

PRZEDSIĘBIORSTWO PRZEMYSŁU  
SPOŻYWCZEGO "PEPEES" SPÓŁKA AKCYJNA IN  
ŁOMŻA

FINANCIAL STATEMENTS  
for the period of 12 months ended on 31 March 2021

PREPARED IN COMPLIANCE WITH THE  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
IN THE VERSION APPROVED BY THE EUROPEAN  
COMMISSION

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

INDEX OF THE ANNUAL FINANCIAL STATEMENTS

SELECTED FINANCIAL DATA CONVERTED INTO EUR.....	5
STATEMENT OF THE FINANCIAL STANDING.....	6
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME .....	7
STATEMENT OF CHANGES IN EQUITY .....	8
CASH FLOW STATEMENT .....	9
INFORMATION ON ADOPTED ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY INFORMATION TO THE ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021 .....	10
1. General information.....	10
2. Information on reporting periods .....	11
3. Grounds for the annual financial statements .....	12
4. Significant accounting principles (policy).....	12
5. Compliance with accounting standards in 2021 .....	27
6. New accounting standards and interpretations not used in these statements .....	27
7. Non-recurring items with a significant impact on assets, liabilities, capital, financial result and cash flows.....	29
8. Amendments of applied accounting principles, correction of errors and presentation .....	29
9. Reporting on segments of the business.....	29
9.1 Information about products and services.....	29
9.2 Revenues by products.....	30
9.3 Revenues from sales according to the geographical structure .....	30
9.4 Information about key customers .....	31
10. Explanatory notes to the statement of the economic standing .....	31
10.1. Property, plant and equipment .....	31
10.2 Intangible assets .....	33
10.3. Rights to assets .....	34
10.4. Investment properties .....	34
10.5 Investments in subsidiaries.....	35
10.6 Other financial assets.....	37
10.7 Stock.....	38
10.8 Biological assets .....	39
10.9 Trade receivables and other short-term receivables.....	39

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

10.10 Advances .....	43
10.11 Borrowings granted .....	43
10.12 Cash and cash equivalents .....	43
10.13 Assets held for sale .....	44
10.14. Share capital.....	45
10.15 Capital reserve and supplementary capitals.....	47
10.16 Undivided profit from previous years.....	47
10.17. Loans and borrowings.....	47
10.18 Liabilities related to retirement benefits and similar ones.....	51
10.19 Trade and other liabilities .....	53
10.20 Liabilities due to assets under lease .....	53
10.21 Provisions, accruals and deferred revenue.....	55
10.22 Deferred income tax .....	56
11. Explanatory notes to the comprehensive income statement .....	57
12. Explanatory notes to the cash flow statement.....	63
13. Financial instruments.....	64
14. Capital management.....	66
15. Conditional items .....	67
16. Transactions with related entities .....	68
17 Mean employment at the Company.....	71
18 Chartered auditor's fee .....	71
19 Specification of significant litigations and proceedings pending in court, arbitration tribunal or public administration authority with respect to the Issuer's liabilities and receivables, with the information on the subject matter of the dispute, value thereof, date of commencing the litigation or proceedings, parties there and the Issuer's stance .....	71
20 Important events after the balance sheet date.....	72
21 Approval of the financial statements.....	74

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

SELECTED FINANCIAL DATA CONVERTED INTO EUR

No.	SELECTED FINANCIAL DATA	IN THOUSANDS OF PLN		IN THOUSANDS OF EUR	
		2021	2020	2021	2020
I	Total revenues from sales	163,943	155,182	35,815	34,684
II	Net profit or loss	(2,343)	5,530	(512)	1,236
III	Total net income	(2,330)	5,487	(509)	1,226
IV	Net cash flows on operating activities	21,094	(9,086)	4,608	(2,031)
V.	Net cash flows on investing activities	2,728	(10,419)	596	(2,329)
VI	Net cash flows on financial activities	(1,627)	(3,454)	(355)	(772)
VII	Net cash flows	22,195	(22,959)	4,849	(5,131)
VIII	Total assets	267,581	268,790	58,177	58,245
IX	Equity	156,200	158,530	33,961	34,353
X	Earnings (loss) per ordinary share (in PLN/EUR)	(0.02)	0.06	(0.01)	0.01
XI	Total net income per share (in PLN/EUR)	(0.02)	0.06	(0.01)	0.01
XII	Book value per one (value expressed in PLN/EUR)	1.64	1.67	0.36	0.36

Selected financial data was converted into EUR according to the following exchange rates published by the National Bank of Poland:

- selected items of the financial standing statement as of 31/12/2021 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.5994,
- selected items of the financial standing statement as of 31/12/2020 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.6148,
- selected items of the comprehensive income statement and cash flow statement for the period from 1 January 2021 to 31 December 2021 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of 2021 and amounts to EUR 1 = PLN 4.5775,
- selected items of the comprehensive income statement and cash flow statement for the period from 1 January 2020 to 31 December 2020 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of 2020 and amounts to EUR 1 = PLN 4.4742,

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

**STATEMENT OF THE FINANCIAL STANDING**

No.	ASSETS	Note	State as of 31 December 2021	State as of 31 December 2020
A.	(Long-term) fixed assets		130,861	142,587
1.	Plant, property and equipment	10.1	88,103	98,004
2.	Intangible assets	10.2	184	499
3.	Rights to assets	10.3	15,761	15,844
4.	Investment properties	10.4	373	383
5.	Investments in subsidiaries	10.5	23,586	23,586
6.	Investments in other entities	10.6	383	625
7.	Deferred income tax assets	10.22	2,471	3,646
B	(Short-term) current assets		136,720	126,203
I	Current assets other than ones classified as held for sale		136,720	116,564
1.	Stock	10.7	63,277	71,924
2.	Biological assets	10.8	560	338
3.	Trade receivables and other short-term receivables	10.9 10.10	28,238	23,602
4.	Current income tax receivables		-	1,245
5.	Other financial assets	10.6 10.11	10,975	7,976
6.	Cash and cash equivalents	10.12.	33,670	11,479
III	Assets held for sale	10.13.	-	9,639
	Total assets		267,581	268,790

	LIABILITIES	Note	State as of 31 December 2021	State as of 31 December 2020
A.	Equity		156,200	158,530
1.	Share capital	10.14	5,700	5,700
2.	Share premium	10.15	7,562	7,562
3.	Revaluation capital	10.15	30,507	30,494
4.	Retained earnings	10.15 10.16	112,431	114,774
B	Liabilities		111,381	110,260
I	Long-term liabilities		25,643	29,734
1.	Loans and borrowings	10.17	3,761	5,496
2.	Liabilities due to assets under lease	10.20	11,088	13,036
3.	Deferred income tax provision	10.22	5,957	6,486
4.	Liabilities related to retirement benefits and similar ones	10.18	2,472	2,693
5.	Subsidies	10.21	1,925	2,023
6.	Other long-term liabilities	10.19	440	-
II	Short-term liabilities		85,738	80,526
II a	Short-term liabilities other than those related to assets held for sale		85,738	80,525
1.	Trade and other short-term liabilities	10.19 10.21	13,280	11,146
2.	Loans and borrowings	10.17	68,735	65,889
3.	Liabilities due to assets under lease	10.20	3,371	3,237
4.	Liabilities related to retirement benefits and similar ones	10.18	352	253
II b	Liabilities related to assets held for sale		-	1
	Total liabilities		267,581	268,790

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

No.	Specification	Note	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
I	Revenues from sales		163,943	155,182
1.	Revenues from the sales of products	11.1	148,501	136,229
2.	Revenues from sale of services	11.2	1,141	1,178
3.	Revenues from the sales of goods and materials	11.3	14,301	17,775
II	Own cost of sales		(128,292)	(117,135)
1.	Costs of products sold	11.4	(110,718)	(95,567)
			(110,718)	
			(110,718)	
2.	Costs of services sold	11.4	(868)	(780)
3.	Costs of goods and materials sold		(13,880)	(17,226)
4.	Result of agricultural production	11.6	(2,826)	(3,562)
III	Gross profit (loss) on sales (I-II)		35,651	38,047
1.	Costs of sales and marketing	11.4	(12,558)	(9,257)
2.	Overheads	11.4	(25,040)	(24,346)
3.	Other operating revenue	11.7	1,944	2,489
4.	Other operating costs	11.8	(298)	(515)
IV	Profit (loss) on operating activities		(301)	6,418
1.	Financial costs	11.9	(2,355)	(3,722)
2.	Financial revenue	11.10	992	4,851
V.	Profit (loss) before taxes		(1,664)	7,547
VI	Income tax	11.12	(679)	(2,017)
VII	Net profit (loss)		(2,343)	5,530
VIII	Other comprehensive income		13	(43)
1.	Reassessment of liabilities under employee benefits		13	(43)
IX	Total comprehensive income, including		(2,330)	5,487
X	Net profit (loss) per 1 share	11.13	(0.02)	0.06

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Share premium	Treasury shares	Revaluation capital	Retained earnings	Total equity
State as of 1 January 2020	5,700	7,562		30,537	120,644	164,443
Changes in the period from 01/01/2020 to 31/12/2020	-	-	-	(43)	(5,870)	(5,913)
Profit distribution for 2019, including:	-	-	-			-
- increase of capital reserve					-	-
- transactions with owners (dividend)					(11,400)	(11,400)
Net profit (loss) for the financial year	-	-	-		5,530	5,530
Other (net) comprehensive income for financial year	-	-		(43)	-	(43)
State as of 31 December 2020	5,700	7,562	-	30,494	114,774	158,530
State as of 1 January 2021	5,700	7,562	-	30,494	114,774	158,530
Profit distribution for 2020, including:				-	-	-
increase of capital reserve in the amount of PLN 5,530 thousand	-					-
- transactions with owners (dividend) - 0	-					-
Net profit (loss) for the period	-	-			(2,343)	(2,330)
Other (net) comprehensive income for financial year	-	-		13	-	-
State as of 31 December 2021	5,700	7,562	-	30,507	112,431	156,200

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

CASH FLOW STATEMENT

No.	Specification	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
A.	Cash flows on operating activities – indirect method		
I	Profit (loss) before taxes	(1,664)	7,547
II	Total adjustments	22,758	(16,633)
1.	Amortisation/Depreciation	11,637	11,468
2.	Foreign exchange (gains) losses	94	83
3.	Interest and shares in profit (dividend)	917	827
4.	(Gains) losses on investing activities	(607)	(631)
5.	Change in provisions	(122)	628
6.	Change in stock	8,647	(17,486)
7.	Change in biological assets	(222)	(16)
8.	Change in receivables	(3,561)	(2,975)
9.	Changes in short-term liabilities, except for loans and borrowings	2,134	553
10.	Change in deposits	301	102
11.	Income tax paid/returned	1,207	(5,584)
12.	Change in subsidies	(98)	(97)
13.	Change in interest on borrowings accrued	-	(141)
14.	Change in other financial assets	1,110	(985)
15.	Surcharges received	(1,036)	(1,104)
16.	Revaluation of financial assets	(163)	(198)
17.	Amortisation of CO2 emission rights	2,494	
18.	Other adjustments	26	29
III	Net cash flows on operating activities	21,094	(9,086)
B.	Cash flows on investing activities		
I	Receipts	9,989	7,597
1.	Disposal of intangible assets and property, plant and equipment	1,238	3,663
2.	Dividends received	200	75
3.	Revenues from securities	254	338
4.	Sale of shares	1,403	-
5.	Repayment of borrowings granted	6,894	3,521
II	Expenses	7,261	18,016
1.	Acquisition of intangible assets and property, plant and equipment	1,464	4,273
2.	Purchase of shares	-	998
3.	Purchase of property rights	2,197	-
4.	Borrowings granted	3,600	1,345
5.	Dividend and other payments to shareholders	-	11,400
III	Net cash flows on investing activities	2,728	(10,419)
C.	Cash flows on financial activities		
I	Receipts	52,814	49,125
1.	Loans and borrowings	51,778	48,021
2.	Surcharges received	1,036	1,104
II	Expenses	54,441	52,579
1.	Repayment of loans and borrowings	50,667	48,104
2.	Interests on loans and borrowings	917	902
3.	Payments under lease agreements	2,857	3,573
III	Net cash flows on financial activities (I-II)	(1,627)	(3,454)
D.	Total net cash flows (A.III+/-B.III+/-C.III)	22,195	(22,959)

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

E.	Balance sheet change of cash, including:	22,191	(22,877)
	- change in cash due to exchange differences	4	(83)
	- change in loans on the current account	-	-
F.	Opening balance of cash	11,475	34,434
G.	Closing balance of cash (F+/-D)	33,670	11,475
	- of which of limited disposability	-	1,500

INFORMATION ON ADOPTED ACCOUNTING PRINCIPLES AND OTHER  
 EXPLANATORY INFORMATION TO THE ANNUAL FINANCIAL STATEMENTS AS OF  
 31 DECEMBER 2021

1. General information

Full name: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.  
 Address of the registered office: 18-402 Łomża, ul. Poznańska 121  
 REGON ID: 450096365  
 NIP ID: 7181005512  
 Registration body: District Court in Białystok 12th Economic Division of the  
 National Court Register  
 Number in the register: 000038455  
 Legal form: joint-stock company  
 Organisational form: single-plant enterprise  
 Basic scope of operations according to PKD (Polish Classification of Business Activities)  
 divisions 1062Z manufacture of starch and starch products.  
 Industry: food  
 Duration: unlimited  
 Members of the Management Board as of 31 December 2021:  
 Wojciech Faszczewski President of the Management Board  
 Tomasz Krzysztof Rogala Member of the Management Board.

Members of the Supervisory Board as fo 31 December 2021:

Maciej Kaliński Chairperson of the Supervisory Board  
 Tomasz Nowakowski Deputy Chairperson of the Supervisory Board  
 Robert Malinowski Secretary of the Supervisory Board  
 Krzysztof Stankowski Member of the Supervisory Board  
 Piotr Marian Taracha Member of the Supervisory Board  
 Agata Czerniakowska Member of the Supervisory Board.

Personal composition of the Audit Committee as of 31 December 2021:

Maciej Kaliński Chairperson of the Audit Committee  
 Krzysztof Stankowski Vice Chairperson of the Audit Committee  
 Piotr Marian Taracha Member of the Audit Committee  
 Robert Malinowski Member of the Audit Committee  
 Tomasz Nowakowski Member of the Audit Committee

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

STATEMENT OF THE MANAGEMENT BOARD

A. on reliability of preparing the financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. represents that to its best knowledge it ensured the preparation of the financial statements presenting, in a true, reliable and clear manner, all information essential for the assessment of the Company's financial and economic standing as of 31/12/2021, as well as its financial result for the financial year from 01/01/2021 to 31/12/2021.

While drafting the financial statements, the Management Board ensured the selection of proper criteria of assessment and preparation of the financial statements. During the assessment of assets and liabilities and determination of the financial result, it was assumed that the Company would continue as a going concern in the foreseeable future, and the scope of the operations would not be significantly reduced, which complies with factual and legal conditions.

The Management Board is liable for the fulfilment of accounting obligations defined in the specific provisions of law.

