



# **CONSOLIDATED QUARTERLY REPORT OF PEPEES CAPITAL GROUP**

**for the first quarter ended on 31 March 2020**

made in  
Łomża on 15 May 2020

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

## **INDEX TO THE CONSOLIDATED QUARTERLY REPORT**

INTRODUCTION .....	4
A. Selected financial data of PEPEES Capital Group .....	6
B. Interim abbreviated consolidated financial statement of PEPEES Capital Group for 3 months ended on 31 March 2020 .....	8
Interim abbreviated consolidated financial situation statement .....	9
Interim abbreviated consolidated statement of profits and losses or other total income .....	10
Interim abbreviated consolidated statement of changes in equity .....	11
Interim abbreviated consolidated cash flow statement .....	12
Additional explanatory notes .....	13
1. General information on the Parent Company .....	13
2. Information on reporting periods .....	14
3. Structure of PEPEES Capital Group .....	14
4. Approval of interim abbreviated consolidated financial statement .....	15
5. Important accounting rules (policies) .....	15
7. Change of accounting and presentation rules and correction of errors .....	16
8. Seasonality and cyclicity of operations .....	16
9. Estimated values .....	16
10. Purchase and sale of tangible fixed assets .....	16
11. Significant commitments to purchase fixed assets .....	16
12. Inventories .....	17
13. Biological assets .....	17
14. Trade receivables .....	17
15. Trade payables .....	17
16. Settlements from lawsuits .....	18
17. Unpaid credits and loans .....	18
18. Transactions with associated entities .....	20
19. Change of estimated values .....	22
20. Short-term provisions .....	23
21. Deferred income tax .....	24
22. Conditional assets and liabilities .....	24
23. Issue, repurchase and repayment of securities .....	25
24. Reporting on operation segments .....	25
24.1. Information on products and services .....	25
24.3. Assets and liabilities by segments .....	26
24.4. Other information about the segments .....	27
24.5. Revenues by products .....	27
24.6. Sales revenues by territorial structure .....	27
24.7. Information on main customers .....	28
25. Information on paid (or declared dividend), total and per ordinary and preferred share .....	28
26. In case of financial instrument valued at fair value .....	28
27. Information on change of classification of financial assets as a result of change of purpose of use off such assets .....	28
28. Information on changes of economic situation and operating conditions which have an important impact on the fair value of financial assets and liabilities, regardless of whether such assets and liabilities are at fair value or at adjusted purchase price (production cost) .....	29
29. Other information which may significantly affect the assessment of property and financial situation of the Group and its financial result .....	29
29. Important events that took place after the balance sheet day .....	29
C. Interim abbreviated financial statement of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for 3 months ended on 31 March 2020 .....	30
Interim abbreviated financial situation statement .....	31
Interim abbreviated statement of profits and losses or other total income .....	32
Interim abbreviated statement of changes in equity .....	33
Interim abbreviated cash flow statement .....	34
Additional explanatory notes .....	35
1. Accounting rules .....	35
2. Change of accounting and presentation rules and correction of errors .....	35
3. Information on conditional assets or liabilities .....	35
4. Transactions with associated entities .....	35
5. Information on guarantees given .....	36
D. Additional information .....	37
1. Organizational changes in PEPEES Capital Group .....	37
2. Summary of operations in the reporting period .....	37
3. Shareholder structure .....	37
4. Changes in shares and rights to shares held by the management or supervisory personnel .....	38
5. Concise description of major successes or failures at PEPEES Capital Group in the first quarter of 2020 .....	38
6. Factors and events, particularly of untypical character, significantly affecting the financial results of PEPEES Capital Group .....	39
7. Management Board standpoint on forecast results .....	39

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

8.	Important court, administrative or arbitration proceedings .....	39
9.	Transactions with associated entities .....	40
10.	Information on guarantees .....	40
11.	Other information which in the opinion of Capital Group is important for assessment of its human resources, property, financial situation, financial result, and information pertinent to the assessment of the Group's capability of fulfilling its obligations.....	40
12.	Factors which in the Issuer's and Group's opinion will affect their results at least in the next quarter .....	41
13.	Approval of consolidated quarterly report .....	41

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

## **INTRODUCTION**

**1. The Consolidated Quarterly Report of PEPEES Capital Group for the first quarter ended on 31 March 2020 includes:**

- A. Selected Financial data of PEPEES Capital Group.
- B. Interim abbreviated financial statement of PEPEES Capital Group for 3 months ended on 31 March 2020.
- C. Interim abbreviated financial statement of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for 3 months ended on 31 March 2020.
- D. Additional information
- E. Statement of Management Board concerning the conformity and reliability of the interim abbreviated financial statement of PEPEES Capital Group for 3 months ended on 31 March 2020 and the interim abbreviated financial report of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for 3 months ended on 31 March 2020.

**2. Period included in the report and comparable data:**

Interim abbreviated consolidated financial statement

- Interim abbreviated consolidated financial statement of PEPEES Capital Group covers the periods: three months ended on 31 March 2020 and three months ended on 31 March 2019.
- The the interim abbreviated consolidated financial statement includes a comparison of financial data as of 31 December 2019 and as of 31 March 2020.
- The interim abbreviated consolidated income statement includes a comparison of financial data for the period from 1 January 2019 to 31 March 2019.
- The interim abbreviated consolidated report from changes in equity and the interim abbreviated consolidated cash flow statement includes a comparison of financial data for the period from 1 January 2019 to 31 March 2019.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

Interim abbreviated financial statement of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża.

- Interim abbreviated financial statement of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for 3 months ended on 31 March 2020 includes periods: three months ended on 31 March 2020 and three months ended on 31 March 2019.
- The the interim abbreviated consolidated financial statement includes a comparison of financial data as of 31 December 2019 and as of 31 March 2020.
- The interim abbreviated consolidated income statement includes a comparison of financial data for the period from 1 January 2019 to 31 March 2019.
- The interim abbreviated consolidated report from changes in equity and the interim abbreviated consolidated cash flow statement includes a comparison of financial data for the period from 1 January 2019 to 31 March 2019.

### **3. Definition of organisational terms for PEPEES Capital Group**

As of 31 March 2020, PEPEES Capital Group included the following companies:

- Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna with seat in Łomża - Parent company ;
- Przedsiębiorstwo Przemysłu Ziemniaczanego "LUBLIN" Spółka z ograniczoną odpowiedzialnością with seat in Lublin - subsidiary;
- Pepees Inwestycje Spółka z ograniczoną odpowiedzialnością with seat in Łomża (former OZENERGY) - subsidiary;
- Przedsiębiorstwo Przemysłu Ziemniaczanego "BRONISŁAW" Spółka Akcyjna z with seat in Bronisław - subsidiary;
- CHP Energia Spółka z ograniczoną odpowiedzialnością with seat in Wojny Wawrzyńce - subsidiary;
- Gospodarstwo Rolne Ponary Spółka z ograniczoną odpowiedzialnością with seat in Łomża - subsidiary;

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

**A. Selected financial data of PEPEES Capital Group**

Selected financial data of PEPEES Capital Group for 3 months ended on 31 March 2020 and 31 March 2019 are as follows:

Item	SELECTED FINANCIAL DATA Year	PLN thousands		. EUR thousands	
		2020	2019	2020	2019
I	Total revenues from sales for 1st quarter	56 917	63 572	12 947	14 792
II	Net profit or loss for shareholders of Parent Company for the 1st quarter	3 538	9 233	805	2 148
III	Net cash flows from operating activities for the 1st quarter	25 435	36 698	5 786	8 539
IV	Net cash flows from investing activities	(2 666)	(6 087)	(606)	(1 416)
V	Net cash flows from financial activities for the 1st quarter	(37 376)	(22 349)	(8 502)	(5 200)
VI	Net cash flows for the 1st quarter, total	(14 607)	8 262	(3 323)	1 922
VII	Total assets as of 31.03.2020 and 31.12.2019	334 962	363 622	73 581	85 387
VIII	Equity for the shareholders of Parent Company as of 31.03.2020 and 31.12.2019	182 525	178 773	40 095	41 980
IX	Profit (loss) per ordinary share for the 1st quarter, total	0.04	0.10	0.01	0.02
X	Book value per share as of 31.03.2020 and 31.12.2019	1.92	1.88	0.42	0.44

The data presented in rows: VII, VIII i X, in columns "2020" and "2019" are as of 31 March 2020 and 31 December 2019.

The following exchange rates published by the National Bank of Poland were used to convert the data to Euro:

- selected items from financial statement as of 31.03.2020 according to the average exchange rate on the balance sheet day 1 EUR = 4.5523 PLN,
- selected items from financial statement as of 31.12.2019 according to the average exchange rate on the balance sheet day 1 EUR = 4.2585 PLN,
- selected items from income and cash flow statements for the period from 1 January 2020 to 31 March 2020 according the arithmetic mean of exchange rates published by NBP for the last day of each month of the 1st quarter - 1 EUR = 4.3963 PLN,
- selected items from income and cash flow statements for the period from 1 January 2019 to 31 March 2019 according the arithmetic mean of exchange rates published by NBP for the last day of each month of the 1st quarter - 1 EUR = 4.2978 PLN,

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

The profit (loss) per one share for 3 months ended on 31 March 2020 and 2019 is shown in the table below:

Description	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Net profit (loss) for PEPEES shareholders	3 538	9 233
Weighted average number of shares	95 000 000	95 000 000
Basic profit (loss) per share (expressed in PLN per one share)	0.04	0.10
Net profit (loss) for PEPEES shareholders used during determination of diluted earnings per share	3 538	9 233
Weighted average number of ordinary shares for diluted earnings per share	95 000 000	95 000 000
Diluted profit (loss) per share (expressed in PLN per one share)	0.04	0.10
Annualized net profit for PEPEES shareholders	18 396	27 364
Weighted average number of shares	95 000 000	95 000 000
Annualized net earnings per share (expressed in PLN per one share)	0.19	0.29

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

**B. Interim abbreviated consolidated financial statement of PEPEES Capital Group for 3 months ended on 31 March 2020**

presented below, including:

1. Interim abbreviated consolidated financial situation statement
2. Interim abbreviated consolidated statement of profits and losses or other total income
3. Interim abbreviated consolidated statement of changes in equity
4. Interim abbreviated consolidated cash flow statement
5. Additional explanatory notes.



