



CONSOLIDATED QUARTERLY REPORT OF PEPEES GROUP

for the first quarter ended on 31 March 2019

prepared
in Łomża on 15 May 2019

INDEX TO THE CONSOLIDATED QUARTERLY REPORT

INTRODUCTION.....	4
A. SELECTED FINANCIAL FIGURES OF PEPEES GROUP.....	6
B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF PEPEES GROUP FOR THE PERIOD OF 3 MONTHS ENDED ON 31 MARCH 2019.....	8
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	9
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME.....	10
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	11
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	12
NOTES.....	13
1. General information about the Parent Company.....	13
2. Information about reporting periods.....	14
3. The structure of PEPEES Group.....	14
4. Authorising the interim condensed consolidated financial statements.....	15
5. Significant accounting policies.....	16
6. The application of accounting standards in 2019.....	16
7. New accounting standards and interpretations not applied in these financial statements	17
8. Non-typical items having significant impact on assets, liabilities, equity, financial performance and cash flows.....	18
9. Changes in applied accounting policies; correcting errors and presentations.....	18
10. Seasonality or cyclical nature of operations.....	19
11. Estimates.....	19
12. Acquisition and sale of property, plant and equipment.....	19
13. Significant commitments made to purchase non-current assets.....	19
14. Inventories.....	19
15. Biological assets.....	20
16. Trade receivables.....	20
17. Trade payables.....	20
18. Litigation settlements.....	20
19. Outstanding loans and borrowings.....	20
20. Related party transactions.....	23
21. Changes in estimates.....	25
22. Short-term provisions.....	27
23. Deferred income tax.....	28
24. Contingent assets and liabilities.....	28
25. The issue, redemption and repayment of non-equity and equity securities.....	29
26. Dividend.....	29
27. Segment reporting.....	29
27.1. Products and services.....	29
27.2. Segment revenue and results.....	30
27.3. Segment assets and liabilities.....	30
27.4. Other segment information.....	30
27.5. Revenue by products.....	31
27.6. Sales revenue by territories.....	31
27.7. Major customers.....	32
28. Dividends paid (or declared), in aggregate and per share, separately for ordinary shares and preference shares.....	32
29. In the case of financial instruments at fair value – information on the change of the manner (method) of its determination.....	32
30. Changes in the classification of financial assets as a result of the change of the purpose or use of such assets.....	32
31. Information on changes in the economic situation and conditions for conducting business activity that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are carried at fair value or at amortised cost.....	32
32. Other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Group.....	32
33. Important events after the reporting period.....	33

C. INTERIM CONDENSED FINANCIAL STATEMENTS OF PRZEDSIĘBIORSTWO PRZEMYSŁU
SPOŻYWCZEGO "PEPEES" SPÓŁKA AKCYJNA FOR THE PERIOD OF 3 MONTHS ENDED ON
31 MARCH 2019 34

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION.....	35
INTERIM CONDENSED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME	36
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY.....	37
INTERIM CONDENSED STATEMENT OF CASH FLOWS.....	38
NOTES.....	39
1. Accounting policies.....	39
2. Changes in accounting policies and presentations, and correcting errors.....	39
3. Contingent liabilities or contingent assets.....	39
4. Related party transactions.....	40
5. Sureties and guarantees.....	41
D. ADDITIONAL INFORMATION.....	42
1. Changes in the organisation of PEPEES Group.....	42
2. Summary of activities in the reporting period.....	42
3. Shareholding structure.....	42
4. The statement of changes in the holding of the Issuer's shares or rights to them by members of the Issuer's Board of Directors and the Supervisory Board.....	42
5. Concise description of major accomplishments or failures of PEPEES Group in the first quarter of 2019, and the list of the most important events pertaining to them.....	43
6. Description of factors and events, especially of unusual nature, with material impact on the financial performance of PEPEES Group.....	43
7. The position of the Board of Directors regarding the projected results.....	43
8. Significant proceedings before a court, an authority competent for arbitration proceedings or a public administration authority	43
9. Related party transactions.....	43
10. Sureties and guarantees.....	44
11. Other information, which, in the opinion of the Group, is material for the assessment of its staff, assets, financial standing, financial performance and their changes, and information material for the assessment of the potential satisfaction of the Group's commitments.....	44
12. Factors likely, in the Issuer's and the Group's opinion, to influence the results accomplished by them in the period of at least one subsequent quarter.....	44

INTRODUCTION

1. The Consolidated Quarterly Report of PEPEES Group for the first quarter ended on 31 March 2019 comprises:

- A. Selected financial figures of PEPEES Group.
- B. Interim condensed consolidated financial statements of PEPEES Group for the period of 3 months ended on 31 March 2019.
- C. Interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for the period of 3 months ended on 31 March 2019.
- D. Additional information.
- E. Declaration of the Board of Directors regarding the compliance and fairness of the preparation of the interim condensed consolidated financial statements of PEPEES Group and of the interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża.

2. Reporting period and comparative data:

Interim condensed consolidated financial statements

- The interim condensed consolidated financial statements of PEPEES Group cover the following periods: three months ended on 31 March 2019 and three months ended on 31 March 2018.
- For the data presented in the interim condensed consolidated statement of financial position, we have presented comparative financial data as at 31 December 2018 and as at 31 March 2018.
- For the data presented in the interim condensed consolidated income statement and statement of other comprehensive income, we have presented comparative financial data for the period from 1 January 2018 to 31 March 2018.
- For the data presented in the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, we have presented comparative financial data for the period from 1 January 2018 to 31 March 2018.

Interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża.

- The interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża cover the following periods: three months ended on 31 March 2019 and three months ended on 31 March 2018.
- For the data presented in the interim condensed statement of financial position, we have presented comparative financial data as at 31 December 2018 and as at 31 March 2018.
- For the data presented in the interim condensed income statement and statement of other comprehensive income, we have presented comparative financial data for the period from 1 January 2018 to 31 March 2018.
- For the data presented in the interim condensed statement of changes in equity and the interim condensed statement of cash flows, we have presented comparative financial data for the period from 1 January 2018 to 31 March 2018.

3. Definitions of terms related to the organisation of PEPEES Group

As at 31 March 2019, PEPEES Group comprised the following companies:

- Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna with its registered office in Łomża – the Parent Company
- Przedsiębiorstwo Przemysłu Ziemniaczanego "LUBLIN" Spółka z ograniczoną odpowiedzialnością with its registered office in Lublin – a subsidiary
- Pepees Inwestycje Spółka z ograniczoną odpowiedzialnością with its registered office in Łomża (former OZENERGY) – a subsidiary
- Przedsiębiorstwo Przemysłu Ziemniaczanego "BRONISŁAW" Spółka Akcyjna with its registered office in Bronisław – a subsidiary
- CHP Energia Spółka z ograniczoną odpowiedzialnością with its registered office in Wojny-Wawrzyńce – a subsidiary
- Gospodarstwo Rolne Ponary Spółka z ograniczoną odpowiedzialnością with its registered office in Łomża – a subsidiary

A. SELECTED FINANCIAL FIGURES OF PEPEES GROUP

Selected financial figures of PEPEES Group for the period of three months ended on 31 March 2019 and 2018 are as follows:

No .	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
	Y ea r	2019	2018	2019	2018
I	Total sales revenue for 1 quarter	63,572	56,130	14,792	13,433
II	Net profit or loss attributable to equity holders of the Parent Company for 1 quarter	9,233	4,814	2,148	1,152
II I	Net cash flows from operating activities for 1 quarter	36,698	20,500	8,539	4,906
I V	Net cash flows from investing activities for 1 quarter	(6,087)	(7,248)	(1,416)	(1,735)
V	Net cash flows from financing activities for 1 quarter	(22,349)	(15,263)	(5,200)	(3,653)
V I	Total net cash flows for 1 quarter	8,262	(2,011)	1,922	(481)
V II	Total assets as at 31.03.2019 and 31.12.2018	332,650	333,925	77,337	77,657
V II I	Equity attributable to equity holders of the Parent Company as at 31.03.2019 and 31.12.2018	176,176	165,399	40,959	38,465
I X	Total earnings (loss) per share for 1 quarter	0.10	0.05	0.02	0.01
X	Book value per share as at 31.03.2019 and 31.12.2018	1.85	1.74	0.43	0.40

Figures presented in lines: VII, VIII and X, in columns '2019' and '2018', are as at 31 March 2019 and 31 December 2018.

To translate the selected financial figures into EUR, the following exchange rates announced by the National Bank of Poland (NBP) have been applied:

- selected items of the statement of financial position as at 31.03.2019 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3013;
- selected items of the statement of financial position as at 31.12.2018 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3000;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 1 January 2019 to 31 March 2019 – at the exchange rate being the arithmetic mean of average exchange rates announced by the NBP and applicable on the last day of each month of the first quarter of 2019: EUR 1 = PLN 4.2978;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 1 January 2018 to 31 March 2018 – at the exchange rate being the arithmetic mean of average exchange rates announced by the NBP and applicable on the last day of each month of the first quarter of 2018: EUR 1 = PLN 4.1784.

