal retirement date or whenever the employee voluntarily accepts termination of employment in exchange for these benefits. The Group recognises employment termination benefits when it is either clearly committed to terminating the employment relationship with employees in accordance with an existing detailed official plan, with no option of withdrawal, or is committed to paying employment termination benefits following an offer it has made to encourage voluntary employment relationship termination.

(data in PLN thousand).

Benefits due for payment more than 12 months after the balance sheet date are discounted to present value.

Retirement and similar benefit liabilities

RETIREMENT AND SIMILAR BENEFIT LIABILITIES (ON ACCOUNT OF)	As at 31 December 2023	As at 31 December 2022
a) long-term, including:	3,574	2,878
- retirement severance pay	679	552
- jubilee bonuses	2,895	2,326
b) short-term, including:	483	519
- retirement severance pay	69	56
- jubilee bonuses	414	463
Total	**4,057**	**3,397**

CHANGE IN RETIREMENT AND SIMILAR BENEFIT LIABILITIES (ON ACCOUNT OF)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) opening balance	**3,397**	**3,533**
- retirement severance pay	609	703
- jubilee bonuses	2,788	2,830
b) increase (under)	**1,228**	**462**
- retirement severance pay	206	40
- jubilee bonuses	1,022	422
c) utilisation (under)	**568**	**457**
- retirement severance pay	67	48
- jubilee bonuses	501	409
d) release (under)	**0**	**141**
- retirement severance pay	-	86
- jubilee bonuses	-	55
e) closing balance	**4,057**	**3,397**
- retirement severance pay	748	609
- jubilee bonuses	3,309	2,788

Jubilee bonuses are paid to employees with a total length of service of at least 20 years every 5 years. Service periods at “PEPEES” S.A. and companies separated from “PEPEES” S.A., subject to transfer of an employee from “PEPEES” S.A. to those companies under Article 231 of the Labour Code, as well as the service period in all entities which are employers as defined in the Labour Code and service periods on a farm in the case the employee takes over and becomes the owner of the farm, are included in the service period entitling the employee to acquire the right to the jubilee award.

The condition for acquiring the right to the jubilee award is at least 5 years of service at “PEPEES” S.A. and subsidiaries separated from “PEPEES” S.A., subject to the transfer of an employee from “PEPEES” S.A. to these companies under Article 231 of the Labour Code.

The basis for the award is equal to 150% of the gross minimum wage as determined by generally applicable legislation.

(data in PLN thousand).

The amount of the jubilee award is calculated only for the time of work in "PEPEES" S.A. and in companies separated from "PEPEES" S.A., subject to the transfer of the employee from "PEPEES" S.A. to these companies under Article 231 of the Labour Code.
The award amount, depending on total length of service, is presented as percentage of the base pay and is as follows:

after 20 years of service - 200%;
after 25 years of service - 250%;
after 30 years of service - 300%;
after 35 years of service - 350%;
after 40 years of service and every 5 years of service thereafter - 400%.

The amount of the jubilee award is calculated in proportion to the length of service specified in the employment contract for part-time employees.

Within the Group, retirement and disability severance payments are paid in accordance with the provisions of Article 921 of the Labour Code.

An employee who fulfils the conditions qualifying for retirement or disability pension and whose employment relationship is terminated due to retirement or disability shall be entitled to a severance payment of one month's salary.
Persons on retirement or disability pensions who are hired again do not reacquire the right to severance pay.

The amount of liabilities in **ZPZ Lublin** for individual periods was calculated by an independent actuary. The base for the award is the basic remuneration on the date of becoming entitled to the award. The amount of the award depends on length of service and is 100% of basic remuneration for every 5 years of service.

The service periods entitling to severance pay are set out in the Corporate Collective Labour Agreement. After 20 or more years of service, the severance payment amounts to 200% of the basic salary.
The Employee who has received severance payment can not re-acquire rights thereto.

Basic actuarial assumptions	Balance sheet date 31/12/2023	Balance sheet date 31/12/2022
Annual minimum remuneration growth rate in domestic economy	5.6% in 2024 4.7% in 2025 3.5% in subsequent years	14.1% in 2023 6.9% in 2024 4.5% in 2025 3.5% in subsequent years
Discount rate	5.10%	6.80%

NOTES TO FINANCIAL INSTRUMENTS
23. Financial instruments

ACCOUNTING POLICY
The Group classifies financial assets into one of the three categories set out in IFRS 9:
- measured at amortised cost;

(data in PLN thousand).

- measured at fair value through financial result;
- measured at fair value through other comprehensive income.