These financial statements were approved for publication by PEPEES S.A. on 17 March 2022

B. on the entity authorised to audit financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. represents that the entity authorised to audit the financial statements, which audited the financial statements, had been selected in compliance with legal provisions and that the entity and the chartered auditors conducting the audit fulfilled the conditions for issuing an impartial and independent opinion on the audit in compliance with the applicable provisions of law.

The entity authorised to audit the financial statements of "PEPEES" S.A. for the year of 2021 is WBS Audyt Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw, ul. Grzybowska 4, lok. U9B, 00-131 Warsaw, entered in the list of entities authorised to audit financial statements under registration number 3685 maintained by the Polish Chamber of Chartered Auditors, under the agreement executed on 29/07/2020.

2. Information on reporting periods

The presented annual consolidated financial statements cover the period from 1 January 2021 to 31 December 2021 while comparable financial data and explanatory notes cover the period from 1 January 2020 to 31 December 2020.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

### 3. Grounds for the annual financial statements

These financial statements have been prepared in compliance with accounting policies consistent with:

- International Financial Reporting Standards as adopted by the European Union,
- to the extent not regulated by the aforementioned standards – in accordance with the requirements of the Accounting Act of 29 September 1994 (Polish Journal of Laws of 2021, item 217) and implementing legislation issued on the basis thereof.

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

The accounting policies applied while preparing these separate financial statements have not changed from those applied while preparing the annual separate financial statements for the year ending on 31 December 2020, save and except for the application of new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2021.

The revised standards and interpretations, which were applicable in 2021 for the first time, do not have any material impact on these separate financial statements.

While drafting the financial statements, the Management Board ensured the selection of proper criteria of assessment and preparation of the financial statements. During the assessment of assets and liabilities and determination of the financial result, it was assumed that the Company would continue as a going concern in the foreseeable future, and the scope of the operations would not be significantly reduced, which complies with factual and legal conditions. These annual financial statements are presented in Polish złoty ("PLN"), and all amounts, unless otherwise indicated, are specified in thousands of PLN.

These annual financial statements were prepared with the going concern assumption as regards the Company's business operations in the foreseeable future. As of the approval date of these annual financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not observe any circumstances that could point out to the threat for the Company's continued operations as a going concern.

The financial statements do not contain consolidated data, since PEPEES is a company which consists of one facility only.

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

### 4. Significant accounting principles (policy)

#### 4.1. Changes in accounting principles

The Company did not change the accounting principles that had been applied earlier with the exception of new or amended standards and interpretations in force for annual periods commencing on or after 1 January 2021.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

#### 4.2. Corrections of errors from previous periods

There were no such corrections of errors from previous periods

#### 4.3. Declaration of compliance

These financial statements were prepared in compliance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations published in the form of regulations of the European Commission.

#### 4.4. Converting items denominated in foreign currencies

Polish złoty is the functional (valuation) currency and presentation currency of PEPEES S.A.. Pecuniary assets and liabilities denominated in foreign currencies were converted as of the balance sheet date at the exchange rate in force in the bank whose services are used by the Company. All exchange rate differences are recognised in the statement of comprehensive income for a given period.

#### 4.5. Reporting on segments of the business

The Company operates in the production and sales of starch and starch hydrolysates. Due to the Company's focus on one type of business and one geographical area, it has one reporting section entitled "potato processing." One section is identified in everyday records and internal reports.

These statements reveal information in compliance with sections 32-34 IFRS 8.

#### 4.6. Plant, property and equipment

Upon transfer into IAS, the Company accepted the fair value of fixed assets assessed by an appraiser as the assumed costs.

Fixed assets under construction, created for the purpose of production, lease or administration, and for other purposes not defined yet, are presented in the statement of the financial standing according to their costs of production minus impairment write-offs. Costs of production are raised by fees and in case of specified assets – by costs of external funding. The Company applies depreciation on a straight-line basis. The depreciation of fixed assets starts upon the commencement of their use. Such depreciation is calculated for all fixed assets except for land and fixed assets under construction, by the estimated period of the actual use thereof on a straight-line basis. Life cycles for individual groups of fixed assets are as follows:

- buildings and structures 10 - 40 years
- machinery and equipment 2 - 20 years
- means of transport 3 - 5 years
- fixtures and fittings 2 - 15 years

Life cycles were verified and updated as of the balance sheet date.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

According to the materiality principle, the Company recognises fixed assets of the initial value of up to PLN 3,500 at one time to the profit and loss account in the period in which the expenditure was incurred.

#### 4.7. Intangible assets

Intangible assets are recognised if likely to generate an inflow of economic values to the Company, which may be directly related to such assets. The Company does not have any intangible assets with the unspecified period of use.

As of the balance sheet date, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any.

##### (a) Trademarks and licences

Trademarks and licences have limited (definite) economic life cycles and are recognised in the statement of the financial standing at the historical cost minus amortisation thus far. Amortisation is calculated on the straight-line basis in order to distribute cost for the estimated economic life cycle (2-10 years).

##### b) Computer software

Computer software licences purchased are activated in the amount of costs spent for the purchase of specific computer software and its preparation for use. Activated costs are deducted for the estimated life cycle of software (2-10 years). Costs related to the creation and maintenance of computer programs are recognised as costs upon their incurring.

##### c) CO2 emission rights

CO2 emission rights are recognised as intangible assets not subject to amortisation but subject to the analysis of impairment.

Acquired emission rights are recognised at their purchase price while rights received free of charge at nominal value, i.e. at zero value.

The provision for estimated CO2 emissions in the reporting period is created and charged to the costs of core business.

Pertaining to the verified annual report referred to in Article 57(3) of the Act on Trading in Emission Rights, used and redeemed emission rights are excluded from the records. Using the rights is recognised in compliance with FIFO (first in- first out) principle.

#### 4.8. Right to asset (perpetual usufruct rights of land)

Beginning from 1 January 2019, the Company implemented the International Financial Reporting Standard no 16 "Leasing," introducing the uniform accounting model of the lessor and requiring that the lessee recognise assets and liabilities resulting from each lease concluded for a longer period than 12 months, unless the underlying asset is of low value. As of the commencement date, the lessee recognises the asset under the right to use the underlying

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

asset and liability under lease reflecting its obligation to pay leasing fees. The lessee records the depreciation of the asset under the right to use and interest accrued on leasing liabilities.

Until 31 December 2018, the Company treated the held perpetual usufruct right to land as the operational leasing, recording related fees as the profit or loss of the period referred to. Beginning from 1 January 2019, the perpetual usufruct right to land was qualified by the Company as the lease agreement in compliance with IFRS 16.

#### 4.9. Investment properties

Investment properties are treated as a source of rental income and/or are held due to its expected appreciation in value.

Investment properties are initially evaluated at the purchase price or cost of production. After initial recording, the Company decided to apply the model of purchase price or the cost of production for all investment properties and evaluates it in compliance with IAS 16 Plant, property and equipment, except for real properties that meets the criteria of assets held for sale and evaluated in compliance with IFRS 5.

Depreciation is calculated for the estimated life cycle of such assets according on the straight-line basis. Land is not subject to depreciation.

Losses and profits resulting from the sales (liquidation) of investment properties are determined as the difference between revenues from sales and the balance sheet value of such items and recorded in the comprehensive income statement.

#### 4.10. Financial instruments

Beginning from 1 January 2018, the Company classifies financial assets as one of the following three categories specified in IFRS 9:

- measured at amortised cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The category of assets measured at amortised cost, according to the Company's classification, includes trade receivables, granted borrowings, other receivables, deposits and cash and its equivalents.

The entity measures financial assets at amortised cost by means of the effective interest method, taking into account impairment write-offs. Long-term receivables subject to IFRS 9 are discounted as of the balance sheet date.

Trade receivables due within 12 months are measured at the payable amount minus potential write-off related to projected loss.

The category of assets measured at fair value through profit or loss covers all financial instruments that have not been classified as measured at amortised cost or measured at fair value through other comprehensive income, and the ones, in case of which the Company decided on such classification to eliminate accounting mismatch.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

In this category, the Company classifies granted borrowings that have not passed the contractual cash flow test and derivative instruments being assets, if not selected as hedging instruments.

Profits and losses on an financial asset classified as measured at fair value through profits and loss are recognised in the financial result in the period they arise (including interest and dividend revenues received from capital instruments quoted on an active market).

Assets measured after initial recognition at fair value through other comprehensive income are financial assets held in compliance with the business model aimed at both holding financial assets for the generation of cash flows under the agreement, as well as the sale of financial assets, and the contractual characteristics of those financial assets provide for cash flows that are solely the payments of principal and interest.

Profits and losses on a financial asset that is a capital instrument with the option of measurement at fair value through other comprehensive income is recognised in other comprehensive income, save for revenues related to received dividend.

According to IFRS 9 the Company monitors changes of the loan risk related to individual items of financial assets and for each of them, it evaluates at every balance sheet date whether there is the objective evidence of impairment of a financial asset or a group of financial assets.

#### 4.11. Stock

Reserves are recognised at a purchase price or production costs that are not higher than the net sale price. Cost of ready products and work in process includes raw materials, direct labour, other direct costs and respective departmental costs of production (based on ordinary production capacities), but it does not include costs of external financing. Materials and goods on stock are measured by means of the average weighted method.

As of the balance sheet date, the measurement of stock takes place in compliance with the prudent valuation principle, that is according to the purchase price or achievable sale price, depending on whether any of them is lower. Net sale price corresponds to the estimated sale price minus all costs necessary for the completion of the production and costs executed the sales of stock or solicitation of a buyer (e.g. costs of sale, marketing, etc.). If the purchase price is higher than achievable sale price, the Company shall establish revaluation write-offs include in the costs of sold products.

#### 4.12. Biological assets

The Company leases agricultural farms, where it grows annual plants, such as potatoes, peas, oilseed rape and grain. Elements of biological assets are measured at the moment of their initial recognition and at the end of every reporting period at fair value minus the costs of sales, taking into account the level of plant maturity.

#### 4.13. Short- and long-term receivables

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Trade receivables due and payable within 180 days are recorded and preset according to initially invoiced amounts, including impairment write-offs. An impairment write-off of trade receivables is established in case of objective evidence that the Company will not be able to receive all amounts due, resulting from initial terms and conditions of receivables. Revaluation write-offs of receivables are charged to the other operating costs. The Company makes revaluation write-off on the basis of age structure and loan risk analysis of a given debtor. Receivables due and payable after 180 days are measured at the adjusted purchase price (amortised cost) by means of the effective interest rate method.

#### 4.14. Transactions in foreign currency

Transactions denominated in other currency than Polish zloty are converted into Polish zloty according to the rate prevailing on the day of the transaction.

As of the balance sheet date, cash, bank loan facilities and other assets and liabilities denominated in other currencies than Polish zloty are converted into Polish zloty according to the exchange rate applied by the banks that renders services to the Company. Exchange rate differences from the conversion are recognised respectively as financial revenues or costs.

#### 4.15. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits payable at demand, other short-term investments with the initial maturity period up to three months and characterised with high liquidity, as well as current account loan facility. The current account loan facility is presented in the statement of the financial condition as an element of short-term loans and borrowings within the scope of short-term liabilities.

#### 4.16. Advances

In case of expenses spent, which are expected to generate economic benefits for a few settlements periods, while their relationship with revenues may be defined only generally in indirectly, costs are recorded in the statement of comprehensive income by means of systematic and rational distribution in time. Costs are recognised promptly in the statement of comprehensive income if the incurred expenses do not generate any future economic benefits.

#### 4.17. Equity

The share capital is recognised in the value defined in the Articles of Association and recorded in the National Court Register.

The capital reserve is established in compliance with the Articles of Association or the Company's Agreement and the Code of Commercial Companies, according to which the capital increase may take place through:

- transfer of a part of net profit,
- transfer of surpluses, obtained from issuing shares above their nominal value,
- payment of extra charges by shareholders in exchange for granting special rights to their existing shares, provided that these extra charges will not be used to compensate extraordinary

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

write-offs or losses,  
- transfer of net positive difference from revaluation of fixed assets due to their distribution for sale or liquidation, if separate regulations do not provide that these differences are transferred to the financial result,

while decrease through:

- coverage of loss,
- redemption of treasury shares,
- coverage of costs of an issue of shares up to the amount of the surplus of the value of issue over the nominal value of shares; the remaining part of costs shall be regarded as financial costs,
- free of charge transfer of fixed assets according to a resolution of the Annual General Meeting,
- transfer of a negative net difference from the revaluation of fixed assets due to their allocation for sale or liquidation, unless separate provisions defined that such differences are recorded in the financial result,

Asset revaluation capital is used for recording reestimations of fixed assets resulting in an increase of their value. This capital shall also include the revaluation of the provision for future employee benefits.

The capital reserve is established from the net profit in compliance with the Articles of Association and resolutions of the AGM and is aimed at covering investment expenditure.

#### 4.18. Bank loans and borrowings

Interest bearing bank loans and borrowings (including also loan facilities on current account) are posted in the amount of received inflows. Financial costs (except those directly related with the purchase or production of plant, property and equipment), together with commissions payable upon repayment or redemption and direct costs related to incurred loans are recorded in the statement of comprehensive income by means of the effective interest rate method and they raise the accounting value of an instrument, taking into account payments made in the ongoing period.

In case of an interest rate below the market interest rates, loans are discounted to the market level of interests, and the difference between the discounted value and received inflows is recorded as a governmental subsidy.

Loans and borrowings are included in short-term liabilities unless the Company has an unconditional right to postpone the repayment of liabilities by at least 12 months from the balance sheet date. Then they are recognised as long-term liabilities.

#### 4.19. Costs of external financing

Costs of external financing that refer directly to construction, adjustment, assembly or improvement of fixed assets or intangible assets, for the period of construction, adjustment, assembly or improvement are recognised in the value of those assets, of liabilities had been

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

incurred for that purpose. Other costs of external financing are recorded in the statement of comprehensive income.

#### 4.20. Deferred income tax

Deferred income tax liabilities is recorded in full amount, by means of the liability method, due to transitory differences between the tax value of assets and liabilities and their balance sheet value in the financial statements. Deferred income tax is determined by means of the tax rates (and provisions) that are legally or factually applicable as of the balance sheet date, that are expected to apply at the time of executing respective deferred income tax assets or payment of deferred income tax liabilities.

Deferred income tax assets are determined in the amount expected to be deducted in the future from income tax in relation to negative temporary differences that will result in the reduced income taxation base in the future. Deferred income tax assets are recognised if a taxable income is likely to be achieved in the future and it will make possible to benefit from temporary differences.

#### 4.21 Employee benefits

Expected costs of employee benefits (jubilee awards, retirement allowances, etc.) are posted throughout a period of employment by means of actuarial methods. Actuarial profits and losses from ex post adjustments of actuarial assumptions are included in other comprehensive income in the statement of comprehensive income through an average, expected and remaining period of employment of employees, to whom they refer. Valuation of respective liabilities is performed every half a year by independent actuaries.