Earnings (loss) per share for the period of three months ended on 31 March 2019 and 2018 are presented in the table below:

Specification	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Net earnings (loss) attributable to the shareholders of PEPEES	9,233	4,814
Weighted average number of shares	95,000, 000	95,000,0 00
Basic net earnings (loss) per share (in PLN per share)	0.10	0.05
Net earnings (loss) attributable to the shareholders of PEPEES applied in the calculation of diluted earnings per share	9,233	4,814
Weighted average number of ordinary shares for diluted earnings per share	95,000, 000	95,000,0 00
Diluted net earnings (loss) per share (in PLN per share)	0.10	0.05
Annualised net earnings attributable to the equity holders of PEPEES	27,364	12,815
Weighted average number of shares	95,000, 000	95,000,0 00
Annualised net earnings per share (in PLN per share)	0.29	0.13

**B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
PEPEES GROUP FOR THE PERIOD OF 3 MONTHS ENDED ON 31
MARCH 2019**

presented below, comprising:

1. Interim condensed consolidated statement of financial position
2. Interim condensed consolidated income statement and statement of other comprehensive income
3. Interim condensed consolidated statement of changes in equity
4. Interim condensed consolidated statement of cash flows
5. Notes

PEPEES GROUP
Consolidated Quarterly Report
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

N o .	ASSET S	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
I	Non-current (long-term) assets	186,644	173,688	154,031
1	Property, plant and equipment	167,489	164,885	145,762
2	Intangible assets	913	534	208
3	Rights to assets	10,082	47	65
4	Goodwill arising on consolidation	3,140	3,140	3,140
5	Investments in other entities	113	113	113
6	Deferred tax assets	4,907	4,969	4,743
I I	Current (short-term) assets	146,006	160,237	125,884
1	Inventories	57,130	78,065	58,755
2	Biological assets	301	330	394
3	Trade receivables	26,507	27,651	23,377
4	Other receivables	1,923	6,044	1,645
5	Advances	5,628	1,964	6,663
6	Loans granted	553	941	913
7	Investments held for trading	5,936	5,436	5,536
8	Cash and cash equivalents	48,028	39,806	28,601
	Total assets	332,650	333,925	279,915

N o .	EQUITY AND LIABILITIES	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
I	Equity	176,736	166,476	147,557
	<i>Equity attributable to equity holders of the Company</i>	176,176	165,399	146,830
1	Share capital	5,700	5,700	5,700
2	Reserve capital and other reserves	141,857	141,857	124,418
3	Revaluation reserve	(26)	(26)	(172)
4	Retained earnings/loss	19,412	(5,223)	12,070
5	Profit/loss for the year	9,233	23,091	4,814
	<i>Non-controlling interests</i>	560	1,077	727
I I	Non-current liabilities	59,489	50,293	49,925
1	Loans and borrowings	30,926	30,398	27,893
2	Liabilities related to leased assets	13,603	4,775	6,561
3	Deferred tax liabilities	6,469	6,470	6,274
4	Retirement and similar benefits obligations	2,381	2,381	2,249
5	Long-term deferred income	6,110	6,269	6,948
6	Other liabilities	-	-	-
I I I	Current liabilities	96,425	117,156	82,433
1	Trade payables	12,075	13,063	7,994
2	Current income tax liabilities	1,902	1,712	415
3	Other current liabilities	4,560	4,749	4,408
4	Loans and borrowings	70,444	90,644	64,747
5	Liabilities related to leased assets	3,252	2,876	2,637

PEPEES GROUP
Consolidated Quarterly Report
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

6	Retirement and similar benefits obligations	297	296	327
7	Provisions for other liabilities and other charges	3,895	3,816	1,905
	Total equity and liabilities	332,650	333,925	279,915

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME**

for the period of 3 months ended on 31 March 2019

N o.	Specification	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
I	Sales revenue		
1	Revenue from the sales of products	59,541	54,723
2	Revenue from the sales of services	183	465
3	Revenue from the sales of trade goods and materials	3,848	942
	Total sales revenue, including:	63,572	56,130
	<i>- revenue from continuing operations</i>	<i>63,572</i>	<i>56,130</i>
II	Cost of sales		
1	Cost of products sold	(35,736)	(38,589)
2	Cost of services sold	(82)	(138)
3	Costs of trade goods and materials sold	(2,134)	(535)
4	Profit/loss from agricultural production	(1,687)	(661)
	Total cost of sales, including:	(39,639)	(39,923)
	<i>- cost from continuing operations</i>	<i>(39,639)</i>	<i>(39,923)</i>
II I	Gross profit from sales (I-II)	23,933	16,207
1	Selling and marketing expenses	(2,301)	(2,389)
2	Administrative expenses	(7,831)	(6,380)
3	Other operating income	75	253
4	Other operating expenses	(192)	(305)
I V	Operating profit (loss)	13,684	7,386
1	Finance costs	(855)	(1,052)
2	Finance income	296	71
3	Share of profit of an associate		
V	Profit (loss) before tax, including:	13,125	6,405
	<i>- profit (loss) before tax from continuing operations</i>	<i>13,125</i>	<i>6,405</i>
	Income tax expense	(3,521)	(1,542)
V I	Net profit (loss)	9,604	4,863
	- attributable to the equity holders of the Parent Company	9,233	4,814
	- attributable to non-controlling interests	371	49
V II	Other comprehensive income	-	-
1	Effects of the valuation of financial assets available-for-sale	-	-
2	Revaluation of employee benefit liabilities	-	-
V II I	Total comprehensive income, including	9,604	4,863
	- attributable to the equity holders of the Parent Company	9,233	4,814
	- attributable to non-controlling interests	371	49
	<i>- net comprehensive income (loss) from continuing operations</i>	<i>9,233</i>	<i>4,814</i>

PEPEES GROUP
Consolidated Quarterly Report
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period of 3 months ended on 31 March 2019

Specification	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/losses	Total equity attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2018	5,700	55,103	(172)	69,315	11,336	141,282	4,265	145,547
Changes in the first quarter of 2018	-	-	-	-	5,548	5,548	(3,538)	2,010
Taking over 100% control in a subsidiary	-	-	-	-	-	-	(3,587)	(3,587)
Other consolidation adjustments	-	-	-	-	734	734	-	734
Net profit for the period	-	-	-	-	4,814	4,814	49	4,863
As at 31 March 2018	5,700	55,103	(172)	69,315	16,884	146,830	727	147,557
Changes in 2018	-	5,120	146	12,319	6,532	24,117	(3,188)	20,929
Distribution of profit (loss) for 2017	-	5,120	-	12,319	(17,439)	-	-	-
Net profit (loss) for the period	-	-	-	-	23,091	23,091	323	23,414
Taking control of a new entity	-	-	-	-	-	-	(3,510)	(3,510)
Other comprehensive income for the year (net)	-	-	146	-	-	146	-	146
Other consolidation adjustments	-	-	-	-	880	880	(1)	879
As at 31 December 2018	5,700	60,223	(26)	81,634	17,868	165,399	1,077	166,476
As at 1 January 2019	5,700	60,223	(26)	81,634	17,868	165,399	1,077	166,476
Changes in the first quarter of 2019	-	-	-	-	10,777	10,777	(517)	10,260
Taking over 100% control in a subsidiary	-	-	-	-	-	-	-	-
Other consolidation adjustments	-	-	-	-	1,544	1,544	-	1,544
Net profit for the period	-	-	-	-	9,233	9,233	(517)	8,716
As at 31 March 2019	5,700	60,223	(26)	81,634	28,645	176,176	560	176,736

PEPEES GROUP
Consolidated Quarterly Report
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the period of 3 months ended on 31 March 2019

Indirect method	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
A. Cash flows from operating activities		
I. Profit (loss) before tax	13,125	6,405
II. Total adjustments	23,573	14,095
1. Depreciation/Amortisation	2,949	3,009
2. Foreign exchange (gains) losses	(164)	(20)
3. Interest and share of profit (dividend)	732	909
4. (Profit) loss from investing activities	(452)	(2)
5. Net increase/decrease in provisions	80	(73)
6. Net increase/decrease in inventories	20,935	25,379
7. Net increase/decrease in biological assets	29	(394)
8. Net increase/decrease in receivables	5,265	3,539
9. Net increase/decrease in current liabilities, except for loans and borrowings	(1,177)	(8,441)
10. Net increase/decrease in advances	(1,666)	(5,836)
11. Income tax expense	(2,735)	(3,920)
12. Net increase/decrease in grants	(159)	47
13. Net increase/decrease in accrued interest on loans and fees and commissions	21	(25)
14. Net increase/decrease in other financial assets	(91)	-
15. Other adjustments	6	(77)
III. Net cash flows from operating activities (I+/-II)	36,698	20,500
B. Cash flows from investing activities		
I. Proceeds	4	42
1. Disposal of intangible assets and property, plant and equipment	4	42
2. Repayment of loans	-	-
II. Expenses	6,091	7,290
1. Acquisition of intangible assets and property, plant and equipment	5,224	1,650
2. Acquisition of shares and interests	-	3,510
3. Purchase of securities	500	1,990
4. Purchase of property rights	355	-
5. Loans granted	12	140
III. Net cash flows from investing activities (I-II)	(6,087)	(7,248)
C. Cash flows from financing activities		
I. Proceeds	4,837	11,200
1. Loans and borrowings	4,793	11,172
2. Grants	44	28
II. Expenses	27,186	26,463
1. Repayments of loans and borrowings	25,708	24,909
2. Interest on loans and borrowings	503	811
3. Lease payments	975	743
III. Net cash flows from financing activities (I-II)	(22,349)	(15,263)
D. Total net cash flows (A.III+/-B.III+/-C.III)	8,262	(2,011)
E. Cash at the beginning of period	39,764	30,644
F. Cash at the end of period (E+/-D)	48,026	28,633
<i>including restricted cash</i>	-	-

