



**CONSOLIDATED  
QUARTERLY REPORT OF  
PEPEES CAPITAL GROUP**

**for the first quarter ended 31 march 2021**

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
for the period of 3 months ended 31 March 2021 (data in  
PLN thousand)

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## **INTRODUCTION**

### **1. The Consolidated Quarterly Report of PEPEES Capital Group for the first quarter ended 31 March 2021 includes:**

- A. Selected financial results of PEPEES Capital Group.
- B. Interim condensed consolidated financial statements of PEPEES Capital Group for the period of 3 months ended 31 March 2021.
- C. Interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” Spółka Akcyjna in Łomża for the period of 3 months ended 31 March 2021 .
- D. Additional information.
- E. Management Board's Statement on the consistency and reliability of the preparation of the interim condensed consolidated financial statements of the PEPEES Capital Group and the interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża.

### **2. The period covered by the report and comparable data:**

Interim condensed consolidated financial statements

- The interim condensed consolidated financial statements of PEPEES Capital Group covers the following periods: 3 months ended 31 March 2021 and 3 months ended 31 March 2020.
- For the data presented in the interim condensed consolidated statement of financial position , comparable financial data were presented as at 31 December 2020 and as at 31 March 2020.
- For the data presented in the interim condensed consolidated statement of profit or loss and other comprehensive income, comparable financial data are presented for the period from 1 January 2020 to 31 March 2020.
- For the data presented in the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement, comparable financial data were presented for the period from 1 January 2020 to 31 March 2020 .

The interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” Spółka Akcyjna in Łomża

- The interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” Spółka Akcyjna in Łomża covers the following period: 3 months ended 31 March 2021 and 3 months ended 31 March 2020 .
- For the data presented in the interim condensed statement of financial position , comparable financial data were presented as at 31 December2020 and as at 31 March 2020.
- For the data presented in the interim condensed statement of profit or loss and other comprehensive income, comparable financial data are presented for the period from 1 January 2020 to 31 March 2020.
- For the data presented in the interim condensedstatement of changes in equity and the interim condensed cash flow statement, comparable financial data were presented for the period from 1 January 2020 to 31 March 2020 .

### **3. Explanation of terms used in the organization of PEPEESCapital Group**

As at31 March 2021 PEPEES Capital Group included the following companies:

- Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna with registered office in Łomża  
- Parent Company;
- Zakłady Przemysłu Ziemniaczanego „LUBLIN” Spółka z ograniczoną odpowiedzialnością with registered office in Lublin- a subsidiary;
- Pepees Inwestycje Spółka z ograniczoną odpowiedzialnością with registered office in Łomża - a subsidiary;
- Przedsiębiorstwo Przemysłu Ziemniaczanego „BRONISŁAW” Spółka Akcyjna with registered office in Bronisław - a subsidiary ;
- Gospodarstwo Rolne Ponary Spółka z ograniczoną odpowiedzialnością with registered office in Łomża  
- a subsidiary;

## A. SELECTED FINANCIAL DATA OF PEPEES CAPITAL GROUP

The PEPEES Capital Group's selected financial data for the period of 3 months ended 31 March 2021 and 2020 are as follows:

No.	SELECTED FINANCIAL DATA Year	IN PLN THOUSAND		IN EUR EUR	
		2021	2020	2021	2020
I	Total revenues from sales for Q1	46 369	56 917	10 142	12 947
II	Net profit or loss attributable to shareholders of the Parent Company for Q1	1 982	3 538	433	805
III	Net cash flows on operating activity for Q1	27 012	25 757	5 908	5 859
IV	Net cash flows on investment activity for Q1	2 575	(2 666)	563	(606)
V.	Net cash flows on financial activity for Q1	(30 853)	(37 376)	(6 748)	(8 502)
VI	Total net cash flows for Q1	(1 266)	(14 285)	(277)	(3 249)
VII	Total assets as at 31.03.2021 and 31.12.2020.	318 692	364 838	68 384	79 058
VIII	Equity attributable to shareholders of the Parent Company as at 31.03.2021 and 31.12.2020	175 608	173 769	37 682	37 655
IX	Earnings (loss) per one ordinary share for Q1 in PLN/EUR	0.02	0.04	0.00	0.01
X	PLN/EUR	1.85	1.83	0.40	0.40

Data presented in lines: VII, VIII and X, in columns "2021" and "2020" are as of 31 March 2021 and 31 December 2020.

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

- selected items of statement of the financial condition as of 31.12.2020 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.6603,
- selected items of statement of the financial condition as of 31.12.2020 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.6148,
- selected items of the statement of comprehensive income and cash flow statement for the period from 1 January 2021 to 31 March 2021 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of the 1st quarter 2021 and amounts to EUR 1 = PLN 4.5721,
- selected items of the statement of comprehensive income and cash flow statement for the period from 1 January 2020 to 31 March 2020 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of the 1st quarter 2020 and amounts to EUR 1 = PLN 4.3963,

Earnings (loss) per share for the three months ended 31 March 2021 and 2020 are summarized below:

Specification	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
Net profit (loss) attributable to PEPEES Shareholders	1 982	3 538
Weighted average number of shares	95 000 000	95 000 000
Basic net profit (loss) per share (in PLN per one share)	0.02	0.04
Net profit (loss) attributable to PEPEES shareholders, as used for determination of diluted profit per share	1 982	3 538
Weighted average number of ordinary shares for purpose of diluted profit per share	95 000 000	95 000 000
Diluted net profit (loss) per share (in PLN per one share)	0.02	0.04
Net annualized profit attributable to PEPEES Shareholders	4 757	18 396
Weighted average number of shares	95 000 000	95 000 000
Annualized net profit per share (in PLN per share)	0.05	0.19

**B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
PEPEES CAPITAL GROUP FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH  
2021**

presented below, including:

1. Interim condensed consolidated statement of financial position
2. Interim condensed consolidated statement of profit and loss and other comprehensive income.
3. Interim condensed consolidated statement of changes in equity.
4. Interim condensed consolidated cash flow statement
5. Additional explanatory notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

No.	ASSETS	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
<b>A.</b>	<b>(Long-term) fixed assets</b>	<b>179 266</b>	<b>181 307</b>	<b>197 659</b>
1	Plant, property and equipment	158 843	158 843	177 232
2	Intangible assets	198	499	220
3	Rights to assets	11 421	11 431	11 039
4	Investment properties	581	583	591
5	Goodwill	1 320	3 095	3 140
6	Investments in other entities	625	625	625
7	Deferred income tax assets	6 278	6 231	4 812
<b>B.</b>	<b>(Short-term) current assets</b>	<b>139 426</b>	<b>183 531</b>	<b>137 303</b>
<b>I.</b>	<b>Current assets other than assets classified as held for sale</b>	<b>139 426</b>	<b>165 284</b>	<b>137 303</b>
1	Stock	85 624	110 198	67 595
2	Biological assets	443	338	456
3	Trade receivables and other short-term receivables	27 490	27 872	34 164
4	Current income tax receivables	1 245	1 245	-
5	Other financial assets	7 540	7 281	6 560
6	Cash and cash equivalents	17 084	18 350	28 528
<b>II.</b>	<b>Assets held for sale</b>	<b>-</b>	<b>18 247</b>	<b>-</b>
	<b>Total assets</b>	<b>318 692</b>	<b>364 838</b>	<b>334 962</b>

No.	LIABILITIES	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
<b>A.</b>	<b>Equity</b>	<b>179 455</b>	<b>175 422</b>	<b>184 473</b>
<b>I</b>	<b>Capital attributable to the Company's shareholders</b>	<b>175 608</b>	<b>173 769</b>	<b>182 525</b>
1	Share capital	5 700	5 700	5 700
2	Share premium	7 562	7 562	7 562
3	Revaluation capital	31 014	31 014	31 057
4	Retained earnings	131 332	129 493	138 206
<b>II</b>	<b>Non-controlling shares</b>	<b>3 847</b>	<b>1 653</b>	<b>1 948</b>
<b>B.</b>	<b>Liabilities</b>	<b>139 237</b>	<b>189 416</b>	<b>150 489</b>
<b>I.</b>	<b>Long term liabilities</b>	<b>39 055</b>	<b>39 373</b>	<b>52 576</b>
1	Credits and loans	10 292	11 134	24 096
2	Liabilities due in relation to assets under lease	16 769	16 062	13 860
3	Deferred income tax provision	6 506	6 662	6 364
4	Liabilities related to retirement benefits and similar ones	3 318	3 317	2 782
5	Subsidies	2 170	2 198	5 474
<b>II.</b>	<b>Short-term liabilities</b>	<b>100 182</b>	<b>150 043</b>	<b>97 913</b>
<b>II a</b>	<b>Short-term liabilities other than those related to assets held for sale</b>	<b>100 182</b>	<b>132 561</b>	<b>97 913</b>
1	Trade and other short-term liabilities	19 723	23 990	22 373
2	Current income tax liabilities	43	76	2 127
3	Credits and loans	75 831	104 514	69 529
4	Liabilities due in relation to assets under lease	4 220	3 616	3 470
5	Liabilities related to retirement benefits and similar ones	365	365	414
<b>II b</b>	<b>Liabilities related to assets held for sale</b>	<b>-</b>	<b>17 482</b>	<b>-</b>
	<b>Total liabilities</b>	<b>318 692</b>	<b>364 838</b>	<b>334 962</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME**