Employee benefits may also occur due to the termination of an employment relationship before retirement or whenever an employee accepts the voluntary termination of an employment relationship in return for such benefits. The Company recognises termination benefits if it has surely decided to terminate an employment relationship with employees according to an existing detailed official plan, without a possibility to withdraw from it, or it has decided to pay severance pays due to the termination of an employment relationship as a result of the offer presented as the voluntary termination of an employment relationship. Benefits payable after the period of 12 months from the balance sheet date are discounted to the current value level.

#### 4.22. Trade liabilities

If they are not an interest instrument, trade liabilities are presented in the balance sheet in the payable amount. If a measurement at adjusted purchase price differs significantly from the payable amount, then the trade liabilities are measured at adjusted acquisition cost.

#### 4.23. Provisions

Provisions are presented when the Company (a legal or customary) obligation resulting from past event and when it is sure or very likely that the fulfilment of this obligation results in the

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

outflow of funds embedding economic benefits, and when an amount of such liability may be reliably estimated.

No provisions are established for future operating losses.

#### 4.24. Accruals

Accruals are liabilities to be paid for goods or services that have been received (performed) fully or partially, but have not been invoiced or terms and conditions of payment were not agreed formally with a supplier. Similarly, accruals include amounts related to salary accrued for holidays and costs of the redemption of rights to CO2 emission. Accruals are recorded when the amount of future liabilities and payment dates may be estimated reliably.

#### 4.25. Impairment of assets

As of every balance sheet date, the Company estimates whether there are objective indications of a permanent impairment of an assets/assets. If there are such indications, the Company determines the recoverable value of an asset and makes an impairment write-off in the amount equal to the difference between the recoverable value and balance sheet value. The impairment loss is recorded in the comprehensive income statement for the current period.

#### 4.26. Lease

The lease agreement is construed as an agreement under which the right to use an asset for an agreed period is granted by the lessor on behalf of the lessee for a fee or a series thereof.

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 name and its accompanying interpretations:

- IFRIC 4 Determining whether an arrangement contains a lease;
- SIC 15 Operating lease – Incentives;
- SIC 27 Evaluation the substance of transactions involving the legal form of a lease.

As for lessees, the new standard introduces a single accounting model for leases based on the control concept (profits + power) and requires that assets (assets related to use) and liabilities resulting from lease be recognised. The item used, such as a machine or a car, is not a recognisable asset, but the right to use the item is such. New standard of "PEPEES" S.A. Financial statements for the period of 12 months ended on 31 December 2021 (data in thousands of PLN) 19 does away with the off-balance-sheet recognition of leased assets; the division into operating and finance leases does no longer apply to the lessee . As for lessors, IFRS 16 transfers obligations defined in IAS 17. The Lessor continues to classify lease agreements into operating and financial lease. Furthermore, service-type agreements have also been treated as lease since 1 January 2019. This mainly applies to space lease and hire

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

agreements, perpetual usufruct of land and quasi-service agreements, such as IT, telecom agreements, executed by means of fixed assets (e.g. services, optical fibre, etc.).

IFRS 16 introduces some simplifications and allows lessees not to meet the requirements applicable to recognition, measurement and presentation of lease in relation to:

➤ short-term lease agreements (agreement duration <1 year from the commencement of the agreement); the release shall be applied consistently with respect to respective classes of assets subject to lease; while determining the lease period, the Company should take account of the option to prolong the lease duration, if sufficiently certain that it will use the option to prolong lease or not to execute the completion option; every lease agreement containing an asset purchase option shall not be classified automatically as a short-term lease;

➤ lease agreements, in case of which an asset subject to lease is of low value; IAS Council, in the Explanatory Memorandum, defined that the maximum value of an asset qualifying to a release is USD 5,000 (the initial value of a new asset regardless of age of an asset subject to lease); release shall not apply to items subject to sublease. Acceptable release pertaining to the lease of short-term agreements and the lease of low price agreements is aimed at reducing costs related to the implementation of the new standard without significantly weakening the quality of information derived from the financial statements. In such a case, the lessee records leasing fees in the profit and loss account on the straight-line basis in the lease period or in another systematic manner, if more representative.

Upon executing the agreement, the Company estimates whether it is a lease or involves lease. Lease shall be construed as an agreement or a part thereof under which the right to use an asset is transferred for a specific period in return for a fee. Assessment consists in checking whether the right to control the use of a specific asset for a given period is transferred under an agreement, that is to say whether for the entire period of use, the Entity:

- has the right to acquire economic benefits from use of an identified asset (benefit element);
- ➤ has the right to manage the use of an identified asset (the element of power).

Lease agreements under which significantly all risks and gains resulting from the possession of a subject matter of lease are transferred to the Company are recorded in assets and liabilities as of the commencement date of the lease period. The value of assets and liabilities is determined as of the lease commencement date according to the lower of the following values: fair value of fixed assets subject to lease or the current value of minimum leasing fees.

Minimum leasing fees are distributed between financial costs and reduction of the balance of liabilities under lease in such a manner as to ensure the fixed interest rate in relation to the unpaid balance of liabilities. Provision leasing fees are recorded in the costs of the period when they are borne.

Fixed assets used under a lease agreement are depreciated in compliance with the same principles as the ones applicable to the Company's own assets. If, however, there is no sufficient certainty that the Company acquires the ownership title before the end of the lease period, the asset is for the shorter of the estimated useful life of the asset or the lease period.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Lease agreements under which the lessor maintains in general all risk and gains resulting from the possession of the subject matter of lease are regarded as operating lease agreements. Leasing fees under operating lease are presented as costs in the profit and loss account on to the straight-line basis throughout the lease period.

#### 4.27. Recording revenues

Revenues are recorded in the likely amount of economic benefit to be acquired by the Company in relation to a given transaction and if the amount of revenues may be reliably measured.

Revenues from sales include the fair value of revenues from the sales of products, goods and services minus rebates and discounts, and minus the excise tax. Revenues are recorded in the following manner:

##### a) revenues from the sales of products and goods

According to IFRS 15 "Revenue from contracts with customers," since 1 January 2018 the Company has recorded revenue from contracts with customers upon the fulfilment of the obligation to perform a service, through the delivery of promised goods to the purchaser, while the delivery also means the acquisition of control by the purchaser over such an asset, that is to say the capacity of the direct management of the asset delivered and acquisition of all other benefits therefrom and capacity not to allow other entities to dispose thereof and acquire benefits therefrom.

The obligation to perform a service is considered by the Company to include all promises to provide the customer with goods that may be separated or a group of separated goods that are in principle the same and are delivered to the customer in the same manner. In case of each and every obligation to perform the service, the Group company decides (based on contractual terms and conditions) whether it will execute them in time or at a specific moment.

Revenues from the sales of products, goods and materials are recorded in the financial result at once at a specific moment that corresponds to the moment fulfilling the obligation to perform the service.

##### b) revenues from the sale of services

According to IFRS 15 "Revenue from contracts with customers" since 1 January 2018, the Company has recorded revenue from contracts with customers upon the fulfilment of the obligation to perform the service, through the delivery of a promised service to a purchaser, while the delivery also means the acquisition of control by the purchaser over such an asset, that is the capacity of the direct management of the delivered asset and acquisition of all other benefits therefrom it and a capacity not to allow other entities to dispose therewith and acquire benefits therefrom.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

The obligation to perform a service is considered by the Company to include all promises to provide the customer with services that may be separated or a group of separated services that are in principle the same and are delivered to the customer in the same manner. In case of each and every obligation to perform the service, the Company decides (based on contractual terms and conditions) whether it will execute them in time or at a specific moment.

Revenue from the sale of services is included in the financial result in time, if one of the following conditions is fulfilled:

- the customer receives and has economic benefits simultaneously from the performance of services by the Company as it performs its obligation, or
- as a result of fulfilling the obligation by the Company, an asset is created or improved (e.g. work in progress), and control over such an asset in the course of its production or improvement is executed by the customer, or
- as a result of the fulfilment of the obligation by the Company, an asset created that has no alternative use for the Company and at the same time, the Company may exercise the enforceable right to the payment for the service performed thus far.

IFRS 15 "Revenues from contracts with customers" for the sale of products and goods and sale of services established so-called Five Step Model that has been followed by the Company since 1 January 2018:

1. verification of agreements with customers to check their completeness and correctness, taking into account the likelihood of receiving the payment;

2. determination of the contract subject matter, that is a service performed by the Company for customers (in some cases, it may be necessary to analyse several contracts and record revenue in such a manner as if it resulted from one contract with the customer);

3. determination of the transactional price, that is a fee expected by the Company, taking into account the regular or variable nature of the price, its form (financial and/or non financial), as well as the value of money in time when a longer merchant loan has been granted to a counterparty;

4. allocation of price resulting from individual services/obligations under a contract – the allocation of revenues to individual services based on their unit selling price, and in case of a discount and other elements changing the price – an analysis to what services such elements refer and their subsequent appropriate allocation;

5. recognition of the revenue in the ledgers and financial statements after the Company has completed the obligation related to the performance of a service (after goods have been provided to or a service has been performed on behalf of a counterparty).

Revenue from contracts with customers in the comprehensive income statement comprises revenue from the Company's ordinary operating activities, that is to say revenue from the sales of products, goods and materials.

Revenue from contracts with customers are recorded in an amount equal to the transactional price (including any discounts and rebates).

A transactional price also reflects the change of money in time, if the contract with the customer contains an essential funding element defined on the basis of contractual terms and conditions of payment, regardless whether it was explicitly defined therein. The element of financing is considered essential if upon the execution of the contract, a period from the delivery of promised

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

goods or services to a customer until the customer's payment for goods or service is longer than 1 year.

According to IFRS 15, if a fee defined in a contract includes a variable amount, the Company shall estimate the amount of the fee to which it will be entitled in return for the transfer of promised goods or services to the customer and in the transactional price, it includes a part of or entire amount of variable fee only in the scope in which it is very likely that there will be no reversal of significant parts of the amount of earlier recorded cumulative revenue when uncertainty about the amount of the fee disappears.

c) interest revenue

Interest revenue is recognised in compliance with accrual principle by means of the effective interest rate method. When receivables lose their value, the Company reduces their balance sheet value to the level of a recoverable value that is equal to estimated future cash flows discounted according to the primary effective interest rate of the instrument, and then gradually the discount amount is settled in correspondence with interest revenues. Interest revenues from granted borrowings that have lost their value are recorded on cash basis or the principle of cost recovery, as the case may be.

d) dividends

Dividend revenue is recorded upon the acquisition of the right to receive a payment (provided that it is probable that the Company receives economic benefits and revenue amount may be reliably estimated).

#### 4.28. Other operating revenue

Other operating revenue includes revenues and profits that are not directly connected with the operating activities of the Company. This category includes for instance profits from the sale of fixed assets, profits from the revaluation of assets, reversal of revaluation write-offs of receivables, received compensations, overpaid tax liabilities except corporate income tax, etc.

#### 4.29. State subsidies

Subsidies are not recognised until certain that the Company fulfils necessary terms and conditions and receives such subsidies.

State subsidies are recognised in the profits and losses systematically for each and every period, when the Company records expenses as costs to be compensated by a subsidy. In particular subsidies whose underlying condition is purchase, construction or other manner of acquisition of fixed assets are recorded as deferred revenues in the statement of the financial condition and referred to profit and losses systematically in justified amounts throughout the economic life of related assets.

State subsidies payable as the compensation of incurred costs or suffered losses or as a direct form of financial support for the Company without any related costs to be incurred in the future are recorded in profits and losses, when they become due.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Benefits resulting from preferential loans below the market interest rate are treated as subsidies and measured as a difference between the value of the loan received and the fair value of loans determined by means of a respective market interest rate.

#### 4.30. Costs

The Company presents the cost accounting classified according to the function of costs. Costs generated as a result of basic activity include the own costs of sale, costs of sale and distribution and overheads.

#### 4.31. Other operating cost

Other operating cost includes costs that are not directly connected with the operating activities of the Company. This category includes losses from the disposal of fixed assets, losses from the revaluation of assets and liabilities, revaluation write-offs of receivables, provided donations, results of guarantees and securities, etc.

#### 4.32. Financial costs

Costs of interest, dividends and investments are presented in the line of "financial costs."

#### 4.33. Financial revenue

Financial income includes income from dividends received, interest on investment and investment activities and foreign exchange gains.

#### 4.34. Profit per one share

Profit per one share for every period is calculated as net profit for a given period divided by weighted average number of the Company's shares because there are no preferential shares.

#### 4.35. Estimates and assumptions related thereto

The Company makes estimates and assumptions based on historical experience and other various factors that are considered rational under specific circumstances, and they serve as grounds for the judgement on the balance sheet value of assets and liabilities, which does not result directly from other sources. Real value may differ from the estimated one.

Estimations and related assumptions are subject to ongoing verification. The change of accounting estimations is recorded in the period, when such estimations are changed.

In the reporting period the Company made impairment tests of fixed assets and did not identify any impairment of their value.

Revaluation write-offs of the provisions take account of the level of their impairment.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Revaluation write-offs of receivables were updated in the amount taking into account the level of risk related to failure to receive payments from recipients

Provisions for retirement benefits and jubilee awards were updated on the basis of actuarial calculations as at 31.12.2021. A discount rate equal to the average profitability of the safest long-term securities quoted on the Polish capital market as of the evaluation date was adopted for discounting the future payments of benefits.

The revaluation of provisions for unused holidays was made on the basis of expected salaries of employees together with mark-ups charged to the employer for holidays unused as at 31.12.2021.

The Company recognised deferred income tax assets with an assumptions that the tax profit will be generated in the future, from which the assets could be used.

Every year, the Company verifies adopted useful lives of fixed assets and intangible assets. The last update took place on 31/12/2021.

#### 4.36. Cash flow statement

The Company prepares the cash flow statement according to the indirect method with division into operating, investment and financial parts.

Cash flows from operating activities come mainly from the basic activity. They do not include external funding sources.

Cash flows from investment activities comprise mainly:

- cash paid and obtained from purchase (sale) of plant, property and equipment, intangible assets and other fixed assets,
- cash related to the purchase or sale of capital instruments,
- received dividends,
- borrowings granted to third parties,
- funds from the settlement of forward agreements.

Cash flows from financial activities refer mainly to external funding sources. They comprise among others:

- revenue from issue of shares (none in the presented period),
- expenditures on the repurchase of treasury shares (none in the presented period),
- dividends and other payments for holders of shares,
- incurring and repayment of loans and borrowings,

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

- subsidies and other non-returnable revenues from an external funding source.

## 5. Compliance with accounting standards in 2021

Use of new interpretation and changes in standards in 2021 did not impact the financial standing of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. in Łomża.