NOTES

1. General information about the Parent Company

Full business name:	Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A.
Registered office:	18-402 Łomża, ul. Poznańska 121
Identifier:	Company Stat. No. [REGON]: 450096365
NIP [Tax ID No.]:	718-10-05-512
Registration body:	District Court in Białystok, XII Commercial Division of the National Court Register
KRS Reg. No.:	000038455
Legal form:	Spółka Akcyjna [a joint stock company]
Organisational form:	a single-establishment company
Primary objects according to the Polish Classification of Activities (PKD):	1062Z – manufacture of starches and starch products.
Industry:	food industry
Company's lifetime:	indefinite

The composition of the Board of Directors as at 31 March 2019:

Mr Wojciech Faszczewski	President of the Board of Directors
Mr Tomasz Rogala	Member of the Board of Directors

The composition of the Supervisory Board as at 31 March 2019:

Mr Maciej Kaliński	Chairman
Mr Tomasz Nowakowski	Vice-Chairman
Mr Piotr Marian Taracha	Secretary
Mr Krzysztof Stankowski	Member
Mr Robert Malinowski	Member
Ms Agata Czerniakowska	Member

The composition of the Audit Committee as at 31 March 2019:

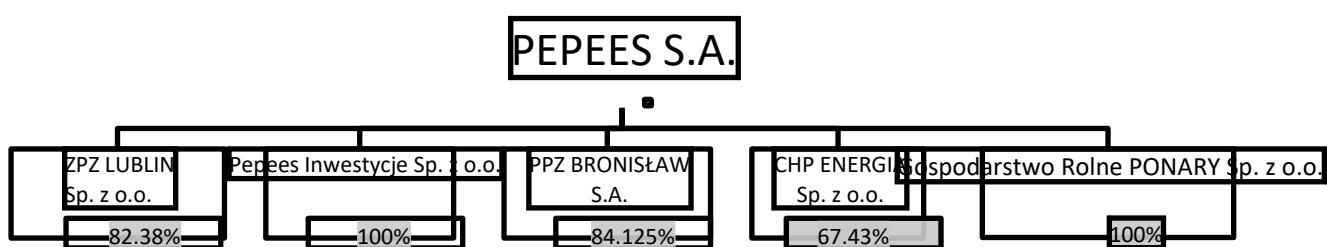
Mr Maciej Kaliński	Chairman
Mr Piotr Marian Taracha	Vice-Chairman
Mr Krzysztof Stankowski	Member

2. Reporting periods

These interim consolidated financial statements cover the period from 1 January 2019 to 31 March 2019, and comparative financial figures and notes cover the period from 1 January 2018 to 31 March 2018 and, additionally, as at 31 December 2018 in the case of the statement of financial position and the statement of changes in equity.

3. The structure of PEPEES Group

3.1. The structure of PEPEES Group as at 31 March 2019



3.2. General information on related parties in PEPEES Group

In the Consolidated Quarterly Report of PEPEES Group for the first quarter ended on 31 March 2019, apart from Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A., the following related entities are subject to consolidation:

Name	Registered office	Objects	Registry court	Issuer's percentage of capital (%)	Percentage of total votes (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sales of potato syrup and dried potatoes, processing of fruit and vegetables	District Court in Lublin, XI Economic Division of the National Court Register (NCR)	82.38	82.38
Pepees Inwestycje (former OZENERGY Sp. z o.o.)	Łomża	Buying and selling of own real estate	District Court in Białystok, XII Economic Division of the NCR	100	100
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, XIII Economic Division of the NCR	84.125	84.125
CHP ENERGIA Sp. z o.o.	Wojny Wawrzyńce	Production of electricity and heat from gas produced in a biogas plant	District Court in Białystok, XII Economic Division of the NCR	67.43	67.43
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Growing of crops combined with farming of animals (mixed farming)	District Court in Białystok, XII Economic Division	100	100

All subsidiaries were consolidated with the full method.

In the reporting period and until the date of this report, there were no changes in the structure of the Issuer's Group.

3.3. Basic financial figures as at 31 March 2019 for related parties

Basic financial figures as at 31 March 2019 for related parties are presented below.

Specification	PPZ BRONISŁAW S.A.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarst wo Rolne Ponary Sp. z o.o.	PEPEES Inwestycje Sp. z o.o.
Current assets as at 31.03.2019	26,195	10,711	2,128	133	1,428
Non-current assets as at 31.03.2019	28,141	5,905	19,711	21,235	-
Current liabilities as at 31.03.2019	21,330	12,384	12,012	553	1,483
Non-current liabilities as at 31.03.2019	16,805	1,265	15,122	8,721	-
Sales revenue	12,705	5,728	1,874	-	-
Net profit/loss on continuing operations	2,109	385	(99)	24	(14)
Net profit/loss on discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	2,109	385	(99)	24	(14)

3.4. Basis for the preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), particularly in accordance with International Accounting Standard 34 and the IFRS adopted by the EU. As at the date of authorising these financial statements for publication, having regard for the IFRS implementation process continuing in the EU and the Group's business activity, within the scope of the accounting policies adopted by the Group, there are no differences between the IFRS which have come into force and the IFRS as adopted by the EU. The IFRSs comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC').

These interim condensed consolidated financial statements have been prepared in the Polish zloty (PLN) and all values, unless otherwise specified, are provided in thousands of PLN.

These interim condensed consolidated financial statements have been prepared based on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of authorising these interim condensed consolidated financial statements, the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. does not confirm the existence of any circumstances which would indicate any threat to the Group's remaining a going concern.

These interim condensed consolidated financial statements do not comprise all the information required in the annual consolidated financial statements and they should be analysed together with the consolidated financial statements for the financial year ended on 31 December 2018.

4. Authorising the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were authorised for publication by the Board of Directors of the Parent Company on 15 May 2019.

5. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended on 31 December 2018, except for the adoption of the following new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2019:

- Amendments to IFRS 16 *Leases*, effective for annual periods beginning on or after 1 January 2019.

The Group decided to adopt this standard.

6. The adoption of accounting standards in 2019

The adoption of new interpretations and amendments to standards in the first quarter of 2019 had no impact on the financial standing of PEPEES Group.

IFRS 16 *Leases* has been adopted, which introduces a single accounting model for lessees under which a lessee must recognise assets and liabilities under each lease with a lease term of over 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset ('right-of-use asset') and a lease liability to make lease payments ('lease liability').

Lessees are required to separately recognise the depreciation expense on the right-of-use asset and interest expense on the lease liability.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach, and standard's transition provisions permit certain reliefs. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted in the case of entities which apply IFRS 15 from or before the date of the first adoption of IFRS 16.

The Company decided to adopt the standard on 1 January 2019. Pursuant to transitional provisions of IFRS 16, the new principles have been adopted retrospectively charging the cumulative effect of initially applying the new standard to equity as at 1 January 2019. Therefore, comparative data for the financial year 2018 have been restated (the modified retrospective approach).

In the opinion of the Board of Directors, IFRS 16 has significant impact on the financial statements, because, according to the new standard, all contracts providing for the transfer of the right to use an asset for a given period for a fee concluded for a period of more than 12 months, except when the asset is of low value, are treated as leases.

The analysis carried out by the Group shows that the aforementioned criteria are fulfilled by the right to perpetual usufruct of land. When determining the value of the right to assets and the value of liabilities due to the fee for the perpetual usufruct of land, the value of future cash flows and the appropriate discount were taken into account. The Group has adopted IFRS 16 using the modified retrospective approach by adjusting the opening balance of retained earnings.

As at 01.01.2019, the rights to assets and lease payables increased in the Group by PLN 10,041 thousand.

Specification	PEPEES S.A.	PPZ BRONISŁAW S.A.	ZPZ LUBLIN Sp. z o.o.	Total
Rights to assets (the right of perpetual usufruct) as at 01.01.2019	8,534	560	947	10,041
Payable due to the fees for perpetual usufruct as at 01.01.2019	8,534	560	947	10,041

7. New accounting standards and interpretations not applied in these financial statements

New standards, amendments to standards and interpretations that are not yet effective for reporting periods ending on 31 March 2019 have not been taken into account by the Group in the interim condensed consolidated financial statements.