The Group classifies trade receivables, loans granted, other receivables, deposits and cash and cash equivalents in the category of assets measured at amortised cost.
The Group measures financial assets at amortised cost using the effective interest rate method, taking into account impairment losses. Long-term receivables falling within the scope of IFRS 9 are discounted at the balance sheet date.
Trade receivables with a maturity of less than 12 months are measured at the due amount, less any write-down for expected loss.
All financial instruments that are not classified as measured at amortised cost or as measured at fair value through other comprehensive income, as well as those for which the Group has decided to classify them in such a manner in order to eliminate an accounting mismatch are classified under the category of assets measured at fair value through financial result.
The Group classifies granted loans that do not pass the contractual cash flow test and asset derivatives, unless they have been designated as hedging instruments, in this category.
Profits and losses on a financial asset classified as measured at fair value through financial result are recognised in financial result in the period in which they arose (including revenue from interest and dividends received from equity instruments listed on an active market).
Assets measured at fair value after initial recognition through other comprehensive income are financial assets held in accordance with a business model whose purpose is to hold the financial assets to earn contractual cash flows and to sell the financial assets, and the characteristics of the contract for the financial assets provide for creation of cash flows that are solely payments of principal and interest.
Profits and losses on a financial asset constituting an equity instrument for which the option of measurement of fair value through other comprehensive income has been applied are recognised in other comprehensive income, except for received dividend revenue.
In accordance with IFRS 9, the Group monitors changes in credit risk associated with individual financial assets and, for each financial asset, assesses at each balance sheet date whether there is objective evidence that the financial asset or group of financial assets is impaired.
An impairment loss on trade receivables is recognised when there is objective evidence that the Group will not be able to receive all amounts due under the original terms of receivables. Receivables revaluation write-downs are charged to other operating costs.
Write-downs are made on the basis of an age analysis of receivables, a collectability analysis and on receivables referred to court, liquidation or bankruptcy proceedings.

The main financial instruments used by the Group include bank credits, leases, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also holds other financial instruments, such as trade receivables and trade liabilities, which arise directly from its operations.

Financial assets	**As at 31 December 2023**	**As at 31 December 2022**
Assets measured at purchase price	-	-
Financial assets measured at fair value through financial result	57,505	66,963
Financial assets measured at amortised cost	32,109	33,059
Total financial assets	**89,614**	**100,022**

(data in PLN thousand).

Financial assets recognised in financial statements as:	As at 31 December 2023	As at 31 December 2022
Investments in other parties	383	383
Other financial assets	10,390	6,893
Trade receivables	21,544	25,273
Other receivables	11,163	9,786
Loans granted	1,402	-
Cash and cash equivalents	44,732	57,687
Total financial assets	**89,614**	**100,022**

Financial liabilities	As at 31 December 2023	As at 31 December 2022
Financial liabilities measured at amortised cost	180,526	171,390
Total financial liabilities	**180,526**	**171,390**

Financial liabilities recognised in financial statements as:	As at 31 December 2023	As at 31 December 2022
Long-term credits and loans	12,988	6,508
Liabilities for leased assets	19,027	22,457
Trade liabilities	16,040	14,862
Current credits and loans	125,395	122,713
Other short-term liabilities	7,076	4,850
Total financial liabilities	**180,526**	**171,390**

23.1 Investments in other parties

CHANGE IN INVESTMENTS IN OTHER PARTIES	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) opening balance	7,276	7,508
- shares	7,276	7,508
b) increases:	2,425	-
- share revaluation	2,425	
c) decreases:		232
- share revaluation		232
d) closing balance	**9,701**	**7,276**
- shares	9,701	7,276

INVESTMENTS IN OTHER PARTIES	As at 31/12/2023	As at 31/12/2022
Shares (measured at fair value through result):	**9,701**	**7,276**
Bank Polskiej Spółdzielczości	75	75
Warszawski Rolno-Spożywczy Rynek Hurtowy [Warsaw Agricultural and Food Wholesale Market] in Bronisze	9,318	6,893
Zakłady Mięsne Ostrołęka S.A.	37	37
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bank Rozwoju	270	270
Total	**9,701**	**7,276**

"PEPEES" S.A. holds 4,000 non-preference shares in "Warszawski Rolno-Spożywczy Rynek Hurtowy" Spółka Akcyjna with its registered office in Bronisze ("WRSRH") with a nominal value of PLN 4,000 thousand acquired at a price of PLN 3,475 thousand (of which 1,000 shares were acquired on 27 July 2020 at a price of PLN 925 thousand).
The fair value of the block of shares held by "PEPEES" S.A. was estimated by an independent actuary at PLN 9,318 thousand as at 31/12/2023. Revaluation of the aforementioned shares in the amount of PLN 2,425 thousand was recognised in the 2023 financial revenue.

