PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO “PEPEES” SPÓŁKA AKCYJNA IN ŁOMŻA

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

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

INDEX TO THE ANNUAL FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA CONVERTED INTO EUR

The following exchange rates announced by the National Bank of Poland were used to convert selected financial data into EUR:

- selected items of statement of financial position as at 31/12/2023 at the average exchange rate of EUR 1 = PLN 4.3480, valid as of the balance sheet date;
- selected items of statement of financial position as at 31/12/2022 at the average exchange rate of EUR 1 = PLN 4.6899, valid as of the balance sheet date;

Item	SELECTED FINANCIAL DATA	IN PLN THOUSAND		IN EUR THOUSAND	
	Year	2023	2022	2023	2022
I	Total sales revenue	169,273	186,512	37,381	39,783
II	Net profit or loss	7,778	9,204	1,718	1,963
III	Net comprehensive income	7713	9,227	1,703	1,968
IV	Net cash flows from operating activities	19,303	25,049	4,263	5,343
V	Net cash flows from investment activities	(33,785)	(7,**496**)	(7,461)	(1,599)
VI	Net cash flows from financing activities	837	296	185	63
VII	Net cash flows	(13,645)	17,849	(3,013)	3,807
VIII	Total assets	292,566	289,420	67,287	61,711
IX	Equity	162,335	165,203	37,336	35,225
X	Profit (loss) per one ordinary share (in PLN/EUR)	0.08	0.10	0.02	0.02
XI	Net comprehensive income per share (in PLN/EUR)	0.08	0.10	0.02	0.02
XII	Book value per share (in PLN/EUR)	1.71	1.74	0.39	0.37

- selected items of the statement of comprehensive income and statement of cash flows for the period from 1 January 2023 to 31 December 2023 at the exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland valid as of the last day of each month of 2023 - EUR 1 = PLN 4,5284,
- selected items of the statement of comprehensive income and statement of cash flows for the period from 1 January 2022 to 31 December 2022 at the exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland valid as of the last day of each month of 2022 - EUR 1 = PLN 4,6883.

Financial statements for the 12-month period ended 31 December 2023 (data in PLN thousand)

STATEMENT OF FINANCIAL POSITION

Item	ASSETS	Note	As at 31 December 2023	As at 31 December 2022
A.	**(Long-term) fixed assets**		**139,355**	**127,642**
1.	Tangible fixed assets	9.1	96215	85,012
2.	Intangible assets	9.2	158	644
3.	Rights to assets	9.3	15,898	14,576
4.	Investment property	9.4	353	363
5.	Investments in subsidiaries	9.5	23,586	23,586
6.	Investments in other parties	9.6	713	383
7.	Deferred income tax assets	9.22	2,432	3,078
B	**(Short-term) current assets**		**153,211**	**161,778**
1.	Inventories	9.7	72,302	67,050
2.	Biological assets	9.8	34	326
3.	Trade and other short-term receivables	9.9 9.10	25,191	29,733
4.	Other financial assets	9.6 9.11	17810	13,150
5.	Cash and cash equivalents	9.12	37,874	51,519
	Total assets		**292,566**	**289,420**

	LIABILITIES	Note	As at 31 December 2023	As at 31 December 2022
A	**Equity**		**162,335**	**165,203**
1.	Share capital	9.13	5,700	5,700
2.	Issue price surplus over nominal value of shares	9.14	7,562	7,562
3.	Treasury shares		(1,424)	(224)
4.	Revaluation capital	9.14	30,465	30,530
5.	Retained profit	9.14 9.15	120,032	121,635
B	**Liabilities**		**130,231**	**124,217**
I	**Long-term liabilities**		**31,563**	**24,814**
1.	Credits and loans	9.16	10,169	2,750
2.	Liabilities for leased assets	9.19	10,681	12,492
3.	Deferred income tax provision	9.21	4,904	5,450
4.	Retirement and similar benefit liabilities	9.17	2,795	2,295
5.	Subsidies	9.20	1,730	1,827
6.	Other long-term liabilities	9.18	1,284	-
II	**Short-term liabilities**		**98,668**	**99,403**
1.	Trade liabilities and other short-term liabilities	9.18 9.20	14,995	16,257
2.	Current income tax liabilities		3,497	3,032
3.	Credits and loans	9.16	76,894	75,881
4.	Liabilities for leased assets	9.19	2,878	3,737
5.	Retirement and similar benefit liabilities	9.17	404	496
	Total liabilities		**292,566**	**289,420**

Financial statements for the 12-month period ended 31 December 2023 (data in PLN thousand)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Item	Item	Note	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
I	**Sales revenue**		**169,273**	**186,512**
1.	Revenue from sales of products	10.1	149,554	172,147
2.	Revenue from sales of services	10.2	1,469	1,246
3.	Revenue from sales of goods and materials	10.3	18,250	13,119
II	**Own cost of sales**		**(123,228)**	**(130,953)**
1.	Costs of products sold	10.4	(96,353)	(111,410)
2.	Costs of services sold	10.4	(961)	(872)
3.	Costs of goods and materials sold		(18,000)	(11,603)
4.	Agricultural production result	10.6	(7,914)	(7,068)
III	**Gross profit (loss) on sales (I - II)**		**46,045**	**55,559**
1.	Sales and marketing costs	10.4	(8,627)	(12,536)
2.	Overheads	10.4	(25,668)	(25,549)
3.	Other operating revenue	10.7	1,607	560
4.	Other operating costs	10.8	(678)	(1,645)
IV	**Operating profit (loss)**		**12,679**	**16,389**
1.	Financial costs	10.9	(5,512)	(4,674)
2.	Financial revenue	10.10	4,909	1,901
V	**Pre-tax profit (loss)**		**12,076**	**13,616**
VI	**Income tax**	10.11	(4,298)	(4,412)
VII	**Net profit (loss)**		**7,778**	**9,204**
VIII	**Other comprehensive income**		**(65)**	**23**
1.	Revaluation of employee benefit liabilities		(65)	23
IX	**Total comprehensive income, including:**		**7,713**	**9,227**
X	**Net profit (loss) per share**	10.12	**0.08**	**0.10**

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STATEMENT OF CHANGES IN EQUITY

Item	Share capital	Share premium	Treasury shares	Revaluation capital	Retained profit	Total equity
As at 1 January 2022	**5,700**	**7,562**	-	**30,507.**	**112**	**156,200**
Net profit (loss) for the financial year	-	-	-		9	9204
Purchase of treasury shares			(224)			
Other comprehensive income for the financial year (net)	-	-		23		223
As at 31 December 2022	**5,700**	**7,562**	**(224)**	**30,530**	**121**	**165203**
As at 1 January 2023	**5,700**	**7,562**	**(224)**	**30,530**	**121**	**165203**
Purchase of treasury shares			(1,200)			(1200)
2022 profit dividend	-				(7 2	(7233)
Supplementary capital dividend	-				(2	(2148)
Net profit (loss) for the period	-	-			7	7778
Other comprehensive income for the financial year (net)	-	-		(65)		(65)
As at 31 December 2023	**5,700**	**7,562**	**(1,424)**	**30,465**	**120**	**162335**