**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

**Interim abbreviated consolidated financial situation statement**

Item	ASSETS	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
<b>I.</b>	<b>Fixed assets (long-term)</b>	<b>197 659</b>	<b>200 342</b>	<b>186 644</b>
1	Tangible fixed assets	177 232	179 454	167 489
2	Intangible assets	220	416	913
3	Rights to assets	11 039	11 076	10 082
4	Investment property	591	593	
5	Goodwill from consolidation	3 140	3 140	3 140
6	Investment in other units	625	613	113
7	Assets from deferred income tax	4 812	5 050	4 907
<b>II</b>	<b>Current assets (short-term)</b>	<b>137 303</b>	<b>163 280</b>	<b>146 006</b>
1	Inventories	67 595	85 893	57 130
2	Biological assets	456	322	301
3	Trade receivables	27 541	20 506	26 507
4	Other receivables	678	6 227	1 923
5	Prepayments	5 945	1 740	5 628
6	Loans granted	722	721	553
7	Investments held for trading	5 838	5 838	5 936
8	Monetary assets and equivalents	28 528	42 033	48 028
	<b>Total assets</b>	<b>334 962</b>	<b>363 622</b>	<b>332 650</b>

Item	EQUITY AND LIABILITIES	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
<b>I.</b>	<b>Equity capital</b>	<b>184 473</b>	<b>180 541</b>	<b>176 736</b>
	<i>Equity for the Company shareholders</i>	<b>182 525</b>	<b>178 773</b>	<b>176 176</b>
1	Share capital	5 700	5 700	5 700
2	Supplementary and reserve capitals	152 918	152 918	141 857
3	Assets revaluation reserve	(65)	(65)	(26)
4	Retained earnings	20 434	(3 871)	19 412
5	Current year result	3 538	24 091	9 233
	<i>Non-controlling shares</i>	<b>1 948</b>	<b>1 768</b>	<b>560</b>
<b>II</b>	<b>Long-term liabilities</b>	<b>52 576</b>	<b>54 664</b>	<b>59 489</b>
1	Credits and loans	24 096	24 789	30 926
2	Lease liabilities	13 860	15 014	13 603
3	Provisions for deferred income tax	6 364	6 447	6 469
4	Pension and similar benefits liabilities	2 782	2 782	2 381
5	Subsidies	5 474	5 632	6 110
<b>III</b>	<b>Short-term liabilities</b>	<b>97 913</b>	<b>128 417</b>	<b>96 425</b>
1	Trade payables	13 764	7 424	12 075
2	Current income tax liabilities	2 127	2 528	1 902
3	Other short-term liabilities	5 137	5 190	4 560
4	Credits and loans	69 529	104 815	70 444
5	Lease liabilities	3 470	3 728	3 252
6	Pension and similar benefits liabilities	414	413	297
7	Provisions for other liabilities and other charges	3 472	4 319	3 895
	<b>Total equity and liabilities</b>	<b>334 962</b>	<b>363 622</b>	<b>332 650</b>

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

**Interim abbreviated consolidated statement of profits and losses or other total income**

Item	Description	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
<b>I</b>	<b>Revenues from sales</b>		
1	Revenues from sales of products	51 540	59 541
2	Revenues from sales of services	266	183
3	Revenues from sales of goods and materials	5 111	3 848
	<b>Total sales revenues, including:</b>	<b>56 917</b>	<b>63 572</b>
	- revenues from continued operations	<b>56 917</b>	<b>63 572</b>
<b>II</b>	<b>Costs of goods sold</b>		
1	Costs of products sold	(36 602)	(35 736)
2	Costs of services sold	192	(82)
3	Costs of goods and materials sold	(3 145)	(2 134)
4	Result of agricultural	(1 367)	(1 687)
	<b>Total costs of goods sold, including:</b>	<b>(41 306)</b>	<b>(39 639)</b>
	- costs of goods sold from continued operations	<b>(41 306)</b>	<b>(39 639)</b>
<b>III</b>	<b>Gross profit on sales (I-II)</b>	<b>15 611</b>	<b>23 933</b>
1	Sales and marketing costs	(2 444)	(2 301)
2	Overheads	(7 847)	(7 831)
3	Other operating revenues	200	75
4	Other operating costs	(185)	192
<b>IV</b>	<b>Operating profit (loss)</b>	<b>5 335</b>	<b>13 684</b>
1	Financial costs	(1 158)	(855)
2	Financial revenues	790	296
3	Share in the result of associated entity		
<b>V</b>	<b>Profit (loss) before tax, including:</b>	<b>4 967</b>	<b>13 125</b>
	- profit (loss) before tax from continued operations	<b>4 967</b>	<b>13 125</b>
	Income tax	(1 243)	(3 521)
<b>VI</b>	<b>Net profit (loss)</b>	<b>3 724</b>	<b>9 604</b>
	- for Parent Company shareholders	3 538	9 233
	- for non-controlling shares	186	371
<b>VII</b>	<b>Other total income</b>	-	-
1	Results of valuation of financial assets available for sale	-	-
2	Revaluation of liabilities from employee benefits	-	-
<b>VIII</b>	<b>Total income, including</b>	<b>3 724</b>	<b>9 604</b>
	- for Parent Company shareholders	3 538	9 233
	- for non-controlling shares	186	371
	- total net income (loss) from continued operations	3 538	9 233

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

**Interim abbreviated consolidated statement of changes in equity**

Description	Share capital	Capital reserve	Assets revaluation reserve	Other capital reserve	Unallocated earnings	Total share capital for Parent Company shareholders	Non-controlling shares	Total equity capital
<b>As of 1 January 2019</b>	<b>5 700</b>	<b>60 223</b>	<b>(26)</b>	<b>81 634</b>	<b>17 868</b>	<b>165 399</b>	<b>1 077</b>	<b>166 476</b>
<b>Changes in 1st quarter 2019</b>	-	-	-	-	<b>5 548</b>	<b>5 548</b>	<b>(3 538)</b>	<b>2 010</b>
Other consolidation adjustments	-	-	-	-	1 544	1 544	-	1 544
Net profit for period	-	-	-	-	9 233	9 233	(517)	8 716
<b>As of 31 March 2019</b>	<b>5 700</b>	<b>60 223</b>	<b>(26)</b>	<b>81 634</b>	<b>28 645</b>	<b>176 176</b>	<b>560</b>	<b>176 736</b>
<b>Changes in 2019</b>		<b>11 061</b>	<b>(39 639)</b>		<b>2 352</b>	<b>13 374</b>	<b>691</b>	<b>14 065</b>
Allocation of profit (loss) for 2018	-							
- increase capital reserve	-	11 061	-	-	(11 061)	-	-	-
- transactions with owners (dividend)	-	-	-	-	(11 400)	(11 400)	-	(11 400)
Net profit (loss) for period	-	-	-	-	24 091	24 091	691	24 782
Other total income for financial year (net)	-	-	(39)	-	-	(39 639)	-	(39 639)
Other consolidation adjustments	-	-	-	-	722	722	-	722
<b>As of 31 December 2019</b>	<b>5 700</b>	<b>71 284</b>	<b>(65)</b>	<b>81 634</b>	<b>20 220</b>	<b>178 773</b>	<b>1 768</b>	<b>180 541</b>
<b>As of 1 January 2020</b>	<b>5 700</b>	<b>71 284</b>	<b>(65)</b>	<b>81 634</b>	<b>20 220</b>	<b>178 773</b>	<b>1 768</b>	<b>180 541</b>
<b>Changes in 1st quarter 2020</b>								
Other consolidation adjustments					214	214		214
Net profit for period					3 538	3 538	180	3 718
<b>As of 31 March 2020</b>	<b>5 700</b>	<b>71 284</b>	<b>(65)</b>	<b>81 634</b>	<b>23 972</b>	<b>182 525</b>	<b>1 948</b>	<b>184 473</b>