The actuary performed the measurement using future discounted cash flows ("DCF") method which is based on the assumption that the value of the business/equity depends on the scale of the financial benefits that the measured business will bring to the owners during its continued operation. The measurement procedure in question was carried out on the basis of the cash flows available to owners and creditors and the leveraged cost of equity (WACC), the various components of which were determined as described below.

- ✓The risk-free securities' interest rate was assumed:
  - for 2023 on the basis of the average annual return rate for the 10-year fixed-rate State Treasury bonds - DS1033 which stood at 5.18% as at 29/12/2023;
  - as a pathway to the level of the recommended long-term normalised return rate for State Treasury bonds for the 2024-2025 period. The basis was the current recommended normalised risk-free rate that Kroll (the entity that has taken over, Duff&Phelps, the renowned measurement and financial advisory firm) suggests for use in market/fair value measurement procedures of equity/business using the DCF method for entities operating in the USA of 3.5%, plus a risk premium for Poland based on A. Damodaran's studies of the market risk premium for Poland and the USA of 1.0 pp.
- ✓The application of the above approach is the result of relatively high volatility of the Polish State Treasury bonds' profitability.

WRSRH shares represent 3.33% of WRSRH's capital and 1.6% of the voting rights at the GMS. The State Treasury is the main owner of WRSRH, holding more than 71.83% of the capital. PEPEES does not exercise control over WRSRH. This investment is measured at fair value through result and is recognised under short-term assets.

The Company also holds shares in SBR Bank Spółdzielczy in Szepietowo for a total of PLN 270 thousand. It is a long-term investment.
The Company still holds shares in three other entities that provide less than 5% of the total voting rights at general meetings and are not material in terms of the Company's value and investment policy. Consequently, these shares have been reported at the transaction price.

23.2 Credits and loans

ACCOUNTING POLICY

Interest-bearing bank credits and loans (including overdrafts) are booked at the value of the proceeds received. Financial costs (other than those directly related to the acquisition or construction of tangible fixed assets), including commissions payable on repayment or redemption and direct costs of taking out credits, are recognised in the consolidated statement of comprehensive income using the effective interest rate method and increase the book value of the instrument taking into account repayments made in the current period.
Credits with interest rates below market interest rates are discounted to market rate level and the difference between the discounted value and the proceeds received is recognised as government subsidy.
Credits and loans are classified as short-term liabilities unless the Group has an unconditional right to defer repayment of the liability for at least 12 months from the balance sheet date. They are then recognised as long-term liabilities.

(data in PLN thousand).

Long-term credits

LONG-TERM LIABILITIES WITH RESIDUAL MATURITY FROM THE BALANCE SHEET DATE	As at 31 December 2023	As at 31 December 2022
a) over 1 year to 3 years	6,823	2,750
b) between 3 years and 5 years	4,065	720
c) over 5 years	2,100	3,038
Total long term-liabilities	**12,988**	**6,508**

Item	Credit/loan type	Borrower	Amount of credit as per agreement	Currency	Outstanding credit/loan amount	Currenc y	Interest rate	Repayment deadline
1	Investment credit to finance and refinance the acquisition of 100% of the shares in Gospodarstwo Rolne Ponary Sp. z o.o.	Pepees	10,530	PLN	2,383	PLN	WIBOR interest rate for 1-month deposits plus Bank margin	30/06/2025
2	Loan for the purchase of a Fendt 942 Vario Gen7 ProfiPlus agricultural tractor	Pepees	1,260	PLN	1,267		Fixed interest rate	20/10/2025
3	Loan for the purchase of a Deutz Fahr 9340 AGROTRON TTV agricultural tractor	Pepees	924	PLN	924		Fixed interest rate	13/12/2026
4	Investment credit to finance and refinance investment for production line for modified products of starch	Pepees	3,500	EUR	2,098	EUR	EURIBOR 1M base rate plus Bank margin	30/09/2030
5	Investment credit	Bronisław	8,456	PLN	3,837	PLN	WIBOR interest rate for 1-month deposits plus Bank margin	31/12/2027
Credits in PLN			**21,170**	**PLN**	**8,411**	**PLN**		
Credits in EUR			**3,500**	**EUR**	**2,098**	**EUR**		
Total after conversion to PLN			**36,388**	**PLN**	**17,533**	**PLN**		

The credit were measured in accordance with IFRS 9 and at amortised cost.

The amount of PLN 4,545 thousand was included in short-term liabilities in the consolidated statement of financial position, as it will be repaid within 12 months of the balance sheet date.

(data in PLN thousand).