Amendments to the International Financial Reporting Standards effective from 1 January 2021:

- Amendments to IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures," IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Reference Rate Reform – Stage 2 approved in the EU on 13 January 2021. (effective for annual periods beginning on or after 1 January 2021),

- Amendments to IFRS 16 "Leases" – relief from rental payments in relation to Covid-19 after 30 June 2021 approved in the EU on 30 August 2021 (effective from 1 April 2021 for financial years beginning on or after 1 January 2021),

- Amendments to IFRS 4 "Insurance Contracts" entitled "Amendments to IFRS 4. "Extension of the temporary exemption from IFRS 9" approved in the EU on 16 December 2020 (expiry date of the temporary exemption from IFRS 9 extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

## 6. New accounting standards and interpretations not used in these statements

New standards and interpretations entering into force after the balance sheet date (issued by the International Accounting Standards Board and approved for application in the EU, and which enter into force at a later date):

- Amendments to IAS 16 Property, plant and equipment – revenue arising before a non-current asset is placed in service approved in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – onerous contracts – cost of fulfilling a contract approved in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- Amendments to IFRS 3 "Business Combinations" – amendments of references to the conceptual assumptions together with amendments to IFRS 3 endorsed in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- IFRS 17 "Insurance Contracts" as amended by IFRS 17 endorsed in the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- Amendments to various standards "Improvements to IFRSs (2018 - 2020 cycle)" – Amendments made under the annual improvement procedure to IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) mainly aimed at resolving inconsistencies and clarifying vocabulary – approved in the EU on 28 June 2021 (amendments to IFRS 1, IFRS 9 and

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 are related only to an illustrative example and, therefore, no effective date is provided).

New standards and interpretations awaiting endorsement for use in the European Union:

IFRSs as endorsed by the EU do not currently differ significantly from the regulations issued by the International Accounting Standards Board (IASB), except for the following new standards and amendments to standards which, as of 31 December 2021, had not yet been endorsed for use in the EU (effective dates below refer to the standards in their full version):

- IFRS 14 "Deferred balances from regulated activities" (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to initiate the endorsement process for this interim standard for use within the EU until the final version of IFRS 14 is issued,
- Amendments to IAS 1 "Presentation of financial statements" – Classification of liabilities as current or non-current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of financial statements" – Disclosures of accounting policies used (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 "Income Taxes" – Deferred tax on assets and liabilities from a single transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" – Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (effective date of the amendments deferred until the completion of the research work on the equity method),
- Amendments to IFRS 17 "Insurance Contracts" – first-time adoption of IFRS 17 and IFRS 9 – comparative data (effective for annual periods beginning on or after 1 January 2023).

The effective dates are those resulting from the content of the standards promulgated by the International Financial Reporting Council. The application dates of the standards in the European Union may differ from the application dates implied by the content of the standards and are announced at the time of endorsement for use by the European Union.

The Issuer has not elected to early adopt any standard, interpretation or amendment that has been published but is not yet effective.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

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

#### 7. Non-recurring items with a significant impact on assets, liabilities, capital, financial result and cash flows

In 2021, The Company received a salary subsidy from the anti-crisis shield in the amount of: PLN 1,184 thousand.

Furthermore, it should be emphasised that the ongoing pandemic and its impact on the economic situation has not been without effect on the Company's operations, mainly through a reduction in demand for the Company's products and a significant fall in the price of its main product, starch. These factors affected the amount of revenue and profit indicated in the statement of comprehensive income.

As a result of the pandemic, there was no loss of assets and no material changes to the statement of financial standing.

#### 8. Amendments of applied accounting principles, correction of errors and presentation

"PEPEES" S.A. has not corrected errors from previous years. The Company did not change the accounting principles that had been applied earlier with the exception of application of new or changed standards and interpretations in force for annual period commencing after 1 January 2021.

#### 9. Reporting on segments of the business

##### 9.1 Information about products and services

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" operates mainly in the segment of "potato processing." In this segment, it produces:

- potato starch used by households and food, pharmaceutical, paper and textile industries,
- a few selections of glucose used in food, confectionery and pharmaceutical industry,
- maltodextrin, which is an essential element of powder products (ice cream, sauces, soups, fruit extracts, flavoured toppings) and nutritional supplements and vitamin and mineral supplements for children and athletes.
- protein received from potato cell cytoplasm through coagulation, separation and drying; it is a valuable component of feed mixtures for animals and an excellent substitute of animal protein.
- wide range of starch syrups used in the confectionery and

The other types of activities refer to:

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

- works and services,
- sale of some goods and materials,
- growing and sale of annual plants.

## 9.2 Revenues by products

Product name	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Starch	100,383	91,525
Protein	12,028	10,631
Glucose	13,625	10,252
Hydrol	409	333
Maltodextrin	20,689	22,587
Starch syrups	1,366	902
Goods and materials	14,302	17,775
Services	1,141	1,177
<b>Total</b>	<b>163,943</b>	<b>155,182</b>

## 9.3 Revenues from sales according to the geographical structure

Specification	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Poland, including	95,139	103,097
Starch	48,169	53,472
Protein	7,432	7,415
Glucose	10,992	8,846
Hydrol	409	333
Maltodextrin	14,262	18,097
Starch syrups	1,366	902
Goods and materials	11,368	12,855
Services	1,141	1,177
EU countries – intra-Community supplies, including:	13,284	12,253
Starch	7,090	5,654
Protein	962	1,547
Maltodextrin	3,582	4,026
Glucose	1,365	964
Goods	285	62
Other countries – exports	55,520	39,832
Starch	45,124	32,399
Protein	3,634	1,669
Glucose	1,268	442
Maltodextrin	2,845	464
Goods	2,649	4,858
<b>Total</b>	<b>163,943</b>	<b>155,182</b>

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

#### 9.4 Information about key customers

The Company has no customer whose revenues from sales exceed 10% of total revenue. However, in the group of individual products there are customers whose share accounts for more than 10% of the sale of a given product. And so:

- more than 10% of protein was sold to two domestic counterparties (17.7% and 12.9% respectively),
- - above 10% of maltodextrin was sold to each of two domestic counterparties (17.9% and 13.5% respectively),
- more than 10% of syrup was sold to three domestic contractors (27.2%, 24.4% and 16.8% respectively).

#### 10. Explanatory notes to the statement of the economic standing

##### 10.1. Property, plant and equipment

PLANT, PROPERTY AND EQUIPMENT	State as of 31 December 2021	As of 31 December 2020
a) fixed assets, including:	86,914	94,755
- land	101	101
- buildings, premises and civil engineering structures	46,975	50,264
- technical equipment and machinery	36,902	41,252
- means of transport	2,297	2,482
- other fixed assets	639	656
b) fixed assets under construction	1,189	3,249
Total plant, property and equipment	88,103	98,004

CHANGES IN FIXED ASSETS (BY TYPE)	land	buildings, premises and civil engineering structures	technical equipment and machinery	means of transport	other fixed assets	Total
State as of 1 January 2020						
Gross value	101	90,290	93,289	6,447	1,988	192,115
Redemption	-	38,819	48,614	3,517	1,187	92,137
Net accounting value	101	51,471	44,675	2,930	801	99,978
Year 2020.						
Opening balance of gross value	101	90,290	93,289	6,447	1,988	192,115
Increase (due to)	-	2,457	5,705	928	66	9,156
- investments	-	1,564				1,564
- purchase	-	893	1,518	513	66	2,990
- lease	-		4,187	415.		4,602
Decrease (due to)	-	109	4,312	1,240	10	5,671
- sale			3,374	48.	8	3,430
- liquidation		109	938	1,192	2	2,241

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Derecognition of the redemption of fixed assets sold and liquidated		(109)	(1,262)	(1,191)	(10)	(2,572)
Depreciation	-	3,664	6,078	1,327	211	11,280
- related to major activities		3,570	5,115	1,309	194	10,188
- related to agricultural activities		94	963	18	17	1,092
State as of 31 December 2020						
Gross value	101	92,638	94,682	6,135	2,044	195,600
Redemption	0	42,374	53,430	3,653	1,388	100,845
Net accounting value	101	50,264	41,252	2,482	656,94	755
Year 2021						
Opening balance of gross value	101	92,638	94,682	6,135	2,044	195,600

CHANGES IN FIXED ASSETS (BY TYPE)	land	buildings, premises and civil engineering structures	technical equipment and machinery	means of transport	other fixed assets	Total
Increase (due to)	-	449	2,985	1,225	179	4,838
- investments						-
- purchase		449	2,426	196	179	3,250
- lease			559		11,029	1,588
Decrease (due to)	-	-	1,398	1,108	21	2,527
- sale			694	322	10	1,026
- liquidation			704	786	11	1,501
Derecognition of the redemption of fixed assets sold and liquidated			(571)	914	(20)	(1,505)
Depreciation, including:	-	3,738	6,508	1,216	195	11,657
- related to major activities		3,673	5,711	981	177	10,542
- related to agricultural activities		65	797	235	18	1,115
State as of 31 December 2021						
Gross value	101	93,087	96,269	6,252	2,202	197,911
Redemption	-	46,112	59,367	- 3,955	1,563	110,997
Net accounting value	101	46,975	36,902	2,297	639	86,914

Upon transfer into IAS, the fair value of fixed assets assessed by an appraiser was adopted as the assumed costs. The difference from valuation minus deferred income tax was referred to the equity.

In the reporting period, depreciation write-offs referring to the major activity raised the costs of sold products, goods and materials in the amount of PLN 8,698 thousand (PLN 8,342 thousand in 2020) and overheads - PLN 1844 thousand (PLN 1,846 thousand in 2020).

Encumbrances of property, plant and equipment as a result of bank loans incurred:

- registered pledge on fixed assets in the amount of PLN 9,822 thousand on behalf of BNP PARIBAS,

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

- registered pledge on fixed assets in the amount of PLN 5,900 thousand on behalf of Santander Bank Polska S.A (formerly Bank Zachodni WBK),

- registered pledge on fixed assets on behalf of PKO Bank Polski S.A.

Investment loan facilities were incurred due to the purchase of property, plant and equipment, and their outstanding value as of the reporting date amounts to PLN 231 thousand (31/12/2020 – PLN 1,616 thousand)

The line entitled "other operating revenues" in the statement of comprehensive income includes compensations received from an insurance company for loss of property, plant and equipment in result of fortuitous events in the amount of PLN 99 thousand (in 2020: PLN 92 thousand).

PROPERTY, PLANT AND EQUIPMENT IN FINANCIAL LEASE	Net value as of	
	31 December 2021	31 December 2020
- technical equipment and machinery	3,216	7,636
- means of transport	1,010	1,429
- tools	-	57
Total	4,226	9,122

## 10.2 Intangible assets

INTANGIBLE ASSETS	State as of 31 December 2021	As of 31 December 2020
a) purchased concessions, patents, licences and similar assets, including:	184	203
- computer software	103	124
b) right to gas emissions	-	296
Total intangible assets	184	499

CHANGES IN INTANGIBLE ASSETS	costs of finished R&D works	goodwill	purchased concessions, patents, licences, including computer software	- right to gas emissions	Total
State as of 1 January 2020					
Gross value			667	202	869
Redemption			456	-	456
Net accounting value	-	-	211	202	413
Year 2020					
Opening balance of gross value	-	-	667	202	869
Increase (due to)	-	-	15	927	942
- purchase			15	927	942
Decrease (due to)	-	-	-	833	833

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

- sale					-
- use				833	833
Amortisation			23		23
State as of 31 December 2020					-
Gross value	-	-	682	296	978
Redemption	-	-	479	-	479
Net accounting value	-	-	203	296	499
Year 2021					-
Opening balance of gross value	-	-	682	296	978
Increase (due to)	-	-	-	2,198	2,198
- purchase	-	-		2,198	2,198
Decrease (due to)	-	-	-	2,494	2,494
- use				2,494	2,494
Amortisation	-	-	19	-	19
State as of 31 December 2021					-
Gross value	-	-	682	-	682
Redemption	-	-	498	-	498
Net accounting value	-	-	184	-	184

The entire amortisation of intangible assets was presented in the statement of comprehensive income in line "overheads."

CHANGES IN CO2 EMISSION RIGHTS	Number of EUA units	Value (PLN thousand)
State as of 01/01/2021	2,000	296
Received free of charge	7,088	-
Purchased	13,201	2,198
Amortised	15,201	2,494
Sold	-	-
State as of 31/12/2021	7,088	-

As of 31 December 2021, the Company created provision in the amount of PLN 2,429 thousand for the value of EUAs to be redeemed for 2021.

### 10.3. Rights to assets

Rights to assets	State as of 31 December 2021	State as of 31 December 2020
Rights to assets	15,761	15,844
Total rights to assets	15,761	15,844

### 10.4. Investment properties

Investment properties	State as of 31 December 2021	State as of 31 December 2020
Investment properties	373	383
Total investment properties	373	383

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Investment properties include the value of a flat in Poznań that is rented.

#### 10.5 Investments in subsidiaries

CHANGE OF THE STATE OF INVESTMENTS IN SUBSIDIARIES	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance	23,586	26,632
- shares	15,586	18,632
- bonds*	8,000	8,000
b) increase (due to)	-	52
- purchase of shares in CHP Energia	-	52
c) decrease (due to)	-	3,098
- sale of shares in CHP Energia	5,972	
- impairment loss of CHP Energia shares	(4,569)	1,695
- reclassification of shareholding in CHP Energia (transfer to 'Assets held for sale')	(1,403)	1,403
d) closing balance	23,586	23,586
- shares	15,586	15,586
- bonds*	8,000	8,000

Shares are measured at purchase price with the recognition of impairment.

\*Bonds classified as instruments measured at amortised costs were presented at the issue price. Measurement at amortised cost in 2021 amounts to PLN 8,288 thousand, while in 2020 it amounted to PLN 7,944 thousand. "PEPEES" S.A. Financial statements for the period of 12 months ended on 31 December 2021 (data in thousands of PLN)

Encumbrances:

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

Subsidiary (business) name	Registered office	Objects of business	Consolidation method applied	Date of inspection	Value of shares according to the purchase price	Carrying amount	Percentage of the capital held	Share in the total number of shares at the AGM
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	Production of starch and starch products	Full	16/03/2011	1,205	1,205	84.125	84.125

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Pepees Inwestycje Sp. z o.o.	Łomża	Purchase and sales of real properties on own account	Full	18/10/2010	96	-	100	100
Gospodars two Rolne Ponary Sp. z o. o.	Łomża	Agricultural production combined with animal breeding	Full	19/09/2017	11,831	11,831	100	100

Subsidiary (business) name	Equity	Assets	Liabilities	Revenues from sales	Profit/loss
Year 2020					
ZPZ LUBLIN Sp. z o.o.	5,259	19,568	14,309	19,634	1,607
PPZ BRONISŁAW	19,469	77,711	58,242	43,132	178
CHP Energia Sp. z o.o.	(7,500)	18,247	25,747	7,646	(1,291)
Pepees Inwestycje Sp. z o.o.	82	235	153	-	(9)
Gospodarstwo Rolne Ponary Sp. z o. o.	13,566	21,557	7,991	-	106
Year 2021					
ZPZ LUBLIN Sp. z o.o.	4,659	21,793	17,134	18,863	(600)
PPZ BRONISŁAW	14,173	76,744	62,571	48,398	(5,310)
Pepees Inwestycje Sp. z o.o.	71	71	-	-	(11)
Gospodarstwo Rolne Ponary Sp. z o. o.	14,367	21,634	7,267	-	75

The Company performed impairment tests of the assets in each of its subsidiaries.