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

### Interim abbreviated consolidated cash flow statement

Indirect method	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
<b>A. Cash flows from operating activities</b>		
<b>I. Profit (loss) before tax</b>	<b>4 967</b>	<b>13 125</b>
<b>II Total adjustments</b>	<b>20 790</b>	<b>23 573</b>
1. Depreciation	3 631	2 949
2. Profit (loss) due to exchange rate variations	(126)	(164)
3. Interest and share in profit (dividends)	887	732
4. Profit (loss) on investing activities	-	(452)
5. Change in reserves	(846)	80
6. Change in inventories	18 298	20 935
7. Change in biological assets	(134)	29
8. Change in receivables	(1 486)	5 265
9. Change in short-term liabilities, excluding loans and credits	6 287	(1 177)
10. Change in prepayments	(3 986)	(1 666)
11 Income tax paid	(1 590)	(2 735)
12. Change in subsidies	(1 158)	(159)
13. Change in interests for loans and commissions	-	21
14. Change in other financial assets	-	(91)
15. Other adjustments	13.	6
<b>III Net cash flows from operating activities (I+/-II)</b>	<b>25 757</b>	<b>36 698</b>
<b>B. Cash flows from investing activities</b>		
<b>I. Revenues</b>	<b>3</b>	<b>4</b>
1. Sale of intangible and tangible assets	-	4
2. Repayment of loans	3	-
<b>II Expenses</b>	<b>2 669</b>	<b>6 091</b>
1. Purchase of intangible and tangible assets	2 027	5 224
2. Purchase of shares	12.	250
3. Purchase of securities	-	250
4. Purchase of property rights	630	355
5. Loans granted	-	12.
<b>III Net cash flows from investing activities (I-II)</b>	<b>(2 666)</b>	<b>(6 087)</b>
<b>CA. Cash flows from financial activities</b>		
<b>I. Revenues</b>	<b>1 155</b>	<b>4 837</b>
1. Credits and loans	907	4 793
2. Subsidies	248	44
<b>II Expenses</b>	<b>38 531</b>	<b>27 186</b>
1. Repayment of credits and loans	36 778	25 708
2. Interest of credits and loans	890	503
3. Lease contracts payments	863	975
<b>III Net cash flows from financial activities (I-II)</b>	<b>(37 376)</b>	<b>(22 349)</b>
<b>D. Net cash flow, total (A.III+/-B.III+/-C.III)</b>	<b>(14 285)</b>	<b>8 262</b>
<b>E. Cash at the beginning of period</b>	<b>42 111</b>	<b>39 764</b>
<b>F. Cash at the end of period (E+/- D)</b>	<b>27 826</b>	<b>48 026</b>
<i>including of limited availability</i>	-	-

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

## Additional explanatory notes

### 1. General information on the Parent Company

<b>Full name:</b>	Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.
<b>Seat address:</b>	18-402 Łomża, ul. Poznańska 121
<b>Identifier:</b>	REGON: 450096365
<b>Identifier NIP:</b>	718-10-05-512
<b>Registered at:</b>	District Court in Białystok XII Commercial Department of National Court Register
<b>Registration number:</b>	000038455
<b>Legal form:</b>	Spółka Akcyjna (Joint Stock Company)
<b>Organizational form:</b>	single-site company
<b>Classification of activity according to PKD:</b>	1062Z Manufacture of starches and starch products.
<b>Industry:</b>	food processing
<b>Duration:</b>	undetermined

#### Management Board as of 31 March 2020:

Wojciech Faszczyński	President of Management Board
Tomasz Rogala	Member of Management Board.

#### Supervisory Board as of 31 March 2020:

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

#### Audit Committee as of 31 March 2020:

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

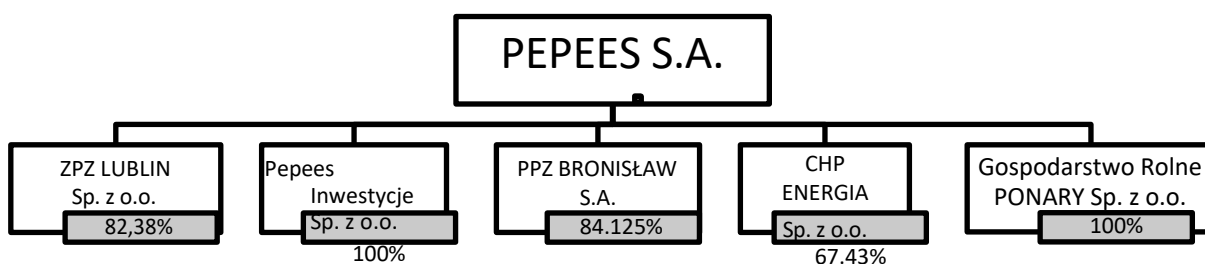
**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

## 2. Information on reporting periods

The interim consolidated financial statement covers the period from 1 January 2020 to 31 March 2020, and the comparable financial data and information notes cover the period from 1 January 2019 to 31 March 2019 and additionally 31 December 2019 in case of financial and changes in equity statements.

## 3. Structure of PEPEES Capital Group

### 3.1. Structure of PEPEES Capital Group as of 31 March 2020



### 3.2. General information on associated entities in PEPEES Capital Group

In addition to Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., the Consolidated Quarterly Report of PEPEES Capital Group includes the following consolidated entities:

Nazwa	Siedziba	Przedmiot działalności	Sąd Rejestrowy	Udział Emitenta w kapitale (%)	Udział w całkowitej liczbie głosów (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Produkcja i sprzedaż syropu ziemniaczanego oraz suszu ziemniaczanego, przetwórstwo owoców i warzyw	Sąd Rejonowy w Lublinie XI Wydział Gospodarczy KRS	82,38	82,38
Pepees Inwestycje (dawniej OZENERGY Sp. z o.o.)	Łomża	Kupno i sprzedaż nieruchomości na własny rachunek	Sąd Rejonowy w Białymstoku XII Wydział Gospodarczy KRS	100	100
PPZ BRONISŁAW S.A.	Bronisław	Wytwarzanie skrobi i produktów skrobiowych	Sąd Rejonowy w Bydgoszczy XIII Wydział Gospodarczy KRS	84,125	84,125
CHP ENERGIA Sp. z o.o.	Wojny Wawrzyńce	Produkcja energii elektrycznej i ciepłej z gazu pozyskiwanego w biogazowni	Sąd Rejonowy w Białymstoku XII Wydział Gospodarczy KRS	67,43	67,43
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Uprawy rolne połączone z chowem i hodowlą zwierząt	Sąd Rejonowy w Białymstoku XII Wydział Gospodarczy	100	100

All subsidiaries were consolidated using the full method.

There were no changes in the Issuer's Capital Group structure in the reporting period and until this report was made.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

### 3.3. Basic financial information on subsidiaries as of 31 March 2020

Description	PPZ BRONISŁAW S.A.	ZPZ Lublin Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne Ponary Sp. z o.o.	PEPEES Inwestycje Sp. z o.o.
Current assets as of 31.03.2020	22 760	9 781	2 209	171	97
Fixed assets as of 31.03.2020	37 117	6 740	16 792	21 312	-
Short-term liabilities as of 31.03.2020	24 074	9 636	12 225	556	7
Long-term liabilities as of 31.03.2020	15 911	2 369	13 172	7 983	-
Revenues from sales	11 857	5 563	1 935	-	-
Financial result on continued activity	601	864	(187)	28 528	1
Financial result on discontinued activity	-	-	-	-	-
Other total income	-	-	-	-	-
Total income	601	864	(187)	28 528	1

### 3.4. Basis of interim abbreviated consolidated financial statement

This interim abbreviated financial statement has been made in accordance with the International Financial Reporting Standards (IFRS), particularly the International Accounting Standard 34 and IFRS approved by the EU.

This interim abbreviated financial statement in Polish Zloty (PLN) and unless stated otherwise all values are given in PLN thousands.

This interim abbreviated consolidated financial statement has been made with assumption that the Group will continue operations in the foreseeable future. As of the approval date of this interim abbreviated consolidated financial statement, the Management Board of Przedsiębiorstwo Przemysł Spożywczy "PEPEES" S.A. does not notice circumstances indicating that the continuing Group operations are jeopardized.

The interim abbreviated consolidated financial statement does not include all information required for the annual consolidated financial statements and should be analysed together with the consolidated financial statement for financial year ended on 31 December 2019.

## 4. Approval of interim abbreviated consolidated financial statement

This interim abbreviated consolidated financial statement was approved by the Management Board of the Parent Company on 15 May 2020.

## 5. Important accounting rules (policies)

The accounting rules (policies) used to make this interim abbreviated consolidated financial statement are consistent with those used to make the Group's annual abbreviated consolidated financial statement for financial year ended on 31 December 2019. The Group has not decided to use any standard, interpretation or change which has been published but to date has not come into force in the light of EU Regulations.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

**6. Untypical items significantly affecting the assets, liabilities, capital, financial result and cash flows.**

This statement does not include untypical items significantly affecting the assets, liabilities, capital, financial result and cash flows. The pandemic is adversely affecting the sales volume and margins.

**7. Change of accounting and presentation rules and correction of errors**

During the reporting period, the Group did not change the accounting rules and did not correct the previous years' errors.

**8. Seasonality and cyclicity of operations**

The Group operates in the industry sector "potato processing." The potatoes are harvested and bought during 3 months, but the products are sold all year.

**9. Estimated values**

In the reporting period, the Group did not run tests for the loss of fixed assets value, as there were no indications that the assets had lost their value.

The receivables write-offs were revalued to reflect the risk of non-payments from customers.

The provisions for pension benefits and jubilee benefits were made based on actuarial calculations as of 31.12.2019.

The provisions for unused annual leaves were updated based on the foreseen employees' salaries with overheads payable by the employer for unused annual leaves as of 31.03.2020.

The Group considers the deferred tax assets under the assumption that the tax profit will be made in the future allowing these assets to be used.

The Group annually verifies the periods of economic usability for fixed and intangible assets. The last update took place on 31 December 2019.

**10. Purchase and sale of tangible fixed assets**

During the first quarter of 2020, the Group purchased fixed assets for PLN 2,027 thousand. These were mostly modernizations of production machinery and equipment.

No fixed assets were sold in the reporting period.

**11. Significant commitments to purchase fixed assets**

No loan agreements for purchase of fixed assets were executed in the first quarter of 2020.



**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

## 12. Inventories

Inventories	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
a) materials	5 377	4 960	6 363
b) semi-finished products and work in progress	599	792	108
c) finished products	51 853	72 138	46 548
d) goods	10 009	8 524	4 528
<b>Gross inventories</b>	<b>67 838</b>	<b>86 414</b>	<b>57 547</b>
Revaluation write-offs	(243)	(521)	(417)
<b>Net inventories</b>	<b>67 595</b>	<b>85 893</b>	<b>57 130</b>

The inventories considered as a cost in the reporting period were PLN 39,747 thousand (1st quarter of 2019 – PLN 37,870 thousand).