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STATEMENT OF CASH FLOWS

Item	Item	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)**	**12,076**	**13,616**
II	**Total adjustments**	**7,227**	**11,433**
1.	Amortisation	11,466	13,407
2.	Exchange (profit) losses	(253)	-
3.	Interest and profit sharing (dividend)	2,913	2,107
4.	(Profit) loss on investment activities	(245)	(150)
5.	Change in provisions	408	(33)
6.	Change in inventories	(5,252)	(3,773)
7.	Change in biological assets	292	234
8.	Change in receivables	**4** 542	(1,495)
9.	Change in short-term liabilities, excluding credits and loans	22	2,537
10.	Income tax paid/reimbursed	(3,718)	(2,498)
II.	Change in subsidies	(97)	(98)
12.	Change in accrued interest on loans	(58)	(7)
13.	Change in other financial assets	(1,322)	1,185
14.	Additional contributions received	(1,099)	(890)
15.	Revaluation of financial fixed assets	(1,949)	303
16.	Depreciation of CO2 emission rights	1,582	600
17.	Other adjustments	----------------------- -(51	4
III	**Net cash flows from operating activities**	**19,303**	**25,049**
B.	**Cash flows from investment activities**		
I	**Inflows**	**4,164**	**891**
1.	Disposal of intangible assets and tangible fixed assets	1,320	163
2.	Received dividends	300	200
3.	Securities revenue	320	320
4.	Repayment of loans granted	2,224	208
II	**Expenditure**	**37,949**	**8,387**
1.	Purchase of intangible assets and tangible fixed assets	23,253	4,960
2.	Purchase of property rights	1,155	1,027
3.	Loans granted	4,160	2,400
4.	Dividend	9,381	-
III	**Net cash flows from investment activities**	**(33,785)**	**(7,496)**
C.	**Cash flows from financing activities**		
I	**Inflows**	**76,655**	**67,580**
1.	Credits and loans	75,556	66,690
2.	Additional contributions received	1,099	890
II	**Expenditure**	**75,818**	**67,284**
1.	Repayment of credits and loans	67,422	60,439
2.	Interest on bank credits and loans	3,533	2,627
3.	Purchase of treasury shares	1,676	294
4.	Payments from lease contracts	3,187	3,924
III	**Net cash flows from financing activities (T-TT)**	**837**	**296**
D.	**Total net cash flows (A.III+/-B.III+/-C.III)**	**(13,645)**	**17,849**
E.	**Balance sheet change in cash and cash equivalents**	**(13,645)**	**17,849**
F.	**Cash opening balance**	**51,519**	**33,670**
G.	**Cash closing balance (F+/-D)**	**37,874**	**51,519**
	- including: limited disposal cash		

Financial statements for the 12-month period ended 31 December 2023 (data in PLN thousand)

INFORMATION ON ACCOUNTING PRINCIPLES ADOPTED AND OTHER NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

1. General information

Full name:	Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A.
Registered address:	18-402 Łomża, ul. Poznańska 121
ID:	REGON (National Business Registry) number: 450096365
NIP:	7181005512
Registration Authority:	District Court in Białystok, 12th Commercial Division of the National Court Register
Register number:	000038455
Legal form:	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

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

Financial statements for the 12-month period ended 31 December 2023 (data in PLN thousand)

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.

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.

STATEMENT OF THE MANAGEMENT BOARD

A. on the reliability of preparation of the 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 financial statements that give a true, fair and clear view of all information relevant to the assessment of the Company'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.

While drawing up the financial statements, the Management Board ensured the choice of relevant principles of measurement and preparation of the financial statements. In the measurement of assets and liabilities and determination of the financial result, it has been assumed that the Company 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 financial statements were approved by PEPEES S.A. for publication 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 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 financial statements of "PEPEES" S.A. 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.

2. Information on reporting periods

The presented annual 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.

3. Basis for preparation of the annual financial statements

These financial statements have been prepared using accounting policies in line with:

- International Financial Reporting Standards as endorsed by the European Union;
- to the extent not governed by the above standards, the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2021, item 217) and the implementing regulations issued on its basis.

IFRS include Standards and Interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied during the preparation of these separate financial statements are the same as those applied in the preparation of the annual separate financial statements for the year ended 31 December 2022, except for the application of new or revised standards and interpretations effective for annual periods beginning on or after 1 January 2023.

The amended standards and interpretations, which were applied for the first time in 2023, have no significant impact on these separate financial statements.

While drawing up the financial statements, the Management Board ensured the choice of relevant principles of measurement and preparation of the financial statements. In the measurement of assets and liabilities and determination of the financial result, it has been assumed that the Company 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. These annual financial statements are presented in Polish zloty ("PLN") and all figures, unless indicated otherwise, are given in PLN thousand.

These annual financial statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these annual financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. is not aware of any circumstances that would indicate a threat to the Company continuing as a going concern.

The financial statements do not include aggregate figures as PEPEES is a single business enterprise company.

PEPEES S.A. is the Parent Company and prepares consolidated financial statements.

4. Significant accounting principles (policies)

4.1. Changes in the accounting principles

The Company did not change its previously applied accounting policies, except for the application of new or revised standards and interpretations, effective for annual periods beginning on or after 1 January 2023.

4.2. Adjustments of prior period errors

There were no adjustments of prior period errors.

4.3. 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.

4.4. Conversion of items denominated in a foreign currency

The functional (measurement) and presentation currency of PEPEES S.A. 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 Company. All exchange rate differences are recognised in the statement of comprehensive income for the given period.

4.5. Segment reporting

The Company manufactures and sells starch and starch hydrolysates. Due to the concentration of the Company’s activities on one type of business and in one geographical area, it has one reportable segment, i.e. “potato processing”. One segment is identified in daily records and internal reports.

This report discloses information in accordance with sections 32 to 34 of IFRS 8.

4.6. Tangible fixed assets

At the time of transition to IAS, the Company 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 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 Company 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 - 5 years
- fixed equipment and devices 2 - 15 years

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

Applying the materiality principle, the Company recognises property, plant and equipment with an initial value of up to PLN 3,500 on a one-off basis in the profit and loss account in the period in which the expense was incurred.

4.7. Intangible assets

Intangible assets are recognised when it is probable that they will result in future economic benefits to the Company that can be directly associated with those assets. The Company 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 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

CO_2 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 CO_2 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.

4.8. Rights to asset (Right of perpetual usufruct of land)

From 01/01/2019, the Company 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 Company 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 they related. With effect from 01/01/2019, the perpetual usufruct right has been classified by the Company 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 statement of financial position.

4.9. Investment property

Investment properties are properties that are treated as a source of lease revenue and/or are maintained for capital appreciation.

Investment properties are initially measured at purchase price or cost of manufacture. After initial recognition, the Company has chosen the purchase price or cost of manufacture model for all investment properties and measures them in accordance with IAS 16 "*Property, Plant and Equipment*", except for properties that meet the criteria to be classified as held for sale, which are measured in accordance with IFRS 5.

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 statement of comprehensive income.

4.10. Financial instruments

With effect from 1 January 2018 the Company classifies financial assets into one of the three categories set out in IFRS 9:

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

The Company classifies trade receivables, loans granted, other receivables, deposits and cash and cash equivalents in the category of assets measured at amortised cost.

The Entity 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 Company 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 Company 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 Company 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.

4.11. Inventories

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 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 Company recognises impairment losses against the cost of sold products where the purchase price is higher than the realisable sales price.

4.12. Biological assets

The Company leases farms where it grows annual crops such as potatoes, peas, rape and 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.

4.13. Short- and long-term notes receivable

Trade receivables with a maturity of 180 days or less 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 Company 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. The Company makes revaluation write-downs based on the age structure and analysis of the credit risk associated with the given debtor. Receivables with a maturity of 180 days or more are measured at adjusted cost (amortised cost) using the effective interest rate method.

4.14. Foreign currency transactions

Transactions expressed in currencies other than the Polish zloty are converted to the Polish zloty using the exchange rate applicable on the date of the transaction.

As at the balance sheet date, cash, bank credits and other assets and liabilities expressed in currencies other than the Polish zloty are translated into the Polish zloty using the exchange rate of the bank handling the company business. Foreign exchange differences resulting from translation are included in the financial revenue or costs, respectively.