No.	Specification	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
<b>I</b>	<b>Revenues from sales</b>	46 369	56 917
<b>II</b>	<b>Own cost of sales</b>	(38 593)	(41 306)
<b>III</b>	<b>Gross profit from sales (I-II)</b>	7 776	15 611
1	Costs of sales and marketing	(2 763)	(2 444)
2	Overheads	(7 874)	(7 847)
3	Other operating revenue	168	200
4	Other operating cost	(244)	(185)
<b>IV</b>	<b>Profit (loss) on operating activities</b>	<b>(2 937)</b>	<b>5 335</b>
1	Financial costs	(5 279)	(1 158)
2	Financial revenue	4 800	790
3	Profit (loss) on disposal of a subsidiary	5 087	-
<b>V.</b>	<b>Profit (loss) before tax</b>	<b>1 671</b>	<b>4 967</b>
	Income tax	139	(1 243)
<b>VI</b>	<b>Net profit (loss) on continued operations</b>	<b>1 810</b>	<b>3 724</b>
	<b>Net profit (loss) on discontinued operations</b>	-	-
	<b>Net profit (loss), including:</b>	<b>1 810</b>	<b>3 724</b>
	- allocated to shareholders of the parent entity	1 982	3 538
	- allocated to non-controlling interests	(172)	186
<b>VII</b>	<b>Other comprehensive income</b>	-	-
<b>VIII</b>	<b>Total comprehensive income, including</b>	<b>1 810</b>	<b>3 724</b>
	- allocated to shareholders of the parent entity	1 982	3 538
	- allocated to non-controlling interests	(172)	186
<b>IX</b>	<b>Net profit (loss) per 1 ordinary share</b>	<b>0.02</b>	<b>0.04</b>
	- on continued operations	0.02	0.04
	- on discontinued operations	0.00	0.00
<b>IX</b>	<b>Diluted profit (loss) per 1 ordinary share</b>	<b>0.02</b>	<b>0.04</b>
	- on continued operations	0.02	0.04
	- on discontinued operations	0.00	0.00

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## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Share premium	Own shares	Revaluation capital	Retained earnings	Total equity attributable to shareholders of the Parent Company	Non-controlling shares	Total equity
As at 1 January 2020	5 700	7 562	-	31 057	134 454	178 773	1 768	180 541
<b>Changes in Q1 2020</b>	-	-	-	-	3 752	3 752	180	3 932
Net profit	-	-	-	-	3 538	3 538	180	3 718
<b>Comprehensive income</b>	-	-	-	-	3 538	3 538	180	3 718
Other consolidation adjustments	-	-	-	-	214	214	-	214
<b>As at 31 March 2020</b>	<b>5 700</b>	<b>7 562</b>	<b>-</b>	<b>31 057</b>	<b>138 206</b>	<b>182 525</b>	<b>1 948</b>	<b>184 473</b>
As at 1 January 2020	5 700	7 562	-	31 057	134 454	178 773	1 768	180 541
<b>Changes for the period from 01.01.2020 to 31.12.2020.</b>	-	-	-	(43)	(4 961)	(5 004)	(115)	(5 119)
Net profit	-	-	-	-	6 313	6 313	(107)	6 206
Other comprehensive income	-	-	-	(43)	-	(43)	-	(43)
<b>Comprehensive income</b>	-	-	-	(43)	6 313	6 270	(107)	6 163
Dividend	-	-	-	-	(11 400)	(11 400)	-	(11 400)
Other consolidation adjustments	-	-	-	-	126	126	(8)	118
<b>As at 31 December 2020</b>	<b>5 700</b>	<b>7 562</b>	<b>-</b>	<b>31 014</b>	<b>129 493</b>	<b>173 769</b>	<b>1 653</b>	<b>175 422</b>
As at 1 January 2021	5 700	7 562	-	31 014	129 493	173 769	1 653	175 422
<b>Changes in Q1 2021</b>	-	-	-	-	1 839	1 839	2 194	4 033
Net profit	-	-	-	-	1 982	1 982	2 194	4 176
<b>Comprehensive income</b>	-	-	-	-	1 982	1 982	2 194	4 176
Other consolidation adjustments	-	-	-	-	(143)	(143)	-	(143)
<b>As at 31 March 2021</b>	<b>5 700</b>	<b>7 562</b>	<b>-</b>	<b>31 014</b>	<b>131 332</b>	<b>175 608</b>	<b>3 847</b>	<b>179 455</b>

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## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Indirect method	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
<b>A. Cash flows on operating activity</b>		
<b>I. Profit (loss) before tax</b>	<b>1 671</b>	<b>4 967</b>
<b>II. Total adjustments</b>	<b>25 341</b>	<b>20 790</b>
1. Depreciation	3 378	3 631
2. (Profit) loss from exchange differences	43	(126)
3. Interests and share in profit (dividends)	398	887
4. (Profit) loss on investment activities	(5 123)	-
5. Change of amount of provisions	78	(846)
6. Change of volume of stock	24 574	18 298
7. Change of volume of biological assets	(105)	(134)
8. Change of volume of receivables	623	(1 486)
9. Change of volume of short-term liabilities save for loans and credits	(2 270)	6 287
10. Change of volume of prepayments	(77)	(3 986)
11. Paid income tax	(81)	(1 590)
12. Change of volume of subsidies	(25)	(158)
13. Change of amount of interests accrued on loans and commissions	250	-
14. Change of amount of other financial assets	1 109	-
15. Change in the amount of rights to assets	214	-
16. Depreciation of CO2 rights	2 291	-
17. Other adjustments	64	13
<b>III. Net cash flows on operating activity (I+/-II)</b>	<b>27 012</b>	<b>25 757</b>
<b>B. Cash flows on investing activity</b>		
<b>I. Receipts</b>	<b>7 315</b>	<b>3</b>
1. Disposal of intangible assets and property, plant and equipment	49	-
2. Repayment of loans	5 863	3
<b>II. Expenses</b>	<b>4 740</b>	<b>2 669</b>
1. Acquisition of intangible assets and property, plant and equipment	2 445	2 027
2. Acquisition of shares	-	12
3. Purchase of property rights	1 995	630
4. Granted loans	300	-
<b>III. Net cash flows from investing activity (I-II)</b>	<b>2 575</b>	<b>(2 666)</b>
<b>C. Cash flows on financial activity</b>		
<b>I. Receipts</b>	<b>7 078</b>	<b>1 155</b>
1. Credits and loans	6 796	907
2. Subsidies	282	248
<b>II. Expenses</b>	<b>37 931</b>	<b>38 531</b>
1. Repayment of credits and loans	36 208	36 778
2. Interests on credits and loans	459	890
3. Payments under lease agreements	1 264	863
<b>III. Net cash flows on financial activity (I-II)</b>	<b>(30 853)</b>	<b>(37 376)</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>(1 266)</b>	<b>(14 285)</b>
<b>E. Cash at the beginning of the period</b>	<b>18 350</b>	<b>42 111</b>
<b>F. Cash at the end of the period (E+/- D)</b>	<b>17 084</b>	<b>27 826</b>
<i>including of restricted use</i>	<i>1 500</i>	<i>-</i>

## ADDITIONAL EXPLANATORY NOTES

### 1. General information on the Parent Company

<b>Full name:</b>	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A.
<b>Address of registered office:</b>	18-402 Łomża, ul. Poznańska 121
<b>Identifier</b>	:REGON: 450096365
<b>NIP (tax identification number)</b>	:718-10-05-512
<b>Registration body</b>	: District Court in Białystok, 12th Economic Division of the National Court Register
<b>Number in the register:</b>	000038455
<b>Legal form</b>	: Joint Stock Company
<b>Organisational form:</b>	Company consisting of one plant
<b>Main subject of the activity according to the divisions of the Polish Classification of Activity:</b>	1062Z production of starch and starch products
<b>Industry:</b>	food
<b>Duration:</b>	indefinite

#### **Members of the Management Board as of 31 March 2021:**

Wojciech Faszczewski	President of the Management Board
Tomasz Rogala	Member of the Management Board.

#### **Members of the Supervisory Board as of 31 March 2021:**

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

#### **Members of the Audit Committee as at 31 December 2021:**

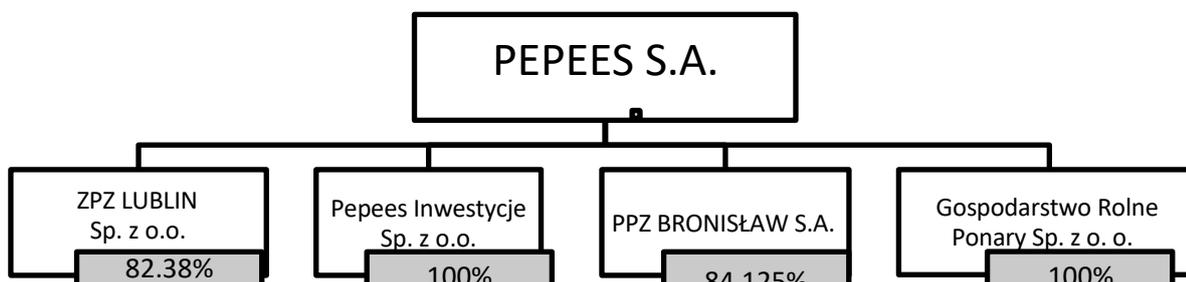
Maciej Kaliński	Chairperson of the Audit Committee
Krzysztof Stankowski	Deputy Chairperson of the Audit Committee
Piotr Marian Taracha	Member of the Audit Committee
Robert Malinowski	Member of the Audit Committee
Tomasz Nowakowski	Member of the Audit Committee.

## 2. Information on reporting periods

The presented interim consolidated financial statements cover the period from 1 January 2021 to 31 March 2021 while comparable financial data and explanatory notes cover the period from 1 January 2020 to 31 March 2020 and additionally as at 31 December 2020 in case of the statement of financial position and statement of changes in equity.