The asset impairment test for ZPZ Lublin was performed on the basis of the discounted cash flow method ("DCF") based on forecasts prepared by the Company's Management Board for 2022 -2026. The management forecasts a CAGR for the revenue of 7.4% (revenue growth of 18% in 2022, following a 3.9% decline in nominal sales in 2021 and a 9.0% decline in real terms) and an EBIT yield in the range of 2.2% to 7.8%. For the purpose of the test, the discount rate (WACC before taxation) was set as 11.9%, while the growth parameter of the cash streams in the forecast period was assumed at the level of 2%.

In case of PPZ Bronisław company, the asset impairment test was performed on the basis of the discounted cash flow method ("DCF") based on forecasts prepared by the Company's Management Board for 2022 -2026. The Management Board's forecasts assume CAGR for revenues at the level of 2.7% and EBIT in the range of 1.8% - 10.4%. For the purpose of the test,

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

the discount rate (WACC before taxation) was set as 12.19%, while the growth parameter of the cash streams in the forecast period was assumed at the level of 2%.

The asset impairment test in Gospodarstwo Rolne PONARY was performed through the estimation of recoverable value as the fair value of the company's entity minus costs of preparation for sales. The fair value of the company's equity was determined on the basis of the methods of adjusted net asset value, taking into account the market value of rights to real property, as estimated by an asset valuer.

#### 10.6 Other financial assets

CHANGE IN INVESTMENTS IN THE OTHER ENTITIES	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance	7,595	6,451
- shares	7,345	6,201
- bonds	250	250
b) increase:	163	1,144
- shares	8	946
- purchase of bonds	-	-
- revaluation of shares	155	198
c) decrease:	250	-
- sale of bonds	250	-
d) closing balance	7,508	7,595
- shares	7,508	7,345
- bonds	-	250

Investments in other entities	State as of 31/12/2021	State as of 31/12/2020
Shares (measured at fair value through profit or loss):	7,508	7,345
Bank Polskiej Spółdzielczości	75	75
Warszawski Rolno-Spożywczy Rynek Hurtowy in Bronisze	7,125	6,970
Zakłady Mięsne Ostrołęka S.A.	37	37
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bank Rozwoju	270	262
Bonds (measured at amortised cost):	-	250
Spółdzielczy Bank Rozwoju	-	250
Total	7,508	7,595

"PEPEES" S.A. has 4,000 non-preferential shares of "Warszawski Rolno-Spożywczy Rynek Hurtowy" Spółka Akcyjna, with its registered office in Bronisze ("WRSRH"), of the nominal value of PLN 4,000 thousand, and purchased for the price of PLN 3,475 thousand (of which 1,000 shares were acquired on 27 July 2020 at PLN 925 thousand).

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

The fair value of the share package held by "PEPEES" S.A. was estimated by an independent actuary as of 31/12/2021 for the amount of PLN 7,125 thousand. The revaluation of the foregoing shares in the amount of PLN 155 thousand was included in financial revenues in 2021.

The shares account for 3.33% of WRSRH's equity and 1.6% share of votes at the AGM. The State Treasury is WRSRH's major owner and holds a 71.83% share in equity. PEPEES does not control "PEPEES" S.A. Financial statements for the period of 12 months ended on 31 December 2021 (data in thousands of PLN) 34 over WRSRH. The investment is measured at fair value through profit and loss and it was included in short-term assets.

The Company also holds shares of Bank Spółdzielczy in Szepietów for the total amount of PLN 270 thousand. It is a long-term investment.

Similarly, the Company holds shares in three other entities accounting for less than 5% of the total number of votes at the general meeting and are not significant from the perspective of the value and the Company's investment policy. Therefore, the shares were included in the statement in the transactional price.

## 10.7 Stock

STOCK	State as of 31 December 2021	State as of 31 December 2020
a) materials	4,705	3,235
b) semi-finished products and work in progress	1,128	794
c) ready products	53,682	62,226
d) goods	3,762	5,669
Total stock	63,277	71,924

The balance sheet value of stock measured at fair value minus cost of sale, as at 31/12/2021 amounted to PLN 2,299 thousand (2020 – PLN 6,581 thousand).

The value of stock recorded as cost in the reporting period amounted in 2021 – PLN 124,598 thousand, while in 2020 – PLN 112,793 thousand.

The amount of revaluation write-offs, recognised as costs during 2021 amounted to PLN 1,045 thousand and respectively in 2020 – PLN 1,109 thousand.

The amount of reversal of stock revaluation write-offs in 2021 amounted to PLN 748 thousand (2020 – PLN 1,200 thousand). The value of revaluation write-offs according to the state at 31/12/2021 amounts to PLN 318 thousand (31/12/2020 – PLN 304 thousand).

The balance sheet value of stock on which the repayment of bank credits is secured amounts to PLN 41,650 thousand (PLN 41,650 thousand at the end of 2020).

Encumbrances of stock as a result of taken bank loans:

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

- registered pledge on stock of potatoes, ready products and semi-finished products on behalf of Powszechna Kasa Oszczędności Bank Polski S.A., as security of the credit under which the total debt amounts to PLN 17,000 thousand as of 31/12/2021,

- registered pledge on stock of material, ready products and goods on behalf of Santander Bank Polska S.A. as security of credits under which the total debt amounts to PLN 17,000 thousand as of 31/12/2021.

#### 10.8 Biological assets

Plant assets	State as of 31 December 2021	State as of 31 December 2020
Biological assets	560	338
Total	560	338

"PEPEES" S.A. Financial statements for the period of 12 months ended on 31 December 2021 (data in thousands of PLN) 35, since March 2014 "PEPEES" S.A. has leased an agricultural farm and since March 2018 – new land and seeds of annual plants have been planted there. Costs related to the purchase of seeds and growing them as of the balance sheet date amounted to PLN 7,413 thousand, whereas revenues from agricultural activities – PLN 4,587 thousand. There were no stocks on farms as of 31/12/2021. Biological assets were presented in the statement at fair value.

#### 10.9 Trade receivables and other short-term receivables

TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES	State as of 31 December 2021	State as of 31 December 2020
Trade receivables	21,985	17,419
Other receivables	5,401	5,043
Advances	852	1,140
Total	28,238	23,602

Trade receivables	State as of 31 December 2021	State as of 31 December 2020
a) due from related entities	625	2,668
- up to 12 months	625	2,668
b) receivables from other entities	21,360	14,751
- up to 12 months	21,360	14,751
Total trade receivables	21,985	17,419

--	--	--

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

TRADE RECEIVABLES (GROSS) – WITH TIME REMAINING PERIOD OF PAYMENT AFTER THE BALANCE SHEET DATE:	State as of 31 December 2021	State as of 31 December 2020
a) up to 1 month	12,414	6,910
b) above 1 month and up to 3 months	4,301	5,157
c) above 3 months and up to 6 months	-	-
d) above 6 months up to 1 year	-	-
e) above 1 year	-	-
f) past due receivables	5,928	5,828
Total (gross) trade receivables	22,643	17,895
g) revaluation write-offs of trade receivables	(658)	(476)
Total (net) trade receivables	21,985	17,419

Average payment period of trade receivables amounts to ca. 40 days. Statutory interest accrue on receivables not paid in time. The Company created provisions to fully cover receivables past due for a longer period than 180 days – according to the historical data, such receivables may be difficult to collect. As for receivables not paid for 60 to 120 days, the Company creates provisions based on estimated amounts of bad debts related to the sales of goods based on past experience and analysis of the financial standing of respective counterparties.

Trade receivables are insured with KUKI, which company performs the credit assessment of its customers, and sets credit limits for them on this basis. The limits and score of a specific customer are subject to verification.

Past due receivables, in case of which revaluation write-offs have not been made, are receivables from debtors, with which the Company has cooperated for multiple years and according to the assessment of their economic and financial standing such receivables do not constitute bad debts. They are past due from a few days to 6 months.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

	State as of 31 December 2021	State as of 31 December 2020
Short-term receivables due from related entities		
a) trade receivables	625	3,829
Total net short-term receivables	625	3,829
d) revaluation write-offs of receivables due from related entities	-	-
Total gross short-term receivables due from related entities	625	3,829
- of which reclassified to assets held for sale	-	1,161

	State as of 31 December 2021	State as of 31 December 2020
Other receivables		
- due to taxes, subsidies, customs duties, social and health insurance and other benefits	4,963	4,658
- other	438	385
Total other net short-term receivables	5,401	5,043
- revaluation write-offs of other receivables	-	-
Total other gross short-term receivables	5,401	5,043

RECEIVABLES SUBJECT TO LITIGATION	State as of 31 December 2021	State as of 31 December 2020
Gross receivables subject to litigation	136	135
Revaluation write-offs of receivables	(136)	(135)
Total receivables subject to litigation	-	-

CHANGE IN REVALUATION WRITE-OFFS OF SHORT-TERM RECEIVABLES	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Opening balance	611	1,340
a) increase (due to)	330	213
- establishment for bad debts related to supplies	330	213
- establishment for receivables claimed in litigation	-	-
b) decrease (due to)	147	942
- dissolution of provisions due to payment	140	74
- release of writ-offs for CHP Energia receivables as a result of revaluation to value to be recovered – assets classified as held for sale	-	868
- cancellation	7	-
State of revaluation write-offs of short-term receivables at the end of the period	794	611

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

The increase and decrease of revaluation write-offs of receivables were recorded in the statement of comprehensive income under "other operating expenses."

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

#### 10.10 Advances

ADVANCES	State as of 31 December 2021	State as of 31 December 2020
a) long-term	-	-
b) short-term, including	852	1,140
- fee for the lease of the agricultural farm	-	618
- advances for deliveries	226	210
- property insurance	254	303
- other prepayments and accruals	372	9
<b>Total</b>	<b>852</b>	<b>1,140</b>

#### 10.11 Borrowings granted

Entity	State as of 31 December 2021	State as of 31 December 2020
PPZ BRONISŁAW S.A.	3,300	
ZPZ LUBLIN Sp. z o.o.	-	-
GR PONARY Sp. z o.o.	550	550
Pepees Inwestycje Sp. z o.o.	-	145
Natural person pursuing a business activity	-	311
<b>Borrowings granted, including:</b>	<b>3,850</b>	<b>1,006</b>
- to be repaid within 1 year	3,850	1,006
- to be repaid after 1 year	-	-
<b>Borrowings in the statement of financial standing</b>	<b>3,850</b>	<b>1,006</b>

All borrowings were granted at interest rates similar to those of the banks used by the company, taking into account additional business risks. Interest was received due to borrowings granted in the reporting period – PLN 77 thousand (2020: PLN 218 thousand) in total.

#### 10.12 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	State as of 31 December 2021	State as of 31 December 2020
Cash in bank and at hand	22,140	9,592
Short-term deposits	11,530	1,887
<b>Total cash and cash equivalents</b>	<b>33,670</b>	<b>11,479</b>
- including of restricted use	-	1,500

Short-term deposits are established for various periods, from one to a few months depending on current demand for cash and interest accrues on them according to interest rates agreed for them.

In the previous reporting period, the deposit agreement of 22/09/2020 was executed by and between "PEPEES" S.A. and Spółdzielczy Bank Rozwoju w Szepietowie (SBR). Thereunder, the Issuer transferred to the account of Bank SBR the amount of PLN 1.5 million as a deposit, which is a security for the repayment of working capital facility in the amount of PLN 1,300 thousand, granted by SBR to the subsidiary CHP Energia Sp. z o.o. The deposit was returned to the Issuer upon the sale of the shares of CHP Energia, so there is no longer any restricted cash as of 31/12/2021.

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE)	State as of 31 December 2021	State as of 31 December 2020
a) in Polish currency	25,070	10,863
b) in foreign currencies (by currencies and after conversion into Polish zloty)	8,600	616
B1. unit/USD currency/thousand thousands of PLN	701	52
	2,718	183
B2. unit/EUR currency/thousand thousands of PLN	1,342	99
	5,882	433
<b>Total cash and cash equivalents</b>	<b>33,670</b>	<b>11,479</b>

### 10.13 Assets held for sale

In the previous reporting year, as regards the execution of the Preliminary Agreement for the sale of shares in CHP Energia with Orlen Południe S.A. on 19/02/2021, the Company presented as assets held for sale all assets involved as of 31/12/2020 in the related party CHP Energia Sp. z o.o.

Immediately prior to the initial classification of the asset as held for sale, the Company determined the carrying amount of its total exposure to CHP Energia Sp. z o.o. in the form of trade receivables, advances, borrowings and surety receivables in accordance with IFRS 5 paragraph 18 and determined the carrying amount of the individual assets at the value obtainable from Orlen Południe S.A.

In consequence of the above, the following items are recognised as assets held for sale in the Company's statement of financial standing as of 31/12/2020:

ASSETS HELD FOR SALE	State as of 31/12/2020
Shareholding (all shares held in CHP Energia)	1,403
Trade receivables	1,161
Advances	1,044
Borrowings	4,920
Receivables from guarantees	1,110
<b>Total assets held for sale</b>	<b>9,639</b>

As of 31/12/2021, the item does not appear in the statement of financial standings due to the execution of the promised agreement for the sale of all shares in CHP Energia Sp. z o.o. of 18/03/2021.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

10.14. Share capital

Series / issue	Type of shares	Type of preference of shares	Type of restricted rights to shares	Number of shares	Value of a series/issue at nominal value	Registration date
A	ordinary, bearer	Non-preferential	no restrictions	83 million	4,980	09/05/2008
B	ordinary, bearer	Non-preferential	no restrictions	12 million	720	30/09/2014
Total number of shares				95 million		
Total share capital					5,700	
Nominal value of one share = PLN 0.06						

During the reporting period, there were no changes in the Company's share capital.

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

SHAREHOLDING	Number of shares [pcs.]	Share in capital %	Number of votes	Share in the total number of shares at the AGM %
EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw against	27,759,032	29.22%	6,356,799	6.69%
Michał Skotnicki**	21,399,174	22.53%	21,399,174	22.53%
Maksymilian Maciej Skotnicki**	20,703,282	21.79%	20,703,282	21.79%
Newth Jonathan Reginald	7,995,200	8.42%	7,995,200	8.42%
Richie Holding Ltd.	6,133,100	6.46%	6,133,100	6.46%
Other	11,010,212	11.59%	11,010,212	11.59%

\*Due to the failure to fulfil the reporting obligation on the purchase of a significant package of shares, according to the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, holding – pursuant to the information known to the Company – 27,759,032 shares of the Company, has lost and cannot exercise the rights to vote in relation to 21,402,233 shares. Therefore, the Company's Management Board files an action to the Regional Court in Białystok to decide on the issue. Epsilon FIZ AN is of the contrary opinion, claiming that is entitled to vote in relation to 27,759,032 shares accounting for 29.22% of the total number of votes at the AGM. The Chairperson of the Polish Financial Supervision Authority joined the case; he presented his opinion on 24 July 2019. The Management Board is

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

awaiting a valid and binding ruling of the court. The Company discussed the issue in current reports no. 13/2019, 14-23/2019 and 30/2019.

\*\* Mr Maksymilian Maciej Skotnicki and Michał Skotnicki are persons referred to in Article 87(4)(1) of the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies; therefore, the total shareholding of the aforementioned individuals comprises 42,102,456 shares, which accounts for 44.32% share in share capital and 57.21% of the number of entitled votes in the Company.