## 13. Biological assets

"PEPEES" S.A. has leased a farm since March 2014 and new land since March 2018 on which annual plants were sown. The seeds purchase and cultivation costs in the 1st quarter of 2020 were PLN 1,434 thousand, revenues from agricultural activity PLN 67 thousand, and the fair value of biological inventories and assets less the costs of sales was about PLN 900 thousand. The biological assets are shown in the statement at fair value.

## 14. Trade receivables

Trade receivables (gross) with payment period from the balance sheet day:	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
a) up to 1 month	13 103	15 037	15
b) 1 month - 3 months	8 941	2 546	6 010
c) 3 months - 6 months	3 319	-	-
d) 6 months - 1 year	-	-	-
e) above 1 year	-	50	-
f) overdue receivables	3 681	4 855	6 170
Total trade receivables (gross)	29 044	22 488	27
- revaluation write-offs	(1 503)	(1 982)	(1 087)
<b>Total trade receivables (net)</b>	<b>27 541</b>	<b>20 506</b>	<b>26</b>

Overdue receivables without revaluation write-offs include receivables from debtors with whom the Group has done business for a few years and the assessment of their business and financial condition does not indicate that these receivables are doubtful. The overdue period ranges from a few days to three months. There are no receivables overdue for more than 180 days without revaluation write-offs.

## 15. Trade payables

Payables	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
- trade payables, with payment time:	13 764	7 424	12 075
- up to 12 months	13 764	7 424	12 075
- overdue above 180 days	-	-	-

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

## 16. Settlements from lawsuits

As of the statement date, there is an undecided lawsuit by EPSILON Investment Fund in Warsaw against "PEPEES" S.A. for invalidation of resolutions 24-29 on 28.06.2019 by the General Meeting of Shareholders, including resolution 28 on the Company Articles of Association and authorizing the Management Board to increase the Company share capital within the target capital along with the option to exclude by the Management Board the pre-emptive rights of current shareholders with the consent of the Supervisory Board.

There are a dozen lawsuits against the Group's trade debtors for the amount totalling about PLN 300 thousand. 100% revaluation write-offs were made for all receivables in litigation.

## 17. Unpaid credits and loans

The bank loans as of the balance sheet day are presented in the table below. They are being repaid on time. The loans between the Capital Group companies are excluded in the consolidates statement.

### Long- and short-term liabilities

Item	Loan type	Borrower	Loan amount acc. to agreement	Currency	Outstanding loan amount	Currency	Interest rate	Repayment date
1	Investment loan for construction of the starch drying plant, unloading station and water treatment station	PEPEES S.A.	9 822	PLN	2 655	PLN	WIBOR rate for 3-month deposits plus bank margin	25.02.2022
2	Investment loan for modernization of steam boilers dust removal system	PEPEES S.A.	1 200	PLN	2 209	PLN	WIBOR rate for 3-month deposits plus bank margin	31.12.2020
3	Investment loan for financing and refinancing of purchase of 100% shares in Gospodarstwo Rolne Ponary	PEPEES S.A.	10 530	PLN	7 898	PLN	WIBOR rate for 1-month deposits plus bank margin	30.06.2025
4	Syndicated investment loan for the project "Construction of biogas plant in Szepietowo"	CHP ENERGIA	12 830	PLN	9 643	PLN	WIBOR rate for 3-month deposits plus bank margin	31.12.2023
5	Working capital loan for operations	CHP ENERGIA	2 500	PLN	1 034	PLN	Base rate of SBR Bank plus bank margin	31.08.2021
6	Working capital loan for financing current	CHP ENERGIA	3 000	PLN	1 579	PLN	WIBOR rate for 3-month deposits	31.05.2022

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

Item	Loan type	Borrower	Loan amount acc. to agreement	Currency	Outstanding loan amount	Currency	Interest rate	Repayment date
	operational payables						plus bank margin	
7	Investment loan for financing/ refinancing the purchase of real property by PPZ Bronisław	PPZ BRONISŁAW S.A.	800	PLN	270	PLN	WIBOR rate for 3-month deposits plus bank margin	30.11.2021
8	Investment loan for modernization of the starch drying plant and construction of the protein recovery system	PPZ BRONISŁAW S.A.	8 456	PLN	7 270	PLN	WIBOR rate for 3-month deposits plus bank margin	31.12.2027
9	Overdraft facility	PEPEES S.A.	4 000	PLN	0	PLN	1-month WIBOR+ bank margin	31.08.2020
10.	Revolving loan	PEPEES S.A.	13 000	PLN	8 125	PLN	1-month WIBOR+ bank margin	31.08.2020
11	Working capital loan	PEPEES S.A.	17 000	PLN	10 625	PLN	1-month WIBOR+ bank margin	31.08.2020
12.	Overdraft facility	PEPEES S.A.	4 000	PLN	0	PLN	1-month WIBOR+ bank margin	31.08.2020
13.	Revolving loan	PEPEES S.A.	13 000	PLN	8 125	PLN	1-month WIBOR+ bank margin	31.08.2020
14.	Working capital loan for purchase of potatoes	PEPEES S.A.	17 000	PLN	10 571	PLN	1-month WIBOR+ bank margin	31.08.2020
15.	Overdraft facility	ZPZ LUBLIN	750	PLN	0	PLN	1-month WIBOR+ bank margin	31.08.2020
16	Revolving loan	ZPZ LUBLIN	3 000	PLN	2 250	PLN	1-month WIBOR+ bank margin	31.08.2020
17	Working capital loan	ZPZ LUBLIN	2 000	PLN	1 196	PLN	1-month WIBOR+ bank margin	31.08.2020
18	Overdraft facility	ZPZ LUBLIN	750	PLN	0	PLN	1-month WIBOR+ bank margin	31.08.2020
19	Revolving loan	ZPZ LUBLIN	3 000	PLN	1 858	PLN	1-month WIBOR+ bank margin	31.08.2020
20	Working capital loan for purchase of potatoes	ZPZ LUBLIN	2 000	PLN	1 150	PLN	1-month WIBOR+ bank margin	31.08.2020
21	Overdraft facility	PPZ BRONISŁAW	750	PLN	0	PLN	1-month WIBOR+ bank margin	31.08.2020
22	Revolving loan	PPZ BRONISŁAW	5 000	PLN	4 293	PLN	1-month WIBOR+ bank margin	31.08.2020
23	Working capital loan	PPZ BRONISŁAW	10 000	PLN	4 321	PLN	1-month WIBOR+ bank margin	31.08.2020
24	Overdraft facility	PPZ BRONISŁAW	750	PLN	537	PLN	1-month WIBOR+ bank margin	31.08.2020
25	Revolving loan	PPZ BRONISŁAW	5 000	PLN	3 125	PLN	1-month WIBOR+ bank margin	31.08.2020
(26)	Working capital loan for purchase of potatoes	PPZ BRONISŁAW	10 000	PLN	6 249	PLN	1-month WIBOR+ bank margin	31.08.2020
27	Working capital loan for operations	CHP ENERGIA	1 000	PLN	642	PLN	1-month WIBOR+ bank margin	14.09.2020
<b>total</b>			<b>161 138</b>	<b>PLN</b>	<b>93 625</b>	<b>PLN</b>		
<i>long-term</i>					<b>24 096</b>	<b>PLN</b>		
<i>short-term</i>					<b>69 529</b>	<b>PLN</b>		

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

No provisions of loan agreements were breached in the reporting period. All loans are being repaid according to the schedules included in the agreements.

## 18. Issuer's transactions with associated entities

### 18.1 Issuer's transactions with subsidiaries

#### a) Revenues from sales of products and goods

Revenue type	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Revenues from sales of products to subsidiaries	516	358
Revenues from sales of goods and materials to subsidiaries		66
Revenues from sales of services	115	79
<b>Total revenues from associated entities</b>	<b>631</b>	<b>503</b>

The sale price is determined using the "cost plus" method or according to the price list for non-associated entities.

#### b) Purchase of products and services

Purchase type	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Purchase of products from subsidiaries	2 005	2 383
Purchase of goods from subsidiaries	447	-
Purchase of services from subsidiaries	25	68
Purchase of fixed assets from subsidiaries	-	-
<b>Total purchases from associated entities</b>	<b>2 477</b>	<b>2 451</b>

#### c) Other transactions

Description	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Interest from loans granted	61	60
Guarantee fees	60	42
<b>total</b>	<b>121</b>	<b>102</b>

#### d) Balance amounts for sale/purchase of products/services

Settlements with subsidiaries	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Receivables - ZPZ LUBLIN Sp. z o.o.	-	-	-
Receivables - PPZ BRONISŁAW S.A.	203	295	4
Receivables - CHP Energia Sp. z o.o.	1 069	1 023	445

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

Settlements with subsidiaries	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Advance payments - CHP Energia Sp. z o.o.	485	(3 323)	461
Receivables – GR Ponary Sp. z o.o.	1	1	1
Receivables – Pepees Inwestycje Sp. o.o. (OZENERGY)	6	6	5
Payables – ZPZ LUBLIN Sp. z o.o.	96	53	160
Payables - PPZ BRONISŁAW S.A.	-	-	12
Payables - CHP Energia Sp. z o.o.	-	-	-
<b>Balance of settlements with associated entities</b>	<b>1 668</b>	<b>1 595</b>	<b>744</b>

**e) Balance of loans settlements**

Loans granted to subsidiaries	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
PPZ BRONISŁAW S.A.	-	-	-
ZPZ LUBLIN Sp. z o.o.	1 500	1 800	3 000
CHP Energia Sp. z o.o.	4 825	4 788	4 766
GR Ponary Sp. z o.o.	555	553	552
Pepees Inwestycje Sp. z o.o. (OZENERGY)	-	-	1 479
<b>Loans granted</b>	<b>6 880</b>	<b>7 141</b>	<b>9 797</b>
Write-offs for loans granted to CHP	(2 268)	(2 268)	(2 453)
<b>Loans in financial situation statement</b>	<b>4 612</b>	<b>4 873</b>	<b>7 344</b>

**18.2 Issuer's transactions with shareholders**

The Parent Company had no transactions with shareholders in the reporting period.