## 3. Structure of PEPEES Capital Group

### 3.1. Structure of PEPEES Capital Group as at 31 March 2021



### 3.2. General information on related parties in PEPEES Capital Group

In the Consolidated Quarterly Report of PEPEES Capital Group for the first quarter ended 31 March 2021, apart from Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. the following related parties were consolidated:

Name	Registered office Court	Object of activity	Registration	Issuer's share in capital (%)	Share in the total number of votes (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes, processing of fruit and vegetables	District Court in Lublin, 11th Commercial Division of the National Court Register	82.38	82.38
Pepees Inwestycje Sp. z o.o.	Łomża	Purchase and sales of real properties on own account	District Court in Białystok 12th Commercial Division of the National Court Register	100	100
PPZ BRONISŁAW S.A.	Bronisław	Production of starch and starch products	District Court in Bydgoszcz 13th Commercial Division of the National Court Register	84.125	84.125
Gospodarstwo Rolne Ponary Sp. z o. o.	Łomża	Agriculture combined with animal husbandry	District Court in Białystok 12th Commercial Division	100	100

All subsidiaries were subject to consolidation by means of the full method.

In the reporting period there was a change in the structure of the Issuer's Capital Group - as at 31.03.2021 CHP Energia is no longer a related entity On 18.03.2021 PEPEES sold all its shares in CHP Energia. The shares were purchased by ORLEN Południe S.A., a subsidiary of PKN ORLENS.A.

The assets and liabilities of CHP Energia Sp. z o.o. have been presented as held for sale in the consolidated financial statements prepared as at 31.12.2020 in accordance with IFRS 5 .

### 3.3. Key financial information concerning related parties as of 31 March 2021

Specification	PPZ BRONISŁAW S.A.	ZPZ LUBLIN Sp. z o.o.	Gospodarstwo Rolne Ponary Sp. z o.o.	PEPEES Inwestycje Sp. z o.o.
Current assets as of 31.03.2021	26 433	10 673	275	90
Fixed assets as of 31.03.2021	41 290	6 278	21 311	-
Short-term liabilities as at 31.03.2021	33 163	9 104	553	9
Long-term liabilities as at 31.03.2021	16 464	2 317	7 258	-
Revenues from sales	10 630	4 698	-	-
Financial result on continued activities	(1 387)	271	27	(1)
Net financial result on discontinued activities	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	(1 387)	271	27	(1)

### 3.4. Grounds underlying of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were prepared in compliance with the International Financial Reporting Standards ("IFRS"), and in particular in accordance with the International Accounting Standard No. 34 and the IFRS approved by the EU.

The currency of these interim condensed consolidated financial statements is zloty (PLN), and all figures are presented in thousands of zlotys (PLN '000), unless stated otherwise.

These interim condensed consolidated financial statements were prepared with the going concern assumption in respect to the Group's business activity in foreseeable future. As at the approval date of these interim condensed consolidated financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not detect any circumstances that could point out to the threat for the Group's continued operations.

The interim condensed consolidated financial statements do not include all the information required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the fiscal year ended 31 December 2020.

### 4. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved for publication by the Parent Company's Management Board on 17 May 2021.

### 5. Significant accounting principles (policy)

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020. The Group has not opted for early application of any standard, interpretation or amendment that has been published but has not yet become effective under the legal provisions of the European Union.

**6. Non-recurring items with a significant effect on assets, liabilities, capital, financial result and cash flows**

The item "Profit on disposal of a subsidiary" in the amount of PLN 5,087 thousand, which has a significant impact on the consolidated financial result of the Capital Group, was recognised in these statements (details in Note 25).

In addition, it should be noted that the ongoing pandemic continues to have a negative impact on sales volumes and margins.

**7. Amendments of applied accounting principles, correction of errors and presentation**

In the reporting period the Group did not change the accounting principles and did not correct any errors of previous years.

**8. Explanations concerning seasonality or cyclicity of operations**

The Group operates in the "potato processing" sector. Potatoes are purchased and processed in the autumn during 3 months, while the sale of manufactured products lasts all year round.

**9. Estimations**

In the reporting period, the Group did not perform any impairment tests on fixed assets as there were no indications of impairment of their value.

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

Provisions for retirement benefits and anniversary awards were created based on actuarial calculations as at 31.12.2020.

Revaluation of provisions for unused holidays was made on the basis of expected salaries of employees together with mark-ups charged to the employer for holidays unused as at 31.03.2021.

The Group recognizes deferred income tax assets with an assumption that the tax profit will be generated in the future, from which the assets could be used.

Every year the Group verifies adopted useful lives of fixed assets and intangible assets. The last updating took place as at 31.12.2020.

**10. Acquisition and sale of property, plant and equipment**

During the first quarter of 2021, the Group purchased fixed assets for PLN 2,445 thousand. The purchases related mainly to modernization of production machinery and equipment.

There were no sales of fixed assets during the reporting period.

**11. Material commitments made for the purchase of fixed assets**

During the first quarter of 2021, no loan agreements were entered into for the purchase of fixed assets.

## 12. Stock

Stock	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
a) materials	3 670	3 875	5 377
b) semi-finished products and work in progress	904	799	599
c) ready products	75 099	100 068	51 853
d) goods	6 104	5 760	10 009
<b>Gross value of stock</b>	<b>85 777</b>	<b>110 502</b>	<b>67 838</b>
Revaluation write-offs	(153)	(304)	(243)
<b>Net value of stock</b>	<b>85 624</b>	<b>110 198</b>	<b>67 595</b>

Value of stock recognized as cost in the reporting period amounted to PLN 37,294 thousand (Q1 of 2020 – PLN 39,747 thousand).

## 13. Biological assets

Plant assets	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
Biological assets	443	338	456
<b>Total</b>	<b>443</b>	<b>338</b>	<b>456</b>

Since March 2014 "PEPEES" S.A. has leased an agricultural farm and since March 2018 - additional land and seeds of annual plants were planted there. PEPEES Costs related to seed acquisition and cultivation in Q1 2021 amount to PLN 1,379 thousand, while revenues from farming activities amount to PLN 290 thousand Biological assets were presented in the statement at fair value.

## 14. Trade receivables

TRADE RECEIVABLES (GROSS) - WITH TIME REMAINING PERIOD OF PAYMENT AFTER THE BALANCE SHEET	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
a) up to 1 month	7 774	10 042	13 103
b) above 1 month and up to 3 months	6 323	3 037	8 941
c) above 3 months and up to 6 months	1 750	-	3 319
d) above 6 months up to 1 year	84	136	-
e) above 1 year	-	-	-
f) past due receivables	5 828	6 607	3 681
Total (gross) trade receivables	21 759	19 822	29 044
- revaluation write-offs of trade receivables	(706)	(661)	(1 503)
<b>Total (net) trade receivables</b>	<b>21 053</b>	<b>19 161</b>	<b>27 541</b>

Past due receivables, in case of which revaluation write-offs have not been made, are receivables from debtors, with which the Group has cooperated for many years and according to an assessment of their economic and financial condition such receivables do not constitute bad debts. They are past due from a few days to 3 months. There are no receivables overdue more than 180 days, not covered by a revaluation write-off.

## 15. Trade liabilities

Liabilities	As at 31 March 2020	As at 31 December 2019	As at 31 March 2019
- trade liabilities with maturity date:	12 791	14 609	13 764
- up to 12 months	12 791	14 609	13 764
- overdue more than 180 days	-	-	-

## 16. Settlements resulting from litigations

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

- for the annulment or declaration of invalidity of two resolutions on the appointment of the Supervisory Board members, adopted on 11 May 2018 by the General Meeting of Shareholders, and for the annulment of the resolution on the distribution of profit for 2017. With judgment of 26.10.2018, the Regional Court annulled the resolutions on the appointment of two members of the Supervisory Board and dismissed the claim in the remaining scope. Appeals against the judgment were filed by both parties. The Court of Appeal in Białystok dismissed both appeals. EPSILON filed a cassation appeal, which the Supreme Court accepted for examination on 21.11.2020,
- for the annulment or declaration of invalidity of resolutions no. 24-29 adopted on 28.06.2019 by the Ordinary Annual General Meeting, including resolution no 28 on amendments to the Articles of Association and authorisation of the Company's Management Board to raise the share capital of the Company within the scope of the authorised capital and with the possibility to exclude the pre-emptive right of the current shareholders of the Company in whole or in part upon consent of the Company's Supervisory Board. The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for determination of the loss of voting rights have been concluded in a legally binding manner,
- for annulment or declaration of invalidity of two resolutions on acknowledgment of fulfilment of obligation adopted on 21.04.2020 by the General Meeting of Shareholders. The litigation is pending before the Court of First Instance. The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for determination of the loss of voting rights have been concluded in a legally binding manner.

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

There are several litigations pending against the Group's debtors for trade settlements. All receivables in litigation were 100% written down.

## 17. Outstanding loans and advance payments

As at the balance sheet date, there are bank loans listed in the following tables, which are repaid according to their maturity dates. Loans between the Group companies have been excluded from the consolidated financial statements.