- Amendments to IFRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 4 *Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018, or upon the first-time adoption of IFRS 9 *Financial Instruments*)
- Amendments to IFRS 15 *Revenue from Contracts with Customers – Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IAS 40 *Investment Property – Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 1 and IAS 28 resulting from *Annual Improvements to IFRSs: 2014–2016 Cycle* – amendments resulting from annual improvements to IFRSs (IFRS 1, IFRS 12 and IAS 28) focused primarily on eliminating inconsistencies and clarifying terminology and wording (amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 *Financial Instruments – Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019)
- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

New standards, amendments to existing standards and interpretations that have not been authorised by the European Union:

- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016)
- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 3 *Business Combinations – Definition of a Business* (effective for business combinations for which the acquisition date is on or after the beginning of

the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period)

- 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 (the effective date of the amendments has been postponed until the completion of the research on the equity method)
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective for annual periods beginning on or after 1 January 2020)
- Amendments to IAS 19 *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019)
- Amendments to various standards *Annual Improvements to IFRSs: 2015–2017 Cycle* — amendments resulting from annual improvements to IFRSs (IFRS 3, IFRS 11, IAS 12 and IAS 23) focused primarily on eliminating inconsistencies and clarifying terminology and wording (effective for annual periods beginning on or after 1 January 2019)
- Amendments to *References to the Conceptual Framework in IFRS Standards* (effective for annual periods beginning on or after 1 January 2020)

Effective dates are dates resulting from the content of standards issued by the International Financial Reporting Council. The dates of the adoption of standards in the EU may differ from the dates of adoption resulting from the content of standards and are announced at the time of authorising them for adoption by the EU.

The Group has decided not to adopt earlier any of the standards, interpretations or amendments adopted by the EU, which did not apply as at 31 March 2019.

The Board of Directors is currently assessing the impact of the aforementioned standards and interpretations upon the Group's reporting.

8. Non-typical items having significant impact on assets, liabilities, equity, financial performance and cash flows

In the reporting period, there were no non-typical events having significant impact on assets, liabilities, equity, financial performance and cash flows.

9. Changes in applied accounting policies; correcting errors and presentations

In the reporting period, the Group did not change accounting policies and did not correct errors from previous years.

In connection with the adoption of IFRS 16, the Group has changed the presentation of advances for the lease of agricultural holdings. From 01.01.2019, they have been presented in the consolidated statement of financial position as rights to assets (in previous reporting periods, advances for the lease were presented as long-term advances).

For the purpose of data comparability, long-term advances as at 31.12.2018 and as at 31.03.2018 are presented in this consolidated quarterly report as rights to assets.

10. Seasonality or cyclical nature of operations

The Group operates in an industry sector: 'potatoes processing'. The purchase and processing of potatoes takes place in autumn in the period of 3 months, while the sale of manufactured products lasts all year long.

11. Estimates

In the reporting period, the Group did not conduct impairment tests for non-current assets, since there were no indications of any such impairment.

Write-downs of receivables have been revalued by the amount reflecting the level of customers default risk.

Provisions for retirement benefits and jubilee benefits were recognised on the basis of actuarial calculations as at 31.12.2018.

Provisions for unused annual leaves were updated on the basis of expected remunerations of employees including adds-on for the employer for annual leaves unused as at 31.03.2019.

The Group recognises deferred tax assets on the basis of the assumption that, in the future, it will generate tax profit enabling their utilisation.

The Group verifies, on an annual basis, useful lives of property, plant and equipment and intangible assets. The last update was made on 31 December 2018.

12. Acquisition and sales of property, plant and equipment

In the first quarter of 2019, the Group acquired property, plant and equipment for PLN 5,224 thousand. The purchases mainly concerned the modernisation of machinery and production devices.

The Group sold property, plant and equipment for PLN 4 thousand.

13. Significant commitments made to purchase non-current assets

In the first quarter of 2019, no loan agreements to purchase non-current assets were concluded.

14. Inventories

INVENTORIES	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
a) materials	6,363	6,166	5,547
b) semi-finished products and work in progress	108	703	1,065
c) finished products	46,548	67,120	48,774
d) trade goods	4,528	4,687	3,755
Gross inventories	57,547	78,676	59,141
Write-downs	(417)	(611)	(386)
Net inventories	57,130	78,065	58,755

Inventories recognised as an expense in the reporting period amounted to PLN 37,032 thousand (first quarter of 2018: PLN 38,087 thousand).

15. Biological assets

Since March 2014, PEPEES S.A. has leased an agricultural holding that was sown with annual plants, and, since March 2018, new land that has been sown with annual plants. The costs associated with the acquisition of seeds and with the cultivation as at the balance sheet date amount to PLN 1,803 thousand; revenue from agricultural activities to PLN 116 thousand; and the fair value of inventories and biological assets less costs to sell to ca. PLN 301 thousand. Biological assets are recognised in the financial statements at fair value.

16. Trade receivables

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE:	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
a) up to 1 month	15,414	15,437	17,751
b) over 1 month up to 3 months	6,010	8,064	4,051
c) over 3 months up to 6 months	-	-	-
d) over 6 months up to 1 year	-	152	-
e) over 1 year	-	-	-
f) past due receivables	6,170	5,013	2,612
Total (gross) trade receivables	27,594	28,666	24,414
- write-downs of trade receivables	(1,087)	(1,015)	(1,037)
Total (net) trade receivables	26,507	27,651	23,377

Past due receivables for which no write-downs are recognised are receivables from debtors with whom the Group has cooperated for several years now and the assessment of their economic and financial situation does not imply that they are doubtful receivables. The past due period for those receivables ranges from a few days to three months. There are no receivables overdue more than 180 days not subject to a write-down.

17. Trade payables

TRADE PAYABLES	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
- trade payables, falling due:	12,075	13,063	7,994
- up to 12 months	12,075	13,063	7,994
- overdue more than 180 days	-	-	-

18. Litigation settlements

As at the balance sheet date i.e. 31 March 2019, there are no unresolved significant litigations.

19. Outstanding loans and borrowings

As at the balance sheet date, the bank loans listed in the tables below have been repaid when due. Intra-Group cash loans were eliminated from the consolidated financial statements.

Non-current and current liabilities

N o.	Loan type	Borrower	Contractual loan amount	Currency	Outstanding loan/borrowing amount	Currency	Interest rate	Repayment date
1	Investment loan for the construction of a starch drying room, an unloading node and a water treatment unit	PEPEES S.A.	9,822	PLN	4,040	PLN	Interest rate is based on WIBOR for 3-month deposits plus the Bank's margin	25.02.2022
2	Investment loan to upgrade the dust removal system for boilers	PEPEES S.A.	1,200	PLN	512	PLN	The interest rate is based on WIBOR for 3-month deposits plus the margin the bank's margin	31.12.2020
3	Investment loan to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary	PEPEES S.A.	10,530	PLN	9,527	PLN	Interest rate is based on WIBOR for 1-month deposits plus the Bank's margin	30.06.2025
4	Syndicated investment loan to implement the investment project: 'The Construction of a Biogas Plant in Szepietowo District'	CHP Energia	12,830	PLN	10,879	PLN	The interest rate is based on WIBOR for 3-month deposits plus the margin the bank's margin	31.12.2023
5	Working capital loan associated with conducted business activities	CHP Energia	800	PLN	287	PLN	Base rate of SBR Bank plus the Bank's margin	31.12.2019
6	Working capital loan to finance current liabilities associated with conducted business activity	CHP Energia	3,000	PLN	2,140	PLN	Interest rate is based on WIBOR for 3-month deposits plus the Bank's margin	31.05.2022
7	Investment loan to finance/refinance the purchase of a real property by PPZ Bronisław	PPZ Bronisław	800	PLN	432	PLN	The interest rate is based on WIBOR for 3-month deposits plus the margin the bank's margin	30.11.2021
8	Investment loan taken out to upgrade the starch drying department and build the protein recovery system	PPZ Bronisław	8,456	PLN	8,299	PLN	Interest rate is based on WIBOR for 3-month deposits plus the Bank's margin	31.12.2027
	Overdraft facility						1M WIBOR +	

9		PEPEES S.A.	4,000	PLN	0	PLN	bank's margin	31.08.2019
10	Revolving loan	PEPEES S.A.	12,000	PLN	6,250	PLN	1M WIBOR + bank's margin	31.08.2019

N o.	Loan type	Borrower	Contractual loan amount	Currency	Contractual loan/borrowing amount	Currency	Interest rate	Repayment date
11	Working capital loan	PEPEES S.A.	16,500	PLN	12,375	PLN	1M WIBOR + bank's margin	31.08.2019
12	Overdraft facility	PEPEES S.A.	4,000	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2019
13	Revolving loan	PEPEES S.A.	10,000	PLN	7,500	PLN	1M WIBOR + bank's margin	31.08.2019
14	Working capital loan for the purchase of potatoes	PEPEES S.A.	16,500	PLN	12,375	PLN	1M WIBOR + bank's margin	31.08.2019
15	Overdraft facility	ZPZ "LUBLIN"	750	PLN	0	PLN	1M WIBOR+ bank's margin	31.08.2019
16	Revolving loan	ZPZ "LUBLIN"	4,250	PLN	3,188	PLN	1M WIBOR + bank's margin	31.08.2019
17	Working capital loan	ZPZ "LUBLIN"	2,000	PLN	1,138	PLN	1M WIBOR+ bank's margin	31.08.2019
18	Overdraft facility	ZPZ "LUBLIN"	750	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2019
19	Working capital loan	ZPZ "LUBLIN"	4,250	PLN	2,383	PLN	1M WIBOR+ bank's margin	31.08.2019
20	Working capital loan for the purchase of potatoes	ZPZ "LUBLIN"	2,000	PLN	1,305	PLN	1M WIBOR + bank's margin	31.08.2019
21	Overdraft facility	PPZ "BRONISŁAW"	700	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2019
22	Revolving loan	PPZ "BRONISŁAW"	4,000	PLN	3,000	PLN	1M WIBOR + bank's margin	31.08.2019
23	Working capital loan	PPZ "BRONISŁAW"	7,800	PLN	5,463	PLN	1M WIBOR + bank's margin	31.08.2019
24	Overdraft facility	PPZ "BRONISŁAW"	700	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2019
25	Revolving loan	PPZ "BRONISŁAW"	4,000	PLN	2,992	PLN	1M WIBOR + bank's margin	31.08.2019
26	Working capital loan for the purchase of potatoes	PPZ "BRONISŁAW"	7,800	PLN	5,460	PLN	1M WIBOR + bank's margin	31.08.2019
27	Working capital loan associated with conducted business activities	CHP Energia	2,500	PLN	1,600	PLN	1M WIBOR + bank's margin	13.09.2019
28	Working capital loan associated with conducted business activities	CHP Energia	300	PLN	225	PLN	1M WIBOR + bank's margin	15.12.2019
TOTAL			152,238	PLN	101,370	PLN		
<i>long-term</i>					30,926	PLN		
<i>short-term</i>					70,444	PLN		