**18.3 Issuer's transactions with key management and supervisory personnel**

**a) Benefits for key management personnel (Management Board) and the Supervisory Board**

Description	For 3 months ended on 31 March 2020	For 12 months ended on 31 December 2019	For 3 months ended on 31 March 2020
Short-term employee benefits	539	2 558	661
Benefits after the employment period			-
Severance payments			-
Payments in shares			-
<b>total</b>	<b>539</b>	<b>2 558</b>	<b>661</b>

**b) Transactions with key personnel and their close family members**

The Company had no transactions with key personnel and their close family members in the reporting period.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

## 19. Change of estimated values

### a) Revaluation write-offs

Change of revaluation write-offs form short-term receivables	For 3 months ended on 31 March 2020	For 12 months ended on 31 March 2019	For 3 months ended on 31 March 2019
<b>Beginning of the period</b>	<b>2 045</b>	<b>1 093</b>	<b>1 093</b>
<b>a) increase (due to)</b>	<b>72</b>	<b>1 048</b>	<b>27</b>
- for doubtful trade receivables	72	1 034	27
- for interest due	-	0	-
- for receivables in litigation	0	14	-
<b>b) decrease (due to)</b>	<b>5 548</b>	<b>96</b>	<b>33</b>
- dissolution of provision as a result of payment	4	76	1
- use as a result of relief or sale of receivables	-	0	-
- cancellation	544	20	32
<b>End of the period:</b>	<b>1 569</b>	<b>2 045</b>	<b>1 087</b>

### b) Inventory revaluation write-offs

Change of inventory revaluation write-offs	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019	For 3 months ended on 31 March 2019
<b>Beginning of the period</b>	<b>(521)</b>	<b>611</b>	<b>611</b>
<b>a) increase (due to)</b>	<b>-</b>	<b>633</b>	<b>-</b>
- write-off to the net value that can be obtained	-	633	-
- material revaluation write-off due to value loss	-	-	-
<b>b) decrease (due to)</b>	<b>278</b>	<b>723</b>	<b>194</b>
- use	-	235	-
- reversal of write-offs	278	488	194
<b>Inventory revaluation write-offs at the end of period</b>	<b>(243)</b>	<b>(521)</b>	<b>(417)</b>

### c) Payables for pension and similar benefits

Change of pension and similar payables (by type)	For 3 months ended on 31 March 2020	For 12 months ended on 31 March 2019	For 3 months ended on 31 March 2019
<b>a) beginning of the period</b>	<b>3 195</b>	<b>2 677</b>	<b>2 677</b>
- retirement severance pay	600	550	550
- jubilee benefits	2 595	2 127	2 127
<b>b) increase (due to)</b>	<b>-</b>	<b>794</b>	<b>-</b>
- retirement severance pay	-	101	-
- jubilee benefits	-	693	-
<b>c) use (due to)</b>	<b>-</b>	<b>261</b>	<b>-</b>
- retirement severance pay	-	38	-
- jubilee benefits	-	223	-

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

Change of pension and similar benefits payables (by type)	For 3 months ended on 31 March 2020	For 12 months ended on 31 December 2019	For 3 months ended on 31 March 2019
<b>d) dissolution (due to)</b>	-	<b>15.</b>	-
- retirement severance pay	-	13	-
- jubilee benefits	-	2	-
<b>d) end of period</b>	<b>3 195</b>	<b>3 195</b>	<b>2 677</b>
- retirement severance pay	600	600	550
- jubilee benefits	2 595	2 595	2 127

## 20. Short-term provisions

Change of short-term provisions (by type)	For 3 months ended on 31 March 2020	For 12 months ended on 31 December 2019	For 3 months ended on 31 March 2019
<b>a) beginning of the period</b>	<b>4 319</b>	<b>3 816</b>	<b>3 816</b>
- subsidies to tangible fixed assets	622	622	622
- provisions for benefits provided by contracting parties	23	24	24
- loans subsidies	-	-	-
- environmental fee	83	96	96
- provisions for annual leave payments	702	753	753
- gases Issue rights	1 434	942	942
- bonuses for Management Board and employees	1 455	1 379	1 379
<b>b) increase (due to)</b>	<b>183</b>	<b>1 961</b>	<b>175</b>
- provision for used CO2 Issue rights	-	1 433	-
- environmental fee	15.	89	20
- provisions for annual leave payments	168	155	155
- provisions for benefits provided by contracting parties	-	5	-
- bonuses for Management Board and employees	-	279	-
<b>c) use (due to)</b>	<b>1 030</b>	<b>1 458</b>	<b>96</b>
- provision for used CO2 Issue rights	833	941	-
- environmental fee	68	102	96
- provisions for annual leave payments	-	206	-
- provisions for benefits provided by contracting parties	-	6	-
- bonuses for Management Board and employees	129	203	-
<b>e) end of period</b>	<b>3 472</b>	<b>4 319</b>	<b>3 895</b>
- subsidies to tangible fixed assets	622	622	622
- provision for used CO2 Issue rights	601	1 434	942
- environmental fee	30	83	20
- provisions for annual leave payments	870	702	908
- bonuses for Management Board and employees	1 326	1 455	1 379
- provisions for benefits provided by contracting parties	23	23	24

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

## 21. Deferred income tax

Provisions for deferred income	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Difference between balance sheet value and tax value of tangible fixed assets	5 661	5 799	5 835
Investments valuation	624	625	504
Unrealized exchange rate differences	44	1	2
Interest due but not received	24	22	
Other	11	-	128
<b>Total provisions for deferred income</b>	<b>6 364</b>	<b>6 447</b>	<b>6 469</b>

Assets from deferred income tax	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Unpaid remunerations	217	165	137
Provision for unused annual leaves	145	113	154
Provision for pension and jubilee benefits	608	608	508
Unrealized exchange rate differences	39	54	49
Inventory revaluation write-offs	53	106	78
Shares revaluation write-offs	565	565	565
Lease liabilities	932	1 016	1 095
Consolidation adjustments - retained earnings	(517)	516	(515)
Receivables write-offs	-	1	-
Provision for bonuses for Management Board and employees	252	261	224
Cancellation of CO2 Issue rights	114	272	179
Property valuation	2 392	2 392	2 428
Other	12	13	5
<b>total</b>	<b>4 812</b>	<b>5 050</b>	<b>4 907</b>

## 22. Conditional assets and liabilities

Conditional assets	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Value of land in perpetual use resulting from the decision determining the annual fee	24 011	24 011	23 336

Conditional liabilities	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Mortgage on companies' property	180 975	180 975	180 975
Lien on property	114 512	114 512	114 512
Loan guarantee	32 218	32 218	30 918
Assignment of debts from insurance policy	255 085	255 085	254 630
Possible competition ban compensations	1 563	1 563	1 224
Disputed liabilities	-	-	-



**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

## **23. Issue, repurchase and repayment of securities**

Issue, repurchase and repayment of securities did not take place in the reporting period.

## **24. Reporting on operation segments**

### **24.1. Information on products and services**

PEPEES Capital Group has four segments: "potato processing", "electricity generation", "farming with livestock breeding" and "purchase and sale of real property."

PEPEES operates mainly in the "potato processing" segment. The following products are made within this segment:

- potato starch used in households and in food, pharmaceutical, pulp and paper and textile industries;
- a few types of glucose used in food, sugar and pharmaceutical industries;
- maltodextrin which is an essential additive to powdered products (ice cream, sauces, soups, fruit solids, flavours) and vitamin and mineral nutrients for children and athletes;
- protein obtained from potato cellular sauce by coagulation, separation and drying; it is a valuable component of food mixes for animals and an excellent substitute for animal protein;
- a wide range of starch syrups used in confectionery and bakery;
- granulated dehydrated potatoes, potato flakes, potato cubes and dumplings used in food industry.

The remaining areas of operations include:

- heat generation, mostly for own needs; some is sold to neighbouring plants;
- works and services;
- sale of some goods and materials;
- growing and sale of annual plants;
- sale and purchase of real property.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

## 24.2 Revenues and results by segments

	Revenues		Profit	
	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Potato processing	55 054	61 902		14 179
Power generation	1 863	1 670		(378)
<b>Total revenues from sales</b>	<b>56 917</b>	<b>63 572</b>		
Other operating revenues			200	75
Other operating costs			(185)	(192)
Financial revenues			790	296
Financial costs			(1 158)	(855)
<b>Profit (loss) before tax</b>			<b>4 967</b>	<b>13 125</b>

## 24.3 Assets and liabilities by segments

Assets	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Potato processing	302 786	330 521	297 519
Power generation	12 642	13 703	15 789
Farming connected with livestock breeding	19 437	19 267	19 322
Sale and purchase of real property.	97	131	20
<b>Total assets</b>	<b>334 962</b>	<b>363 622</b>	<b>332 650</b>

Liabilities	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
Potato processing	132 489	164 131	135 183
Power generation	18 000	18 870	20 731
Farming connected with livestock breeding	-	-	-
Sale and purchase of real property.	-	80	
<b>Total liabilities</b>	<b>150 489</b>	<b>183 081</b>	<b>155 914</b>

The segment "power generation" includes all assets and liabilities of CHP Energia. The segment "farming connected with livestock breeding" includes all assets and liabilities of Gospodarstwo Rolne Ponary, the segment "purchase and sale of real property" includes all assets and liabilities of Pepees Inwestycje Sp. z o.o., and the segment "potato processing" includes all remaining assets and liabilities shown in the consolidated financial statement.