### Long-term and short-term liabilities

No.	Type of a credit	Borrower	Credit amount according to an	Currency	Outstanding credit/loan amount	Currency	Interest rate	Repayment date
1	Investment credit for construction of starch drying facility, unloading hub and water treatment station	"PEPEES" S.A.	9 822	PLN	1 269	PLN	Interest rate 3-M WIBOR for deposits plus the Bank's margin	25.02.2022
2	Investment loan to finance and refinance the purchase of 100% shares in Gospodarstwo Rolne Ponary	"PEPEES" S.A.	10 530	PLN	6 393	PLN	1-M WIBOR interest rate for deposits plus the Bank's margin	30.06.2025
3	Investment credit to finance / refinance the purchase of real estate by PPZ Bronisław	PPZ Bronisław	800	PLN	108	PLN	Interest rate 3-M WIBOR for deposits plus the Bank's margin	30.11.2021
4	Investment loan for modernization of a starch drying facility and construction of a protein recovery installation	PPZ Bronisław	8 456	PLN	6 342	PLN	Interest rate 3m WIBOR deposits plus the Bank's margin	31.12.2027
5	Credit on the current account	"PEPEES" S.A.	4 000	PLN	562	PLN	WIBOR+the bank's margin	31.08.2021
6	Revolving credit	"PEPEES" S.A.	14 500	PLN	10 875	PLN	WIBOR+the bank's margin	31.08.2021
7	Working capital credit	"PEPEES" S.A.	17 000	PLN	10 625	PLN	1-month WIBOR+the bank's	31.08.2021
8	Credit on the current account	"PEPEES" S.A.	4 000	PLN	2 558	PLN	WIBOR+the bank's margin	31.08.2021
9	Revolving credit	"PEPEES" S.A.	14 500	PLN	9 063	PLN	WIBOR+the bank's margin	31.08.2021
10	Working capital credit for potato purchase	"PEPEES" S.A.	17 000	PLN	10 625	PLN	WIBOR+the bank's margin	31.08.2021
11	Credit on the current account	ZPZ "LUBLIN"	1 500	PLN	0	PLN	WIBOR+the bank's margin	31.08.2021
12	Revolving credit	ZPZ "LUBLIN"	4 000	PLN	3 000	PLN	WIBOR+the bank's margin	31.08.2021
13	Working capital credit	ZPZ "LUBLIN"	2 000	PLN	1 250	PLN	WIBOR+the bank's margin	31.08.2021
14	Credit on the current account	ZPZ "LUBLIN"	1 500	PLN	0	PLN	WIBOR+the bank's margin	31.08.2021
15	Revolving credit	ZPZ "LUBLIN"	4 000	PLN	2 272	PLN	WIBOR+the bank's margin	31.08.2021
16	Working capital credit for potato purchase	ZPZ "LUBLIN"	2 000	PLN	1 250	PLN	WIBOR+the bank's margin	31.08.2021
17	Credit on the current account	PPZ "BRONISŁAW	700	PLN	0	PLN	WIBOR+the bank's margin	31.08.2021
18	Revolving credit	PPZ „BRONISŁAW	6 300	PLN	4 725	PLN	WIBOR+the bank's margin	31.08.2021

No.	Type of a credit	Borrower	Credit amount according to an	Currency	Outstanding credit/ loan amount	Currency	Interest rate	Repayment date
19	Working capital credit	PPZ Bronisław	8 500	PLN	5 312	PLN	WIBOR+the bank's margin	31.08.2021
20	Credit on the current account	PPZ "BRONISŁAW	700	PLN	646	PLN	WIBOR+the bank's margin	31.08.2021
21	Revolving credit	PPZ „BRONISŁAW	6 300	PLN	3 937	PLN	WIBOR+the bank's margin	31.08.2021
22	Working capital credit for potato purchase	PPZ "BRONISŁAW	8 500	PLN	5 311	PLN	WIBOR+the bank's margin	31.08.2021
<b>TOTAL</b>			<b>146 608</b>	<b>PLN</b>	<b>86 123</b>	<b>PLN</b>		
				<i>long-term</i>	<b>10 292</b>	<b>PLN</b>		
				<i>short-term</i>	<b>75 831</b>	<b>PLN</b>		

In the reporting period no provisions of credit agreements were breached. All loans are repaid in accordance with the schedules specified in the agreements.

## 18. Transactions with related entities

### 18.1 Issuer's transactions with related entities

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

Types of revenues	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
Revenues from sales of products to subsidiaries	159	
Revenues from sales of goods and materials to subsidiaries	-	
Revenues from sale of services	83	
<b>Total revenues from related entities</b>	<b>242</b>	

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

#### b) Purchases of goods and services

Types of purchases	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
Purchases of products from subsidiaries	1 717	
Purchase of goods from subsidiaries	-	
Purchases of services from subsidiaries	19	
Purchases of fixed assets from subsidiaries	-	
<b>Total purchases from related entities</b>	<b>1 736</b>	

c) **Other transactions**

Specification	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
Interests on granted loans	7	61
Fees on granted sureties	31	60
Fees on received sureties	39	39
<b>Total</b>	<b>77</b>	<b>160</b>

d) **Balances of settlements as at the balance sheet date that were generated in result of sale/purchase of goods/services**

Settlements with subsidiaries	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
ZPZ LUBLIN Sp. z o.o.	-	-	-
Receivables - PPZ Bronisław S.A.	2 826	2 659	203
Receivables - CHP Energia (as at 31.12.2020 presented as assets held for sale, while as at 31.03.2021 the settlements were omitted in the statement because the company is no longer a subsidiary)	-	1 161	1 069
Receivables - CHP Energia (as at 31.12.2020 presented as assets held for sale, while as at 31.03.2021 the settlements were omitted in the statement because the company is no longer a subsidiary)	-	1 044	485
Receivables - GR PONARY Sp. z o.o.	1	1	1
Receivables – PEPEES Inwestycje Sp. z o.o.	9	8	6
Liabilities – ZPZ Lublin Sp. z o.o.	141	181	96
Liabilities - PPZ BRONISŁAW S.A.	41	6	
Liabilities - GR PONARY	13	13	
Liabilities - CHP Energia (as at 31.12.2020 presented as assets held for sale, while as at 31.03.2021 the settlements were omitted in the statement because the company is no longer a subsidiary)	-	1	
<b>Balance of settlements with related parties</b>	<b>2 641</b>	<b>4 672</b>	<b>1 668</b>

e) **Balance of settlements on loans**

Loans granted to subsidiaries	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
PPZ BRONISŁAW S.A.	1 100	-	-
ZPZ „LUBLIN” Sp. z o.o.	-	-	1 500
CHP Energia Sp. z o.o. (at 31.12.2020 presented as assets held for sale, while at 31.03.2021 loans have been omitted from the statement, because the company is no longer a subsidiary)	-	4 932	4 825
GR PONARY Sp. z o.o.	550	550	555
Pepees Inwestycje Sp. z o.o.	-	145	-
<b>Granted loans</b>	<b>1 650</b>	<b>5 627</b>	<b>6 880</b>
Write-offs on loans granted to CHP	-	(12)	(2 268)
<b>Loans in the statement of the financial condition</b>	<b>1 650</b>	<b>5 615</b>	<b>4 612</b>

## 18.2 Issuer's Transactions with Shareholders

During the reported period the Parent Company did not conduct any transactions with its shareholders.

## 18.3 The Issuer's transactions with the key members of the management and supervisory bodies

### a) Benefits for key managers (Management Board Members) and Supervisory Board Members

Specification	For the period of 3 months ended 31 March 2021	For the period of 12 months ended 31 December 2020	For the period of 3 months ended 31 March 2020
Short-term employee benefits	481	2 283	539
Benefits after the period of employment			
Benefits related to termination of an employment relationship			
Payments in form of shares			
<b>Total</b>	<b>481</b>	<b>2 283</b>	<b>539</b>

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

During the reporting period, the Company did not enter into any transactions with members of its key personnel or their close family members.

## 19. Changes in estimates

### a) Revaluation write-offs of receivables

CHANGE OF THE STATE OF REVALUATION WRITE-OFFS OF SHORT-TERM RECEIVABLES	For the period of 3 months ended 31 March 2021	For the period of 12 months ended 31 December 2020	For the period of 3 months ended 31 March 2020
State as at the beginning of the period	797	2 028	2 028
<b>a) increase (due to)</b>	<b>100</b>	<b>318</b>	<b>318</b>
- establishment for bad debts related to supplies	100	318	
- establishment for due interests	-	-	
- establishment for receivables claimed in litigation	-	-	
<b>b) decrease (due to)</b>	<b>58</b>	<b>1 549</b>	<b>1 549</b>
- dissolution of provisions due to payment	58	130	
- utilisation due to cancellation and sale of receivables	-	551	
- release of allowance for CHP Energia receivables as a result of revaluation to value to be recovered - assets classified as held for sale	-	868	
- cancellation	-	-	
<b>State of write-offs as at the end of the period, including:</b>	<b>839</b>	<b>797</b>	<b>1 549</b>

b) **Revaluation write-offs of receivables**

<b>CHANGE IN REVALUATION WRITE-OFFS</b>	<b>For the period of 3 months ended 31 March 2021</b>	<b>For the period of 12 months ended 31 December 2020</b>	<b>For the period of 3 months ended 31 March 2020</b>
<b>State as at the beginning of the period</b>	<b>304</b>	<b>521</b>	
<b>a) increase (due to)</b>		<b>1 109</b>	
- impairment write-offs of materials		1 109	
<b>b) decrease (due to)</b>	<b>151</b>	<b>1 326</b>	
- reversals of write-offs	151	1 326	
<b>Inventory write-downs at the end of the period</b>	<b>153</b>	<b>304</b>	

c) **Liabilities related to retirement benefits and similar ones**

<b>Change in liabilities related to retirement benefits and similar ones (BY TYPE)</b>	<b>For the period of 3 months ended 31 March 2021</b>	<b>For the period of 12 months ended 31 December 2020</b>	<b>For the period of 3 months ended 31 March 2021</b>
<b>a) state as at the beginning of the period</b>	<b>3 682</b>	<b>3 195</b>	
- retirement benefits	729	600	
- anniversary awards	2 953	2 595	
<b>b) increase (due to)</b>		<b>837</b>	
- retirement benefits	-	138	
- anniversary awards	-	699	
<b>c) use (due to)</b>		<b>329</b>	
- retirement benefits	-	9	
- anniversary awards	-	320	
<b>d) dissolution (due to)</b>		<b>21</b>	
- retirement benefits	-	-	
- anniversary awards	-	21	
<b>d) state as at the end of the period</b>	<b>3 682</b>	<b>3 682</b>	
- retirement benefits	729	729	
- anniversary awards	2 953	2 953	