4.15. Cash and cash equivalents

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

4.16. Advances

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 statement of comprehensive income by systematic and rational distribution over time. Costs are recognised immediately in the statement of comprehensive income if the incurred expenses do not generate any future economic benefits.

4.17. Equity

Share capital shall be recognised at the value set out in the Company's Articles of Association entered in the National Court Register.

The supplementary capital is created in accordance with the Company's Articles of Association or Deed and the Commercial Companies Code, which state that it may be *increased* by:

- allocation of a portion of net profit;
- transferring surpluses achieved on the issue of shares above their nominal value;
- payment of additional contributions by shareholders in return for granting special rights to their existing shares, insofar as these additional contributions are not used to offset extraordinary write-downs or losses;
- transferring the net positive difference from the revaluation of property, plant and equipment due to their release for sale or liquidation if separate regulations do not show that these differences are transferred to the financial result;

and *reduced* by:

- loss coverage;
- making redemptions of own shares;
- coverage of share issue costs up to the issue amount exceeding the share issue nominal value; the remainder of the costs are classified as finance costs;
- free-of-charge transfer of property, plant and equipment, in accordance with the resolution of the GMS;
- transferring the net negative positive difference from the revaluation of property. plant and equipment due to their release for sale or liquidation if separate regulations do not show that these differences are transferred to the financial result;

The asset revaluation reserve is used to recognise revaluations of fixed assets resulting in an increase in their value. An update of provisions for future employee benefits is also recognised in this reserve.

The reserve capital is created in accordance with the articles of association and resolutions of the AGM from net profit and is used to cover capital expenditure.

4.18. Bank credits and loans

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 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 Company 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.

4.19. 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 statement of comprehensive income.

4.20. Deferred income tax

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. 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.

The deferred income tax assets are identified in the amount which will presumably be deducted in the future from the income tax with respect to deductible temporary differences which will reduce income tax base in the future. A deferred tax asset is recognised when it is probable that future taxable profit will be available, allowing temporary differences to be utilised.

4.21. Employment benefits

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

4.22. Trade liabilities

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.

4.23. Provisions

Provisions are recognised if the Company has a present obligation (legal or constructive) arising from past events and if it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the liability.

No provisions are made for future operating losses.

4.24. Accruals and deferred income

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 and the cost of CO_2 emission allowance depreciation. Accruals are recognised when the amounts of the future liability and the date of payment can be reliably estimated.

4.25. Impairment of assets

As at each balance sheet date, the Company assesses whether there is objective grounds for permanent impairment of an asset or group of assets. If such grounds exist, the Company determines the estimated recoverable value of the asset and makes a revaluation write-down 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.

4.26. Lease

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.

On 1 January 2019, a new standard applied by the Company, IFRS 16 “Leases”, came into force, replacing the previous IAS 17 of the same title and its accompanying interpretations:

> IFRIC 4 Determining Whether an Arrangement Contains a Lease;

> SIC 15 Operating Leases - Incentives;

> SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

For lessees, the new standard 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 Company 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 Company 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 Entity:

> 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 Company 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.

Property, plant and equipment used under lease contracts are amortised under the same principles as those applied to the Company's own assets. However, if it is not reasonably certain that the Company 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.

4.27. Revenue recognition

Revenue is recognised in the amount viewed as probable economic benefits for the Company, 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 Company 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 Company 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 Company 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 Company 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 Company 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:

1. the customer simultaneously receives and derives economic benefit from the Company's performance as it performs its obligation; or
2. an asset (e.g. work in progress) is created or improved as a result of the Company's fulfilment of an obligation, while control over that asset, as it is created or improved, is vested in the customer; or
3. as a result of fulfilment of an obligation by the Company, an asset is created that has no alternative use for the Company and, at the same time, the Company 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 Company 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 Company'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 Company, 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 Company 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 statement of comprehensive income includes revenue arising from the Company'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 Company 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.

c) ***interest revenue***

Interest revenue is recognised on an accrual basis using the effective interest rate method. When a receivable becomes impaired, the Company 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.

d) dividends

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

4.28. Other operating revenue

Revenue and profits not directly related to the Company'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.

4.29. State subsidies

Subsidies are not recognised until there is reasonable assurance that the Company will meet the necessary conditions and receive such subsidies.

Government subsidies are recognised in the result systematically for each period in which the Company 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 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 Company 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.

4.30. Costs

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

4.31. Other operating costs

Other operating costs include costs and losses not directly related to the Company'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.

4.32. Financial costs

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

4.33. Financial revenue

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

4.34. Profit per share

Profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the Company, as there are no preference shares.

4.35. Estimates and associated assumptions

The Company 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 assessment of the carrying amount 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 accounting estimates is recognised in the period in which they are changed.

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

Revaluation write-downs of inventories take into account the extent to which they are impaired.

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 awards 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 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.

The Company recognises deferred tax assets on the assumption that taxable profit shall be achieved in the future against which they can be utilised.

The Company carries out annual reviews of the assumed economic useful lives of property, plant and equipment and intangible assets. The last update was on 31/12/2023.

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4.36. Cash flow statements

The Company 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 (none in the presented period);
- dividends and other payments to shareholders;
- credits and loans taken out and repaid;
- grants and all other non-refundable proceeds from an external financing source.

5. New accounting standards and interpretations adopted by the International Accounting Standards Board

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 Issuer has not opted for early application of any standard, interpretation or amendment that has been published but is not yet effective.

The Issuer is in the process of analysing what impact the above changes will have on its financial statements.

6. Unusual items with a significant impact on assets, liabilities, capital, financial result and cash flows

There were no unusual items in this report with a significant impact on assets, liabilities, capital, financial result and cash flows.

7. Amendments to accounting policies, correction of errors and presentation

"PEPEES" S.A. did not adjust the previous years' errors. The Company did not change its previously applied accounting policies, except for the application of new or revised standards and interpretations, effective for annual periods beginning on or after 1 January 2023. '

8. Segment reporting

8.1. Information about products and services

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" operates mainly in the "potato processing" segment. This segment produces:

- potato starch used in households and by the food, pharmaceutical, paper and textile industries;

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- 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.

Other activities concern:

- works and services;
- sales of certain goods and materials;
- cultivation and sale of annual plants.

8.2 Revenue by product

Product name	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Starch	98,452	114,198
Protein	8,733	8,065
Glucose	12,786	22,156
Hydrol	224	535
Maltodextrin	27,694	24,923
Starch syrups	1,665	2,270
Goods and materials	18,250	13,119
Services	1,469	1,246
Total	**169,273**	**186,512**

8.3 Sales revenue by territorial structure

Specification	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Poland, including	**117,298**	**113,497**
Starch	62,919	57,401
Protein	4,577	5,164
Glucose	11,677	19561
Hydrol	224	535

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Item	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Maltodextrin	19314	18,367
Starch syrups	1,665	2,270
Goods and materials	15,453	8,953
Services	1,469	1,246
EU countries - intra-Community deliveries, including:	**14,147**	**18,143**
Starch	7,986	10,890
Protein	1,117	911
Maltodextrin	3,935	3,949
Glucose	1,109	2,393
Goods	-	-
Other countries - export	**37,828**	**54,872**
Starch	27,547	45,907
Protein	3,039	1,990
Glucose	-	202
Maltodextrin	4,445	2,607
Goods	2,797	4,166
Total	**169,273**	**186,512**

8.4. Information on major customers

The Company has no customer with sales revenue exceeding 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).

