

Letter from the President of the Management Board of the PEPEES Capital Group Parent Company

Dear All,

I wish to present to you the annual report of the PEPEES Capital Group for 2023, which, in the opinion of many analysts, was another year during which many unfavourable market trends converged. Markets face economic events arising from the effects of the outbreak of war in Ukraine and the period after the global pandemic. Hopes for an end to the armed conflict across our eastern border fail to be reflected in reality. The military acts of the Russian aggressor and the sanctions imposed on Russia have resulted in a significant energy crisis in Europe, caused by the stoppage of supplies from the East (oil, gas, coal) which has resulted in changing fuel prices. To date, this has translated into higher prices for energy, transport services and, consequently, higher prices for all products and services on European markets.

In addition, an agricultural market crisis broke out. EU decisions to suspend customs fees on agricultural products from Ukraine have caused perturbations on the Polish and European agricultural markets. The influx of cereals from Ukraine combined with the drop of cereal prices on world markets has triggered a far-reaching crisis in Polish agriculture. Farms faced sales and liquidity problems. The difficult situation of agricultural producers has also affected the Capital Group's growers, who are suppliers of raw material to the Group's factories. The reorientation of agricultural producers towards cereal production over the last two years has not yielded the expected results, while the operation of rebuilding the position of starch potato production is encountering difficulties, especially in terms of obtaining seed potatoes and adequate technical facilities - agricultural machinery used in potato production and storage facilities.

In 2023, the Group maintained its current business position in the market, with revenue totalling PLN 222.2 million and gross profit on sales of PLN 60.5 million. The decrease in the Group's net profit in 2023 compared to the same period of the previous year was due to a decrease in sales revenue as a result of a decrease in prices and due to the loss incurred by PPZ Bronisław. The decrease in sales revenue was due to a reduction in market prices for potato starch and other products manufactured by the Group. The Group recorded a significant decrease in its own sales cost and closed the year with a net profit of PLN 3,999 thousand attributable to shareholders of the parent company.

Despite the persisting difficult conditions, the Capital Group continued to implement the assumptions of the Strategy adopted until 2024, according to which PEPEES S.A.'s mission is to strengthen its position as a leader in the agri-food processing sector, offering a wide range of starch products and implementing innovative products. The Issuer intends to continue to create satisfactory shareholder value, ensure employee satisfaction and enable the development of agricultural production in Poland by building long-term relationships with growers, guaranteeing them stability and profitability in the cultivation of raw materials. Due to the need for product diversification, the PEPEES Company began construction of a modified products of starch plant. This is a response to market expectations, as it should be noted that sales of packaged food are steadily increasing as a result of fast, chaotic lifestyle, limited time for meal preparation, growing e-commerce and rising disposable incomes. Modified starches are widely used by pharmaceutical companies around the world at various stages of drug development. Modified starch is also a source of natural carbohydrates in animal feed due to its unique

digestibility properties. Modified starches work well as binding and thickening agents, providing wet and dry feeds the stability needed, for example, to make sauces and meat gravies in moist feeds and giving dry and semi-moist products greater flexibility, crunchiness or crispness.

We have achieved a result for which I would like to express my sincere gratitude to all the Group's Shareholders, Customers, Suppliers and Employees, without whom it would not have been possible to achieve such satisfactory results in these difficult conditions. I believe that we have entered 2024 as a stable Capital Group with solid foundations and a secure financing structure. With the Russian aggressor still not intending to withdraw its troops from Ukrainian territory there is a reasonable risk that all the unfavourable trends for the economy will continue in 2024.

However, I believe that our stable financial position, high-quality products and many years of experience will enable us to properly handle potential problems and remain a credible and reliable business partner who will continue to implement the adopted Strategy and strive to increase the value and attractiveness for its Shareholders.

Yours faithfully
Wojciech Faszczewski
President of the Management
Board