20. **Short-term provisions**

<b>CHANGE OF THE CONDITION OF SHORT-TERM PROVISIONS (BY TYPE)</b>	<b>For the period of 3 months ended 31 March 2021</b>	<b>For the period of 12 months ended 31 December 2020</b>	<b>For the period of 3 months ended 31 March 2020</b>
<b>a) state as at the beginning of the period</b>	<b>3 772</b>	<b>4 319</b>	
- subsidies to plant, property and equipment	98	622	
- provision for benefits performed by counterparties	26	23	
- fee for use of the natural environment	117	83	
- provisions for salaries for holidays	715	702	
- rights to emission of gases	2 283	1 434	
- bonuses for the Management Board and employees	533	1 455	
<b>b) increase (due to)</b>	<b>951</b>	<b>2 510</b>	

<b>CHANGE OF THE CONDITION OF SHORT-TERM PROVISIONS (BY TYPE)</b>	<b>For the period of 3 months ended 31 March 2021</b>	<b>For the period of 12 months ended 31 December 2020</b>	<b>For the period of 3 months ended 31 March 2020</b>
- provision for used rights for CO2 emission	751	1 682	
- fee for use of the natural environment	18	102	
- provisions for salaries for holidays	182	438	
- provision of benefits performed by counterparties	-	26	
- bonuses for the Management Board and employees	-	262	
<b>c) use (due to)</b>	<b>2 673</b>	<b>1 556</b>	
- provision for used rights for CO2 emission	2 079	833	
- fee for use of the natural environment	101	68	
- provisions for salaries for holidays	-	296	
- provision of benefits performed by counterparties	-	23	
- bonuses for the Management Board and employees	493	336	
<b>d) dissolution (due to)</b>		<b>848</b>	
- bonuses for the Management Board and employees		848	
<b>e) Reclassification of liabilities related to assets held for sale</b>		<b>653</b>	
- subsidies to plant, property and equipment		524	
- provisions for salaries for holidays		129	
<b>f) state as at the end of the period</b>	<b>2 050</b>	<b>3 772</b>	
- subsidies to plant, property and equipment	98	98	
- provision for used rights for CO2 emission	955	2 283	
- fee for use of the natural environment	34	117	
- provisions for salaries for holidays	897	715	
- bonuses for the Management Board and employees	40	533	
- provision of benefits performed by counterparties	26	26	

## 21. Deferred income tax

<b>Deferred income tax provision</b>	<b>As at 31 March 2021</b>	<b>As at 31 December 2020</b>	<b>As at 31 March 2020</b>
Difference between the balance sheet value and tax value of plant, property and equipment	5 833	5 925	
Measurement of investments	662	662	
Unrealised foreign exchange differences	4	1	
Due interests that were not received	4	74	24
Other	3	-	
<b>Total deferred income tax provisions</b>	<b>6 506</b>	<b>6 662</b>	

<b>Deferred income tax assets</b>	<b>As at 31 March 2021</b>	<b>As at 31 December 2020</b>	<b>As at 31 March 2020</b>
Unpaid salaries	194	177	
Provision for unused holiday leaves	170	136	
Retirement benefits and anniversary bonuses	700	700	
Unrealised foreign exchange differences	27	36	
Revaluation write-offs of stock	27	139	
Revaluation write-offs of shares	18	886	
Liabilities due in relation to the subject of lease	1 219	1 218	
Consolidation adjustments - retained earnings	(1)	2	
Provision for bonuses for the Management Board and employees	8	102	
Depreciation of CO2 emission rights	182	434	
Valuation of assets	2 389	2 389	
Tax loss	1 333		
Other	12	12	
<b>Total</b>	<b>6 278</b>	<b>6 231</b>	

## 22. Off-balance sheet items

<b>Item</b>	<b>As at 31 March 2021</b>	<b>As at 31 December 2020</b>	<b>As at 31 March 2020</b>
<b>Off-balance sheet assets</b>			
Received guarantees	311	311	
<b>Off-balance liabilities</b>			
Mortgages on the assets of the companies	169 339	169 339	180 9
Pledge on the assets	120 430	120 430	114 4
Surety of a credit	30 918	30 918	32 2
Assignment of receivables under insurance policy	254 630	254 630	255 0
Possible compensations in relation to non-compete clauses	1 563	1 563	
Disputed obligations	-	-	

## 23. Issue, redemption and repayment of non-equity and equity securities

No issue, redemption and repayment of non-equity or equity securities took place in the reporting period.

## 24. Reporting on segments of the business

### 24.1. Information about products and services

Within PEPEES Capital Group 4 industry segments were separated, that is "potato processing", "production of electricity", "agricultural production with animal breeding" and "purchase and sale of real property for own market".

and "purchase and sale of real property for own account". Upon the sale of shares of CHP Energia, which belongs to the segment "electricity production", three segments remained in the Group.

PEPEES Capital Group operates mainly in the segment: "potato processing". In this segment it produces:

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

The other types of activity refer to:

- works and services,
- sale of some goods and materials,
- growing and sale of annual plants.
- purchase and sale of real property for own account.

## 24.2 Segment revenue and segment results

	Revenues		Profit	
	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
potato processing,	46 369	55 054	(2 861)	5 414
Electricity production	-	1 863	-	(94)
<b>Total revenues from sales</b>	<b>46 369</b>	<b>56 917</b>		
Other operating revenue			168	200
Other operating cost			(244)	(185)
Profit (loss) on disposal of a subsidiary			5 087	-
Financial revenue			4 800	790
Financial costs			(5 279)	(1 158)
<b>Profit (loss) before tax</b>			<b>1 671</b>	<b>4 967</b>

## 24.3 Assets and liabilities of the segments

Assets of segments	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
potato processing,	299 062	343 800	302 786
Production of electricity	-	18 247	12 642
Agricultural production together with animal breeding	19 540	2 556	19 437
Purchase and sales of real properties on own account	90	235	97
<b>Total assets of segments</b>	<b>318 692</b>	<b>364 838</b>	<b>334 962</b>

Liabilities of the segments	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
potato processing,	139 234	154 452	132 489
Production of electricity	-	17 482	18 000
Agricultural production together with animal breeding	3	-	-
Purchase and sales of real properties on own account	-	-	-
<b>Total liabilities of the segments</b>	<b>139 237</b>	<b>171 934</b>	<b>150 489</b>

The segment "electricity production" until 2020 gathered all assets and liabilities of CHP Energia, whose shares were sold by the Issuer on 18.03.2021. Thus, as of the balance sheet date 31.03.2021, this segment no longer exists.

All assets and liabilities of Farm Gospodarstwo Rolne Ponary are allocated to the "Agricultural crops combined with animal breeding" segment, all assets and liabilities of Pepees Inwestycje Sp. z o.o. are allocated to the segment of "purchase and sale of real property on own account", while the "Potato processing" segment - gathers all other assets and liabilities disclosed in the consolidated financial statements.

Due to the fact, that in 2021 Ponary and Pepees Inwestycje did not generate any revenues from sales, the segment of "agricultural production with animal breeding" and "purchase and sale of real property on own account" were not separated in revenues and results of the segments. Because of the value of land owned by Ponary, the segment of this activity was separated in these financial statements only for the purpose of presentation of the assets and liabilities.

#### 24.4 Other information on the segments

Segment	Depreciation		Increase in non-current assets	
	For a period of 3 months ended 31 March 2021	For a months ended 31 March 2020	Za okres 3 miesięcy ended 31 March 2021	Za okres 3 miesięcy ended 31 March 2020
Potato processing	3 378	3 266	2 445	2 027
Production of electricity	-	365	-	-
<b>Total continued operations</b>	<b>3 378</b>	<b>3 631</b>	<b>2 445</b>	<b>2 027</b>

#### 24.5 Revenues by products

Name of product	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
Starch	27 103	31 894
Protein	3 519	2 710
Glucose	2 732	2 942
Maltodextrin	4 669	6 149
Starch syrups	1 409	1 510
Dried potatoes (grits, flakes, cubes)	4 482	5 250
Feed and fertilisers	-	49
Electricity	-	1 036
Property rights (electricity and heat)	-	704
Goods and materials	2 257	4 407
Services	198	266
<b>Total</b>	<b>46 369</b>	<b>56 917</b>

## 24.6 Revenues from sales according to the geographical structure

Specification	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
<b>Poland, including</b>	<b>31 386</b>	<b>41 921</b>
Starch	16 609	21 402
Protein	2 445	1 735
Glucose	2 224	2 447
Maltodextrin	3 004	5 102
Starch syrups	1 409	1 510
Dried potatoes (grits, flakes, cubes)	3 665	4 807
Feed	-	49
Electricity	-	1 036
Property rights (electricity and heat)	-	704
Goods and materials	1 832	2 863
Services	198	266
<b>EU countries - intra-Community supplies, including :</b>	<b>3 735</b>	<b>3 969</b>
Starch	1 421	2 002
Protein	601	513
Maltodextrin	981	1 007
Glucose	183	310
Dried potatoes (grits, flakes, cubes)	549	137
<b>Other countries - exports</b>	<b>11 248</b>	<b>11 027</b>
Starch	9 074	8 490
Protein	472	462
Glucose	325	185
Maltodextrin	684	40
Dried potatoes (grits, flakes, cubes)	268	306
Goods	425	1 544
<b>Total</b>	<b>46 369</b>	<b>56 917</b>

## 24.7 Information about key customers

The Group has no customer whose revenues from sales exceed 10% of total revenue.

## 25. Disposal of activities

### 25.1 Payment received

In the first quarter of 2021 the PEPEES Group disposed of the "production of electricity", carried out entirely by the subsidiary company CHP Energia Sp. z o.o.

On 18.03.2021 cash payment in the amount of PLN 1,403 thousand was received for the sold shares.

Due to the quarterly closing of reporting periods, some balance sheet items have been adopted as at 31.03.2021 and 31.12.2020.