9. Notes to the statement of financial position

9.1 Tangible fixed assets

TANGIBLE FIXED ASSETS	As at 31 December 2023	As at 31 December 2022
a) property, plant and equipment, including:	74,735	81,091
- land	101	101
- buildings, premises and civil engineering structures	39,772	43,373
- plant and machinery	27,961	32,033
- vehicles	6513	5,061
- other property, plant and equipment	388	523
b) property, plant and equipment in progress	21,480	3,921
Total tangible fixed assets	**96,215**	**85,012**

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CHANGES IN PROPERTY, PLANT AND EQUIPMENT (BY NATURE)	land	buildings, premises and civil engineering	plant and machinery	vehicles	other property, plant and equipment	Total
As at 1 January 2022						
Gross value	**101**	**93,087**	**96,269**	**6,252**	**2,202**	**197,911**
Depreciation	**-**	**46112**	**59,367**	**3,955**	**1,563**	**110,997**
Net book value	**101**	**46,975**	**36,902**	**2,297**	**639**	**86,914**
2022						
Opening balance gross value	101	93,087	96,269	6,252	2,202	197,911
Increases (under)	-	81	2,860	4,383	92	7416
- from investments						-
- from purchase		81	822		92	995
- lease			2,038	4,383		6,421
Decreases (under)	-	-	2,891.	323	48	3,262
- sales				323	13	336
- liquidation			2,891		35	2,926
Derecognition of depreciation of sold and liquidated property, plant and equipment			(1,827)	(323)	(34)	(2,184)
Amortisation	-	3,683	6,665	1,619	194	12,161
- related to core business		3,618	5,593	971	174	10,356
- related to agricultural activities		65	1,072	648	20	1,805
As at 31 December 2022						
Gross value	**101**	**93,168**	**96,238**	**10312**	**2,246**	**202,065**
Depreciation	**0**	**49,795**	**64,205**	**5,251**	**1,723**	**120,974**
Net book value	**101**	**43,373**	**32,033**	**5,061**	**523**	**81,091**
2023						
Opening balance gross value	101	93,168	96,238	10312	2,246	202,065
Increases (under)	-	-	2,340.	3,377	59	5,776
- from investments						-
- from purchase			1,783	3,377	59	5219
- lease			557	-	-	557
Decreases (under)	-	-	938	58	15	1,011
- sales			910		-	910
- liquidation			28	58	15	101
Derecognition of depreciation of sold and liquidated property, plant and equipment			(427)	(58)	**(U)**	(496)
Amortisation, including:	-	3,601.	5,901	1,925	190	II 617
- related to core business		3,536	4,577	813	171	9,097
- related to agricultural activities		65	1,324	1,112	**19**	2,520
As at 31 December 2023						
Gross value	**101**	**93,168**	**97,640**	**13,631**	**2,290**	**206,830**
Depreciation	**-**	**53,396.**	**69,679**	**7,118**	**1,902**	**132,095**
Net book value	**101**	**39,772**	**27,961**	**6,513**	**388**	**74,735**

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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 relating to the core business increased the cost of products, goods and materials sold by PLN 7,196 thousand (PLN 9,692 thousand - 2022) and overheads - PLN 1,901 thousand (PLN 2,004 thousand - 2022).

Charges to tangible fixed assets for bank credits taken out:

- registered pledge on property, plant and equipment for Santander Bank Polska S.A.;
- registered pledge on property, plant and equipment for PKO Bank Polski S.A.;
- registered pledge on property, plant and equipment for BNP Paribas Bank Polska S.A.

In connection with the acquisition of tangible fixed assets on 29/09/2023 the Company took out an investment credit to finance and refinance the investment in production line for modified products of starch. The parties to the agreement set the credit term at 84 months from the date of conclusion of the agreement, i.e. until 30/09/2030. As at 31/12/2023, the debt on this account amounted to PLN 9,123 thousand.

Included in the 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).

TANGIBLE FIXED ASSETS UNDER FINANCIAL LEASE	Net value as at	
	31/12/2023	31/12/2022
- plant and machinery	3,772	2,099
- vehicles	934	3,426
Total	**4,706**	**5,525**

9.2 Intangible assets

INTANGIBLE ASSETS	As at 31 December 2023	As at 31 December 2022
Acquired permits, patents, licences and similar assets, including:	158	217
- computer software	79	137
b) gas emission rights		427
Total intangible assets	**158**	**644**

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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	-	-	**682**	-	**682**
Depreciation	-	-	**498**	-	**498**
Net book value	-	-	**184**	-	**184**
2022					
Opening balance gross value	-	-	682	-	682
Increases (under)	-	-	74	1,027	1,101
- from purchase	-	-	74	1,027	1,101
Decreases (under)	-	-	-	600	600
- sales					-
- utilisation				600	600
Derecognition of depreciation of sold and liquidated intangible assets					-
Amortisation			41		41
As at 31 December 2022					-
Gross value	-	-	**756**	427	**1,183**
Depreciation	-	-	**539**	-	**539**
Net book value	-	-	**217**	427	**644**
2023					-
Opening balance gross value	-	-	756	427	1,183
Increases (under)	-	-	-	1,155.	1,155
- from purchase	-	-	-	1,155.	1,155
Decreases (under)	-	-	-	1,582.	1,582
- sales					-
- liquidation			-	1,582.	1,582
Derecognition of depreciation of sold and liquidated intangible assets	-	-	-		-
Amortisation	-	-	59	-	59
As at 31 December 2023					-
Gross value	-	-	**756**	-	**756**
Depreciation	-	-	**598**	-	**598**
Net book value	-	-	**158**	-	**158**

All amortisation of intangible assets is included in the statement of comprehensive income under the "overheads" item.

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

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9.3 Rights to assets

Rights to assets	As at 31 December 2023	As at 31 December 2022
Right of perpetual usufruct of land	8,118	8,259
Advances on property leases (over 12 months)	7,780	6317
Total rights to assets	**15,898**	**14,576**

9.4 Investment property

Investment property	As at 31 December 2023	As at 31 December 2022
Investment property	353	363
Total investment properties	**353**	**363**

Investment property includes the value of an owned flat in Poznań that is rented out.

9.5 Investments in subsidiaries

CHANGE IN INVESTMENTS IN SUBSIDIARIES	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) opening balance	23,586	23,586
- shares	15,586	15,586
- bonds*	8,000	8,000
b) increase (under)	-	-
c) decrease (as a result of)	-	-
d) closing balance	**23,586**	**23,586**
- shares	15,586	15,586
- bonds*	8,000	8,000

Shares are measured at purchase price with impairment recognition.

^Bonds classified as instruments measured at amortised cost are presented at issue price. The 2023 amortised cost measurement was PLN 7,960 thousand, while in 2022 - PLN 7,955 thousand.

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Encumbrances:

- registered pledges on 32,400 shares (100% of shares) in Gospodarstwo Rolne Ponary for PKO Bank Polski S.A. with a book value of PLN 11,831 thousand.

Name (business name) of subsidiary	Registered office	Core business	Consolidation method applied	Date of taking control	Value of shares by purchase price	Carrying amount	Percentage of capital held	Share in the total number of votes at the GMS
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes	Full	02/12/1996	2,550	2,550	82.38	82.38
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starches and starch products	Full	16/03/2011	1,205	1,205	84,125	84,125
Pepees Inwestycje Sp. z o.o.	Łomża	Purchase and sales of property for own account	Full	18/10/2010	96	-	100	100
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Agricultural crops combined with animal husbandry	Full	19/09/2017	11,831	11,831	100	100

Name (business name) of subsidiary	Equity	Assets	Liabilities	Sales revenue	Profit/Loss
2022					
ZPZ LUBLIN Sp. z o.o.	3,971	21,557	17,586	23,005	(688)
PPZ BRONISŁAW	16,486	82,550	66,064	59,427	2313
Pepees Inwestycje Sp. z o.o.	58	58	-	-	(12)
Gospodarstwo Rolne PONARY Sp. z o.o.	15,117	21,655	6,538	-	24
2023					
ZPZ LUBLIN Sp. z o.o.	5,211	22,832	17,621	24,289	1,241
PPZ BRONISŁAW	13,024	80,133	67,109	51,322	(3,462)
Pepees Inwestycje Sp. z o.o.	45	46	1	-	(13)
Gospodarstwo Rolne PONARY Sp. z o.o.	15,931	21,416	5,485	-	88

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

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%.