In the reporting period, no terms and conditions of loan agreements were violated. All loans are repaid in accordance with the schedules included in the agreements.

20. Related party transactions

20.1 The Issuer's transactions with its subsidiaries

a) Revenue from the sales of products and trade goods

Types of revenue	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Revenue from the sales of products to subsidiaries	358	171
Revenue from the sales of trade goods and materials to subsidiaries	66	-
Revenue from the sales of services	79	71
Total revenue from related parties	503	242

The selling price is determined using the cost-plus pricing method or on the basis of price lists applicable in transactions with unrelated parties.

b) Purchases of trade goods and services

Types of purchases	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Purchases of products from subsidiaries	2,383	1,842
Purchases of trade goods from subsidiaries	-	-
Purchases of services from subsidiaries	68	109
Purchases of property, plant and equipment from subsidiaries	-	-
Total purchases from related parties	2,451	1,951

c) Other transactions

Specification	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Interest on granted loans	102	130
Total	102	130

d) Balances of settlements as of the balance sheet date arising from sale/purchase of trade goods/services

Settlements with subsidiaries	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
Receivables – ZPZ “LUBLIN” Sp. o.o.	-		7
Receivables – PPZ “BRONISŁAW” S.A.	4	1,241	570
Receivables – CHP Energia Sp. o.o.	445	371	314
Advances – CHP Energia Sp. z o.o.	461	461	424
Receivables – GR Ponary Sp. z o.o.	1	1	-
Receivables – Pepees Inwestycje Sp. o.o. (OZENERGY)	5	5	5
Liabilities – ZPZ “LUBLIN” Sp. z o.o.	160	82	200
Liabilities – PPZ “BRONISŁAW” S.A.	12	19	4
Liabilities – CHP Energia Sp. z o.o.	-	-	206
Balance of settlements with related parties	744	1,978	910

e) Balance of settlements related to cash loans

Cash loans granted to subsidiaries	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
PPZ “BRONISŁAW” Sp. z o.o.	-	-	2,007
ZPZ “LUBLIN ” Sp. z o.o.	3,000	3,000	3,000
CHP Energia Sp. z o.o.	4,766	4,906	2,697
GR Ponary Sp. z o.o.	552	553	550
Pepees Inwestycje Sp. z o.o. (OZENERGY)	1,479	1,465	-
Balance of settlements with related parties	9,797	9,924	8,254

20.2 The Issuer's transactions with shareholders

In the reporting period, there were no transactions between the Parent Company and shareholders.

20.3 The Issuer's transactions with the key management and supervisory personnel

a) Benefits for the key management personnel (Members of the Board of Directors) and Members of the Supervisory Board

Specification	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Short-term employee benefits	661	446
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	661	446

b) Transactions with key personnel and close members of their families

In the reporting period, the Company did not enter into any transactions with key personnel and close members of their families.

21. Changes in estimates

a) Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	For the period of 3 months ended on 31 March 2019	For the period of 12 months ended on 31 December 2018	For the period of 3 months ended on 31 March 2018
Opening balance	1,093	1,082	1,082
a) increases (due to)	27	236	4
- recognition for doubtful trade receivables	27	135	2
- recognition for interest receivable	-	24	-
- recognition for receivables in litigation	-	77	2
b) decreases (due to)	33	225	24
- reversal of provisions due to payment	1	110	12
- utilisation due to the writing-off and sale of receivables	-	4	-
- cancellations	32	111	12
Write-downs at the end of the period, including:	1,087	1,093	1,062

b) Write-downs of inventories

MOVEMENTS ON WRITE-DOWNS OF INVENTORIES	For the period of 3 months ended on 31 March 2019	For the period of 12 months ended on 31 December 2018	For the period of 3 months ended on 31 March 2018
Opening balance	611	433	433
a) increases (due to)	-	229	0
- write-downs to net realisable value	-	-	-
- impairment loss for materials	-	229	-
b) decreases (due to)	194	51	47
- utilisation	-	-	-
- reversals of write-downs	194	51	47
Write-downs of inventories at the end of the period	417	611	386

c) Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	For the period of 3 months ended on 31 March 2019	For the period of 12 months ended on 31 December 2018	For the period of 3 months ended on 31 March 2018
a) opening balance	2,677	2,576	2,576
- retirement benefits	550	468	468
- jubilee benefits	2,127	2,108	2,108
b) increases (due to)	-	468	-
- retirement benefits	-	116	-
- jubilee benefits	-	352	-
c) utilisation (due to)	-	345	-
- retirement benefits	-	22	-
- jubilee benefits	-	323	-
d) reversal (due to)	-	22	-
- retirement benefits	-	12	-
- jubilee benefits	-	10	-
d) closing balance	2,677	2,677	2,576
- retirement benefits	550	550	468
- jubilee benefits	2,127	2,127	2,108

22. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	For the period of 3 months ended on 31 March 2019	For the period of 12 months ended 31 December 2018	For the period of 3 months ended on 31 March 2018
a) opening balance	3,816	1,978	1,978
- grants related to property, plant and equipment	622	625	625
- provisions for services performed by contractors	24	31	31
- loan subsidies	-	8	8
- fee for the use of the environment	96	123	123
- provisions for holiday pays	753	616	616
- greenhouse gas emission allowance	942	305	305
- bonuses for the Board of Directors and employees	1,379	270	270
b) increases (due to)	175	2,192	41
- provision for used CO ₂ emission allowances	-	637	-
- fee for the use of the environment	20	96	-
- provisions for holiday pays	155	326	41
- provisions for services performed by contractors	-	24	-
- bonuses for the Board of Directors and employees	-	1,109	-
c) utilisation (due to)	96	354	114
- fee for the use of the environment	96	123	108
- provisions for holiday pays	-	189	-
- provision for services performed by contractors	-	31	-
- grants related to property, plant and equipment	-	3	3
- loan subsidies	-	8	3
e) closing balance	3,895	3,816	1,905
- grants related to property, plant and equipment	622	622	622
- loan subsidies	-	-	5
- provision for used CO ₂ emission allowances	942	942	305
- fee for the use of the environment	20	96	15
- provisions for holiday pays	908	753	657
- bonuses for the Board of Directors and employees	1,379	1,379	270
- provisions for services performed by contractors	24	24	31

23. Deferred income tax

DEFERRED TAX LIABILITIES	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
The difference between the carrying amount and the tax value of property, plant and equipment	5,835	5,836	6,260
Unrealised foreign exchange differences	2	2	-
Interest due but not received	504	504	9
Other	128	128	5
Total deferred tax liabilities	6,469	6,470	6,274

DEFERRED TAX ASSETS	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
Outstanding remunerations	137	137	113
Provision for unused annual leaves	154	123	108
Retirement and jubilee benefits	508	508	489
Unrealised foreign exchange differences	49	62	56
Write-downs of inventories	78	78	36
Write-downs of interests	565	565	565
Lease payables	1,095	1,095	1,305
Consolidation adjustments – retained earnings	(515)	(500)	(556)
Provision for benefits	-	-	6
Provision for bonuses for the Board of Directors and employees	224	262	51
Retirement of CO ₂ emission allowances	179	179	58
Assets valuation	2,428	2,428	2,052
Tax loss	-	26	460
Others	5	6	-
Total	4,907	4,969	4,743

24. Contingent assets and liabilities

CONTINGENT ASSETS	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
Value of land used under the right of perpetual usufruct resulting from the decision on the annual fee	23,336	23,336	13,603

CONTINGENT LIABILITIES	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
Mortgages on the assets of companies	180,975	180,975	180,975
Pledge on assets	114,512	114,512	114,512
Loan surety	30,918	30,918	18,234
Assignment of receivables under an insurance policy	254,630	254,630	254,630
Possible damages related to non-competition agreements	1,224	1,224	818
Disputed obligations	-	-	-

25. The issue, redemption and repayment of non-equity and equity securities

In the reporting period, there was no issue, redemption or repayment of non-equity or equity securities.