25.2 Analysis of the assets and liabilities of CHP Energia over which control has been lost

<b>by liquidity</b>	<b>)/in thousands PLN/</b>	
	<b>18.03.2021</b>	<b>31.12.2020</b>
<b>CURRENT ASSETS</b>	<b>2 034</b>	<b>2 516</b>
Cash and cash equivalents	119	77
Current receivables	683	690
Stock	1 232	1 749
<b>Fixed assets</b>	<b>21 851</b>	<b>21 851</b>
Tangible fixed assets (as at 31.03.2021)	15 730	15 730
Goodwill	6 121	6 121
<b>Current liabilities</b>	<b>16 954</b>	<b>14 462</b>
Trade and other liabilities	7 567	5 925
Credits and loans	9 387	8 537
<b>Long term liabilities</b>	<b>8 249</b>	<b>11 285</b>
Credits and loans	8 249	8 486
Other long term liabilities		2 799
<b>Net assets sold</b>	<b>-1 318</b>	<b>-1 380</b>

25.3 Profit (loss) on sale of a subsidiary

	<b>18.03.2021</b>
Received payment	1 403
Net assets sold	-1 318
Non-controlling interest (as at 31.12.2020)	-2 366
<b>Profit from sales</b>	<b>5 087</b>

25.4 Net cash proceeds from disposals

	<b>18.03.2021</b>
Cash payment received	1 403
Divested cash balance	119
<b>Net receipts</b>	<b>1 284</b>

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

No dividend was paid during the three months ended 31 March 2021 .

27. n the case of financial instruments measured at fair value - information about a change in the manner (method) of its determination

In the period of 3 months ended 31 March 2021 , the Group did not change the principles of determination of fair value of financial instruments. The same valuation principles and methods were followed as in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

**28. Information on change in classification of financial assets as a result of change of purpose or use of these assets**

In the presented period there were no changes in the classification of financial assets due to a change of purpose or use.

**29. Information about changes in economic conditions and operating conditions that have a significant effect on the fairvalue of the entity's financial assets and financial liabilities, regardless of whether those assets and liabilities are recorded in the fair value or adjusted price of purchase (production cost)**

In light of the coronavirus outbreak in Poland, the Management Board took immediate steps to mitigate potential risks to employee health and safety and business continuity. Appropriate health and safety procedures have been implemented in accordance with the guidelines of the Ministry of Health, and together with appropriate plans to ensure continuity of production and supply. Besides ensuring the safety of employees, which remains the top priority, all activities are focused on responding as flexibly as possible to changing conditions and on activities aimed at limiting the noticeable impact of the epidemic on the business, including revenue preservation, while keeping costs under tight control .

The Group's objective is the maximum return on investments, while maintaining moderate level of investment risk. PEPEES Group assumes parallel activities to be conducted in the area of development , through increase of efficiency of operations of the companies belonging to the Capital Group and maximum reduction of risks , to which they are exposed, and through further investment activities.

The existing epidemic state in result of the spread of the COVID-19 coronavirus and related actions taken by the government administration in Poland and other countries negatively affect the Group's development. Year 2021 will remain influenced by the fight against the effects of the pandemic. All the Group's companies monitor the development of the situation related to COVID-19 pandemic in Poland and globally on ongoing basis, verifying all information from the perspective of its impact on the economic condition of the Group and undertaking ad-hoc activities to minimise consequences related to this extraordinary circumstances.

**30. Other information that may significantly affect the assessment of the economic and financial condition, and financial result of the Group .**

In the presented period all events and information affecting the asset and financial situation have been presented in this report. Apart from the ongoing pandemic that negatively affects the performance of individual Group companies and the divestment of the subsidiary, CHP Energia , which improved the consolidated financial result for Q1 2021 , the Group has no other information that may materially affect the assessment of the Group's assets, financial position and financial performance .

**31. Important events that took place after the balance sheet date**

After the end of the reporting period, i.e. on 26.04.2021 , the Issuer's Management Board informed in current report No. 6/2021 that it had decided to recommend to the Ordinary General Meeting a transfer of the net profit generated in 2020 in its entirety to reserve capital. The Supervisory Board of the Company gave a positive opinion on the recommendation of the Management Board. The final decision on the distribution of the profit for the fiscal year of 2020 is to be made by the Annual General Meeting of the Company.

In connection with the sale of shares in CHP Energia to Orlen Południe, on 15.04.2021 the Issuer received a letter from Spółdzielczy Bank Rozwoju (SBR), dated 14.04.2021, in which the Bank informed about:

- release of PEPEES from liabilities, resulting from promissory note sureties, established by the Company in favor of SBR in order to secure the repayment of loans granted by the Bank to the company CHP Energia;
- release of cash deposit in the amount of PLN 1.5 million, established by PEPEES for SBR in order to secure the repayment of credit granted by the Bank to CHP Energia.

**C. INTERIM CONDENSED FINANCIAL STATEMENTS OF  
PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZYCHCZEGO "PEPEES"  
SPÓŁKA AKCYJNA FOR THE PERIOD OF 3 MONTHS ENDED 31  
MARCH 2021**

presented below, comprising :

1. Interim condensed statement of financial position
2. Interim condensed statement of profit and loss and other comprehensive income.
3. Interim condensed statement of changes in equity.
4. Interim condensed cash flow statement
5. Additional explanatory notes.

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
<b>A</b>	<b>(Long-term) fixed assets</b>	<b>139 912</b>	<b>142 587</b>	<b>149 320</b>
1.	Plant, property and equipment	95 798	98 004	101 652
2.	Intangible assets	198	499	218
3.	Rights to assets	15 630	15 844	16 498
4.	Investment properties	381	383	391
5.	Investments in subsidiaries	23 586	23 586	26 632
6.	Investments in other entities	625	625	625
7.	Deferred income tax assets	3 694	3 646	3 304
<b>B</b>	<b>(Short-term) current assets</b>	<b>106 651</b>	<b>126 203</b>	<b>107 848</b>
<b>I</b>	<b>Current assets other than assets classified as held for sale</b>	<b>106 651</b>	<b>116 564</b>	<b>107 848</b>
1.	Stock	57 999	71 924	45 073
2.	Biological assets	443	338	456
3.	Trade receivables and other short-term receivables	24 392	23 602	27 552
4.	Current income tax receivables	1 245	1 245	-
5.	Other financial assets	9 200	7 976	11 354
6.	Cash and cash equivalents	13 372	11 479	23 413
<b>II</b>	<b>Assets held for sale</b>	<b>-</b>	<b>9 639</b>	<b>-</b>
	<b>Total assets</b>	<b>246 563</b>	<b>268 790</b>	<b>257 168</b>

	LIABILITIES	As at 31 March 2021	As at 31 December 2020	As at 31 March 2020
<b>A</b>	<b>Equity</b>	<b>156 329</b>	<b>158 530</b>	<b>166 860</b>
1.	Share capital	5 700	5 700	5 700
2.	Share premium	7 562	7 562	7 562
3.	Revaluation capital	30 494	30 494	30 537
4.	Retained earnings	112 573	114 774	123 061
<b>B</b>	<b>Liabilities</b>	<b>90 234</b>	<b>110 260</b>	<b>90 308</b>
<b>I</b>	<b>Long term liabilities</b>	<b>28 272</b>	<b>29 734</b>	<b>29 177</b>
1.	Credits and loans	4 889	5 496	7 663
2.	Liabilities due in relation to assets under lease	12 354	13 036	10 879
3.	Deferred income tax provision	6 337	6 486	6 255
4.	Liabilities related to retirement benefits and similar ones	2 694	2 693	2 284
5.	Subsidies	1 998	2 023	2 096
<b>II</b>	<b>Short-term liabilities</b>	<b>61 962</b>	<b>80 526</b>	<b>61 131</b>
<b>IIa</b>	<b>Short-term liabilities other than those related to assets held for sale</b>	<b>61 962</b>	<b>80 525</b>	<b>61 131</b>
1.	Trade and other short-term liabilities	11 265	11 146	15 388
2.	Current income tax liabilities	-	-	1 882
3.	Credits and loans	47 081	65 889	40 545
4.	Liabilities due in relation to assets under lease	3 363	3 237	3 112
5.	Liabilities related to retirement benefits and similar ones	253	253	204
<b>IIb</b>	<b>Liabilities related to assets held for sale</b>	<b>-</b>	<b>1</b>	<b>-</b>
	<b>Total liabilities</b>	<b>246 563</b>	<b>268 790</b>	<b>257 168</b>

**INTERIM CONDENSED STATEMENT OF PROFIT AND LOSS AND  
COMPREHENSIVE INCOME**

<b>No.</b>	<b>Specification</b>	<b>For the period of 3 months ended 31 March 2021</b>	<b>For the period of 3 months ended 31 March 2020</b>
<b>I</b>	<b>Revenues from sales</b>	<b>33 019</b>	<b>40 670</b>
<b>II</b>	<b>Own cost of sales</b>	<b>(26 623)</b>	<b>(29 702)</b>
<b>III</b>	<b>Gross profit (loss) from sales (I-II)</b>	<b>6 396</b>	<b>10 968</b>
1.	Costs of sales and marketing	(2 394)	(2 056)
2.	Overheads	(6 090)	(5 787)
3.	Other operating revenue	52	38
4.	Other operating cost	(124)	(67)
<b>IV</b>	<b>Profit (loss) on operating activities</b>	<b>(2 160)</b>	<b>3 096</b>
1.	Financial costs	(5 076)	(660)
2.	Financial revenue	4 838	888
<b>V.</b>	<b>Profit (loss) before tax</b>	<b>(2 398)</b>	<b>3 324</b>
<b>VI</b>	<b>Income tax</b>	197	(907)
<b>VII</b>	<b>Net profit (loss)</b>	<b>(2 201)</b>	<b>2 417</b>
<b>VIII</b>	<b>Other comprehensive income</b>	-	-
1.	Results of measurement of financial assets available for sale	-	-
2.	Reassessment of liabilities under employee benefits	-	-
<b>IX</b>	<b>Total comprehensive income, including</b>	<b>(2 201)</b>	<b>2 417</b>
<b>X</b>	<b>Net profit (loss) per 1 share</b>	<b>-0.023</b>	<b>0.025</b>