None of the remaining shareholders reported on the possession of at least 5% share in the share capital and in the total number of votes at the AGM.

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

10.15 Capital reserve and supplementary capitals

CAPITAL RESERVE	State as of 31 December 2021	State as of 31 December 2020
a) from the sale of shares above their nominal value	7,562	7,562
b) established under statutory provisions	1,660	1,660
c) established from the reassessment of the assets (not to be divided)	30,602	30,602
d) established from profit	25,950	25,950
<b>Total capital reserve</b>	<b>65,774</b>	<b>65,774</b>

OTHER CAPITAL RESERVES (ACCORDING TO THEIR PURPOSE)	State as of 31 December 2021	State as of 31 December 2020
- investment fund	87,164	81,634
<b>Other total capital reserves</b>	<b>87,164</b>	<b>81,634</b>

REVALUATION CAPITAL	State as of 31 December 2021	State as of 31 December 2020
- reassessment of liabilities under employee benefits	(117)	(133)
- deferred tax on the result of reassessment	22	25
<b>Other total capital reserves</b>	<b>(95)</b>	<b>(108)</b>

10.16 Undivided profit from previous years

UNDIVIDED PROFIT FROM PREVIOUS YEARS AND THE CURRENT YEAR	State as of 31 December 2021	State as of 31 December 2020
- result for year	(2,343)	5,530
<b>Total undivided result</b>	<b>(2,343)</b>	<b>5,530</b>

10.17. Loans and borrowings

Long-term

LONG-TERM LIABILITIES WITH THE FOLLOWING REPAYMENT PERIODS FROM THE BALANCE SHEET DATE:	State as of 31 December 2021	State as of 31 December 2020
a) above 1 year and up to 3 years	3,009	3,240
b) above 3 years and up to 5 years	752	2,256
c) above 5 years	-	-
<b>Total long-term liabilities</b>	<b>3,761</b>	<b>5,496</b>

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

No.	Type of loan	Loan amount under an agreement	Currency	Loan/Borrowing amount to be repaid	Currency	Interest rate	Repayment date
1	Investment loan to finance and refinance the purchase of 100% shares in Gospodarstwo Rolne Ponary Sp. z o.o.	10,530	PLN	5,265	PLN	1-M WIBOR interest rate for deposits plus the Bank's margin	30/06/2025
		10,530	PLN	5,265	PLN		

Loans were measured according to IFRS 9 and at amortised cost.

The amount of PLN 1,504 thousand was recorded in the statement of financial condition in short-term liabilities, because it will be repaid within 12 months from the balance sheet date.

#### Securities

The loan is secured with total mortgage up to the amount of PLN 15,795 thousand, transfer of cash receivables under an insurance agreement, registered pledges on 32,400 shares (100% shares) in Gospodarstwo Rolne Ponary, blank own promissory note.

#### Short-term

No.	Type of loan	Loan/Borrowing amount under an agreement	Currency	Loan/Borrowing amount to be repaid	Currency	Interest rate	Repayment date
1	Loan on the current account	4,000	PLN	-	PLN	1-month WIBOR+bank's margin	31/08/2022
2	Revolving loan	16,500	PLN	16,500	PLN	1-month WIBOR+bank's margin	31/08/2022
3	Working capital loan	17,000	PLN	17,000	PLN	1-month WIBOR+bank's margin	31/08/2022
4	Loan on the current account	4,000	PLN	-	PLN	1-month WIBOR+bank's margin	31/08/2022
5	Revolving loan	16,500	PLN	16,500	PLN	1-month WIBOR+bank's margin	31/08/2022
6	Working capital loan for potato purchase	17,000	PLN	17,000	PLN	1-month WIBOR+bank's margin	31/08/2022
7	Investment loan for the construction of a starch	9,822	PLN	231	PLN	3-M WIBOR interest rate for deposits plus	25/02/2022

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

	drying facility, unloading hub and water treatment station					the Bank's margin	
		84,822	PLN	67,231	PLN		

\*In the statement of the financial standing is contained the amount of 68,735 thousand; the difference refers to long-term loans that will be repaid within 12 months from the balance sheet date.

Collateral The first three loans were acquired under one agreement referred to as the "Multi-line agreement."

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

The above loans are secured on:

- cumulative contractual mortgage in the amount of PLN 58,500 thousand on real properties:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
  
- assignment of rights under the insurance policy of the real property:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
  
- registered pledge on assets:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
  
- assignment of rights under the insurance policy of fixed assets
- registered pledge on stock of the value that at least amounts to 145% of the balance of the working capital loan and assignment of stock insurance policy,
- assignment of rights under insurance policy of stock,
- transfer of receivables arising from the business activities conducted by PEPEES S.A., PPZ Bronisław S.A., ZPZ Lublin Sp. z o.o.,
- blank promissory note with a promissory note agreement.

The following three loans were granted under an agreement referred to as the "Multi-purpose loan agreement" secured on:

- contractual mortgage up to the amount of PLN 58,500 thousand on real properties:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
  
- registered pledge on fixed assets:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
  
- transfer of cash receivables under insurance agreements of fixed assets and stock,
- registered pledge on stock:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- global assignment of 40% of receivables:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.;
- blank promissory note with a promissory note agreement.

Ad. 7 The loan is secured on the contractual mortgage in the amount of PLN 14,734 thousand, assignment of rights under the insurance policy, statement on submission to enforcement.

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

Information on unpaid loan or borrowing, or the violation of material provisions of a loan or borrowing agreement, in case of which no remedies undertaken by the end of the reporting period:

All loans are repaid according to maturity dates under the agreement executed. In the reporting period, no provisions of the loan agreements were breached.

#### 10.18 Liabilities related to retirement benefits and similar ones

LIABILITIES RELATED TO RETIREMENT BENEFITS AND SIMILAR ONES (BY TITLE)	State as of 31 December 2021	State as of 31 December 2020
a) long-term, including:	2,473	2,694
- retirement benefits	352	381
- jubilee awards	2,121	2,313
b) short-term, including:	351	252
- retirement benefits	41	30
- jubilee awards	310	222
<b>Total</b>	<b>2,824</b>	<b>2,946</b>

CHANGE IN LIABILITIES RELATED TO RETIREMENT BENEFITS AND SIMILAR ONES (BY TITLE)	State as of 31 December 2021	State as of 31 December 2020
a) opening balance	2,946	2,488
- retirement benefits	410	336
- jubilee awards	2,536	2,152
b) increase (due to)	206	756
- retirement benefits	16	83
- jubilee awards	190	673
c) use (due to)	328	298
- retirement benefits	33	9
- jubilee awards	295	289
d) closing balance	2,824	2,946
- retirement benefits	393	410
- jubilee awards	2,431	2,536

Jubilee awards are paid to employees working for at least 20 years in total, and every 5 years. The period of work making the employee eligible for such an award includes work for "PEPEES" S.A. and companies separated from "PEPEES" S.A., subject to the transfer of the employee from "PEPEES" S.A. to these companies, pertaining to Article 231 of the Labour Code and the period of work in all entities being employers within the meaning of the provisions of the Labour Code and periods of work on a farm in case of the acquisition of ownership of such a farm by the employee.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

A jubilee award is obtained on the condition of work for at least 5 years for "PEPEES" S.A. and subsidiaries separated from "PEPEES" S.A., and subject to the transfer of the employee from "PEPEES" S.A. to those companies pursuant to Article 231 of the Labour Code.

The amount of such an award is based on the equivalent of 150% of the gross minimum salary as defined in compliance with the applicable provisions of law.

The amount of the award is calculated only for the period of work on behalf of "PEPEES" S.A. and companies separated from "PEPEES" S.A., and subject to the transfer of the employee from "PEPEES" S.A. to those companies pursuant to Article 231 of the Labour Code.

The amount of the award depending of the total period of work amounts to the following percentage of the calculation of the award base:

- after 20 years of work -200%,
- after 25 years of work -250%,
- after 30 years of work -300%,
- after 35 years of work -350%,
- after 40 years of work and after each following 5-year period of work -400%.

Part-time employees receive the jubilee award in the proportional amount to the time of work specified in the employment agreement.

Retirement and disability pension benefits at the Company are paid pursuant to the provisions of Article 921 of the Labour Code.

The employee who fulfils the terms and conditions of the disability or retirement pension entitlement and whose employment relationship has been terminated due to retirement is eligible for a severance pay equal to one month's salary.

Pensioners who are re-employed do not gain the right to the severance pay again.

#### Main actuarial assumptions

Specification	Balance sheet date	Balance sheet date
	31/12/2021	31/12/2020
Basic actuarial assumptions		
Number of employees	250	260
Annual rate of minimum salary growth	3.50%	3.50%
Discount rate	3.60%	1.25%

#### Actuarial assumptions

The following assumptions were adopted for the calculation of provisions as of 31/12/2021:

- Calculations were made in Polish złoty (PLN), results were rounded up to the nearest grosz.
- The minimum salary was adopted as applicable in the national economy from 1 January 2021 at PLN 3,010.00.
- The long-term annual rate of remuneration growth at the level of 2.5% was adopted of the expected long-term annual inflation rate (inflation objective of the National Bank of Poland).

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

- The long-term annual rate of the minimum salary growth at the level of 3.5% was adopted, that is to say at the level that is by 1% higher than the expected long-term annual inflation rate (inflation objective of the National Bank of Poland) at the level of 2.5%. "PEPEES" S.A. Financial statements for the period of 12 months ended on 31 December 2021 (data in thousands of PLN) 45
- The discount rate of 3.6% was applied to discount future benefit payments, i.e. at the weighted average rate determined on the basis of the maturity structure of undiscounted future employee benefit payments included in the Company's valuation and average yields of the safest long-term securities listed on the Polish capital market by maturity as of the measurement date.
- The probability of employees quitting the company was calculated on the basis of historical data on employment rotation at the Company and statistical data on employees quitting in the trade.
- The mortality and life expectancy rates were adopted in compliance with Life Expectancy Tables 2019-2020 published by the Central Statistical Office. The Company assumed that the population of the Company's employees corresponds to the average for Poland with respect to the mortality rate.
- The ordinary mode of employee retirement was adopted in compliance with detailed principles included in the Retirement Act, except for employees who, according to the information provided by the Company, fulfil the condition to be eligible for earlier retirement.
- No separate provision of benefits for disability pensioners was calculated; in return, persons who retired due to disability were not included in calculating the probability of employees quitting their jobs.
- Short-term liabilities (with maturity date up to 1 year) and long-term liabilities (over 1 year).

#### 10.19 Trade and other liabilities

TRADE AND OTHER LIABILITIES	State as of 31 December 2021	State as of 31 December 2020
Trade and other short-term liabilities, including:	13,280	11,146
- trade liabilities with maturity date:	6,849	4,887
- up to 12 months	6,849	4,887
- due to social insurance, taxes, custom duties and other benefits	1,884	1,391
- due to remuneration	546	1,020
- provisions, accruals and deferred revenue	3,437	3,689
- other	564	159
Other long-term liabilities, including:	440	-
- fee for the lease of the agricultural farm	440	-
<b>Trade and other liabilities</b>	<b>13,720</b>	<b>11,146</b>

Liabilities due to related entities amount to PLN 151 thousand and are related to supplies of raw materials and goods.

#### 10.20 Liabilities due to assets under lease

LIABILITIES UNDER FINANCIAL LEASE	State as of 31 December 2021	State as of 31 December 2020
-----------------------------------	------------------------------	------------------------------

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

a) long-term (from one year to 5 years)	11,088	13,036
b) short-term (up to one year)	3,371	3,237
Total	14,459	16,273

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

The above liability results from agreements executed with the following companies: Santander Leasing, Raiffeisen Leasing Polska, BNP Paribas Leasing, Volkswagen Leasing and PKO Leasing S.A. for funding of cars, machinery and equipment. Payments are made in monthly instalments according to payment schedule; the last payment is scheduled for August 2025. The interests on the liability, accrue according to variable interest rate WIBOR 1M and margin. According to the provisions of the agreements, all rights related to implied warranty and guarantee are transferred to the Lessee. The sole exception to this rule is the right to withdraw from the sale agreement, and only the Lessor is entitled to do so. The Lessee's obligations include the timely payment of instalments according to payment schedule accepted by the Lessee. In case of delays in the payment of instalments or failure to pay them, the Lessor is entitled to terminate the agreement and demand that the subject matter of lease be returned. Having terminated the lease agreement, the ownership title to the subject matter of lease is transferred by the Lessor to the Lessee.

LIABILITIES UNDER FINANCIAL LEASE	2022	2023-2025	Total
Nominal value of leasing fees	4,135	13,649	17,784
Future financial costs	(764)	(2,561)	(3,325)
Current value of minimum leasing fees	3,371	11,088	14,459

#### 10.21 Provisions, accruals and deferred revenue

PROVISIONS, ACCRUALS AND DEFERRED REVENUE (BY TITLE)	State as of 31 December 2021	State as of 31 December 2020
a) long-term, including:	1,925	2,023
- subsidies to plant, property and equipment	1,925	2,023
b) short-term, including:	3,437	3,689
- subsidies to plant, property and equipment	98	98
- provision for environmental protection costs	84	117
- provisions for holiday remuneration	740	673
- provisions for suppliers' bonuses	59	-
- provision for bonuses for the Management Board and employees	-	492
- provision for invoiced services	27	26
- provision for used CO2 emission rights	2,429	2,283
Total	5,362	5,712

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

CHANGE IN SHORT-TERM PROVISIONS AND ACCRUALS (BY TITLE)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance	3,689	3,519
- subsidies to plant, property and equipment	98	98
- provision of benefits performed by	26	23
- fee for use of the natural environment	117	83
- provisions for holiday remuneration	673	555
- rights to gas emissions	2,283	1,434
- bonuses for the Management Board and	492	1,326
b) increase (due to)	3,313	2,418

CHANGE IN SHORT-TERM PROVISIONS AND ACCRUALS (BY TITLE)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
- provision for used CO2 emission rights	2,226	1,682
- fee for use of the natural environment	92	102
- provisions for holiday remuneration	456	387
- provision for benefits performed by counterparties	95	26
- bonus for the Management Board and employees	444	221
c) use (due to)	3,565	1,400
- fee for use of the natural environment	125	68
- provisions for holiday remuneration	389	269
- provision for used CO2 emission rights	2,080	833
- provision for benefits performed by counterparties	35	23
- bonuses for the Management Board and employees	936	207
d) dissolution (due to)	-	848
- bonuses for the Management Board and employees	-	848
e) closing balance	3,437	3,689
- subsidies to plant, property and equipment	98	98
- provision for used CO2 emission rights	2,429	2,283
- fee for use of the natural environment	84	117
- provisions for salaries for holidays	740	673
- bonuses for the Management Board and employees	-	492
- provision for benefits performed by counterparties	86	26

#### 10.22 Deferred income tax

DEFERRED INCOME TAX	State as of 31 2021	State as of 31 2020
Difference between the balance sheet value and tax value of plant, property and equipment	5,260	5,749
Unrealised foreign exchange differences	4	1
Valuation of investments	693	662
Due interests not received	-	74
Total deferred income tax provisions	5,957	6,486

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

Deferred income tax assets	State as of 31 December 2021	State as of 31 December 2020
Unpaid salaries	126	139
Provisions for holiday remuneration	141	128
Provision for bonuses for the Management Board and employees	-	94
Retirement benefits and jubilee bonuses	537	560
Unrealised foreign exchange differences	121	36
Revaluation write-offs of stock	62	139
Revaluation write-offs of shares	18	886
Provision for used CO2 emission rights	462	434

DEFERRED INCOME TAX ASSETS	State as of 31 2021	State as of 31 2020
Liabilities due under the settlement of the subject matter of lease	912.	1,218
Tax loss	84	-
Other accruals	8	12
Total deferred income tax assets	2,471	3,646

## 11. Explanatory notes to the comprehensive income statement

### 11.1. Revenues from the sales of products

NET REVENUE FROM THE SALES OF PRODUCTS (MATERIAL STRUCTURE – TYPES OF OPERATIONS)	For the period of 12 months ended on 31	For the period of 12 months ended on 31
- potato products	148,501	136,229
- including: from related entities	1,070	1,554
Total net revenues from the sales of products	148,501	136,229
- including: from related entities	1,070	1,554

NET REVENUES FROM THE SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	For the period of 12 months ended on 31	For the period of 12 months ended on 31
a) country	82,631	89,064
- including: from related entities	1,070	1,554
- potato products	82,631	89,064
- including: from related entities	1,070	1,554
b) intra-Community supply	12,999	12,191
- potato products	12,999	12,191
c) export	52,871	34,974
- potato products	52,871	34,974
Total net revenues from the sales of products	148,501	136,229

### 11.2. Revenues from the sales of services

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

NET REVENUE FROM THE SALES OF SERVICES (MATERIAL STRUCTURE – TYPES OF OPERATIONS)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
- revenues from the lease of real property	325	30
- revenues from the lease of equipment	373	431
- transmission of electricity	16	12
- services for farmers	392	554
- other services	35	151
<b>Total net revenues from the sales of services</b>	<b>1,141</b>	<b>1,178</b>
- including: from related entities	314	509

All the services were rendered in Poland.