26. Dividend

The companies of the Group did not pay any dividend in the reporting period and in the comparative period. Boards of Directors of the companies did not declare or propose dividend from the distribution of profit for 2018.

27. Segment reporting

27.1. Products and services

There are three segments in PEPEES Group, i.e.: 'processing of potatoes', 'power generation' and 'growing of crops combined with farming of animals (mixed farming)'.

Within the segment: 'the processing of potatoes', the Company produces:

- potato starch used in households and by the food industry, pharmaceutical industry, paper industry and textile industry;
- a few varieties of glucose used by the food industry, confectionery industry and pharmaceutical industry;
- maltodextrin, which is an essential ingredient of powdered products (ice cream, sauces, soups, fruit extracts, flavoured sprinkles) and vitamin and mineral preparations and supplements for children and athletes;
- a protein that is produced from cellular juice of potatoes through coagulation, separation and drying; it is a valuable component of compound feedingstuffs for animals and a great substitute for animal proteins;
- a wide range of starch syrups used in confectionery and baking industries;
- potato grits, potato flakes, potato cubes and potato dumplings; products used by the food industry.

In the 'power generation' segment, the Company produces:

- electricity from agricultural biogas;
- heat for its own needs used e.g. to dry animal feeds.

All assets and liabilities of Gospodarstwo Rolne Ponary Sp. z o.o. are allocated to 'growing of crops combined with farming of animals (mixed farming)' segment.

27.2 Segment revenue and results

	Revenue		Pro fit	
	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Processing of potatoes	61,902	54,232	14,179	7,719
Power generation	1,670	1,898	(378)	(281)
Total sales revenue	63,572	56,130		
Other operating income			75	253
Other operating expenses			(192)	(305)
Finance income			296	71
Finance costs			(855)	(1,052)
Profit (loss) before tax			13,125	6,405

Due to the fact that in 2019 GR Ponary Sp. z o.o. did not generate any sales revenue, the ‘growing of crops combined with farming of animals (mixed farming)’ segment was not separated in segments’ revenue and net profit/loss.

27.3 Segment assets and liabilities

Segment assets	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
Processing of potatoes	297,539	297,327	241,702
Power generation	15,789	17,297	19,019
Growing of crops combined with farming of animals (mixed farming)	19,322	19,301	19,194
Total segment assets	332,650	333,925	279,915

Segment liabilities	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
Processing of potatoes	135,183	145,858	108,362
Power generation	20,731	21,591	23,996
Growing of crops combined with farming of animals (mixed farming)	-	-	-
Total segment liabilities	155,914	167,449	132,358

All assets and liabilities of CHP Energia Sp. z o.o. are allocated to the ‘power generation’ segment. All assets and liabilities of Gospodarstwo Rolne Ponary Sp. z o.o. are allocated to ‘growing of crops combined with farming of animals (mixed farming)’ segment, and all other assets and liabilities disclosed in the consolidated financial statements are allocated to the ‘processing of potatoes’ segment.

Due to the value of land owned by GR Ponary Sp. z o.o., the third segment has been separated in these financial statements only to present its assets and liabilities.

27.4 Other segment information

Segm ent	Depreciation/Amortisation		Increase in non-current assets	
	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Processing of potatoes	2,534	2,570	5,201	1,647
Power generation	415	439	23	3
Total for continuing operations	2,949	3,009	5,224	1,650

27.5 Revenue by products

Product name	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Starch	38,855	35,225
Protein	3,898	4,392
Glucose	2,459	2,354
Maltodextrin	5,822	5,115
Starch syrups	1,814	1,610
Dried potato-based products (grits, flakes, cubes)	5,746	4,867
Feeds and fertilizers	175	122
Heat	772	1,037
Property rights (electricity and heat)	855	-
Trade goods and materials	2,993	943
Services	183	465
Total	63,572	56,130

27.6 Sales revenue by territories

Specification	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
Poland, including	40,942	35,815
Starch	20,968	19,553
Protein	2,894	1,973
Glucose	2,220	2,217
Maltodextrin	4,634	4,359
Starch syrups	1,814	1,610
Dried potato-based products (grits, flakes, cubes)	5,184	4,861
Animal feedingstuff	175	122
Electricity	772	1,037
Heat	-	-
Property rights (electricity and heat)	855	-
Trade goods and materials	1,243	(382)
Services	183	465
EU countries – intra-Community supplies, including:	7,794	5,937
Starch	5,401	3,975
Protein	451	1,158
Maltodextrin	1,188	756
Glucose	128	26
Dried potato-based products (grits, flakes, cubes)	551	6
Trade goods	75	16
Other countries – export	14,836	14,378
Starch	12,486	11,697
Protein	553	1,261
Glucose	111	111
Maltodextrin	-	-
Dried potato-based products (grits, flakes, cubes)	11	-
Trade goods	1,675	1,309
Total	63,572	56,130

27.7 Major customers

The Group does not have any customer for whom sales revenue would exceed 10% of total revenue.

28. Dividends paid (or declared), in aggregate and per share, separately for ordinary shares and preference shares

In the period of three months ended on 31 March 2019, there was no dividend payment or declaration of dividend payment.

29. In the case of financial instruments at fair value – information on the change of the manner (method) of its determination

In the period of three months ended on 31 March 2019, the Group did not change the principles concerning the determination of the fair value of financial instruments. The same principles and methods of valuation were followed as for the preparation of the consolidated financial statements of the Group for the year ended on 31 December 2018.

30. Changes in the classification of financial assets as a result of the change of the purpose or use of such assets

In the reporting period, there were no changes in the classification of financial assets as a result of a change of their purpose or use.

31. Information on changes in the economic situation and conditions for conducting business activity that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are carried at fair value or at amortised cost

In the reporting period, there was no change in the economic situation and conditions for conducting business activity affecting the fair value of financial assets and financial liabilities of the Group.

32. Other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Group

In the reporting period, all events and information affecting the assets and financial standing have been presented in this report. The Group does not have any other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Group.

33. Important events after the reporting period

After the end of the reporting period, i.e. on 16 April 2019, there was signed another annex to the Multi-line Agreement between Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. with its registered office in Łomża, Zakłady Przemysłu Ziemniaczanego "LUBLIN" Sp. z o.o. with its registered office in Lublin, Przedsiębiorstwo Przemysłu Ziemniaczanego "BRONISŁAW" S.A. with its registered office in Bronisław, and Santander Bank Polska S.A. with its registered office in Warsaw.

Pursuant to the said annex, the amount of the revolving loan of PLN 2 million was transferred between the Group companies – from PEPEES S.A. to PPZ "BRONISŁAW" S.A. The total amount of the revolving loan limit granted to the companies of PEPEES Group has not changed.

**C. INTERIM CONDENSED FINANCIAL STATEMENTS OF
PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO “PEPEES”
SPÓŁKA AKCYJNA FOR THE PERIOD OF 3 MONTHS ENDED ON 31
MARCH 2019**

presented below, comprising:

1. Interim condensed statement of financial position
2. Interim condensed income statement and statement of other comprehensive income
3. Interim condensed statement of changes in equity
4. Interim condensed statement of cash flows
5. Notes

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	ASSETS	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
I	Non-current (long-term) assets	144,733	134,271	120,914
.				
1	Property, plant and equipment	97,137	95,368	90,521
.				
2	Intangible assets	908	534	207
.				
3	Rights to assets	16,554	8,212	8,787
.				
3	Investments in subsidiaries	26,632	26,632	18,632
.				
4	Investments in other entities	113	113	113
.				
5	Deferred tax assets	3,389	3,412	2,654
.				
I	Current (short-term) assets	114,798	123,505	102,195
I				
.				
1	Inventories	39,053	52,180	38,726
.				
2	Biological assets	301	330	394
.				
3	Trade receivables	20,954	23,791	18,342
.				
4	Other receivables	1,489	3,866	703
.				
5	Advances	4,594	1,309	4,191
.				
6	Loans granted	7,897	8,412	9,167
.				
7	Other financial assets	91	5,436	90
.				
8	Investments held for trading	5,936	-	5,742
.				
9	Cash and cash equivalents	34,483	28,181	24,840
.				
	Total assets	259,531	257,776	223,109

	EQUITY AND LIABILITIES	As at 31 March 2019	As at 31 December 2018	As at 31 March 2018
I	Equity	164,929	156,700	143,128
.				
1	Share capital	5,700	5,700	5,700
.				
2	Reserve capital and other reserves	133,584	133,584	121,265
.				
3	Revaluation reserve	(26)	(26)	(172)
.				
4	Retained earnings/loss	17,442	-	12,319
.				
5	Profit/loss for the year	8,229	17,442	4,016
I	Non-current liabilities	34,341	26,611	30,870
I				
.				
1	Loans and borrowings	11,887	11,554	14,307
.				