Hedging
Re 1
The credit is hedged by a joint mortgage of up to PLN 15,795 thousand, assignment of cash receivables under an insurance contract, registered pledges on 32,400 shares (100% of shares) in Gospodarstwo Rolne Ponary, and a blank promissory note.
Re 2
The credit is hedged by a registered pledge on a Fendt 942 Vario Gen7 ProfiPlus agricultural tractor and a blank promissory note with a bill of exchange declaration.
Re 3
The credit is hedged by a registered pledge on a Deutz Fahr 9340 AGROTRON TTV agricultural tractor and a blank promissory note with a bill of exchange declaration.
Re 4
The investment credit is hedged by a joint mortgage of up to EUR 5,250 thousand, assignment of rights under insurance policy, registered pledges up to the hedging amount of EUR 5,250 thousand on machinery and equipment (production line for modified products of starch), blank promissory note together with a bill of exchange declaration
Re 5
The credit is hedged by a credit repayment surety granted by “PEPEES” S.A. in the amount of PLN 12,684 thousand.

Short-term credits

Item	Credit type	Borrower	Credit / loan amount as per agreement	Currency	Outstanding credit/loan amount	Currency	Interest rate	Repayment deadline
1	Overdraft facility	Pepees	4,000	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024
2	Working capital facility	Pepees	36,500	PLN	36,500	PLN	1 month WIBOR + bank margin	31/08/2024
3	Overdraft facility	Pepees	4,000	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024
4	Working capital facility	Pepees	36,500	PLN	36,500	PLN	1 month WIBOR + bank margin	31/08/2024
5	Loan for the purchase of property, plant and equipment - Deutz Fahr agricultural tractor	Pepees	937	PLN	367	PLN	Fixed interest rate	13/08/2024
6	Overdraft facility	Pepees	1,000	EUR	-	EUR	1 month EURIBOR + bank margin	04/12/2024
7	Working capital facility	Lublin	6,500	PLN	6,094	PLN	1 month WIBOR + bank margin	31/08/2024
8	Working capital facility	Lublin	6,500	PLN	5,956	PLN	1 month WIBOR + bank margin	31/08/2024
9	Overdraft facility	Lublin	2,000	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024

(data in PLN thousand).

10	Overdraft facility	Lublin	2,000	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024
11	Overdraft facility	Bronisław	700	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024
12	Working capital facility	Bronisław	17,800	PLN	17,633	PLN	1 month WIBOR + bank margin	31/08/2024
13	Overdraft facility	Bronisław	700	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024
14	Working capital facility	Bronisław	17,800	PLN	17,800	PLN	1 month WIBOR + bank margin	31/08/2024
Credits in PLN			**135,937**	**PLN**	**120,850**	**PLN**		
Credits in EUR			**1,000**	**EUR**	-	**EUR**		
Total after conversion to PLN			**140,285**	**PLN**	**120,850**	**PLN**		

**In the statement of financial position there is an amount of PLN 125,395 thousand; the difference of PLN 4,545 thousand relates to the portion of long-term credits that will be repaid within 12 months of the balance sheet date.*

Hedging

Working capital facilities and overdraft facilities in PLN were concluded on the basis of two credit agreements, the so-called “Multi-line Agreement” (Santander Bank Polska) and the so-called “Multi-purpose Credit Limit Agreement” (PKO BP), which are hedged by:

- contractual joint mortgage of PLN 58,500 thousand on property:
  - •belonging to PPZ Bronisław S.A.
  - •belonging to ZPZ Lublin Sp. z o.o.
  - - assignment of rights under the insurance policy for property:
  - •belonging to PPZ Bronisław S.A.
  - •belonging to ZPZ Lublin Sp. z o.o.
  - - registered pledge on assets:
  - •belonging to PEPEES S.A.
  - •belonging to PPZ Bronisław S.A.
  - •belonging to ZPZ Lublin Sp. z o.o.
- assignment of rights under insurance policies for property plant and equipment;
- a registered pledge on inventory with a value of no less than 145% of the working capital facility balance, together with the assignment of the inventory insurance policy;
- assignment of rights under inventory insurance policy;
- transfer of receivables arising from the operations of PEPEES S.A., PPZ Bronisław S.A., and ZPZ Lublin Sp. z o.o.;
- blank promissory note together with a bill of exchange declaration;
- blank promissory note with bill of exchange declaration issued by:
  - •PEPEES S.A.

- PPZ Bronisław S.A.
- ZPZ Lublin Sp. z o.o.

- contractual mortgage of up to PLN 58,500 thousand on property:
  - belonging to PPZ Bronisław S.A.
  - belonging to ZPZ Lublin Sp. z o.o.
- assignment of rights under the insurance policy for property:
  - belonging to PPZ Bronisław S.A.
  - belonging to ZPZ Lublin Sp. z o.o.
- registered pledge on property, plant and equipment:
  - belonging to PEPEES S.A.
  - belonging to PPZ Bronisław S.A.
  - belonging to ZPZ Lublin Sp. z o.o.
- assignment of rights under insurance policies for property, plant and equipment
- registered pledge on inventory
  - belonging to PEPEES S.A.
  - belonging to PPZ Bronisław S.A.
  - belonging to ZPZ Lublin Sp. z o.o.
- assignment of rights under inventory insurance policy
- general assignment of 40% of receivables
  - belonging to PEPEES S.A.
  - belonging to PPZ Bronisław S.A.
  - belonging to ZPZ Lublin Sp. z o.o.

