

**INDEPENDENT AUDITOR'S REPORT ON THE
AUDIT OF THE ANNUAL CONSOLIDATED
FINANCIAL STATEMENTS**

**of the CAPITAL GROUP Przedsiębiorstwo Przemysłu
Spożywczego "PEPEES" S.A.**

for the period 1.01.2019 – 31.12.2019

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

For the General Meeting and the Supervisory Board of
Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Report on the audit of the annual consolidated financial statements

Opini on

We have audited the annual consolidated financial statements of the Capital Group in which Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. is the parent company. (the "Parent Company") (the "Group") containing the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year ended on that date and an additional information containing a description of the adopted accounting principles (policies) and other explanatory notes ("the consolidated financial statements").

In our opinion, the attached consolidated financial statements:

- give a true and fair view of the Group's consolidated economic and financial position as at 31 December 2019 and its consolidated financial results as well as consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union and with the accounting principles (policies) adopted;
- are compliant, with regard to form and content with the legal regulations applicable for the Group and the articles of association of the Parent Company.

This opinion is consistent with the additional report to the Audit Committee that we issued on 19 March 2020.

Basis for the opinion

We have conducted our audit in accordance with the National Auditing Standards in the wording of the International Auditing Standards adopted by Resolution 3430/52a/2019 of the National Council of Statutory Auditors of 21 March 2019 on national auditing standards and other documents ("KSB") and in accordance with the Act on statutory auditors, audit firms and public supervision (Journal of Laws of 2017 item 1089) (the "Act on statutory auditors" – Journal of Laws of 2019, item 1421, as amended). Our responsibility in accordance with these standards is further described in the section of our report "*Auditor's responsibility for auditing the consolidated financial statements*".

We are independent of Group companies in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants ("IFAC"), adopted by resolutions of the National Council of Statutory Auditors, and other ethical requirements that apply to the audit of financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and with the IFAC. In the course of the audit, the key auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

We believe that the audit evidence that we have obtained is sufficient and appropriate as the basis for our opinion.

Key audit matters

Key audit matters are those matters which, in our professional judgement, were of most significance during the audit of the consolidated financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement caused by fraud. We have addressed these matters in the context of our audit of the consolidated financial statements as a whole and in formulating our opinion and we have summarised our response to these risks and, where relevant, made key observations arising from these risks. We do not express a separate opinion on these matters.

Key audit matters (description of the risk of material misstatement)	Auditor's procedures in response to key audit matters
Net revenues from sales	
<p>In the period from 1 January 2019 to 31 December 2019, the Capital Group, after consolidation inclusions, achieved net revenues of</p> <p>PLN 231,981 thousand.</p> <p>Due to the significant value of the above item of the Consolidated statement of profit or loss and other comprehensive income of the Company, the key risk of audit was identified in the above area of the financial statements of the Entity.</p>	<p>The auditor's procedures included, among others:</p> <ul style="list-style-type: none">• Review of the Group's accounting principles for revenue recognition,• Evaluation of the internal control environment for the determination and presentation of revenues in the financial statements,• Review of revenue accounts to identify unusual: values, numbering of evidence/invoices, account reversals, descriptions of operations and transactions between Group entities,• Analysis of significant contracts and orders,• Analysis of balance confirmations in the Group in relation to sales made in the audited period,

	<ul style="list-style-type: none"> Assessment of the correctness and completeness of revenue disclosures, inter alia from the perspective of IFRS 15.
Liabilities due to credits and loans	
<p>As at 31 December 2019, credits and loans amounted to PLN 129,604 thousand, representing 35.64% of the consolidated balance sheet total.</p> <p>Due to the significant value of the above item in the Company's balance sheet, the key risk of audit was identified in the above area of the financial statements of the Entity.</p>	<p>The auditor's procedures included, among others:</p> <ul style="list-style-type: none"> Analysis of the principles of recognition and presentation of individual items of credits and loans in accordance with the accounting principles applicable to the capital group. Verification of the completeness of recognition of liabilities due to credits and loans in the audited period, Analysis of contracts in order to confirm the amount of financing costs allocated to the period under analysis, Analysis of collaterals related to liabilities and disclosures in this respect, Assessment of the correctness of presentation of credit and loan items in the financial statements and explanatory notes to the financial statements. Assessment of the completeness of the disclosures in the financial statements in accordance with the applicable accounting principles.
<p>The detailed tests described above, combined with an assessment of the internal control environment, have provided us with sufficient and appropriate audit evidence to address the risks described in the area of financial assets.</p>	