As Ponary and Pepees Inwestycje did not generate any sales revenues, the segments "farming connected with livestock breeding" and "purchase and sale of real property" was not shown in the revenues and results section. Due to the value of land owned by Ponary, the third segment was separated in this statement exclusively to show its assets and liabilities.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

## 24.4 Other information about the segments

Segment	Depreciation		Increase of fixed assets	
	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Potato processing	3 266	2 534	2 027	5 201
Power generation	365	415	0	23
<b>Total continued operations</b>	<b>3 631</b>	<b>2 949</b>	<b>2 027</b>	<b>5 224</b>

## 24.5 Revenues by products

Product	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Starch	31 894	38 855
Protein	2 710	3 898
Glucose	2 942	2 459
Maltodextrin	6 149	5 822
Starch syrups	1 510	1 814
Dried potatoes (granulate, flakes, cubes)	5 250	5 746
Feeds and fertilizers	49	175
Electric power	1 036	772
Property rights (electric power and heat)	704	(855)
Goods and materials	4 407	2 993
Services	266	183
<b>total</b>	<b>56 917</b>	<b>63 572</b>

## 24.6 Sales revenues by territorial structure

Description	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
<b>Poland</b>	<b>41 921</b>	<b>40 942</b>
Starch	21 402	20 968
Protein	1 735	2 894
Glucose	2 447	2 220
Maltodextrin	5 102	4 634
Starch syrups	1 510	1 814
Dried potatoes (granulate, flakes, cubes)	4 807	5 184
Feeds	49	175
Electric power	1 036	772
Property rights (electric power and heat)	704	(855)
Goods and materials	2 863	1 243
Services	266	183
<b>EU countries</b>	<b>3 969</b>	<b>7 794</b>
Starch	2 002	5 401
Protein	513	451
Maltodextrin	1 007	1 188
Glucose	310	128
Dried potatoes (granulate, flakes, cubes)	137	551

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

Description	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
Goods	-	75
<b>Remaining countries - export</b>	<b>11 027</b>	<b>14 836</b>
Starch	8 490	12 486
Protein	462	553
Glucose	(185)	111
Maltodextrin	40	-
Dried potatoes (granulate, flakes, cubes)	306	11
Goods	1 544	1 675
<b>total</b>	<b>56 917</b>	<b>63 572</b>

#### 24.7 Information on main customers

The Group does not have a customer revenues from which would exceed 10% of total revenues.

#### 25. Information on paid (or declared dividend), total and per ordinary and preferred share

No dividend was paid during 3 months ended on 31 March 2020.

On 21 April 2020, the General Meeting of Shareholders of PEPEES S.A. adopted resolution No. 8 on allocation of profit for the fiscal year 2018 amounting to PLN 19,181,930.51: PLN 11,400,000 PLN was allocated to dividend (PLN 0.12 PLN per share), and the remaining PLN 7,781,930.51 was allocated to capital reserve.

The day on which the list of shareholders authorized to receive dividend is decided is 1 July 2020. The dividend payment date is 31 July 2020.

#### 26. In case of financial instrument valued at fair value - information about the change of valuation method

During the 3 months ended on 31 March 2020, the Group did not change the rules of determining the fair value of financial instruments. The same rules methods were used as when making the Group's consolidated financial statement for the year ended on 31 December 2019.

#### 27. Information on change of classification of financial assets as a result of change of purpose of use off such assets

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

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

**28. Information on changes of economic situation and operating conditions which have an important impact on the fair value of financial assets and liabilities, regardless of whether such assets and liabilities are at fair value or at adjusted purchase price (production cost)**

In connection with coronavirus pandemic in Poland since mid-March 2020, the Management Board took immediate actions to limit potential health and safety hazard for employees and ensure business continuity. Appropriate safety and hygiene procedures according to the Ministry of Health guidelines were implemented. The Management Board also decided to support the healthcare facilities, local communities and business partners who suffered damage as a result of epidemic. In addition to providing staff safety, which remain the priority, all actions focus on flexible response to changing circumstances and activities aiming to limit the epidemic impact on business, including to maintain the revenues with simultaneous tight control of costs.

**29. Other information which may significantly affect the assessment of property and financial situation of the Group and its financial result**

All events and information affecting the assessment of property and financial situation of the Group in the reporting period are presented in this statement. Despite the pandemic, the Group does not have any information which may significantly affect the assessment of property and financial situation of the Group and its financial result.

**30. Important events that took place after the balance sheet day**

After the reporting period, on 21 April 2020 the General Meeting of Shareholders took place which approves all statements for 2019, gave discharge to the Management Board and Supervisory Board, and divided the profits for 2019 (note 25)

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

**C. Interim abbreviated financial statement of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna for 3 months ended on 31 March 2020.**

presented below, including:

1. Interim abbreviated financial situation statement
2. Interim abbreviated statement of profits and losses or other total income
3. Interim abbreviated statement of changes in equity
4. Interim abbreviated cash flow statement
5. Additional explanatory notes.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

**Interim abbreviated financial situation statement**

	ASSETS	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
<b>I.</b>	<b>Fixed assets (long-term)</b>	<b>149 320</b>	<b>151 766</b>	<b>144 733</b>
1.	Tangible fixed assets	101 652	103 464	97 137
2.	Intangible assets	218	413	908
3.	Rights to assets	16 498	16 717	16 554
4.	Investment property	391	393	
5.	Investment in subsidiaries	26 632	26 632	26 632
6.	Investment in other units	625	613	113
7.	Assets from deferred income tax	3 304	3 534	3 389
<b>II</b>	<b>Current assets (short-term)</b>	<b>107 848</b>	<b>123 896</b>	<b>114 798</b>
1.	Inventories	45 073	55 712	39 053
2.	Biological assets	456	322	301
3.	Trade receivables	22 105	16 340	20 954
4.	Other receivables	569	4 310	1 489
5.	Prepayments	4 878	1 302	4 594
6.	Loans granted	5 333	5 593	7 897
7.	Other financial assets	6 021	5 961	6 027
8.	Monetary assets and equivalents	23 413	34 356	34 483
	<b>Total assets</b>	<b>257 168</b>	<b>275 662</b>	<b>259 531</b>

	EQUITY AND LIABILITIES	As of 31 March 2020	As of 31 December 2019	As of 31 March 2019
<b>I.</b>	<b>Equity capital</b>	<b>166 860</b>	<b>164 443</b>	<b>164 929</b>
1.	Share capital	5 700	5 700	5 700
2.	Supplementary and reserve capitals	139 626	139 626	133 584
3.	Assets revaluation reserve	(65)	(65)	(26)
4.	Retained earnings	19 182	19 182	17 442
5.	Current year result	2 417	19 182	8 229
<b>II</b>	<b>Long-term liabilities</b>	<b>29 177</b>	<b>30 815</b>	<b>34 341</b>
1.	Credits and loans	7 663	8 385	11 887
2.	Lease liabilities	10 879	11 714	12 023
3.	Provisions for deferred income tax	6 255	6 312	6 350
4.	Payables for pension and similar benefits	2 284	2 284	1 888
5.	Subsidies	2 096	2 120	2 193
<b>III.</b>	<b>Short-term liabilities</b>	<b>61 131</b>	<b>80 404</b>	<b>60 261</b>
1.	Trade payables	9 784	5 436	8 768
2.	Current income tax	1 882	2 394	1 679
3.	Other short-term liabilities	2 820	2 576	2 639
4.	Credits and loans	40 545	63 083	40 692
5.	Lease liabilities	3 112	3 192	3 068
6.	Payables for pensions and similar benefits	204	204	202
7.	Provisions for other liabilities and charges	2 784	3 519	3 213
	<b>Total equity and liabilities</b>	<b>257 168</b>	<b>275 662</b>	<b>259 531</b>

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

**Interim abbreviated statement of profits and losses or other total income**

Item	Description	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
<b>I</b>	<b>Revenues from sales</b>	<b>40 670</b>	<b>46 219</b>
1.	Revenues from sales of products	35 840	41 880
2.	Revenues from sales of services	149	118
3.	Revenues from sales of goods and materials	4 681	4 221
<b>II</b>	<b>Costs of goods sold</b>	<b>(29 702)</b>	<b>(27 941)</b>
1.	Costs of products sold	(23 931)	(22 763)
2.	Costs of services sold	(182)	(104)
3.	Costs of goods and materials sold	(4 222)	(3 387)
4.	Result of agricultural production	(1 367)	(1 687)
<b>III</b>	<b>Gross profit (loss) on sales (I-II)</b>	<b>10 968</b>	<b>18 278</b>
1.	Sales and marketing costs	(2 056)	(1 962)
2.	Overheads	(5 787)	(5 719)
3.	Other operating revenues	38	15.
4.	Other operating costs	(67)	40
<b>IV</b>	<b>Operating profit (loss)</b>	<b>3 096</b>	<b>10 572</b>
1.	Financial costs	(660)	(423)
2.	Financial revenues	888	458
<b>V</b>	<b>Profit (loss) before tax</b>	<b>3 324</b>	<b>10 607</b>
<b>VI</b>	<b>Income tax</b>	<b>(907)</b>	<b>(2 378)</b>
<b>VII</b>	<b>Net profit (loss)</b>	<b>2 417</b>	<b>8 229</b>
<b>VIII</b>	<b>Other total income</b>	<b>-</b>	<b>-</b>
1.	Results of valuation of financial assets available for sale	-	-
2.	Revaluation of liabilities from employee benefits	-	-
<b>IX</b>	<b>Total income, including</b>	<b>2 417</b>	<b>8 229</b>
<b>X</b>	<b>Net profit (loss) per share</b>	<b>0.025</b>	<b>0.087</b>