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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.

9.6 Other financial assets

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
- bonds	-	-
b) increases:	2,425	-
- shares	-	
- share revaluation	2,425	
c) decreases:	-	232
- share revaluation	-	232
- sales of bonds	-	-
d) closing balance	**9,701**	**7,276**
- shares	9,701	7,276
- bonds	-	-

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	9,318	6,893
Zakłady Mięsne Ostrołęka S.A.	37	37
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bank Rozwoju	270	270
Bonds (measured at amortised cost)	-	-
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

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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 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.

9.7 Inventories

INVENTORIES	As at 31 December 2023	As at 31 December 2022
a) materials	5,408	7,764
b) semi-finished products and work in progress	659	441
c) finished products	49,522	53,182
d) goods	16713	5,663
Inventories, total	**72,302**	**67,050**

In 2023, the value of inventories recognised as cost in the reporting period amounted to PLN 114,353 thousand, while in 2022 - PLN 123,013 thousand.

The amount of revaluation write-downs recognised as costs in 2023 amounted to PLN 1,947 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 1,329 thousand (31/12/2022 - PLN 517 thousand).

The carrying amount of inventories pledged as security for the repayment of bank credits amounts to PLN 72,302 thousand (at the end of 2022 - PLN 42,875 thousand).

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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 credit, under which the amount owed as at 31/12/2023 is PLN 36,500 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 36,500 thousand. '

9.8 Biological assets

Plant assets	As at 31 December 2023	As at 31 December 2022
Biological assets	34	326
Total	**34**	**326**

"'PEPEES" S.A. 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.

9.9 Trade and other short-term receivables

TRADE AND OTHER SHORT-TERM RECEIVABLES	As at 31 December 2023	As at 31 December 2022
Trade receivables	17,365	24,261
Other receivables	6,370	4,029
Advances	1,456	1,443
Total	**25,191**	**29,733**

TRADE RECEIVABLES	As at 31 December 2023	As at 31 December 2022
a) from related parties	1,589	1,404
- up to 12 months	1,589	1,404
b) receivables from other entities	15,776	22,857
- up to 12 months	15,776	22,857
Total trade receivables	**17,365**	**24,261**

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(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	10,640	14,815
b) between 1 and 3 months	4,006	5,164
c) between 3 and 6 months		-
d) between 6 months and 1 year		-
e) over 1 year		-
f) overdue receivables	3,291	5,150
(Gross) total trade receivables	17,937	25,129
g) trade receivables revaluation write-downs	(572)	(868)
(Net) total trade receivables	**17,365**	**24,261**

Statutory interest shall accrue on receivables not paid on time. The Company has created revaluation write-downs to fully cover receivables past due for more than 180 days, as historical experience shows that such receivables can be difficult to collect. Revaluation write-downs are created for receivables outstanding for 60 to 120 days on the basis of estimated bad debt amounts from sales of goods based on past experience and analysis of financial position of individual business partners.

Trade receivables are insured with KUKE, the company carrying out a credit assessment of customers and sets credit limits for them on this basis. The limits and scores of a given customer are subject to verification.

Overdue receivables, on which no revaluation write-downs were made, are receivables from debtors with whom the Company 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 ranges from several days to 6 months.

SHORT-TERM RECEIVABLES FROM SUBSIDIARIES	As at 31 December 2023	As at 31 December 2022
a) total net trade receivables	1,589	1,228
d) revaluation write-downs for receivables from related parties	-	**176**
Total gross short-term receivables from related undertakings	**1,589**	**1,404**

OTHER RECEIVABLES	As at 31 December 2023	As at 31 December 2022
- taxes, subsidies, customs duties, social and health insurance, and other benefits	4,608	3,146
- other	1,762	883
Total net other short-term receivables	**6,370**	**4,029**
- receivables revaluation write-downs		-
Total gross other short-term receivables	**6,370**	**4,029**

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	**-**	**-**

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	**877**	**794**
a) increases (under)	**438**	**1,164**
- creation for doubtful trade receivables	438	1,164
b) decreases (under)	**743**	**1,081**
- release of payment provisions	131	950
- cancellations	612	131
Write-downs of short-term receivables at end of the period	**572**	**877**

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

9.10 Advances

ADVANCES	As at 31 December 2023	As at 31 December 2022
a) long-term	-	-
b) short-term, including:	1,456	1,443
- farm lease rent	480	-
- delivery advances	295	683
- property insurance	368	380
- other cost prepayments and accruals	313	380
Total	**1,456**	**1,443**

9.11 Loans granted

Entity	As at 31 December 2023	As at 31 December 2022
PPZ BRONISŁAW S.A.	7,200	4,700
ZPZ LUBLIN Sp. z o.o.	-	1,007.
GR PONARY Sp. z o.o.	220	550
Entrepreneurs engaged in commercial service activities supporting agricultural production	1,402	-
Loans granted, including:	**8,822**	**6,257**
- with a repayment period of up to 1 year	8,492	6,257
- with a repayment period of more than one year	330	-
Loans in the statement of financial position	**8,822**	**6,257**

All loans were granted at interest rates similar to those of the banks used by the company, taking into account the additional business risk.
Interest was received on loans granted during the reporting period, amounting to a total of PLN 712 thousand (2022: PLN 215 thousand).

9.12 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	As at 31 December 2023	As at 31 December 2022
Cash at bank and in hand	9,174	10,277
Short-term deposits	28,700	41,242
Total cash and cash equivalents	37,874	51,519
- 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	30,747	43,525
b) in foreign currencies (by currency and after conversion into PLN)	7,127	7,994
B1. unit/currency USD/thousand	1,257	965
PLN thousand	4,945	4,063
B2. unit/currency EUR/thousand	502	896
PLN thousand	2,181	3,931
Total cash and cash equivalents	37,874	51,519

There were no changes to the Company's share capital during the reporting period.

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

9.13 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		
Total initial capital					**5,700**	
Nominal value per share = PLN 0.06						

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SHAREHOLDER STRUCTURE	Number of shares [pcs]	Share in capital %	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%

1 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.

*2 * 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).*

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

9.14 Supplementary and reserve capitals

SUPPLEMENTARY CAPITAL	As at 31 December 2023	As at 31 December 2022
a) from sale of shares at premium	7,562	7,562
b) established under the act	1,660	1,660
c) created from asset revaluations (non-distributable)	30,602	30,602
d) created from profits	23,430	23,607
Total supplementary capital	**63,254**	**63,431**

OTHER RESERVE CAPITALS (BY PURPOSE)	As at 31 December 2023	As at 31 December 2022
- investment fund	87,164	87,164
Total other reserve capitals	**87,164**	**87,164**

REVALUATION CAPITAL	As at 31 December 2023	As at 31 December 2022
- revaluation of employee benefit liabilities	(168)	(89)
- deferred tax on revaluation effects	32	17
Total other reserve capitals	**(136)**	**(72)**

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9.15 Retained earnings from previous years

RETAINED EARNINGS FROM PREVIOUS YEARS AND THE CURRENT YEAR	As at 31 December 2023	As at 31 December 2022
- result for the year	7,778	9,204
Total retained earnings	**7,778**	**9,204**

9.16 Credits and loans

Non-current

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	3,346	-
c) over 5 years	-	-
Total long term-liabilities	**10,169**	**2,750**

Item	Credit/loan type	Amount of credit as per agreement	Currency	Outstanding credit/loan amount	Currency	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.	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	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	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	3,500	EUR	2,098	EUR	EUR1BOR 1M base rate plus Bank margin	30/09/2030
Credits in PLN		**12,714**	**PLN**	**4,574**	**PLN**		
Credits in EUR		**3,500**	**EUR**	**2. 098**	**EUR**		
Total after conversion to PLN		**27,932**	**PLN**	**13,696**	**PLN**		

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

In the statement of financial position there is an amount of PLN 10,169 thousand. The difference in the amount of PLN 3,527 thousand was included in short-term liabilities in the statement of financial position, as it will be repaid within 12 months of the balance sheet date.