The credit is hedged by a registered pledge on a Deutz Fahr agricultural tractor and a blank promissory note with a bill of exchange declaration.

The EUR overdraft facility is hedged by:

- a blank promissory note issued by the Borrower together with a bill of exchange declaration;
- a Credit repayment guarantee granted by Bank Gospodarstwa Krajowego under the PLG FGK portfolio guarantee line, in the amount of 40% of the granted Credit, i.e. in an amount not exceeding PLN 1,739,760.00. The term of the guarantee runs from 19 December 2022 to 4 March 2025;
- general silent assignment of the Borrower's receivables from selected debtors.

Information on failure to repay a credit or loan or breach of material provisions of a credit or loan agreement with respect to which no corrective actions were taken by the end of the reporting period:
All credits are repaid in accordance with contractual maturities. No provisions of credit facility agreements were violated during the reporting period.

(data in PLN thousand).

24. Financial risk management

The main risks arising from the Group's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and agrees on policies for managing each of these risks. These policies are briefly discussed below. The Group also monitors market price risk on all financial instruments it holds.

Interest rate risk

The Group's exposure to risk caused by interest rate changes relates primarily to credits whose interest rates depend on the bill rediscount rate and the WIBOR rate. The Group did not enter into interest rate swap contracts.

The table below shows the sensitivity of the gross financial result year-on-year to reasonably possible interest rate changes, assuming other factors remain constant (in connection with variable rate liabilities).

Increases/decreases by percentage points	**Impact on result**	**Impact on result**
	2023	**2022**
Credit interest rate increase by 10%	(5,038)	(4,423)
Credit interest rate decrease by 10%	5,038	4,423

Currency risk

The Group is exposed to currency risk due to the concluded transactions. Such risk arises as a result of sales for export and to EU countries in currencies other than the Polish zloty. Export and intra-Community deliveries accounted for more than 26% of total sales revenue in the reporting period.

The table below shows the sensitivity of the gross financial result to changes in the value of revenue and costs in the event of fluctuation of the USD and EUR exchange rates by PLN/EUR/USD 0.1.

Exchange rate increases/decreases	**Impact on result**	**Impact on result**
	2023	**2022**
PLN/USD exchange rate up by 0.1	203	493
PLN/EUR exchange rate up by 0.1	700	760
PLN/USD exchange rate down by 0.1	(203)	(493)
PLN/EUR exchange rate down by 0.1	(700)	(760)
Total impact on result	**+/-903**	**+/-1,253**

In addition, the Group has cash in bank and receivables in Euro and USD.

The effect of a change in the exchange rate of the USD and EUR held as at the balance sheet date by PLN/EUR/USD 0.1 is presented in the table below.

Exchange rate increases/decreases	**Impact on result**	**Impact on result**
	2023	**2022**
PLN/USD exchange rate up by 0.1	495	406
PLN/EUR exchange rate up by 0.1	218	393
PLN/USD exchange rate down by 0.1	(495)	(406)
PLN/EUR exchange rate down by 0.1	(218)	(393)
Total impact on result	**+/-713**	**+/-799**

(data in PLN thousand).

Credit risk
The Group enters into transactions only with verified customers with good creditworthiness. All customers who wish to use trade credits undergo preliminary verification. In addition, the Group's exposure to the risk of bad debts is insignificant due to the ongoing monitoring of receivable balances. The insurer's assessment of financial credibility and the granted financial limit carried out by KUKE is also the deciding factor.
The Group has no significant concentrations of credit risk.

Liquidity risk
The Group aims to maintain a balance between continuity and flexibility of funding by using a variety of funding sources such as overdraft facilities, and concessional short and long-term bank credits. The Group manages liquidity risk by maintaining an adequate amount of reserve capital, utilising banking service proposals and standby facilities, continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

25. Capital management

The main objective of the Group's capital management is to ensure its ability to continue as a going concern, taking into account the implementation of planned investments, while increasing the Group's shareholder value.
The Group monitors its capital using the leverage ratio calculated as the ratio of net debt to total capital increased by net debt. The Group's net debt includes credits, loans, liabilities under financial lease, trade and other liabilities, less cash and cash equivalents.