### 11.3. Revenues from the sales of goods and materials

NET REVENUE FROM THE SALES OF GOODS AND MATERIALS (MATERIAL STRUCTURE – TYPES OF OPERATIONS)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
- potatoes	7,609	7,816
- including: from related entities	2,575	2,472
- potato products	4,576	7,097
- including: from related entities	-	-
- pesticides and fertilisers	1,935	2,737
- including: from related entities	-	-
- beetroot pulp	-	-
- including: from related entities	-	-
- material }-	181	125
- including: from related entities	-	57
<b>Total net revenues from the sales of goods and materials</b>	<b>14,301</b>	<b>17,775</b>
- including: from related entities	2,575	2,529

NET REVENUES FROM THE SALES OF GOODS AND MATERIALS (TERRITORIAL STRUCTURE)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) Poland	11,367	12,855
- potatoes	7,609	7,816
- including: from related entities	2,575	2,472
- potato products	1,642	2,177
- including: from related entities	-	-
- pesticides and fertilisers	1,935	2,737
- including: from related entities	-	-
- materials	181	125
- including: from related entities	-	57
b) export	2,649	4,858
- including: from related entities	-	-
- potato products	2,649	4,858
c) intra-Community supply	285	62
- including: from related entities	-	-
- potato products	285	62
<b>Total net revenues from the sales of goods and materials</b>	<b>14,301</b>	<b>17,775</b>

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

#### 11.4. Costs by type

COSTS BY TYPE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) depreciation	11,815	11,436
b) consumption of materials and energy	76,041	88,574
c) outsourcing	20,470	19,624
d) taxes and charges	2,627	2,631
e) remuneration	20,063	19,012
f) social insurance and other benefits	4,245	4,703
g) other costs by type (by subject)	3,631	2,879
- costs of representation and advertising	1,140	124
- business travels	76	85
- costs of property and personal insurance	452	(453)
- costs of analyses, research and scientific expertise	224	350
- other costs	2,739	1,867
Total costs by type	138,892	148,859
Change in stock, products and prepayments and accruals	10,566	(18,697)
Costs of manufacturing products for the entity's own needs	(274)	(212)
Costs of sale (negative value)	(12,558)	(9,257)
Overheads (negative value)	(25,040)	(24,346)
Costs of manufacturing sold products and services	111,586	96,347

#### 11.5. Costs of employee benefits

Costs of employee benefits	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
e) costs of remuneration, including:	20,063	19,012
- remuneration under employment agreements	17,677	16,328
- remuneration under contracts of mandate and similar ones	1,413	1,227
- remuneration of the Members of the Supervisory Board	1,010	933
- severance pays and jubilee bonuses	(104)	406
- provisions for unused holiday remuneration	67	118
f) social insurance and other benefits, including:	4,245	4,703
- costs of social insurance	2,612	2,952
- contributions to the employee pension scheme	588	541
- deductions to the work fund	375	355
- deduction to the social benefit fund	436	481
- costs of employee trainings	35	30
- working clothes	79	177
- costs of medical examinations and OSH	120	167
Total costs of employee benefits	24,308	23,715

#### 11.6. Result of agricultural production

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Specification	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Revenues from the sales of agricultural products	2,717	2,108
Revenues from the lease of agricultural land and machinery	291	240
Subsidies	1,081	1,001
Result on the sales of agricultural machinery	272	114
Costs of operations	(7,187)	(7,025)
Result of agricultural production	(2,826)	(3,562)

### 11.7. Other operating revenues

OTHER OPERATING REVENUE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) profit from the sales of non-financial fixed property	335	517
b) dissolving provisions due to:	147	1,427
- write-offs of receivables	147	74
- writ-offs for CHP Energia receivables released as a result of revaluation to value to be recovered – assets classified as held for	-	868
- writ-offs for CHP Energia advances released as a result of revaluation to value to be recovered – assets classified as held for	-	485
c) governmental subsidies, including:	1,282	235
- remuneration subsidies (anti-crisis shield COVID-19)	1,184	
- subsidies for electricity price increases	-	137
- subsidies to plant, property and equipment	98	98
d) other, including:	181	310
- received compensation, fines and penalties	99	125
- surplus of assets	-	3
- leased asset settlement	-	153
- other	81	29
Other total operating revenues	1,944	2,489

### 11.8. Other operating costs

OTHER OPERATING COSTS	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) revaluation of non-financial assets	-	-
b) other, including:	298	515
- donations	41	153
- costs of court proceedings	11	11
- revaluation write-offs of receivables	191	183
- unplanned depreciation write-offs	241	32

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

OTHER OPERATING COSTS	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
- adjustments from the settlement of lease agreements	(419)	-
- deducted receivables	128	1
- shortage of assets	13	16
- costs of post-accident repairs	81	39
- abandoned investments	-	50
- other	11	30
<b>Total other operating costs</b>	<b>298</b>	<b>515</b>

### 11.9. Financial costs

FINANCIAL COSTS	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) interests on loans and borrowings	791	902
b) interest on liabilities	610	604
(c) valuation of shares in CHP Energia under IFRS 5 – classification as held for sale }	-	1,695
(g) foreign exchange losses	404	-
- realised	39	-
- unrealised	365	-
d) other financial costs	550	521
- costs of loan collateral	161	158
- leasing fees	192	210
- commissions on loans	170	130
- discount on the repurchase of receivables	15	23
- other	12	-
<b>Total financial costs</b>	<b>2,355</b>	<b>3,722</b>

### 11.10 Financial revenues

FINANCIAL REVENUES	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
d) dividends	200	75
b) interests on loans and sureties	256	606
c) interest on deposits	24	114
d) interest on receivables	13	19
e) revaluation of financial assets	175	3,216
- revaluation of shares	163	198
- updating of borrowings	12	-
- updating of borrowings as a result of revaluation to value to be recovered – assets classified as held for sale	-	2,256
- updating of surety receivables as a result of revaluation to value to be recovered – assets classified as held for sale	-	762

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

FINANCIAL REVENUE	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
f) interest on bonds	324	338
g) positive exchange rate differences	-	483
- realised	-	397
- unrealised	-	86
Total financial revenue	992	4,851

#### 11.11. Disposal of a subsidiary

On 18/03/2021, PEPEES sold its shares in subsidiary CHP Energia and received the payment of PLN 1,403 thousand by wire transfer, whose value at the purchase price amounted to PLN 5,972 thousand. The sale transaction had no impact on the current period's profit or loss in the separate financial statements as the Company had made appropriate write-offs in earlier periods.

The impact of the sales of shares in CHP Energia on the financial result of the Group is presented in Note 11.11.3 of the consolidated financial statements.

#### 11.12. Income tax

INCOME TAX	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Current tax	-	(1,931)
Tax on divided	(38)	14.
Deferred tax	(641)	(72)
Total income tax	(679)	(2,017)

Income tax matched with the gross financial result before tax according to the statutory tax rate with income tax charged according to the effective tax rate:

Specification	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Gross financial result before tax	(1,664)	7,547
Income tax at the statutory rate of 19%	316	(1,434)
Tax on permanent differences between gross profit and taxation base	(995)	(583)
Result charged according to the effective rate amounting to 40.80% in 2021 and 26.72% in 2020.	(679)	(2,017)

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

In 2021, the company received the refund of overpaid income tax for 2020 from the tax office in the amount of PLN 1,245 thousand. At the same time, the company paid PLN 38 thousand tax on the dividend received, which affected the total income tax cash flow in the amount of PLN 1,207 thousand.

### 11.13 Profit per one share

Profit per share was calculated as profit for a given period divided by the weighted average number of shares. All shares are ordinary bearer shares.

Weighted average number of shares				
beginning of the period	end of the period	number of days (A)	number of shares in a given period (B)	(A) x (B) / 365
2021/01/01	2021/12/31	365	95,000,000	95,000,000
Total:		365	Weighted average:	95,000,000

Earnings (loss) per one share	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Net profit (loss) in PLN	(2,343)	5,530
Weighted average number of shares	95,000,000	95,000,000
Basic net profit per share (in PLN per one share)	(0.02)	0.06
Net profit for the determination of diluted profit per share	(2,343)	5,530
Weighted average number of ordinary shares for the purpose of diluted profit per share	95,000,000	95,000,000
Diluted net profit per share (in Polish złoty)	(0.02)	0.06

### 11.14. The Management Board's stance on the execution of the forecast

The Company did not publish the forecasts of separate results. In the near future, the Issuer does not intend to publish forecasts for upcoming years.

### 11.15. The information on paid or declared dividend, altogether and per one share, with specification concerning ordinary and preferential shares

The company did not pay or declare any dividends during the reporting period.

## 12. Explanatory notes to the cash flow statement

### 12.1. Matching of amounts presented in the cash flow statement with cash and cash equivalents in the balance sheet

Specification	State as of 31 December 2021	State as of 31 December 2020
---------------	------------------------------	------------------------------

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Cash and cash equivalents in the statement of financial standing	33,670	11,479
Credits on the current account	-	-
Exchange rate differences from the measurement of cash	94	(4)
Cash amount in the cash flow statement	33,670	11,475
- including of restricted use	-	1,500

## 12.2. Transactions of non-cash nature

Specification	2021	2020
Purchase of assets by means of financial lease	(1,588)	(4,602)
Charged but not paid interests on borrowing (change)	-	141

12.3. Unused limits on the current account. As of 31/12/2021, the Company had unused loan funds granted to it on the current account in the amount of PLN 8,000 thousand (as of 31/12/2020, it was also PLN 8,000 thousand).

## 13. Financial instruments

13.1 Categories of financial instruments. The main financial instruments used by the Company include bank loans, lease, cash and short-term deposits. The main purpose thereof is to acquire funds for the operations of the Entity. Similarly, the Company has other financial instruments, such as trade receivables and liabilities arising directly in the course of operations performed by the Company.

Financial assets	State as of 31 December 2021	State as of 31 December 2020
Assets measured at purchase price	15,586	15,586
Financial assets measured at fair value through profit or loss,	42,928	30,463
Financial assets measured at amortised costs	37,486	29,718
Total financial assets	96,000	75,767

Financial assets presented in the financial statements as:	State as of 31 December 2021	State as of 31 December 2020
Investments in subsidiaries	23,586	23,586
Investments in other entities	383	625
Trade receivables	21,985	17,419
Other receivables	5,401	5,043
Granted borrowings	3,850	1,006
Other financial assets	7,125	6,970
Cash and cash equivalents	33,670	11,479
Assets held for sale	-	9,639
Total financial assets	96,000	75,767

Financial liabilities	State as of 31 December 2021	State as of 31 December 2020
Financial liabilities measured at amortised cost	96,798	95,116
Total financial liabilities	96,798	95,116

Financial liabilities presented in the financial statements as:	State as of 31 December 2021	State as of 31 December 2020
---	---------------------------------	---------------------------------

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

Long-term loans and borrowings	3,761	5,496
Long-term liabilities due to assets under lease	11,088	13,036
Trade liabilities	6,849	4,887
Short-term loans and borrowings	68,735	65,889
Short-term liabilities due to assets under lease	3,371	3,237
Other short-term liabilities	2,994	2,570
Liabilities related to assets held for sale	-	1
<b>Total financial liabilities</b>	<b>96,798</b>	<b>95,116</b>

### 13.2. Financial risk management

Main types of risk arising from financial instruments of the Company include the interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Management Board verifies and determines the principles of management with every type of risk. These principles are briefly discussed below. The Company also monitors the market price risk related to all financial instruments held by it.

#### Interest rate risk

Exposure of the Company to the risk caused by changes of interest rates refers mainly to loans with interest rate connected to the rediscount rate on bill and WIBOR rate. The Company did not conclude interest rate agreements.

The following table presents the sensitivity of the annual gross financial result to reasonably possible changes of interest rates at the assumption that the other factors remain unchanged (in relation to variable interest rate liabilities).

Increase/decrease by percentage points	Impact on the result	
	2021	2020
Increased interest rate of credits by 1%	(455)	(470)
Decreased interest rate of loans by 1%	455	470

#### Foreign exchange risk

The Company is exposed to foreign exchange risk as regards transactions executed. It occurs as a result of export sales and sales to EU countries in other currencies than Polish złoty. In the reporting period, exports and intra-Community supplies accounted for almost 42% of all revenues from sales.

The following table presents the sensitivity of the gross financial result in relation to change of the value of revenues and costs in case of fluctuations of USD and EUR exchange rates by 0.1 PLN/EUR/USD.

Increased/decreased foreign exchange rate	Impact on the result	
	2021	2020
Increased PLN/USD rate by 0.1	923	611
Increased PLN/EUR rate by 0.1	630	434
Decreased PLN/USD rate by 0.1	(923)	(611)
Decreased PLN/EUR rate by 0.1	(630)	(434)
<b>Total impact on the result</b>	<b>+/-1,553</b>	<b>+/-1,045</b>

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

Furthermore, the Company has cash at bank and receivables in euros and US dollars.

The results of the altered exchange rate as of the balance sheet date for USD and EUR by 0.1 PLN/EUR/USD are presented in the table below.