2 .	Liabilities related to leased assets	12,023	4,601	6,411
3 .	Deferred tax liability	6,350	6,350	6,109
4 .	Retirement and similar benefits obligations	1,888	1,888	1,752
5 .	Grants	2,193	2,218	2,291
I I I .	Current liabilities	60,261	74,465	49,111
1 .	Trade payables	8,768	8,623	5,080
2 .	Current income tax liabilities	1,679	1,362	402
3 .	Other current liabilities	2,639	2,263	3,181
4 .	Loans and borrowings	40,692	56,204	36,623
5 .	Liabilities related to leased assets	3,068	2,670	2,316
6 .	Retirement and similar benefits obligations	202	202	274
7 .	Provisions for other liabilities and other charges	3,213	3,141	1,235
	Total equity and liabilities	259,531	257,776	223,109

INTERIM CONDENSED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period of 3 months ended on 31 March 2019

N o.	Specification	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
I	Sales revenue	46,219	40,348
1.	Revenue from the sales of products	41,880	38,633
2.	Revenue from the sales of services	118	164
3.	Revenue from the sales of trade goods and materials	4,221	1,551
II	Cost of sales	(27,941)	(27,585)
1.	Cost of products sold	(22,763)	(25,477)
2.	Cost of services sold	(104)	(86)
3.	Costs of trade goods and materials sold	(3,387)	(1,361)
4.	Profit/loss from agricultural production	(1,687)	(661)
II I	Gross profit (loss) from sales (I-II)	18,278	12,763
1.	Selling and marketing expenses	(1,962)	(2,049)
2.	Administrative expenses	(5,719)	(4,818)
3.	Other operating income	15	35
4.	Other operating expenses	(40)	(282)
I V	Profit (loss) on operating activities	10,572	5,649
1.	Finance costs	(423)	(696)
2.	Finance income	458	292
V	Profit (loss) before tax	10,607	5,245
V I	Income tax expense	(2,378)	(1,229)
V II	Net profit (loss)	8,229	4,016
V II I	Other comprehensive income	-	-
1.	Effects of the valuation of financial assets available-for-sale	-	-
2.	Revaluation of employee benefit liabilities	-	-
I X	Total comprehensive income, including	8,229	4,016
X	Net earnings (loss) per share	0.087	0.042

PEPEES GROUP
Consolidated Quarterly Report
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

for the period of 3 months ended on 31 March 2019

Specification	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/loss	Total equity
As at 1 January 2018	5,700	51,950	(172)	69,315	12,319	139,112
Changes in the first quarter of 2018	-	-	-	-	4,016	4,016
Distribution of profit for 2017	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	4,016	4,016
Other comprehensive income for the year (net)	-	-	-	-	-	-
Other changes in equity	-	-	-	-	-	-
As at 31 March 2018	5,700	51,950	(172)	69,315	16,335	143,128
Changes in 2018	-	-	146	12,319	5,123	17,588
Distribution of profit for 2017	-	-	-	12,319	(12,319)	-
Net profit (loss) for the period	-	-	-	-	17,442	17,442
Other comprehensive income for the year (net)	-	-	146	-	-	146
As at 31 December 2018	5,700	51,950	(26)	81,634	17,442	156,700
As at 1 January 2019	5,700	51,950	(26)	81,634	17,442	156,700
Changes in the first quarter of 2019	-	-	-	-	8,229	8,229
Net profit (loss) for the period	-	-	-	-	8,229	8,229
Other comprehensive income for the year (net)	-	-	-	-	-	-
As at 31 March 2019	5,700	51,950	(26)	81,634	25,671	164,929

PEPEES GROUP
Consolidated Quarterly Report
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

for the period of 3 months ended on 31 March 2019

N o .	STATEMENT OF CASH FLOWS	For the period of 3 months ended on 31 March 2019	For the period of 3 months ended on 31 March 2018
A	Cash flows from operating activities - indirect method		
I	Profit (loss) before tax	10,607	5,245
I I	Total adjustments	16,195	16,440
1	Depreciation/Amortisation	2,368	2,407
2	Foreign exchange (gains) losses	(71)	27
3	Interest and share of profit (dividend)	275	332
4	(Profit) loss from investing activities	15	5
5	Net increase/decrease in provisions	72	(73)
6	Net increase/decrease in inventories	13,127	17,660
7	Net increase/decrease in biological assets	29	(394)
8	Net increase/decrease in receivables	5,214	4,838
9	Net increase/decrease in current liabilities, except for loans and borrowings	521	(1,917)
1 0	Net increase/decrease in prepayments and accruals	(3,093)	(2,720)
1 1	Income tax expense	(2,038)	(3,499)
1 2	Net increase/decrease in grants	(25)	(21)
1 3	Net increase/decrease in accrued interest on loans and fees and commissions	(114)	(185)
1 4	Net increase/decrease in other financial assets	(91)	-
1 5	Other adjustments	6	(20)
I I I	Net cash flows from operating activities	26,802	21,685
B	Cash flow from investing activities		
I	Proceeds	243	59
1	Disposal of intangible assets and property, plant and equipment	14	10
2	Repayments of cash loans	229	49
I I	Expenses	4,522	7,635
1	Acquisition of intangible assets and property, plant and equipment	3,553	1,239

PEPEES GROUP
Consolidated Quarterly Report
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

2	Acquisition of shares and interests	-	3,510
.			
3	Purchase of securities	500	1,990
.			
4	Purchase of property rights	355	206
.			
5	Loans granted	114	690
.			
I	Net cash flows from investing activities	(4,279)	(7,576)
I			
I			
C	Cash flow from financing activities		
.			
I	Proceeds	44	3,503
1	Loans and borrowings	-	3,475
.			
2	Received additional payments	44	28
.			
I	Expenses	16,225	17,324
I			
1	Repayments of loans and borrowings	15,143	16,366
.			
2	Interest on loans and borrowings	275	283
.			
3	Lease payments	807	675
.			
I	Net cash flows from financing activities (I-II)	(16,181)	(13,821)
I			
I			
D	Total net cash flows (A.III+/-B.III+/-C.III)	6,342	288
.			
F	Cash at the beginning of period	28,139	24,589
.			
G	Cash at the end of period (F+/-D)	34,481	24,877
.			
	- including restricted cash	-	-

NOTES

1. Accounting policies

The data for the interim condensed financial statements for the period of three months ended on 31 March 2019 have been prepared with the application of the same accounting policies as those applied in the most recent annual financial statements.

2. Changes in accounting policies and presentations, and correcting errors

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not change the accounting policies and did not correct errors from previous periods.

In connection with the adoption of IFRS 16, the Company has changed the presentation of advances for the lease of agricultural holdings. From 01.01.2019, they have been presented in the consolidated statement of financial position as rights to assets (in previous reporting periods, advances for the lease were presented as long-term advances).

For the purpose of data comparability, long-term advances as at 31.12.2018 and 31.03.2018 have been presented in this consolidated quarterly report as rights to assets.

3. Contingent liabilities or contingent assets

a) Contingent assets

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. uses, pursuant to the right of perpetual usufruct, the area of 493,591 m²; its value as at 31.12.2018 resulting from the decision on the annual fee for 2019 amounts to PLN 20,290 thousand (31.12.2017: PLN 10,822 thousand). The Company filed four appeals against the decisions of the Mayor of Łomża received on 31.12.2018 on the increase in amounts of annual fees for land used under the right to perpetual usufruct. At the hearing of 27.02.2019, the Local Government Board of Appeals dismissed all four appeals, indicating in the justification that it did not find any grounds for repealing the Mayor's decision.

The Company pays the annual fee of 3% of the land value. The fee for 2019 will amount to PLN 602 thousand. The fee in 2018 was PLN 327 thousand, while the year before it amounted to PLN 325 thousand.

PEPEES S.A. received from its related party GR Ponary Sp. z o.o. a surety of PLN 15,795 thousand, which is the security for an investment loan granted by PKO Bank Polski S.A. to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o.o.

b) Contingent liabilities

In previous periods, the Company granted its surety for the loan granted by SBR Bank to the related party CHP Energia Sp. z o.o. up to PLN 18,234 thousand. In addition, the Company granted its surety for the loan granted by BOŚ S.A. to the related party PPZ "BRONISŁAW" S.A. up to PLN 12,684 thousand.

"PEPEES" S.A. receives subsidies to the interest rates of investment loans. In the case of the failure to satisfy the terms of loan agreements, e.g.

- the failure to pay repayment instalments and interest by the dates set in agreements;
- the failure to complete investment projects as planned;
- using the loan contrary to its intended purpose;

the subsidies must be returned. The Company will meet the aforementioned conditions, as the investment projects have already been completed as planned; the loans have been used for their intended purpose; and the instalments and interest are paid by the Company as scheduled.

There may be payables arising from non-competition agreements after termination of employment. Such agreements have been concluded with Members of the Board of Directors and several employees. In the case of the termination of their employment, the Company must pay damages of ca. PLN 1,116 thousand.

4. Related party transactions

a) Transactions between “PEPEES” S.A. in Łomża and ZPZ “LUBLIN” Sp. z o.o. in Lublin

In the reporting period, the Issuer purchased from the subsidiary starch and potato grits for the production of syrups. The total value of purchases from ZPZ “LUBLIN” Sp. z o.o. amounted to PLN 392 thousand. In addition, “PEPEES” S.A. sold to ZPZ “LUBLIN” Sp. z o.o. starch and maltodextrin for PLN 76.6 thousand and leases a flakes production line; the rent for one month of the lease is PLN 23.5 thousand. The selling price is determined using the cost-plus pricing method or on the basis of price lists applicable in transactions with unrelated parties.