Responsibility of the Management Board and Supervisory Board of the Parent Company for the consolidated financial statements

The Management Board of the Parent Company is responsible for the preparation of consolidated financial statements that present a true and fair view of the financial position and financial performance of the Group in accordance with International Financial Reporting Standards as adopted by the European Union, the accounting principles (policies) adopted by the Group and the laws applicable to the Group as well as the articles of association, and for such internal control as the Management Board of the Parent Company deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Company is responsible for assessing the Group's ability to continue as a going concern, disclosing, if applicable, matters related to the going concern and for adopting the going concern principle as the basis for accounting, except when the Management Board either intends to liquidate the Group or to discontinue operations or has no real alternative to liquidation or discontinuance.

The Management Board of the Parent Company and members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements meet the requirements provided for in the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2019, item 351). The members of the Supervisory Board of the Parent Company are responsible for supervising the financial reporting process.

Auditor's responsibility for auditing the consolidated financial statements

It is our objective to obtain reasonable assurance that the consolidated financial statements as a whole do not contain any material misstatement due to fraud or error and to issue an audit report containing our opinion. Sufficient confidence is a high level of confidence but does not guarantee that an audit conducted in accordance with KSB will always detect the existence of material misstatement. Misstatements may arise from fraud or error and are considered material if it can be reasonably expected that, individually or in combination, they could influence the economic decisions of users taken on the basis of these consolidated financial statements. The concept of materiality is used by the auditor both in audit planning and conducting and in assessing the impact of the misstatements identified in the audit and uncorrected misstatements, if any, on the financial statements, as well as in forming the auditor's opinion. Therefore, all opinions and statements contained in the audit report are expressed taking into account the qualitative and valuable level of materiality determined in accordance with the audit standards and the professional judgement of the auditor.

The scope of the audit does not include assurance as to the future viability of the Group nor the efficiency or effectiveness with which the Management Board of the Parent Company has conducted or will conduct the affairs of the Group.

During the audit conducted in accordance with KSB we use professional judgement and maintain professional scepticism, and also:

- We identify and assess risks of material misstatement of the consolidated financial statements due to fraud or error, we design and perform audit procedures appropriate to those risks, and obtain audit evidence that is sufficient and appropriate to support our opinion. The risk of failure to detect material misstatement due to fraud is greater than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentation or circumvention of internal control;
- We gain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control;
- We assess the appropriateness of accounting principles (policies) used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Company;
- We draw a conclusion on the appropriateness of the application by the Management Board of the Parent Company of the going concern principle as the basis for accounting and, based on audit evidence, we check whether there is any material uncertainty related to events or conditions that could cast significant doubt on the Group's ability to continue as a going concern. If we reach a conclusion that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained by the date of the auditor's report, but future events or conditions may cause the Group to cease operate as a going concern;
- We assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and we check whether the consolidated financial statements present the underlying transactions and events in a manner that ensures a fair presentation;
- We obtain sufficient and appropriate audit evidence about the financial information of intra-group entities or business activities to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the audit of the Group and we remain solely responsible for our audit opinion.

We provide the Supervisory Board of the Parent Company with information about, inter alia, the planned scope and timing of the audit and significant audit findings, including any significant internal control weaknesses that we identify during the audit.

We submit to the Supervisory Board of the Parent Company a statement that we have complied with the relevant ethical requirements for independence and that we will inform them of all relationships and other matters that could reasonably be deemed a threat to our independence and, where applicable, we inform them of the safeguards applied.