Increased/decreased foreign exchange rate	Impact on the result	
	2021	2020
Increased PLN/USD rate by 0.1	272	18
Increased PLN/EUR rate by 0.1	588	43
Decreased PLN/USD rate by 0.1	(272)	(18)
Decreased PLN/EUR rate by 0.1	(588)	(43)
Total impact <sup>on</sup> the result	+/-860	+/-61

#### Loan risk

The Company enters into transactions only with reliable customers with good creditworthiness. All customers who wish to use trade credits undergo the initial verification procedure. Furthermore, due to the ongoing monitoring of receivables, the risk of exposure to bad debts is negligible. The financial reliability assessment made by the insurer, KUKI, and granted financial limit are also decisive.

There are no significant loan risk concentrations at the Company.

#### Liquidity risk

The aim of the Company is to maintain balance between the continuity and flexibility of funding by way of various sources of funding, such as loans in the current account, preferential short-term and long-term bank loans. The Company manages the liquidity risk maintaining the appropriate amount of the supplementary capital, benefiting from quotations of bank services and reserve loan lines, monitoring constant forecasting and real cash flows, and adjusting financial assets and liabilities maturity profiles.

#### 14. Capital management

The main objective of the Company's capital management is to ensure continued operations, taking into account projected investments with the simultaneous increase of the Company's value for shareholders.

The Company monitors the state of capitals, applying the leverage ratio calculated as the relation of the net debt to the total capitals plus the net debt. The Company treats the net debt as loans, borrowings, liabilities under financial lease, trade and other liabilities minus cash and cash equivalents.

Specification	State as of 31 December 2021	State as of 31 December 2020
Loans, borrowings and liabilities under financial lease	86,955	87,658
Trade and other liabilities	9,843	7,457
Cash and cash equivalents (-)	33,670	11,479
Net debt	63,128	83,636

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

Equity	156,200	158,530
Capital and net debt	219,328	242,166
Leverage ratio	28,78%	34,54%

The leverage ratio in 2021 was at a lower level than in the previous reporting period. Long-term loans and borrowings decreased by PLN 1,735 and long-term liabilities under financial lease decreased by PLN 1,948 thousand as compared to the previous year. There was also an increase of PLN 22,191 thousand in cash compared to 2020, resulting in the improved leverage ratio.

#### 15. Conditional items

CHANGE IN CONDITIONAL ASSETS (BY TITLES)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance, including	15,795	15,795
- surety of investment loan by GR PONARY	15,795	15,795
b) increase (due to)	-	-
c) use (due to)	-	-
d) closing balance, including	15,795	15,795
- surety of investment loan by GR PONARY	15,795	15,795

CHANGE IN CONDITIONAL LIABILITIES (BY TITLE)	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
a) opening balance, including	32,073	33,373
- liabilities under non-compete agreements	1,155	1,155
- sureties of loans for related companies	30,918	32,218
b) increase (due to)	16	-
- liabilities under non-compete agreements	16	-
- sureties of loans for related companies	-	-
c) use (due to)	-	-
- liabilities under non-compete agreements	-	-
- sureties of loans for related companies	-	-
d) dissolution (due to)	-	1,300
- liabilities under non-compete agreements	-	-
- sureties of loans for related companies	-	1,300
e) closing balance, including	32,089	32,073
- liabilities under non-compete agreements	1,171	1,155
- sureties of loans for related companies	30,918	30,918

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

16. Transactions with related entities

16.1. Transactions with subsidiaries

a. Revenues from the sales of products and goods

Types of revenues	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Revenues from sales of products to subsidiaries	1,070	1,554
Revenues from the sales of services to subsidiaries	314	509
Revenues from the sales of materials to subsidiaries	-	57
Revenues from the sales of raw materials to subsidiaries	2,575	2,472
Revenues from the sales of fixed assets to subsidiaries	345	-
Total revenues from related entities	4,304	4,592

The sale price is determined on the basis of cost-plus method or on the basis of price lists applicable to unrelated entities.

b. Purchase of products, goods and services from subsidiaries

Types of purchases	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
Purchases of products from subsidiaries	6,252	9,208
Purchases of services from subsidiaries	49	152
Purchase of goods and materials from subsidiaries	2	707
Purchases of fixed assets from subsidiaries	-	-
Advances for purchase of fixed assets from subsidiaries	-	-
Total purchases from related entities	6,303	10,067

c. Balances of settlements as of the balance sheet date generated as a result of the sale/purchase of goods/services

Receivables from related entities	State as of 31 December 2021	State as of 31 December 2020
ZPZ Lublin	-	-
PPZ BRONISŁAW	624	2,659
CHP Energia (presented as assets held for sale in the statement of financial standing in 2020)	-	1,161
GRPONARY	1	1
Pepes Inwestycje (former OZENERGY)	-	8
Total receivables from related entities	62,530,829	

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

Liabilities due to related entities	State as of 31 December 2021	State as of 31 December 2020
ZPZ Lublin	149	181
PPZ BRONISŁAW	2	6
GRPONARY	13	13
CHP Energia (presented as liabilities associated with assets held for sale in the statement of financial standing in 2020)	-	1
<b>Total liabilities due to related entities</b>	<b>164</b>	<b>201</b>

d. Borrowings granted to related entities

Borrowings granted to related entities	State as of 31 December 2021	State as of 31 December 2020
PPZ BRONISŁAW S.A.	3,300	-
CHP Energia Sp. z o.o. (presented as assets held for sale in the statement of financial standing in 2020)	-	4,932
GR PONARY Sp. z o.o.	550	550
Pepees Inwestycje Sp. z o.o.	-	145
Natural person pursuing a business activity	-	311
Borrowings granted, including:	3,850	5,938
- to be repaid within 1 year	3,850	5,938
- to be repaid after 1 year	-	-
Write-offs for borrowings granted to CHP Energia (presented as assets held for sale in the statement of financial standing in 2020)	-	(12)
<b>Total borrowings:</b>	<b>3,850</b>	<b>5,926</b>
presented as borrowings in the statement of financial standing	3,850	1,006
presented as assets held for sale in the statement of financial standing in 2020	-	4,920

e. Interest on borrowings granted

Entity	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
ZPZ Lublin	-	34
PPZ BRONISŁAW	61	21
CHP Energia	-	144
GRPONARY	16	19
<b>Total</b>	<b>77</b>	<b>218</b>

f. Interest on sureties granted

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

Entity	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
CHP Energia	-	224
PPZ BRONISŁAW	130	127
Total	130	351

g. Interests on sureties received

Entity	For the period of 12 months ended on 31 December 2021	For the period of 12 months ended on 31 December 2020
GRPONARY	158	158
Total	158	158

h. Conditional items

Contractual mortgages are established on assets of subsidiaries (ZPZ Lublin and PPZ Bronisław) that serve as the security of credits incurred by "PEPEES" S.A. to the amount of PLN 58,500 thousand.

16.2. Transactions with key managers

a) benefits for key managers

The Management Board in thousands of PLN:	For the period of 12 months ended on 31	For the period of 12 months ended on 31
Short-term benefit	1,401	1,314
Benefits after the period of employment		
Other long-term benefits		
Benefits related to the employment relationship termination		
Payments in the form of shares		
Supervisory Board in thousands of PLN	For the period of 12 months ended on 31	For the period of 12 months ended on 31
Short-term employee benefits	1,037	969
Benefits after the period of employment		
Other long-term benefits		
Benefits related to the employment relationship termination		
Payments in the form of shares		

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

Information on remuneration received by the respective Management Board and Supervisory Board Members is presented in the report on the Issuer's operations.

"PEPEES" S.A.  
 Financial statements  
 for the period of 12 months ended on 31 December 2021  
 (data in thousands of PLN)

17 Mean employment at the Company

Specification	Average number of employees in 2021	Average number of employees in 2020
White collar workers	100	103
Blue collar workers	167	180
Persons on child-rearing and unpaid leaves	2	2
<b>Total</b>	<b>269</b>	<b>285</b>

18 Chartered auditor's fee

The fee due to the chartered auditor for reviewing and auditing the financial statements and consolidated financial statements amounts to PLN 42,500 plus VAT.

Additionally, during the reporting period, the chartered auditor provided PEPEES with two attestation services, i.e. the audit of the remuneration report of the Management Board and Supervisory Board and a service to confirm the correctness of the calculation of the electricity consumption intensity factor for 2019-2021. The fee for these services was PLN 12,000 plus VAT.

19 Specification of significant litigations and proceedings pending in court, arbitration tribunal or public administration authority with respect to the Issuer's liabilities and receivables, with the information on the subject matter of the dispute, value thereof, date of commencing the litigation or proceedings, parties there and the Issuer's stance

On 25/06/2019, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. filed an action to the court of law, asking to have a decision issued whether EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, the Company's shareholder having, pursuant to information known to the Company – 27,714,832 shares, due to the breach of the notification obligation related to the purchase of significant packages of shares in compliance with Article 89(1)(1) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, has lost and cannot exercise the voting rights attached to 21,402,233 shares. Epsilon FIZ AN is of a contrary opinion, claiming that it is entitled to vote in relation to 27,714,832 shares accounting for 29.17% of the total number of votes at the AGM. The case was joined by the Chairperson of the Polish Financial Supervision Authority, who presented his opinion on 24 July 2019. The Company discussed the issue in current reports 13/2019, 14-23/2019 and 30/2019.

As of the date hereof, there is an unresolved case of EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw versus "PEPEES" S.A.:

- for revoking or rendering invalid two resolutions on the appointment of the Supervisory Board Members, adopted on 11 May 2018 by the General Meeting of Shareholders, and for revoking the resolution on the distribution of profit for 2017. With the judgement of 26/10/2018, the Regional Court rendered invalid the resolutions on the appointment of two members of the Supervisory Board and dismissed the action within the remaining scope.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

The appeals against the judgement were filed by both parties. The Court of Appeal in Białystok dismissed both of them. EPSILON filed a cassation appeal, which the Supreme Court accepted for examination on 21/11/2020,,,"PEPEES" S.A. The financial statements for the period of 12 months ended on 31 December 2021 (data in thousands of PLN) 63

- for revoking or rendering invalid resolutions no. 24-29 adopted on 28/06/2019 by the Annual General Meeting of Shareholders, including resolution no 28 on amendments to the Articles of Association and authorisation of the Company's Management Board to raise the share capital of the Company within the scope of the authorised capital and with the option to exclude the pre-emptive right of the current shareholders of the Company in whole or in part upon the consent of the Company's Supervisory Board. The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for the determination of the loss of voting rights have been concluded in a legally binding manner,

- for revoking the declaration of invalidity of two resolutions on the acknowledgement of fulfilment of duties adopted on 21/04/2020 by the General Meeting of Shareholders. The litigation is pending before the Court of First Instance. The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for the determination of the loss of voting rights have been concluded in a legally binding manner,

- for revoking or rendering invalid four resolutions on: consideration and approval of the financial statements for 2020, distribution of the profit for 2020 and acknowledgement of fulfilment of duties of the Management Board Members, as adopted on 29/06/2021 by the General Meeting of Shareholders. The litigation is pending before the Court of First Instance. On 11 January 2022, the Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for the determination of the loss of voting rights have been concluded in a legally binding manner,

Within the remaining scope, there are no other significant litigations or proceedings in court, arbitration body or public administration authority with respect to liabilities or receivables of the Issuer or its subsidiaries.

There are several cases pending before the court for the recovery of trade receivables on which the Company has made 100% write-offs. The amounts are not significant as regards total receivables.

## 20 Important events after the balance sheet date

On 14.01.2022, the Company received from Dom Maklerski Banku Ochrony Środowiska S.A., which acted as an intermediary in accepting offers to sell the Issuer's shares in response to the Invitation to submit offers to sell the Issuer's shares dated 28 December 2021 (the "Invitation"), information that as a result of the settlement of the acquisition of the shares offered in response to the Invitation, on 14 January 2022, the Issuer acquired 32,828 treasury shares in total. The acquisition was made at a price of PLN 1.20 per share. The acquired shares constitute 0.035% in the Issuer's share capital and provide 0.035% of the total number of votes attached to all shares in the Issuer. Following the purchase of treasury shares, the total number of treasury shares held by the Issuer was 32,828,

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

representing 0.035% of the Issuer's share capital. These shares provided a total of 0.035% of the total number of votes attributable to all shares in the Issuer.

Furthermore, the Company received from Dom Maklerski Banku Ochrony Środowiska S.A., which acted as an intermediary in accepting offers to sell the Issuer's shares in response to the Invitation to submit offers to sell the Issuer's shares dated 14 February 2022 (the "Invitation"), information that as a result of the settlement of the acquisition of the shares offered in response to the Invitation, the Issuer acquired the total of 34,295 treasury shares. The acquisition was made at a price of PLN 1.20 per share.

The acquired shares constitute 0.036% in the Issuer's share capital and provide 0.036% of the total number of votes attached to all the shares in the Issuer.

Following the purchase of treasury shares, the total number of treasury shares held by the Issuer was 67,123, representing 0.071% of the Issuer's share capital. These shares provide the total of 0.071% of the total number of votes attributable to all the shares in the Issuer.

On 24/02.2022, Russia's invasion of Ukraine began, representing an escalation of the conflict that had originated in 2014. Upon the publication of these financial statements, the situation is very dynamic. However, it appears that the Russian invasion is going to have a significant impact on world trade. The exchange rates used by the Entity are constantly fluctuating, which carries the risk of unpredictability in forward foreign contracts (with delayed deliveries) or in contracts with deferred payment dates.

Prices of goods and services also fluctuate greatly. With all certainty, the prices of energy raw materials will increase due to the expected reduction in supplies from the East (oil, gas, coal); the reserves of energy raw materials will also be increased by all the European countries; therefore, their availability will be affected, similarly contributing to further increase in prices. The increase in fuel prices will, in turn, translate into the increased price of transport services.

The Company will lose the ability to export its products to the Ukrainian market due to the hostilities, as well as to the Russian and Belarusian markets as a result of economic sanctions. The Company will also have difficult access to Central Asian markets (Uzbekistan, Kazakhstan) due to rail transport restrictions through Ukraine. Sales to markets at the risk of loss accounted for 15.7% of export sales in 2021 (5.36% – Uzbekistan, 4.88% – Belarus, 2.88% – Kazakhstan, 1.3% – Russia, 0.78% – Ukraine and 0.5% Armenia).

The Board is continuously monitoring the political and economic situation related to the war in Ukraine. No assets of the Company are impaired as of the balance sheet date and no write-offs are required.

As of the date of publication hereof, the Management believes that it is not an event entailing adjustments to the financial statements for 2021, but an event that has occurred after the balance sheet date and it need additional disclosures. Since the situation is still developing, the Company's Management believes that presentation of quantitative estimations of the impact of this situation on the Entity is not possible.

"PEPEES" S.A.  
Financial statements  
for the period of 12 months ended on 31 December 2021  
(data in thousands of PLN)

21 Approval of the financial statements

The annual financial statements were approved for publication by the Management on 17 March 2022

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

Wojciech Faszczewski President of the Board

Tomasz Krzysztof Rogala Member of the Management Board

SIGNATURE OF THE PERSON WHO PREPARED THE REPORT

Chief Accountant – Wiesława Załuska