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Hedging

Re 1

The investment 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.

Short-term

**In the statement of financial position there is an amount of PLN 76,894 thousand; the difference relates to the portion of long-term credits that will be repaid within 12 months of the balance sheet date.*

Item	Credit type	Credit / loan amount as per agreement	Currency	Outstanding credit/loan amount	Currency	Interest rate	Repayment deadline
1	Overdraft facility	4,000	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024
2	Working capital facility	36,500	PLN	36,500	PLN	1 month WIBOR + bank margin	31/08/2024
3	Overdraft facility	4,000	PLN	-	PLN	1 month WIBOR + bank margin	31/08/2024
4	Working capital facility	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	937	PLN	367	PLN	Fixed interest rate	13/08/2024
6	Overdraft facility	1,000	EUR	-	EUR	1 month EURIBOR + bank margin	04/12/2024
Credits in PLN		**81,937**	**PLN**	**73,367**	**PLN**		
Credits in EUR		**1,000**	**EUR**	**-**	**EUR**		
Total after conversion to PLN		**86,285**	**PLN**	**73,367**	**PLN**		

Hedging

The first two credits were obtained on the basis of a single agreement, the so-called "Multi-line Agreement".

The above credits 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 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;
- a registered pledge on inventory together with an assignment of 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;

The next two credits were granted on the basis of the so-called "Multi-Purpose Credit Limit Agreement" which is hedged by:

- 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.
- 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.
- transfer of cash receivables from insurance contracts for property, plant and equipment and inventories;
- registered pledge on inventory:
  - belonging to PEPEES S.A.
  - belonging to PPZ Bronisław S.A.
  - belonging to ZPZ Lublin Sp. z o.o.
- global assignment of 40% of receivables:
  - belonging to PEPEES S.A.
  - belonging to PPZ Bronisław S.A.
  - belonging to ZPZ Lublin Sp. z o.o.;
- blank promissory note together with a bill of exchange declaration;

Re 5 thick

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.

Re 6 thick

The credit 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;

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- 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.

9.17 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:	2,795	2,295
- retirement severance pay	355	309
- jubilee bonuses	2,440	1,986
b) short-term, including:	404	496
- retirement severance pay	64	**56**
- jubilee bonuses	340	440
Total	**3,199**	**2,791**

CHANGE IN RETIREMENT AND SIMILAR BENEFIT LIABILITIES (ON ACCOUNT OF)	As at 31 December 2023	As at 31 December 2022
a) opening balance	**2,791**	**2,824**
- retirement severance pay	365	393
- jubilee bonuses	2,426	2,431
b) increase (under)	**976**	**424**
- retirement severance pay	121	20
- jubilee bonuses	855	403
c) utilisation (under)	**568**	**457**
- retirement severance pay	67	48
- jubilee bonuses	501	409
d) closing balance	**3,199**	**2,791**
- retirement severance pay	419	365
- jubilee bonuses	2,780	2,426

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.

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%;

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•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 Company, 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.

Principal actuarial assumptions

Item	Balance sheet date 31/12/2023	Balance sheet date 31/12/2022
Basic actuarial assumptions		
Number of employees	243	245
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%

<u>Actuarial assumptions</u>

The following assumptions were used to calculate provisions as at 31/12/2023:

- Calculations have been made in Polish zloty (PLN), the resulting figures have been rounded to the nearest Polish grosz.
- The value of minimum remuneration applicable in domestic economy as of 1 January 2024 was set at PLN 4,242.00 and as of 1 July 2024 shall be set at PLN 4,300.00.
- The increase rate of remuneration in the Company has been assumed in line with the below projection (i.e. at the level of expected inflation):

  From 4.6% in 2024;

  From 3.7% in 2025;

  From 2.5% per annum in subsequent years.
- The rate of growth of minimum remuneration in domestic economy has been assumed in accordance with the forecast presented below:

  From 5.6% in 2024;

  From 4.7% in 2025;

  From 3.5% per annum in subsequent years,

  i.e. at a level 1 percentage point higher than expected inflation.
- A discount rate of 5.1% was used to discount future benefit payments, i.e. at the level of the weighted average determined on the basis of the maturity structure of the non-discounted future employee benefit payments included in the Company's measurement and average profitability of the safest long-term securities listed on the Polish capital market as at the measurement date, assigned by maturity.
- Probability of employee departures were calculated based on the Company's historical employee rotation data and industry employee departure statistics.
- Mortality and life expectancy were assumed according to the 2019-2021 Life Expectancy Tables, published by Statistics Poland. It was assumed that the Company's employee population corresponds to the average for Poland in terms of mortality.

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- The normal mode of retirement of employees according to the detailed rules of the Pensions Act has been adopted, except for those employees who, according to the information provided by the Company, meet the conditions required to exercise the right to early retirement.
- The provision for disability severance payments was not calculated separately. Instead, persons who retired were not included in the calculation of probability of employee departures.
- Short-term liabilities (with a maturity of up to 1 year) and long-term liabilities (over 1 year) were calculated separately.

9.18 Trade and other liabilities

TRADE AND OTHER LIABILITIES	As at 31 December 2023	As at 31 December 2022
Trade liabilities and other short-term liabilities, including:	**14,995**	**16,257**
- for deliveries and services with maturity date:	8,707	9,878
- up to 12 months	8,707	9,878
- from social insurance, tax, customs and other benefits	1,539	1,514
- from remuneration	1,284	1,085

TRADE AND OTHER LIABILITIES	As at 31 December 2023	As at 31 December 2022
- provisions, accruals and deferred revenue	1,270	3,048
- from farm lease rent	1,284	-
- other	911	732
Other long-term liabilities, including:	**1,284**	**-**
- from farm lease rent	1,284	-
Total trade and other liabilities	**16,279**	**16,257**

Liabilities due to related parties amount to PLN 1,656 thousand and relate to deliveries of raw materials and goods.