Item	As at 31 December 2023	As at 31 December 2022
Credits, loans, liabilities under financial lease	157,410	151,678
Trade and other liabilities	23,116	19,712
Cash and cash equivalents (-)	(44,732)	(57,687)
Net debt	135,794	113,703
Equity	177,312	183,219
Net equity and debt	313,106	296,922
Leverage ratio	**43.37%**	**38.29%**

The 2023 leverage ratio was higher than in the previous reporting period due to a decrease in cash and cash equivalents of PLN 12,955 thousand, while equity attributable to the Issuer's shareholders decreased by PLN 5,907 thousand in relation to 2022.

(data in PLN thousand).

NOTES TO THE STATEMENT OF CASH FLOWS
26. Statement of cash flows

ACCOUNTING POLICY

The Group prepares a cash flow statement using the indirect method, divided by operating, investment and financing activities.
Cash flows from operating activities are primarily derived from core business. They do not include external funding sources.
Investment activity flows are mainly:
- cash paid and received for the acquisition (disposal) of tangible fixed assets, intangible assets and other fixed assets;
- cash relating to the acquisition or sale of equity instruments;
- received dividends;
- loans granted to third parties;
- cash from settlement of forward contracts.

Cash flows from financing activities mainly relates to external financing sources. The following are recognised on this account:
- proceeds from share issue (none in the presented period);
- expenditure on purchase of treasury shares;
- dividends and other payments to shareholders;
- credits and loans taken out and repaid;
- grants and all other non-refundable proceeds from an external source.

Non-monetary transactions

Item	2023	2022
Acquisition of assets through financial lease	(-557)	(5,186)
Accrued but unpaid interest on loan (change)	-	-

Unused overdraft limits

As at 31/12/2023, the Group had unused overdraft facilities of PLN 17,748 thousand (as at 31/12/2022: PLN 17,274 thousand).

OTHER NOTES
27. Contingent liabilities and receivables. Litigation

a. Contingent assets

The Group holds in perpetual usufruct 680,849 sq.m. of land, the value of which as at 31/12/2023, resulting from the decision setting the annual fee, amounted to PLN 24,011 thousand (in 2022 it was also PLN 24,011 thousand).

(data in PLN thousand).

Group companies pay an annual fee of 3% on value. The fee in 2023 amounted to PLN 716 thousand (2022 - PLN 716 thousand).
From 2019 onwards, perpetual usufruct rights are recognised under "rights to assets" in the statement of financial position.

b. Contingent liabilities

CHANGE IN CONTINGENT LIABILITIES (ON ACCOUNT OF)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) opening balance, including	**14,451**	**14,449**
- liabilities under non-competition agreements	1,767	1,765
- surety for credits to related companies	12,684	12,684
b) increase (under)	**269**	**40**
- liabilities under non-competition agreements	269	40
c) utilisation (under)	**-**	**38**
- liabilities under non-competition agreements	-	38
d) closing balance, including	**14,720**	**14,451**
- liabilities under non-competition agreements	2,036	1,767
- surety for credits to related companies	12,684	12,684

Indication of material proceedings pending before courts, competent arbitration bodies or public administration bodies, concerning the Group's liabilities and receivables, with an indication of the subject of proceedings, the value of the dispute subject, the date the proceedings were initiated, the parties to the initiated proceedings and the Group's position

On 25/06/2019 the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. filed a lawsuit to establish that the shareholder of EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, holding, according to the information in the Company's possession, 27,714, 832 shares, lost and cannot exercise the voting rights from 21,402,233 shares due to the breach of the obligation to notify of the acquisition of significant blocks of shares pursuant to Article 89(1)(1) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies. Epsilon FIZ AN takes the opposite position, maintaining that it is entitled to voting rights under 27,714,832 shares representing 29.17% of the total number of votes at the GMS. The Chairman of the Financial Supervision Authority joined the case and presented their position on 24 July 2019. The Company reported on the case in current reports Nos. 13/2019, 14 to 23/2019 and 30/2019.
On 21/04/2023 the District Court of Białystok ruled that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which is a shareholder of the Company, has lost the voting rights and cannot exercise them under 21,402,233 ordinary shares. This ruling is not final, as the Issuer informed in current report No. 7/2023.
As at the date of this report, there are pending lawsuits filed by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw against "PEPEES" S.A.:

- to annul or declare invalid resolutions No. 24 to 29, adopted on 28/06/2019 by the Ordinary General Meeting of Shareholders, including resolution No. 28 on amending the Company's Articles of Association and authorising the Company's Management Board to increase the Company's share capital within the framework of authorised capital with the possibility for the Management Board to exclude the pre-emptive rights of the Company's existing shareholders in whole or in part with the consent of the Company's Supervisory Board. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;