**PEPEES CAPITAL GROUP**  
*Consolidated Quarterly Report*  
*for the period of 3 months ended 31 March 2021 (data in*  
*PLN thousand)*

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Supplementary capital	Revaluation capital	Other capital reserves	Undistributed result	Total equity
<b>State as 1 January 2020</b>	5 700	7 562	-	30 537	120 644	164 443
<b>Changes in Q1 2021</b>	-	-	-	-	2 417	2 417
Net profit (loss) for the period					2 417	2 417
<b>As at 31 March 2020</b>	5 700	7 562	-	30 537	123 061	166 860
<b>Changes in 2020</b>	-	-	-	(43)	(5 870)	(5 913)
Net profit (loss)	-		-	-	5 530	5 530
Other comprehensive income	-		-	(43)		(43)
<b>Comprehensive income</b>				(43)	5 530	5 487
Dividend	-	-	-	-	(11 400)	(11 400)
<b>As at 31 December 2020</b>	5 700	7 562	-	30 494	114 774	158 530
<b>As at 1 January 2021</b>	5 700	7 562	-	30 494	114 774	158 530
<b>Changes in the period from 01.01.2021 to 31.03.2021</b>	-	-	-	-	(2 201)	(2 201)
Net profit (loss)	-				(2 201)	(2 201)
<b>Comprehensive income</b>	-	-	-	-	(2 201)	(2 201)
<b>As at 31 March 2021</b>	5 700	7 562	-	30 494	112 573	156 329

**PEPEES CAPITAL GROUP**  
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*(data in PLN thousand)*

## INTERIM CONDENSED CASHFLOW STATEMENT

No.	Cash flow statement	For the period of 3 months ended 31 March 2021	For the period of 3 months ended 31 March 2020
<b>A.</b>	<b>Cash flows from operating activities - indirect method</b>		
<b>I</b>	<b>Profit (loss) before tax</b>	<b>(2 398)</b>	<b>3 324</b>
<b>II</b>	<b>Total adjustments</b>	<b>20 542</b>	<b>10 704</b>
1.	Depreciation	2 889	2 848
2.	(Profit) loss from exchange differences	(13)	(165)
3.	Interests and share in profit (dividend)	174	385
4.	(Profit) loss on investment activities	1	-
5.	Change of amount of provisions	1	(735)
6.	Change of volume of stock	13 925	10 639
7.	Change of volume of biological assets	(105)	(134)
8.	Change of volume of receivables	(581)	(2 024)
9.	Change of volume of short-term liabilities save for loans and credits	119	4 592
10.	Change of the state of prepayments and accruals	228	(3 357)
11.	Paid income tax	-	(1 246)
12.	Change of volume of subsidies	(25)	(24)
13.	Change of amount of interests accrued on loans and commissions	250	(40)
14.	Change of amount of other financial assets	1 109	(60)
15.	Change in the amount of rights to assets	214	-
16.	Depreciation of CO2 rights	2 291	-
17.	Other adjustments	65	25
<b>III</b>	<b>Net cash flows on operating activity</b>	<b>18 144</b>	<b>14 028</b>
<b>B.</b>	<b>Cash flows on investing activity</b>		
<b>I</b>	<b>Receipts</b>	<b>7 418</b>	<b>325</b>
1.	Disposal of intangible and legal assets and property, plant and equipment	-	-
2.	Disposal of shares	1 403	-
3.	Repayment of granted loans	6 015	325
<b>II</b>	<b>Expenses</b>	<b>3 607</b>	<b>1 493</b>
1.	Purchase of intangible and legal assets and property, plant and equipment	212	851
2.	Purchase of shares	-	12
3.	Purchase of property rights	1 995	630
4.	Granted loans	1 400	-
<b>III</b>	<b>Net cash flows from investing activity</b>	<b>3 811</b>	<b>(1 168)</b>
<b>C.</b>	<b>Cash flows on financial activity</b>		
<b>I</b>	<b>Receipts</b>	<b>3 402</b>	<b>248</b>
1.	Credits and loans	3 120	-
2.	Received surcharges	282	248
<b>II</b>	<b>Expenses</b>	<b>23 464</b>	<b>24 294</b>
1.	Repayment of credits and loans	22 535	23 260
2.	Interests on credits and loans	244	410
3.	Payments under lease agreements	685	624
<b>III</b>	<b>Net cash flows on financial activity (I-II)</b>	<b>(20 062)</b>	<b>(24 046)</b>
<b>D.</b>	<b>Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>1 893</b>	<b>(11 186)</b>
<b>F.</b>	<b>Cash at the beginning of the period</b>	<b>11 479</b>	<b>34 434</b>
<b>G.</b>	<b>Cash at the end of the period (F+/- D)</b>	<b>13 372</b>	<b>23 248</b>
	- including of restricted use	1 500	-

## **ADDITIONAL EXPLANATORY NOTES**

### **1. Accounting principles**

The data for the interim condensed financial statements for the period of 3 months ended 31 March 2021 have been prepared according to the same accounting policies as in the most recent annual financial statements.

### **2. Amendments of the accounting principles and presentation, correction of errors**

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not change its accounting principles and did not correct any errors of previous periods.

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

#### **a) Contingent assets**

Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A. holds the perpetual usufruct right for 493,591<sup>m</sup>2, the value of which as at 31 December 2020, as per the decision on the annual fee for 2020 amounts to PLN 20,290 thousand

The Company pays an annual fee of 3% on the value of the land.

As of 01.01.2019, perpetual usufruct rights to land are reported in the statement of financial position under "rights to assets".

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

#### **b) Contingent liabilities**

In prior periods, the Company granted a guarantee for loan granted by SBR Bank to its affiliate, CHP Energia Sp. z o.o. up to the amount of PLN 18,234 thousand. In addition, the Company granted a surety for a loan granted by BOŚ S.A. to its related company PPZ "BRONISŁAW" S.A. up to the amount of 12,684 thousand PLN.

In connection with the sale of shares of the company CHP Energia to Orlen Południe, after the balance sheet date, the Issuer received a letter from the Cooperative Development Bank (SBR), dated 14.04.2021, in which the Bank informed that PEPEES was released from its obligations, resulting from promissory note guarantees, established by the Company in favor of SBR in order to secure the repayment of loans granted by the Bank to the company CHP Energia.

There may be obligations under post-employment non-compete agreements. Such agreements are with members of the Management Board and several employees. In case of termination of employment relationship with them, the Company is obliged to pay compensation amounting to approximately PLN 1,155 thousand.

### **4. Information about transactions with related 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 starch for an amount of PLN 572.9 thousand from the subsidiary. Besides, "PEPEES" S.A. sold maltodextrin to ZPZ "LUBLIN" Sp. z o.o. for the amount of PLN 3.3 thousand and leased the line for production of flakes - the rent for one month amounts to PLN 23.5 thousand. The sale price is determined on the basis of cost plus method or on the basis of price lists applicable to unrelated entities

As of the balance sheet date, there is a balance of liabilities in the amount of PLN 140.6 thousand.

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

In the reporting period the Parent Company purchased potato starch from its subsidiary PPZ "BRONISŁAW" S.A. for the amount of PLN 1,009 thousand, starch of PLN 135.9 thousand and service for PLN 18.6 thousand. The Issuer sold potato starch to an affiliated company in the amount of PLN 158.9 thousand and provided the following services: vehicle rental and storage for the amount of PLN 4.6 thousand. Furthermore, in the first quarter, the subsidiary paid guarantee fees to the Parent Company in the amount of PLN 31.3 thousand and interest on a loan of PLN 3.0 thousand.

As at the balance sheet date, there was an outstanding balance of a loan of PLN 1,100 thousand, trade receivables of PLN 2,826 thousand and trade liabilities of PLN 41.4 thousand.

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

PEPEES" S.A. sold services to its subsidiary GR Ponary Sp. z o.o. amounting to PLN 2.6 thousand. And in the previous periods GR Ponary Sp. z o.o. issued a surety to the Parent Company for a credit facility, on which fees in the amount of PLN 39.5 thousand were accrued in Q1 2021. Moreover, PONARY paid interests to the Issuer in the amount of PLN 4.1 thousand on a loan granted

As at the balance sheet date, the outstanding amount of the loan was PLN 550 thousand, trade receivables - PLN 1.0 thousand, while liabilities under the surety - PLN 13 thousand.

**d) 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 in the amount of 1 thousand PLN. The balance of trade receivables as at the balance sheet date is PLN 9 thousand.

**5. Information on given guarantees and sureties**

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

In connection with the sale of shares of the company CHP Energia to Orlen Południe, after the balance sheet date, the Issuer received a letter from the Cooperative Development Bank (SBR), dated 14.04.2021, in which the Bank informed that PEPEES was released from its obligations, resulting from promissory note guarantees, established by the Company in favor of SBR in order to secure the repayment of loans granted by the Bank to the company CHP Energia.

There may be obligations under post-employment non-compete agreements. Such agreements are with members of the Management Board and several employees. In case of termination of employment relationship with them, the Company is obliged to pay compensation amounting to approximately PLN 1,155 thousand.

**6. Disposal of a subsidiary**

On 18.03.2021 PEPEES sold its shares in subsidiary CHP Energia and received payment of PLN 1,403 thousand by bank transfer. The sale transaction did not have any impact on the financial result of the current period in the standalone financial statements, as the Company had made relevant write-downs in earlier periods.

The impact of the sale of shares in CHP Energia on the financial result of the Group is presented in Note 25 of the consolidated financial statements.

## D. Additional information.

### 1. Changes in organisation of PEPEES Capital Group

In the reporting period there was a change in the PEPEES Capital Group organization. On 18.03.2021, the Issuer sold all shares in CHP Energia. The shares were purchased by ORLEN Południe S.A., a subsidiary of PKN ORLEN S.A.

Thus, CHP Energia ceased to be a related party.