As at the balance sheet date, there is a balance of outstanding cash loans amounting to PLN 3 million, on which ZPZ “LUBLIN” Sp. z o.o. paid PLN 31.4 thousand of interest to the Issuer.

b) Transactions between “PEPEES” S.A. in Łomża and PPZ “BRONISŁAW” S.A.

In the reporting period, the Parent Company purchased from its subsidiary PPZ “BRONISŁAW” S.A. potato starch for PLN 1,924 thousand. And, in the first quarter of 2019, the Issuer sold to the related party potato starch for PLN 281 thousand, provided vehicle rental and storage services for PLN 6.3 thousand and sold a fixed asset for PLN 10 thousand. In the first quarter, the subsidiary paid to the Parent Company interest and fees on sureties of PLN 31.3 thousand.

As at the balance sheet date, there is a balance of receivables of PLN 4 thousand and of liabilities of PLN 12.2 thousand.

c) Transactions between “PEPEES” S.A. in Łomża and CHP Energia Sp. z o.o.

In the first quarter of 2019, “PEPEES” S.A. purchased from CHP Energia Sp. z o.o. bio-compost and pulp storage and yard rental services. In addition, it purchased a fixed asset. The total value of purchases amounted to PLN 685.7 thousand. In the analysed period, “PEPEES” S.A. sold to an associated company beet pulp for PLN 66.2 thousand and a service for PLN 1.8 thousand.

As at the balance sheet date, there is a balance of outstanding loans of PLN 4,766 thousand, of trade receivables of PLN 444.9 thousand, of receivables due to fees for sureties of PLN 686.9 thousand and of receivables due to an advance of PLN 460.9 thousand.

d) Transactions between „PEPEES” S.A. in Łomża and Gospodarstwo Rolne Ponary Sp. z o.o.

“PEPEES” S.A. sold to its subsidiary GR Ponary Sp. z o.o. services for PLN 2.6 thousand. And, in previous periods, GR Ponary Sp. z o.o. granted to the Parent Company a loan surety, for which, in the first quarter of 2019, fees of PLN 39.5 thousand were charged. In addition, GR Ponary paid interest to the Issuer of PLN 4.7 thousand on the loan granted. The amount of the outstanding loan as at the balance sheet date was PLN 551,6 thousand and of trade receivables was PLN 1 thousand.

e) Transactions between “PEPEES” S.A. in Łomża and Pepees Inwestycje Sp. z o.o.

In the reporting period, “PEPEES” S.A. charged interest to Pepees Inwestycje of PLN 14.3 thousand on the granted loan. The amount of the outstanding loan as at 31 March 2019 was PLN 1,478.9 thousand.

5. Sureties and guarantees

In the reporting period, PEPEES did not grant any sureties or guarantees. As at the balance sheet date, there is a loan surety up to PLN 18,234 thousand granted to CHP Energia Sp. z o.o. and a loan surety up to PLN 12,684 thousand granted to PPZ “BRONISŁAW” S.A.

There may be payables arising from non-competition agreements after termination of employment. Such agreements were concluded with members of the Board of Directors and several employees. In the case of the termination of their employment, the Company must pay damages of ca. PLN 1,116 thousand.

There are no unresolved litigations as at the balance sheet date.

D. ADDITIONAL INFORMATION

1. Changes in the organisation of PEPEES Group

In the reporting period, there were no changes in the organisation of PEPEES Group.

2. Summary of activities in the reporting period

In the period of the first quarter of 2019, PEPEES Group generated sales revenue of PLN 63,572 thousand as compared to the same period in the previous year – PLN 56,130 thousand, which denotes a 13.3% increase.

Lower growth rate of the cost of sales as compared to the previous year by 0.7% against an increase in the sales revenue growth rate resulted in the achievement of a satisfactory gross profit on sales of PLN 23,933 thousand, which means an increase by 47.7% as compared to the same period in the previous year.

Selling and marketing expenses in the first quarter of 2019 decreased by 3.7% as compared to the comparative period and general administrative expenses increased by 22.7%.

The balance of other operating activities in the period of three months of 2019 closed at minus PLN 117 thousand against minus PLN 52 thousand in the comparative period.

In turn, in the period from January to March 2019, the result on financing activities (understood as the balance of finance income less finance costs) improved as compared to the corresponding item in the comparative period.

As a result of the above, gross profit after the first quarter of 2019 amounted to PLN 13,125 thousand against PLN 6,405 thousand of gross profit generated in the comparative period and the net profit in the period from January to March 2019 amounted to PLN 9,604 thousand against PLN 4,863 thousand of net profit in the corresponding period of 2018, i.e. it increased by 97.5%.

3. Shareholding structure

The table below presents the shareholding structure as at the date of the publication of the previous interim report, i.e. as at 29 March 2019, and as at the publication date of this quarterly report.

SHAREHOLDERS	Number of shares	Percentage of share capital %	Number of votes	Percentage of total number of votes at GMS %
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	27,609,982	29.06%	27,609,982	29.06%
Mr Michał Skotnicki*	21,325,780	22.45%	21,325,780	22.45%
Mr Maksymilian Maciej Skotnicki*	20,703,282	21.79%	20,703,282	21.79%
Mr 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%
Others	11,232,656	11.82%	11,232,656	11.82%
Total	95,000,000	100.00%	95,000,000	100.00%

* Mr Maksymilian Maciej Skotnicki and Mr Michał Skotnicki are persons referred to in Article 87(4)(1) of the Act on Public Offering [...] and, thus, together they hold the total of 42,029,062 shares/votes representing 44.24% of the share capital of/the total number of votes in the Company.

4. The statement of changes in the holding of the Issuer's shares or rights to them by members of the Issuer's Board of Directors and the Supervisory Board

Mr Wojciech Faszczewski, President of the Board of Directors, holds 701,000 shares of the Company. The person referred to above does not have rights to the Company's shares.

Mr Tomasz Rogala and members of the Supervisory Board do not hold any shares of the Company or any rights to them.

From the date of the publication of the previous interim report, i.e. from 29 March 2019, until the date of the publication of this report, members of the Board of Directors and of the Supervisory Board have not made transactions related to the Company's shares or rights to them.

5. Concise description of major accomplishments or failures of PEPEES Group in the first quarter of 2019, and the list of the most important events pertaining to them

During the first quarter of 2019, there were no major accomplishments or failures in PEPEES Group, subject to this report.

6. Description of factors and events, especially of unusual nature, with material impact on the financial performance of PEPEES Group

In the period of three months ended on 31 March 2019, there were no factors and events of unusual nature in PEPEES Group with material impact on its financial performance.

7. The position of the Board of Directors regarding the projected results

The Parent Company's Board of Directors did not publish any separate or consolidated forecasts for 2019.

8. Significant proceedings before a court, an authority competent for arbitration proceedings or a public administration authority

During the period of 3 months ended on 31 March 2019, there were no significant proceedings before a court, an authority competent for arbitration proceedings or a public administration authority regarding liabilities and receivables of PEPEES Group.

9. Related party transactions

In the period covered by the report, the Parent Company, i.e. Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., made with related parties transactions of typical nature resulting from current operating activities conducted by "PEPEES" S.A. and its subsidiaries.

The transactions were made on an arm's length basis.

PEPEES Group operates on the basis of the activities of specialised entities; their business profiles comprise complementary types of services. Cooperation between enterprises forming the Group is aimed at increasing the level of the use of resources available to entities participating in the transaction and reducing the risk related to the conducted activities.

The allocation of risk and the division of functions between the Group enterprises make it possible to reduce operating costs and use financial resources effectively. Granting sureties for payment obligations and ensuring securities for their payment in related parties make it possible to perform contracts faster, which may contribute to a more efficient management of entities forming PEPEES Group.

10. Sureties and guarantees

In the reporting period and until the date of this report, the companies of PEPEES Group have not granted any material sureties or guarantees.

The total value of sureties or guarantees granted by PEPEES to entities from PEPEES Group as at 31.03.2019 amounts to PLN 30.9 million.

11. Other information, which, in the opinion of the Group, is material for the assessment of its staff, assets, financial standing, financial performance and their changes, and information material for the assessment of the potential satisfaction of the Group's commitments

In the first quarter of 2019, there were no events other than those described in this report, which could be material for the assessment of the staff, assets, financial standing, financial performance and their changes, and material for the assessment of the potential satisfaction of commitments by PEPEES Group.

12. Factors likely, in the Issuer's and the Group's opinion, to influence the results accomplished by them in the period of at least one subsequent quarter

In the next quarter, the following factors will exert significant impact upon results:



- the price of starch on the Polish and global markets;
- exchange rates – the Group is an exporter;
- basic interest rates – the Group has loans bearing interest rate based on WIBOR.

In the next quarter of 2019, PEPEES Group will perform concluded agreements and conduct operations being the basis of its functioning, including production, trade and service provision activities.

This Consolidated Quarterly Report of PEPEES Group for the first quarter ended on 31 March 2019 has been authorised for publication by the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża.

PERSONS REPRESENTING

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża

Date	Name	Title/Function	Signature
15.05.2019	Wojciech Faszczeński	President of the Board of Directors	
15.05.2019	Tomasz Rogala	Member of the Board of Directors	

SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Date	Name	Title/Function	Signature
15.05.2019	Małgorzata Kordas	Deputy Chief Accountant	