From among the matters transferred to the Supervisory Board of the Parent Company, we have identified those which were most significant during the audit of the consolidated financial statements for the current reporting period and therefore we have considered them to be key audit matters. We describe these matters in our auditor's report, unless laws or regulations prohibit their public disclosure or where, in exceptional circumstances, we determine that the matter should not be presented in our report because the negative consequences could reasonably be expected to outweigh the benefits of such information for the public interest.

Other Information, including the Report of the Activities

Other Information includes the Report on Group's Activities for the financial year ended 31 December 2019 ("Report of Activities") together with a statement on the application of corporate governance referred to in Art. 49b(1) of the Accounting Act, which is a separate part of this report, and the Annual Report for the financial year ended 31 December 2019. ("Annual Report") (together "Other Information").

Responsibility of the Management Board and Supervisory Board of the Parent Company

The Management Board of the Parent Company is responsible for preparing Other information in accordance with legal regulations.

The Management Board of the Parent Company and members of the Supervisory Board of the Parent Company are obliged to ensure that the Report on the Group's activities together with the separate part meet the requirements provided for in the Accounting Act.

Auditor's responsibility

Our opinion on the audit of the consolidated financial statements does not cover Other information. In connection with the audit of the consolidated financial statements, it is our responsibility to review Other Information and in doing so, to consider whether Other information is not materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on our work, we find material misstatements in Other Information, we are required to report those findings in our audit report. In accordance with the requirements of the Act on statutory auditors, we are also required to issue an opinion as to whether the Report on the Group's activities has been prepared in accordance with law and whether it is consistent with the information contained in the consolidated financial statements. Furthermore, we are required to issue an opinion as to whether the Group has included the required information in its corporate governance statement.

We have obtained the Report on the activities of the Group before the date of this audit report and the Annual Report will be available after that date. If we find a material misstatement in the Annual Report, we are required to inform the Supervisory Board of the Parent Company thereof.

Opinion on the Report on Activities

On the basis of the work performed during the audit, in our opinion, the Management Board's Report on the Activity of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. and the Capital Group Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. ("Group"):

- has been prepared in accordance with Art. 49 of the Accounting Act and paragraph 70(6) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the law of a non-member state ("Regulation on current information" – Journal of Laws of 2018, item 757, as amended);
- is consistent with the information contained in the consolidated financial statements.

Furthermore, in light of our knowledge of the Group and its environment obtained during our audit, we declare that we have not found any material misstatements in the Report on the Group's Activities.

Opinion on the corporate governance statement

In our opinion, in its statement on the application of corporate governance, the Group included all the information specified in paragraph 70(6)(5) of the Regulation on current information. In addition, we believe that the information specified in paragraph 70.6(5)(c-f), (h) and (i) of that Regulation, contained in the corporate governance statement, is consistent with the applicable regulations and information contained in the consolidated financial statements.

Report on other legal and regulatory requirements

Statement on non-audit services provided

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Group comply with the laws in force in Poland and that we have not provided non-audit services which are prohibited under Art. 5(1) of the EU Regulation and Art. 136 of the Act on statutory auditors. The non-audit services we provided to the Parent Company and its subsidiaries during the audited period are listed in Note II.38 of the Report on the Activities of the Issuer and PEPEES S.A. capital group.

Selection of an audit firm

We have been selected to audit the Group's financial statements by a resolution of the Supervisory Board of the Parent Company of 6 June 2018. We are auditing the financial statements of the Group for the second time.

Marcin Wasil is the key auditor responsible for the audit, the result of which is this independent auditor's report.

He is acting on behalf of WBS Audyt Sp. z o.o. with its registered office in Warsaw, ul. Grzybowska 4 lok. U9B, entered in the list of audit firms under number 3685, on behalf of which the key statutory auditor has audited the financial statements.

Marcin Wasil

Key Statutory Auditor No. 9846

Warsaw, 19 March 2020