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

In the first quarter of 2021 the PEPEES Capital Group achieved sales revenue of 46,369 thousand PLN, which represents a 18.53% decrease when compared to the revenue in the same period last year (PLN 56,917 thousand).

In connection with the prevailing coronavirus pandemic, demand for the Group's products decreased, which resulted in lower sales volumes and a significant reduction in product prices. This was the reason for a decrease in the Group's sales revenue.

In comparison to the previous year, own costs of sales decreased by 6.57%. The gross profit on sales amounting to PLN 7,776 thousand decreased by 50.19% as compared to the same period of the previous year.

Sales and marketing expenses for the first quarter of 2021 increased by 13.05% over the comparative period and overheads increased only slightly by 0.34%.

In the first three months of 2021, the balance of other operating activities totalled minus PLN 76 thousand, as compared with PLN 15 thousand in the corresponding period.

Hence, operating loss amounted to PLN 2,937 thousand for Q1 2021, while the operating profit amounted to PLN 5,335 thousand in the corresponding period of the previous year.

In turn, the result of financial activities understood as the balance of financial revenues minus financial costs in January-March 2021 significantly improved as compared to the analogous period of the previous year. This was due to the disposal of CHP Energia and the recognition of profit on this transaction in the amount of PLN 5,087 thousand as financial income.

As a consequence of the above, gross profit after the first quarter of 2021 amounted to PLN 1,671 thousand with PLN 4,967 thousand of gross profit generated in the comparative period, and net profit in the period from January to March 2021 amounted to PLN 1,810 thousand with PLN 3,724 thousand of net profit in the corresponding period of 2020, i.e. it decreased by 51.4%.

### 3. Information on the shareholder structure

The shareholding structure has not changed in relation to the shareholding structure as at the publication date of the previous interim report, i.e. as at 28 April 2021.

Shareholding structure as at the publication date of this quarterly report:

SHAREHOLDER	Number of actions	Share in capital %	Number of votes	Share in the total number of shares at the Annual 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 %
Others 11	010 212	11.59 %	11 010 212	11.59 %

*\*Due to the failure to fulfil the reporting obligation on purchase of a significant package of shares, according to the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, holding - according to the information known to the Company - 27 759 032 shares of the Company, has lost and cannot exercise rights to vote in relation to 21 402 233 shares. Therefore, the Company's Management Board files an action to the Regional Court in Białystok to determine the issue. Epsilon FIZ AN holds a contrary position claiming that it is entitled to the right to vote in relation to 27 759 032 shares accounting for 29.22% of the total number of votes at the General Annual Meeting. The case was joined by the Chairperson of the Polish Financial Supervision Authority, who presented his opinion on 24 July 2019. The Management Board waits for a valid and binding ruling of the court. The Company informed on the issue in current reports no 13/2019, 14-23/2019 and 30/2019.*

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

#### **4. Specification of changes in the Issuer's shares or rights to shares held by members of the Issuer's management and supervisory bodies**

Mr. Wojciech Faszczewski, acting as the President of the Management Board of the Company, holds 701,000 shares in the Company. The person referred to above has no rights to shares of the Company.

Mr Tomasz Rogala and persons supervising the Company do not hold any shares of the Company or rights to them.

In the period from the publication date of the previous interim statements, i.e. 28 April 2021, to the publication date of this interim statements, the managing and supervising persons did not make any transactions regarding the Company's shares or rights to them.

#### **5. Brief description of significant achievements or failures of PEPEES Capital Group in the first quarter of 2021 with a list of the most important events related to them**

In the period of the 1st quarter of 2021 in PEPEES Capital Group there were no significant achievements or failures, to which this report refers.

#### **6. Description of factors and events, especially atypical ones, which had a significant impact on the financial performance of PEPEES Capital Group**

The coronavirus outbreak dramatically changed the situation in the global economy. The problem was initially seen as a disruption of global supply chains, but as it grew to the size of the pandemic and countries began to impose economic and social restrictions (known as lockdowns), it became clear that the global economy was likely to suffer a sharp drop in economic activity, including a slump in consumption.

The epidemic is affecting the Group's operations. The main threats include:

- Reduced industrial production in the company's main export markets (including meat and finished products) results in lower demand for native potato starch than before.
- The observed stagnation in the logistics sector results in significant delays in goods deliveries and the risk of failing to deliver to customers on time. There is also an increase in transport costs due to the need to meet strict epidemiological standards. Higher transport costs and the risk of delays may induce recipients on global markets to gradually replace potato starch with starch raw materials of a different botanical origin, available locally on the markets (tapioca, corn, wheat, rice).
- The suspension of the HORECA sector (hotels, restaurants, cafes) is also a significant factor,

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*(data in PLN thousand)*

as well as the limit of the production of products for the industry (bakery, confectionery). The fact of gradual "unfreezing" of the economy does not mean an automatic return of the sector to the level of demand for PEPEES S.A. products from before the epidemic.

- In the long term, we can expect that food producers will introduce new restrictions and formal requirements for producers of raw materials, which will be connected with additional costs of operation of the company.
- The general economic downturn (including increased unemployment due to the temporary exclusion of many industries from economic life) reduces the purchasing power of the population. A temporary halt of the upward trend in retail sales to e.g. retail chains can be expected.

The disposal of a subsidiary, which is discussed in more detail in Note No. 25 of the consolidated financial statements was undoubtedly an unusual event. The sale of shares in CHP Energia sp. z o.o. is extremely beneficial because of the possibility to optimize the operation of the PEPEES Group, while ensuring long-term receipt of pulp by a stable business partner.

## **7. Management Board's position concerning the forecast results**

The Parent Company's Management Board did not publish any forecasts of separate or consolidated results for 2021.

## **8. Indication of significant litigations, pending proceedings in front of an arbitration or administrative body**

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

- for the annulment or declaration of invalidity of two resolutions on the appointment of the Supervisory Board members, adopted on 11 May 2018 by the General Meeting of Shareholders, and for the annulment of the resolution on the distribution of profit for 2017.  
With judgement of 26.10.2018, the Regional Court annulled the resolutions on the appointment of two members of the Supervisory Board and dismissed the claim in the remaining scope. Appeals against the judgment were filed by both parties. The Court of Appeal in Białystok dismissed both appeals. EPSILON filed a cassation appeal, which the Supreme Court accepted for examination on 21.11.2020,
- for the annulment or declaration of invalidity of resolutions no. 24-29 adopted on 28.06.2019 by the Ordinary Annual General Meeting, including resolution no 28 on amendments to the Articles of Association and authorisation of the Company's Management Board to raise the share capital of the Company within the scope of the authorised capital and with the possibility to exclude the pre-emptive right of the current shareholders of the Company in whole or in part upon consent of the Company's Supervisory Board . The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for determination of the loss of voting rights have been concluded in a legally binding manner,
- for annulment or declaration of invalidity of two resolutions on acknowledgment of fulfilment of obligation adopted on 21.04.2020 by the General Meeting of Shareholders. The litigation is pending before the Court of First Instance. The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for determination of the loss of voting rights have been concluded in a legally binding manner.

In the remaining scope, there no other significant litigations or proceedings in court of law, an arbitration body or public administration authority in respect to liabilities or receivables of the Issuer.

There are several cases pending before the court for the recovery of trade receivables, on which the Company has made 100% write-offs.

## 9. **Information about transactions with related entities**

In the reporting period the Parent Company - Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., the Holding Entity, entered into transactions with related entities, which were typical in nature, resulted from current operating activities performed by "PEPEES" S.A. and its subsidiaries. These were arm's length transactions..

The activity of PEPEES Capital Group is based on the activity of specialized entities, whose profiles serve are complementary types of services. The aim of cooperation of enterprises belonging to the Capital Group is to raise the level of use of the resources that the entities have at their disposal and restrict risk related to performed activities.

Allocation of risk and division of functions of the Group's enterprises enable reduction of costs of operations and effective use of financial resources. Granting surety to liabilities, as well as security of their repayment within the scope of related entities enables quicker execution of agreements, which may contribute to more efficient management of entities belonging to PEPEES Capital Group.

## 10. **Information on given guarantees and sureties**

In the reporting period and until the date of preparation of this report, the companies from PEPEES Capital Group did not grant any securities or guarantees.

The total value of sureties or guarantees given by PEPEES . as at 31 March 2021 is PLN 30,918 thousand, of which the amount of PLN 18,234 thousand, established in favour of Spółdzielczy Bank Rozwoju to secure the repayment of loans granted by the Bank to CHP Energia, was released after the balance sheet date (as informed by the Bank in a letter dated 14 April 2021 )

## 11. **Other information that in the opinion of the Capital Group is essential for assessment of its personnel , economic, financial condition, financial result and their changes, and information that is significant for assessment of the Group's possibilities to fulfil obligations**

In the period of the 1st quarter of 2021 no other events were recorded that the ones described in this report, that could be essential for assessment of its personnel, economic, financial condition, financial result and their changes, and information that could be significant for assessment of the PEPEES Capital Group's possibilities to fulfil their obligations.

**12. Specification of factors that in the opinion of the Issuer and the Group will have impact on the results achieved by them at least during the next quarter**

In the Issuer's opinion, the key factors that will affect its performance in the near future are:

- 1) coronavirus pandemic,
- 2) potato starch prices on world markets,
- 3) the volume of sales achieved and margins realised,
- 4) the level of exchange rates,
- 5) prevailing weather conditions .

In the period of the next quarter PEPEES Capital Group will execute concluded agreements and will conduct operating activities that is the core of its functioning , including productive, commercial and service activities.

**13. Approval of the consolidated quarterly report**

This Consolidated Quarterly Statement of PEPEES Capital Group for the first quarter ended 31 March 2021 was approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Joint Stock Company in Łomża.

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

**Wojciech Faszczewski President of the Board**

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

**SIGNATURE OF THE PERSON WHO DREW UP THE REPORT**

**Deputy Chief Accountant - Małgorzata Kordas**