9.19 Liabilities for leased assets

LIABILITIES UNDER FINANCIAL LEASE	As at 31 December 2023	As at 31 December 2022
a) long-term (from one to five years)	10,681	12,492
b) short-term (up to one year)	2,878	3,737
Total	**13,559**	**16,229**

The above liability stems from contracts concluded with: Santander Leasing, BNP Paribas Leasing, Volkswagen Leasing and PKO Leasing S.A. to finance cars, machinery and equipment. 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	3,641	11,973	15,614

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Future financial costs	(763)	(1,292)	(2,055)
Present value of minimum lease payments	**2,878**	**10,681**	**13,559**

9.20 Provisions, accruals and deferred revenue

PROVISIONS, ACCRUALS, DEFERRED INCOME (ON ACCOUNT OF)	As at 31 December 2023	As at 31 December 2022
a) long-term, including:	**1,730**	**1,827**
- subsidies for tangible fixed assets	1,730	1,827
b) short-term, including:	**1,270**	**3,048**
- subsidies for tangible fixed assets	98	98
- provision for environmental protection costs	65	73

PROVISIONS, ACCRUALS, DEFERRED INCOME (ON ACCOUNT OF)	As at 31 December 2023	As at 31 December 2022
- holiday leave pay provisions	538	779
- provision for bonuses for the Management Board and employees	518	485
- provision for uninvoiced services	51	34
- provision for used CO2 emission rights	-	1,579.
Total	**3,000**	**4,875**

CHANGE IN SHORT-TERM PROVISIONS AND PREPAYMENTS AND ACCRUALS (ON ACCOUNT OF)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) opening balance	**3,048**	**3,437**
- subsidies for tangible fixed assets	98	98
- provisions for services rendered by business partners	34	86
- environmental fee	73	84
- holiday leave pay provisions	779	740
- gas emission rights	1,579	2,429
- bonuses for the Management Board and employees	485	
b) increase (under)	**769**	**1,280**
- environmental fee	64	78
- holiday leave pay provisions	210	685
- provisions for services rendered by business partners	69	32
- bonus for the Management Board and employees	426	485
c) utilisation (under)	**968**	**1419**
- environmental fee	72	89
- holiday leave pay provisions	451	646
- provision for used CO2 emission rights	-	600
- provision for services rendered by business partners	52	84
- bonuses for the Management Board and employees	393	
d) release (under)	**1,579**	**250**
- provision for used CO2 emission rights	1,579	250
e) closing balance	**1,270**	**3,048**
- subsidies for tangible fixed assets	98	98
- provision for used CO2 emission rights	-	1,579
- environmental fee	65	73
- holiday leave pay provisions	538	779

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- bonuses for the Management Board and employees	518	485
- provisions for services rendered by business partners	51	34

9.21 Deferred income tax

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	3,698	4,801
Unrealised foreign exchange differences	97	
Measurement of investments	1,109	649
Interest due but not received		
Total deferred tax provisions	**4,904**	**5,450**

DEFERRED INCOME TAX ASSETS	As at 31 December 2023	As at 31 December 2022
Unpaid remuneration	158	137
Holiday leave pay provisions	102	148
Provision for bonuses for the Management Board and employees	98	92
Retirement benefits and jubilee bonuses	608	530
Unrealised foreign exchange differences	**96**	154
Inventory revaluation write-downs	253	98
Share revaluation write-downs	18	18
Accrued but unpaid interest on liabilities	43	27
Provision for used CO2 emission rights	-	300
Leased property settlement liabilities	351	752
Tax loss	685	807
Other accruals	20	15
Total deferred tax assets	**2,432**	**3,078**

10. Notes to the statement of comprehensive income

10.1. 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
- potato products	149,554	172,147
- including: from related parties	1,353	1,388
Total net revenue from sales of products	**149,554**	**172,147**
- including: from related parties	1,353	1,388

NET REVENUE FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) country	**100,376**	**103,298**
- including: from related parties	1,353	1,388
- potato products	100,376	103,298
- including: from related parties	1,353	1,388

NET REVENUE FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
b) intra-Community delivery	**14,147**	**18143**

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- potato products	14,147	18,143
c) export	**35,031**	**50,706**
- potato products	35,031	50,706
Total net revenue from sales of products	**149,554**	**172,147**

10.2. 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	28	496
- revenue from rental of equipment	990	379
- electricity transmission	43	35
- services for farmers	387	289
- other services	21	47
Total net revenue from sales of products	**1,469**	**1,246**
- including: from related parties	325	318

All services were provided domestically.

10.3. 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	7,382	3,431
- including: from related parties	5,492	3,192
- potato products	9,180	8,195
- including: from related parties	-	-
- plant protection products and fertilisers	1,643	1,375
- including: from related parties	-	-
- materials	45	118
- including: from related parties	-	-
Net revenues from sales of goods and materials, total	**18,250**	**13,119**
- including: from related parties	5,492	3,192

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NET INCOMES FROM SALE OF PRODUCTS MATERIALS (TERRITORIAL STRUCTURE)	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) country	**15,453**	**8,952**
- potatoes	7,382	3,431
- including: from related parties	5,492	3,192
- potato products	6,383	4,028
- including: from related parties		
- plant protection products and fertilisers	1,643	1,375
- including: from related parties		
- materials	45	118
- including: from related parties		
b) export	**2,797**	**4,167**
- including: from related parties		
- potato products	2,797	4,167
c) intra-Community deliveries		
- including: from related parties		
- potato products		
Net revenues from sales of goods and materials, total	**18,250**	**13,119**

10.4. Costs by type

COSTS BY TYPE	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) amortisation	11,818	12,341
b) consumption of materials and energy	70,873	86,420
c) third party services	18,267	21,821
d) taxes and fees	2,593	2,634
e) remuneration	21,543	20,689
f) social security and other benefits	5,041	4,726
g) other costs by nature (on account of)	1,649	1,283
- entertainment and advertising costs	414	198
- business trips	181	123
- property and personal insurance costs	722	681
- costs of scientific analyses, studies and expert opinions	297	354
- other costs	35	(73)
Total costs by type	**131,784**	**149,914**
Change in inventory, products and accruals	460	527
Manufacturing cost of products for internal purposes	(635)	(74)
Costs of sales (negative value)	(8,627)	(12,536)
Overheads (negative value)	(25,668)	(25,549)
Manufacturing costs of products and services sold	**97,314**	**112,282**

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10.5. Costs of employee benefits

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:	**21,543**	**20,689**
- remuneration under employment contracts	19414	18,143
- remuneration from contracts of mandate and similar contracts	1,279	1,134
- remuneration of members of the Supervisory Board	730	892
- 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:	**5,041**	**4,726**
- costs of social insurance	3,278	3,105
- contributions to ERP	611	574
- labour fund write-downs	374	367
- social benefits fund write-downs	440	446
- employee training costs	69	41
- work clothing	97	57
- OHS and medical examinations costs	172	136
Total employee benefit costs	**26,584**	**25,415**

10.6. Agricultural production result

Specification	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)**

10.7. Other operating revenue

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	75	150
b) reversal of provisions, including:	744	237
- receivables write-downs	744	230
- liabilities	-	7
c) government subsidies, including:	330	98
- subsidy for electricity price increases	232	-
- subsidies for tangible fixed assets	98	98
d) other, including:	458	75

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OTHER OPERATING REVENUE	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
- compensation, penalties and fines received	28	35
- surplus assets	53	7
- settlement of leased property	377	
- other		33
Total other operating revenue	**1,607**	**560**

10.8. Other operating costs

OTHER OPERATING COSTS	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
a) revaluation of non-financial assets		-
b) other, including:	**678**	**1,645**
- donations	28	74
- litigation costs	3	-
- receivables revaluation write-downs	-	-
- unscheduled amortisation write-downs	-	1,066
- adjustments from settlement of lease contracts	-	-
- compensation paid	60	29
- receivables written-down	435	432
- asset shortages	123	21
- post-accident repair costs	13	23
- other	16	-
Total other operating costs	**678**	**1,645**

10.9. Financial costs

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	3,616	2,777
b) interest on liabilities	616	653
c) revaluation write-downs on treasury shares	476	71
d) revaluation write-downs of shares in unrelated parties	-	232
e) foreign exchange losses	-	-
f) other financial costs	804	941
- credit hedging costs	158	158
- lease payments	231	445
- credit commissions	209	225
- receivable redemption discount	206	1
- other	-	-
Total financial costs	**5,512**	**4,674**

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10.10. Financial revenue

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 and sureties	755	278
c) interest on deposits	885	350
d) interest on receivables	28	100
e) revaluation of financial assets	2,425	-
- share revaluation	2,425	-
f) interest on bonds	320	320
g) foreign exchange gains	196	653
- realised	(483)	770
- unrealised	679	(U7)
Total financial revenue	**4,909**	**1,901**

10.11. Income tax

INCOME TAX	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
Current tax	(4,126)	(5,492)
Tax on dividends	(57)	(38)
Deferred tax	(115)	1,118
Total income tax	**(4,298)**	**(4,412)**

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	12,076	13,616
Income tax at the 19% statutory rate	(2,294)	(2,587)
Tax on permanent differences between gross profit and tax base	(2,004)	(1,825)
Result charge at an effective rate of 35.59% in 2023 and 32.40% in 2022	**(4,298)**	**(4,412)**

In 2023, the 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. The income tax debt amounts to PLN 3,947 thousand as the Company paid monthly advances in simplified form.