**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

**Interim abbreviated consolidated statement of changes in equity**

Description	Share capital	Capital reserve	Assets revaluation reserve	Other capital reserve	Unallocated earnings	Total equity capital
<b>As of 1 January 2019</b>	<b>5 700</b>	<b>51 950</b>	<b>(26)</b>	<b>81 634</b>	<b>17 442</b>	<b>156 700</b>
<b>Changes in 1st quarter 2019</b>					<b>8 229</b>	<b>8 229</b>
Allocation of profit for 2018	-	-	-	-	-	-
Net profit (loss) for period	-	-	-	-	8 229-	<b>8 229</b>
Other total income for financial year (net)	-	-	-	-	-	-
<b>As of 31 March 2019</b>	<b>5 700</b>	<b>51 950</b>	<b>(26)</b>	<b>81 634</b>	<b>25 671</b>	<b>164 929</b>
<b>Changes in 2019</b>		<b>6 042</b>	<b>(39)</b>		<b>1 740</b>	<b>7 743</b>
Allocation of profit for 2018, including:						
- increase capital reserve	-	6 042	-	-	(6 042)	-
- transactions with owners (dividend)	-	-	-	-	(11 400)	<b>(11 400)</b>
Net profit (loss) for period	-	-	-	-	19 182	<b>19 182</b>
Other total income for financial year (net)	-	-	(39)	-	-	<b>(39)</b>
<b>As of 31 December 2019</b>	<b>5 700</b>	<b>57 992</b>	<b>(65)</b>	<b>81 634</b>	<b>19 182</b>	<b>164 443</b>
<b>As of 1 January 2020</b>	<b>5 700</b>	<b>57 992</b>	<b>(65)</b>	<b>81 634</b>	<b>19 182</b>	<b>164 443</b>
<b>Changes in 1st quarter 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
Net profit (loss) for period	-	-	-	-	2 417	<b>2 417</b>
Other total income for financial year (net)	-	-	-	-		-
<b>As of 31 March 2020</b>	<b>5 700</b>	<b>57 992</b>	<b>(65)</b>	<b>81 634</b>	<b>21 599</b>	<b>166 860</b>

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for 3 months ended on 31 March 2020 (values in PLN  
thousands)

### Interim abbreviated cash flow statement

Item	Cash flow statement	For 3 months ended on 31 March 2020	For 3 months ended on 31 March 2019
<b>A.</b>	<b>Cash flows from operating activities - indirect method</b>		
<b>I</b>	<b>Profit (loss) before tax</b>	<b>3 324</b>	<b>10 607</b>
<b>II</b>	<b>Total adjustments</b>	<b>10 704</b>	<b>16 195</b>
1.	Depreciation	2 848	2 368
2.	Profit (loss) due to exchange rate variations	165	(71)
3.	Interest and share in profit (dividends)	385	275
4.	Profit (loss) on investing activities	-	15.
5.	Change in reserves	(735)	72
6.	Change in inventories	10 639	13 127
7.	Change in biological assets	(134)	29
8.	Change in receivables	(2 024)	5 214
9.	Change in short-term liabilities, excluding loans and credits	4 592	(521)
10.	Change in accruals and prepayments	(3 357)	(3 093)
11.	Income tax paid	(1 246)	(2 038)
12.	Change in subsidies	(24)	(25)
13.	Change in interests for loans and commissions	40	114
14.	Change in other financial assets	60	(91)
15.	Other adjustments	25	6
<b>III</b>	<b>Net cash flows from operating activities</b>	<b>14 028</b>	<b>26 802</b>
<b>B.</b>	<b>Cash flows from investing activities</b>		
<b>I</b>	<b>Revenues</b>	<b>325</b>	<b>(243)</b>
1.	Sale of intangible and tangible assets	-	14.
2.	Repayment of granted loans	325	229
<b>II</b>	<b>Expenses</b>	<b>1 493</b>	<b>4 522</b>
1.	Purchase of intangible and tangible assets	851	3 553
2.	Purchase of shares	12	250
3.	Purchase of securities	-	250
4.	Purchase of property rights	630	355
5.	Loans granted		114
<b>III</b>	<b>Net cash flows from investing activities</b>	<b>168</b>	<b>(4 279)</b>
<b>C.</b>	<b>Cash flows from investing activities</b>		
<b>I</b>	<b>Revenues</b>	<b>248</b>	<b>44</b>
1.	Credits and loans	-	-
2.	Subsidies received	248	44
<b>II</b>	<b>Expenses</b>	<b>24 294</b>	<b>16 225</b>
1.	Repayment of credits and loans	23 260	15 143
2.	Interest of credits and loans	410	275
3.	Lease contracts payments	624	807
<b>III</b>	<b>Net cash flows from financial activities (I-II)</b>	<b>(24 046)</b>	<b>(16 181)</b>
<b>D.</b>	<b>Net cash flow, total (A.III+/-B.III+/-C.III)</b>	<b>(11 186)</b>	<b>6 342</b>
<b>F.</b>	<b>Cash at the beginning of period</b>	<b>34 434</b>	<b>28 139</b>
<b>G.</b>	<b>Cash at the end of period (F+/- D)</b>	<b>23 248</b>	<b>34 481</b>
	- including of limited availability	-	-

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

## **Additional explanatory notes**

### **1. Accounting rules**

The interim abbreviated financial statement for 3 months ended on 31 March 2020 was made using the same accounting rules as for the last annual financial statement.

### **2. Change of accounting and presentation rules and correction of errors**

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not change the rules of accounting and correction of errors.

### **3. Information on conditional assets or liabilities**

#### **a) Conditional assets**

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. has in perpetual use 493,591 m<sup>2</sup> which value as of 31.12.2019 resulting from the annual fee decision for 2019 is PLN 20,290 thousand.

The annual fee is 3% of the land value.

Since 2019, the perpetual use is shown in financial statements in the item "rights to assets."

PEPEES S.A. received from subsidiary GR Ponary Sp. z o.o. a guarantee for PLN 15.795 thousand as a security for investment loan granted by PKO Bank Polski S.A. for financing and refinancing of purchase of 100% shares in Gospodarstwo Rolne Ponary Sp. z o.o.

#### **b) Conditional liabilities**

In previous periods, the Company guaranteed the loan granted by SBR Bank to subsidiary CHP Energia Sp. z o.o. to the amount of PLN 19,534 thousand. In addition, the Company guaranteed the loan granted by BOŚ S.A. to subsidiary PPZ BRONISŁAW S.A. to the amount of PLN 12,684 thousand.

There is a possibility of liabilities caused by competition ban contracts after the termination of employment. Such contracts have been concluded with the members of Management Board and a few employees. If employment contracts are terminated with them, the Company will have to pay compensation of about PLN 1,155 thousand.

### **4. Transactions with associated entities**

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

In the reporting period, the Issuer bought from the subsidiary syrup for production of glucose and potato flakes. The total value of purchases in ZPZ LUBLIN Sp. z o.o. was PLN 447 thousand. In addition, PEPEES S.A. sold to ZPZ LUBLIN Sp. z o.o. starch and maltodextrin for PLN 56.7 thousand and leases the flakes production line - the monthly lease fee is PLN 23.5 thousand. The sale price is determined using the "cost plus" method or according to the price list for non-associated entities.

The balance of unpaid loans as of the balance sheet day is PLN 1.5 million for which ZPZ LUBLIN Sp. z o.o. paid the Issuer PLN 19 thousand in interest.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

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

In the reporting period, the Parent Company bought from PPZ BRONISŁAW potato starch for PLN 1,974 thousand and potato flakes and a service. The total value of purchases in the 1st quarter of 2020 was PLN 1.996 thousand. The Issuer sold to the subsidiary potato starch for PLN 459 thousand, provided services (vehicle rental and storage) for PLN 3 thousand. In the first quarter, the subsidiary paid the Parent Company guarantee fees amounting to PLN 31.6 thousand.

The balance of liabilities as of the balance sheet day is PLN 96.5 thousand.

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

In the first quarter of 2020 PEPEES S.A. bought from CHP Energia Sp. z o.o. pellets and had a yard lease contract. The total value of purchases was PLN 34.6 thousand. In the reporting period, PEPEES S.A. provided services for PLN 37.7 thousand.

The balance of unpaid loans as of the balance sheet day is PLN 4,825 thousand, balance of trade receivables of PLN 1,069 thousand, guarantee fees of PLN 962.7 thousand, and advance payment of PLN 485 thousand.

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

PEPEES S.A. sold subsidiary GR Ponary Sp. z o.o. PLN 2.6 thousand worth of services. GR Ponary Sp. z o.o. in previous periods guaranteed a loan to the Parent Company for which the fees in the first quarter of 2020 amounted to PLN 39.5 thousand. In addition, GR Ponary paid the Issuer PLN 4.7 thousand in interests for a granted loan. The amount of unpaid loan as of the balance sheet day was PLN 555 thousand, and trade receivables PLN 1.0 thousand.

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

In the reporting period, PEPEES S.A. provided services to Pepees for 1 PLN thousand. The balance of trade receivables is PLN 6 thousand.

**5. Information on guarantees given**

PEPEES did not give guarantees in the reporting period. As of the balance sheet day, there is a guarantee of loan up to PLN 19.534 thousand given to CHP Energia Sp. z o.o. and up to PLN 12.684 thousand given to PPZ BRONISŁAW S.A.

There is a possibility of liabilities caused by competition ban contracts after the termination of employment. Such contracts have been concluded with the members of Management Board and a few employees. If employment contracts are terminated with them, the Company will have to pay compensation of about PLN 1,155 thousand.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

## D. Additional information

### 1. Organizational changes in PEPEES Capital Group

There were no organizational changes in PEPEES Capital Group in the reporting period.