- to annul or declare invalid two discharge resolutions adopted on 21/04/2020 by the General Meeting of Shareholders. The proceedings are pending before the court of first instance. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;
- to annul or declare invalid four resolutions adopted on 29 June 2021 by the Ordinary General Meeting of Shareholders, i.e. resolution No. 4 on the consideration and approval of the Company's financial statements for the period from 01/01/2020 to 31/12/2020, resolution No. 9 on the allocation of the Company's net profit for the financial year 2020, and resolutions No. 10 and 11 on granting discharge to the members of the Company's Management Board. The proceedings are pending before the court of first instance. On 11 January 2022 the District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;
- to annul or declare invalid nine resolutions adopted on 14 April 2022 by the Ordinary General Meeting of Shareholders on the consideration and approval of the Company's financial statements for the period from 01/01/2021 to 31/12/2021, the consolidated report, the Company's management report, the allocation of the Company's net profit for the financial year 2021, granting discharge to the Company's Management Board members, the appointment of 2 Supervisory Board members, the purchase of treasury shares and the creation of reserve capital. The proceedings are pending before the court of first instance. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;
- to annul or declare invalid three resolutions adopted on 25 May 2023 by the Ordinary General Meeting of Shareholders, i.e. resolutions No. 9 and 10 on granting discharge to the members of the Company's Management Board and resolution No. 11 on granting discharge to the Chairman of the Supervisory Board. The proceedings are pending before the court of first instance. Trial date has not yet been set.

Otherwise, there are no other significant proceedings pending before a court, an authority competent to conduct arbitration proceedings or a public administration body concerning the liabilities and receivables of the Issuer or its subsidiaries.

28. Transactions of the Issuer with related parties

ACCOUNTING POLICY
The Group discloses all related party transactions and outstanding balances of receivables and liabilities in the financial statements.
Intragroup transactions and balances and unrealised profits arising from transactions between the Group's entities are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. Where necessary, the accounting policy of the subsidiaries was changed to be in line with that of the Group.

(data in PLN thousand).

28.1 Transactions with subsidiaries

a. Revenue from sales of goods and products

Revenue type	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Revenue from sales of products to subsidiaries	1,353	1,388
Revenue from sales of services to subsidiaries	325	318
Revenue from sales of goods to subsidiaries	816	
Revenue from sales of raw materials to subsidiaries	4,676	3,192
Revenue from sales of property, plant and equipment to subsidiaries	22	15
Total revenue from related parties	**7,192**	**4,913**

The sales price is determined using the cost-plus method or on the basis of price lists in force with unrelated parties.

b. Purchases of products, goods and services from subsidiaries

Purchase types	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Purchases of products from subsidiaries	15,409	8,873
Purchases of services from subsidiaries	87	65
Purchases of goods and materials from subsidiaries		156
Purchases of property, plant and equipment from subsidiaries	1,016	
Total purchases from related parties	**16,512**	**9,094**

c. Settlement balances as at the balance sheet date arising from the sale/purchase of goods/services

Receivables from related parties	As at 31 December 2023	As at 31 December 2022
ZPZ Lublin	-	118
PPZ BRONISŁAW	1,587	1,285
GR PONARY	1	1
Pepees Inwestycje	1	
Total receivables from related parties	**1,589**	**1,404**

Liabilities to related parties	As at 31 December 2023	As at 31 December 2022
ZPZ Lublin	58	142
PPZ BRONISŁAW	1,598	-
Total liabilities due to related parties	**1,656**	**142**

(data in PLN thousand).

d. Loans granted to related parties

Loans granted to related parties	As at 31 December 2023	As at 31 December 2022
PPZ BRONISŁAW S.A.	7,200	4,700
GR PONARY Sp. z o.o.	220	550
ZPZ Lublin Sp. z o.o.	-	1,007
Loans granted, including:	**7,420**	**6,257**
- with a repayment period of up to 1 year	7,420	6,257
- with a repayment period of more than one year	-	-
Loans in the statement of financial position	**7,420**	**6,257**

e. Bonds in related parties

Entity	As at 31 December 2023	As at 31 December 2022
PPZ BRONISŁAW	8,000	8,000
Total bonds from related parties	**8,000**	**8,000**

f. Interest on loans and sureties granted

Entity	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
ZPZ Lublin	62	42
PPZ BRONISŁAW	605	284
GR PONARY	23	16
Total	**690**	**342**

g. Interest on received sureties

Entity	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
GR PONARY	158	158
Total	**158**	**158**

h. Interest on bonds held

Entity	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
PPZ BRONISŁAW	320	320
Total	**320**	**320**

i. contingent items

Contractual mortgages are established on the assets of the subsidiaries (ZPZ Lublin and PPZ Bronisław) as security for credits taken out by “PEPEES” S.A. up to PLN 58,000 thousand.