10.12. Profit per share

Profit per share was calculated as quotient of profit for the period to the weighted average number of shares. All shares are ordinary bearer shares.

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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	7,778	9,204
Weighted average number of shares	95,000,000	95,000,000
Basic net profit per share (expressed in PLN per share)	0.08	0.10
Net profit used in determining diluted profit per share	7,778	9,204
Weighted average number of ordinary shares for diluted profit per share purposes	95,000,000	95,000,000
Diluted net profit per share (expressed in PLN)	0.08	0.10

The Management Board proposes to allocate the net profit for the financial year 2023 to the Company's supplementary capital.

10.13. The Management Board's position on implementation of the forecast

The Company has not published forecasts for separate results. The Issuer does not plan to publish forecasts for the coming years in the near future.

10.14. Information on paid or declared dividend, aggregate and per share, separately for ordinary and preference shares

On 25 May 2023, the Ordinary General Meeting of "PEPEES" S.A. adopted Resolution No. 8 on the distribution of the Issuer's profit for the financial year 2022 in the amount of PLN 9,203,815.70 in the following manner: the amount of PLN 1,970,411.91 for the supplementary capital and the amount of PLN 7,233,403.79 for the payment of dividends to shareholders.

Pursuant to the aforementioned Resolution, part of the supplementary capital (created from previous years' profits) in the amount of PLN 2,147,947.51 was allocated to the payment of dividends to shareholders. Thus, a total dividend of PLN 9,381,351.30, i.e. PLN 0.10 per share was set, excluding 1,186,487 own shares which do not participate in the dividend.

The date by which the list of shareholders entitled to dividends is determined is set at 6 June 2023. In contrast, the dividend payment deadline was set for 19 July 2023.

The dividend was paid in accordance with the deadline.

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11. Notes to the statement of cash flows

11.1. Non-monetary transactions

Item	2023	2022
Acquisition of assets through financial lease	(-557)	(5,186)

11.2. Unused overdraft limits

As at 31/12/2023, the Company had unused overdraft facilities of PLN 12,348 thousand (as at 31/12/2022: PLN 8,000 thousand).

12. Financial instruments

12.1. Categories of financial instruments

The main financial instruments used by the Company include bank credits, leases, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Entity's operations. The Company 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	15,586	15,586
Financial assets measured at fair value through financial result	49,905	60,795
Financial assets measured at amortised cost	38,227	40,547
Total financial assets	**103,718**	**116,928**

Financial assets recognised in financial statements as:	As at 31 December 2023	As at 31 December 2022
Investments in subsidiaries	23,586	23,586
Investments in other parties	713	383
Trade receivables	17,365	24,261
Other receivables	6,370	4,029
Loans granted	8,492	6,257
Other financial assets	9318	6,893
Cash and cash equivalents	37,874	51,519
Total financial assets	**103,718**	**116,928**

Financial liabilities	As at 31 December 2023	As at 31 December 2022
Financial liabilities measured at amortised cost	114,347	108,069
Total financial liabilities	**114,347**	**108,069**

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Financial liabilities recognised in financial statements as:	As at 31 December 2023	As at 31 December 2022
Long-term credits and loans	10,169	2,750
Long-term liabilities for leased assets	10,681	12,492
Trade liabilities	8,707	9,878
Current credits and loans	76,894	75,881
Short-term liabilities for leased assets	2,878	3,737
Other short-term liabilities	5,018	3,331
Total financial liabilities	**114,347**	**108,069**

12.2. Financial risk management

The main risks arising from the Company'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 Company also monitors market price risk on all financial instruments it holds.

Interest rate risk

The Company'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 Company 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	
	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 Company 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 30% 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	
	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 Company 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.

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Exchange rate increases/decreases	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**	**+Z-799**

Credit risk

The Company enters into transactions only with verified customers with good creditworthiness. All customers who wish to use trade credits undergo preliminary verification. In addition, the Company'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 Company has no significant concentrations of credit risk.

Liquidity risk

The Company 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 Company 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.

13. Capital management

The main objective of the Company'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 Company's shareholder value. The Company monitors its capital using the leverage ratio calculated as the ratio of net debt to total capital increased by net debt. The Company'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	100,622	94,860
Trade and other liabilities	13,725	16,257
Cash and cash equivalents (-)	37,874	51,519
Net debt	76,473	59,598
Equity	162,335	165,203
Net equity and debt	238,808	224,801
Leverage ratio	**32.02%**	**26.51%**

The leverage ratio in 2023 was higher than in the previous reporting period due to the decrease in cash and equity.

Financial statements for the 12-month period ended 31 December 2023 (data in PLN thousand)

14. Contingent items

CHANGE IN CONTINGENT ASSETS (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	15,795	15,795
- surety for investment credit by GR PONARY	15,795	15,795
b) increase (under)	-	-
c) utilisation (under)	-	-
d) closing balance, including	**15,795**	**15,795**
- surety for investment credit by GR PONARY	15,795	15,795

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	**13,857**	**13,855**
- liabilities under non-competition agreements	1,173	1,171
- 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
- surety for credits to related companies		
d) release (under)		
e) closing balance, including	**14,126**	**13,857**
- liabilities under non-competition agreements	1,442	1,173
- surety for credits to related companies	12,684	12,684

15. Transactions with related parties

15.1. 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

Financial statements for the 12-month period ended 31 December 2023 (data in PLN thousand)

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**	**1404**

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

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
ZPZ Lublin Sp. z o.o.	-	1,007.
GR PONARY Sp. z o.o.	220	550
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		-
Total loans:	**7,420**	**6,257**

e. Interest on loans 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	478	157
GR PONARY	23	16
Total	**563**	**215**

f. Interest on granted sureties

Entity	For the 12-month period ended 31 December 2023	For the 12-month period ended 31 December 2022
PPZ BRONISŁAW	127	127
Total	**127**	**127**

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. 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 58,500 thousand.

15.2. Transactions with key management personnel

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 can be found in the Issuer’s management report.

There were no transactions as understood under IAS 24 during the reporting period.

16. Average headcount in the Company

Item	Average headcount in 2023	Average headcount in 2022
White-collar workers	96	**100**
Blue-collar workers	154	161
Persons on parental leave and unpaid leave	3	3
Total	**253**	**264**

17. Statutory auditor’s remuneration

The statutory auditor’s remuneration due for the review and 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.

18. Indication of material proceedings pending before courts, competent arbitration bodies or public administration bodies, concerning the Issuer'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 Issuer'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.

There are several cases pending in court for the recovery of trade receivables on which the Company has made 100% revaluation write-downs. The amounts are not significant in relation to the total receivables.

19. Significant events that occurred after the balance sheet date

There were no material events after the balance sheet date.

20. Approval of the financial statements

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

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 - Malgorzata Kordas