### 2. Summary of operations in the reporting period

The sales revenues of PEPEES Capital Group in the first quarter of 2020 were PLN 56,917 thousand, a 10.47% decrease year to year (PLN 63,572 thousand).

The coronavirus pandemic caused a reduced demand for Group's products, decrease of sales volume and lowering of prices. This was the cause of reduced sales revenues.

The costs of goods sold increased by 4.21% year to year. The gross profit on sales PLN 15,611 thousand was reduced by 34.77% year to year.

The sales and marketing costs in the first quarter of 2020 increased by 6.21% year to year, and overheads by 0.2%.

The balance of remaining operations in the three months of 2020 was PLN 15 thousand, while in the comparison period it was minus PLN 117 thousand.

The result on financial operations understood as a balance of financial revenues less the financial costs improved in the first quarter of 2020 compared to the first quarter of 2019.

As a result, the gross profit in the first quarter of 2020 was PLN 4,967 thousand, compared to PLN 13,125 thousand in the same period last year. The net profit was PLN 3,724 thousand compared to PLN 9,604 tys. PLN in the same period of 2019, a drop by 62.16%.

### 3. Shareholder structure

Shareholder structure as of the interim statement date 20 March 2020

SHAREHOLDER	Number of shares [pcs]	Share in capital %	Number of votes	Share in total number of votes at General Meeting %
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27 714 832	29.17%	6 312 599	6.64%
Michał Skotnicki**	21 399 174	22.53%	21 399 174	22.53%
Maksymilian Maciej Skotnicki**	20 703 282	21.79%	20 703 282	21.79%
Newth Jonathan Reginald	7 995 200	8.42%	7 995 200	8.42%
Richie Holding Ltd.	6 133 100	6.46%	6 133 100	6.46%
Other	11 054 412	11.63%	11 054 412	11.63%

*\*Due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to the Public Offering and Public Companies Act of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27.714.832 shares of the Company, has lost and cannot exercise voting rights on 21.402.233 shares. The Management Board filed a lawsuit for determination to District Court in Białystok. Epsilon FIZ AN believes that they can exercise voting rights on 27.714.832 shares which is 29.17% of total votes at the General Meeting .*

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

The Chairman of Financial Supervision Commissions (KNF) presented his standpoint on the issue on 24 July 2019. The Management Board awaits the valid decision of the court of law. The Company informed about the issue in interim reports Nos 13/2019, 14- 23/2019 and 30/2019.

**\*\* Maksymilian Maciej Skotnicki and Michał Skotnicki are persons mentioned in Art. 87 Sec. 4 Clause 1 the Public Offering and Public Companies Act of 29 July 2005 and they hold 42.102.456 shares/ votes which is 44.32% of the share capital/ total number of votes in the Company.**

Shareholder structure as of the quarterly statement date:

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

*\*Due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to the Public Offering and Public Companies Act of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27.759.032 shares of the Company, has lost and cannot exercise voting rights on 21.402.233 shares. The Management Board filed a lawsuit for determination to District Court in Białystok. Epsilon FIZ AN believes that they can exercise voting rights on 27.759.032 shares which is 29.22% of total votes at the General Meeting. The Chairman of Financial Supervision Commissions (KNF) presented his standpoint on the issue on 24 July 2019. The Management Board awaits the valid decision of the court of law. The Company informed about the issue in interim reports Nos 13/2019, 14- 23/2019 and 30/2019.*

**\*\* Maksymilian Maciej Skotnicki and Michał Skotnicki are persons mentioned in Art. 87 Sec. 4 Clause 1 the Public Offering and Public Companies Act of 29 July 2005 and they hold 42.102.456 shares/ votes which is 44.32% of the share capital/ total number of votes in the Company.**

#### 4. Changes in shares and rights to shares held by the management or supervisory personnel

Mr Wojciech Faszczewski, the President of the Management Board, has 701.000 of Company shares. The above-mentioned person has no rights for Company shares.

Mr Tomasz Rogala and supervisory persons do not have Company shares or rights to them.

During the period from the publication of the previous interim report, that is 20 March 2020 to the publication of this report the management and supervisory persons do not made transactions involving Company shares or rights to them.

#### 5. Concise description of major successes or failures at PEPEES Capital Group in the first quarter of 2020

In the first quarter of 2020, there were no major successes or failures at PEPEES Capital Group.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

## **6. Factors and events, particularly of untypical character, significantly affecting the financial results of PEPEES Capital Group**

The coronavirus pandemic diametrically changed the situation in global economy. The problem was initially perceived as a disturbance in global chains of supply, however when it grew to the pandemic proportions and countries started to impose economic and social restrictions (lockdown) it became clear that the world economy would shrink significantly as a result, inter alia, of consumption slump.

The epidemic affects the Group operations. The main hazards include:

- Reduced industrial production on main export markets (including the meat industry and ready products) results in a decreased demand for native potato starch. The phenomenon can be observed, i.a. in South Korea, Taiwan, Indonesia, and also in the EU - Romania, Greece and Bulgaria - where PEPEES S.A. position was strong.
- The stagnation in the logistics sector results in significant delays in deliveries of goods and risk of delayed deliveries to customers. The transport costs also grow as a result of the need to comply with the restrictive epidemiologic requirements. Higher transport costs and the risk of delayed deliveries can convince the customers on world markets to gradually replace potato starch with other, locally available starches (tapioca, corn, wheat, rice).
- The suspension of the HORECA sector (hotels, restaurants, catering/café) and limited production for bakery and confectionery are also important factors. Gradual de-freezing of the economy does not mean that the demand for PEPEES S.A. product will automatically return to the level before the epidemic.
- In the longer time frame, one can expect new restrictions and formal requirements imposed by the food producers on the raw materials suppliers which will entail additional operational costs for the Company.
- General economic slowdown (including higher unemployment cause by temporary lockdown of many industries) reduces the purchasing power. The growing trend in sales, i.e. to retail chains, is expected to be temporarily stopped.

## **7. Management Board standpoint on forecast results**

The Parent Company Management Board did not publish the forecasts of individual and consolidated results for 2020.

## **8. Important court, administrative or arbitration proceedings**

On 25 June 2019 the Management Board of "PEPEES" S.A. filed a lawsuit to the court to rule that due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to the Public Offering and Public Companies Act of 29 July 2005 the shareholder EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27.759.032 shares of the Company, has lost and cannot exercise voting rights on 21.402.233 shares. Epsilon FIZ AN believes that they can exercise voting rights on 27.714.832 shares which is 29.17% of total votes at the General Meeting. The Chairman of Financial Supervision Commissions (KNF) presented his standpoint on the issue on 24 July 2019.

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

The Management Board awaits the valid decision of the court of law. The Parent Company informed about the issue in interim reports Nos 13/2019, 14- 23/2019 and 30/2019.

As of the statement date, there is an undecided lawsuit by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw against "PEPEES" S.A. for invalidation of resolutions 24-29 on 28.06.2019 by the General Meeting of Shareholders, including resolution 28 on the Company Articles of Association and authorizing the Management Board to increase the Company share capital within the target capital along with the option to exclude by the Management Board the pre-emptive rights of current shareholders with the consent of the Supervisory Board.

There are a dozen court cases for unpaid invoices totalling about PLN 200 thousand, for which the Company made 100% revaluation write-offs.

## **9. Transactions with associated entities**

In the reporting period, the Parent Company - Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. made transaction with associated entities which were of typical character resulting from the operations of PEPEES S.A. and subsidiaries. The transactions were made on market terms.

The operation of PEPEES Capital Group is based on specialized entities providing complementary services. Cooperation between the capital Group companies is intended to increase the level of utilization of resources at the disposal of the companies and to limit the operational risk.

The risk allocation and division of functions among the Group companies allows the operating costs to be reduced and the financial resources to be utilized effectively. Financial guarantees among the associated entities allows a quicker performance of contracts which can contribute to the more effective management of entities forming the PEPEES Capital Group.

## **10. Information on guarantees**

In the reporting period and until this report was made the companies of PEPEES capital Group did not give significant guarantees.

As of 31.03.2020, the total value of guarantees given by PEPEES Company to entities of PEPEES Capital Group is PLN 32.2 million.

## **11. Other information which in the opinion of Capital Group is important for assessment of its human resources, property, financial situation, financial result, and information pertinent to the assessment of the Group's capability of fulfilling its obligations**

In the first quarter of 2020, there were no events other than those described in this report, which could be important for assessment of its human resources, property, financial situation, financial result, and could be pertinent to the assessment of the PEPEES Capital Group's capability of fulfilling its obligations.



**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for 3 months ended on 31 March 2020 (values in PLN*  
*thousands)*

**12. Factors which in the Issuer's and Group's opinion will affect their results at least in the next quarter**

In the Issuer's opinion, the factors which will affect the results in the nearest future include:

- 1) coronavirus pandemic;
- 2) sales volume and margins;
- 3) currency exchange rates;
- 4) weather.

In the next quarter of 2020, PEPEES Capital Group will perform the executed contracts and continue its basic operations, including production, trade and services.

**13. Approval of consolidated quarterly report**

This Consolidated Quarterly Report of PEPEES Capital Group for the first quarter of 2020 ended on 31 March was approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES” Spółka Akcyjna in Łomża.

**SIGNATURES OF THE PARENT COMPANY MANAGEMENT BOARD**

**President of Management Board -**  
**Wojciech Faszczeński**

**Member of Management Board - Tomasz**  
**Krzysztof Rogala**

**SIGNATURE OF THE PERSON WHO MADE THE REPORT**

**Chief Accountant - Wiesława Zaluska**