28.2 Transactions with key management personnel of the Issuer

a) benefits for key management personnel

Management Board in PLN thousand:	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Short-term benefit	1,641	1,358
Post-employment benefits		
Other long-term benefits		
Termination benefits		
Share-based payments		

Supervisory Board in PLN thousand	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Short-term employee benefits	753	917
Post-employment benefits		
Other long-term benefits		
Termination benefits		
Share-based payments		

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

Information on the remuneration received by individual members of the Management Board and Supervisory Board of the Issuer can be found in the management report.
There were no transactions as understood under IAS 24 during the reporting period.

29. Dividends paid

ACCOUNTING POLICY

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

The Management Board, when recommending the payment of dividends to the Company's General Meeting, takes into account the current and expected financial and liquidity position of PEPEES S.A. and the PEPEES Capital Group as well as existing and future liabilities.

Dividends:	2023	2022
Dividends recognised as payments to owners per share	0.10	-
Dividends proposed or enacted up to the date the financial statements were authorised to be published but not recognised as distributed to shareholders	-	-
Dividends proposed or enacted up to the date the financial statements were authorised to be published but not recognised as distributed to shareholders, per share	-	-

(data in PLN thousand).

Dividends paid in the last 5 years are presented in the table below.

For the financial year	Dividend date	Dividend payment date	Dividend amount in PLN	Dividend per share	Dividend payment rate
2019	01/07/2020	31/07/2020	11,400,000	0.12	65%
2020	-		-	-	-
2021	-		-	-	-
2022	06/06/2023	19/07/2023	9,381,351.30	0.10	100%
2023	-		-	-	-

All Company shares are ordinary shares.

The Management Board proposes to allocate the Issuer's profit for the financial year 2023, amounting to PLN 7,778 thousand, to the Company's supplementary capital.

30. Average headcount in the Group

Item	Average headcount in 2023	Average headcount in 2022
White-collar workers	141	148
Blue-collar workers	271	280
Persons on parental leave and unpaid leave	3	3
Total	**415**	**431**

31. Statutory auditor's remuneration

The statutory auditor's remuneration due for the review of the interim financial statements and consolidated financial statements and the audit of the financial statements and consolidated financial statements for 2023 is PLN 87,000 plus VAT.

In addition, the statutory auditor performed three assurance engagements for PEPEES during the reporting period, relating to:

1. assessment of the Management Board and Supervisory Board remuneration report prepared for 2022 by the PEPEES Supervisory Board;
2. confirming the correctness of the Company's report as an applicant for aid granted from the government programme titled "Aid to energy-intensive industry related to natural gas and electricity prices in 2023";
3. confirming the correctness of calculation of the electricity consumption intensity factor (industrial customer – Energy Regulatory Office).

The total remuneration for the aforementioned assurance engagements was PLN 23,800 plus VAT.

32. Significant events that occurred after the balance sheet date

There were no material events after the balance sheet date.

33. Approval of the financial statements

The annual consolidated financial statements were approved and authorised for publication by the Management Board on 5 April 2024.

STATEMENT OF THE MANAGEMENT BOARD

A. on the reliability of preparation of the consolidated financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. represents that, to the best of its knowledge, it has ensured the preparation of annual consolidated financial statements that give a true, fair and clear view of all information relevant to the assessment of the PEPEES Capital Group’s financial and asset position as at 31/12/2023, as well as its financial result for the financial year from 01/01/2023 to 31/12/2023.

These annual consolidated financial statements have been prepared using accounting policies that comply with International Financial Reporting Standards as endorsed by the European Union.

In preparing the annual consolidated financial statements, the Management Board ensured that appropriate measurement principles were selected and that the annual consolidated financial statements were prepared. In the measurement of assets and liabilities and determination of the financial result, it has been assumed that the PEPEES Capital Group shall continue its business activities in the foreseeable future in a materially non-reduced scope which is consistent with the actual and legal state of affairs.

The Management Board is responsible for the performance of accounting duties set out in the provisions of law.

These annual consolidated financial statements were approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. on 5 April 2024.

B. on the entity authorised to audit the financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. represents that the entity authorised to audit financial statements, which audited the annual consolidated financial statements, was selected in accordance with legal regulations and that the entity and statutory auditors conducting the audit met the conditions for issuing an impartial and independent audit opinion, in accordance with applicable regulations.

The entity authorised to audit the annual consolidated financial statements of the PEPEES Capital Group for 2023 is WBS Audyt Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, ul. Grzybowska 4, apt. U9B, 00-131 Warsaw, entered on the list of entities authorised to audit financial statements under registration number 3685 at the Polish Chamber of Statutory Auditors, based on a contract concluded on 09/01/2023.

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

President of the Management Board - Wojciech Faszczewski

Member of the Management Board - Tomasz Krzysztof Rogala

SIGNATURE OF THE PERSON PREPARING THE REPORT

Chief Accountant - Małgorzata Kordas