



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

**for Q1 ended on 31 March 2022**

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## **INTRODUCTION**

### **1. The Consolidated Quarterly Report of the PEPEES Capital Group for the Q1 ended on 31 March 2022 includes:**

- A. Selected financial results of the PEPEES Capital Group.
  - B. Interim condensed consolidated financial statements of the PEPEES Capital Group for the period of 3 months ended on 31 March 2022.
  - C. Interim condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” Spółka Akcyjna in Łomża for the period of 3 months ended on 31 March 2022.
- 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. Period covered by the statements and comparable data:**

Interim condensed consolidated financial statements

- The interim condensed consolidated financial statements of the PEPEES Capital Group cover the following periods: 3 months ended on 31 March 2022 and 3 months ended on 31 March 2021.
- For the data presented in the interim condensed consolidated statement of financial standing, comparable financial data was presented as of 31 December 2021 and as of 31 March 2021.
- For the data presented in the interim condensed consolidated statement of profit or loss and other comprehensive income, comparable financial data is presented for the period from 1 January 2021 to 31 March 2021.
- 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 was presented for the period from 1 January 2021 to 31 March 2021.

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 cover the following period: 3 months ended on 31 March 2022 and 3 months ended 31 March 2021.
- For the data presented in the interim condensed statement of financial standing, comparable financial data was presented as of 31 December 2021 and 31 March 2021.
- For the data presented in the interim condensed statement of profit or loss and other comprehensive income, comparable financial data is presented for the period from 1 January 2021 to 31 March 2021.
- For the data presented in the interim condensed statement of changes in equity and the interim condensed cash flow statement, comparable financial data was presented for the period from 1 January 2021 to 31 March 2021.

### **3. Explanation of terms used in the organisation of the PEPEES Capital Group PEPEES**

As of 31 March 2022, the PEPEES Capital Group included the following companies:

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

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**A. SELECTED FINANCIAL DATA OF THE PEPEES CAPITAL GROUP**

The PEPEES Capital Group's selected financial data for the period of 3 months ended on 31 March 2022 and 2021 presents itself as follows:

No.	SELECTED FINANCIAL DATA Year	IN THOUSAN		IN THOUSANDS	
		2022	2021	2022	2021
I	Total revenues from sales for Q1	64,315	46,369	13,840	10,142
II	Net profit or loss allocated to the shareholders of the Parent Company for Q1	3,813	1,982	820	433
III	Net cash flows on operating activity for Q1	29,522	27,012	6,353	5,908
IV	Net cash flows on investment activity for Q1	(2,308)	2,575	497	563
V	Net cash flows on financial activity for Q1	(39,432)	(30,853)	(8,485)	(6,748)
VI	Total net cash flows for Q1	(12,218)	(1,266)	(2,629)	(277)
VII	Total assets as at 31/03/2022 and 31/12/2021	319,218	353,489	68,612	76,855
VIII	Equity allocated to the shareholders of the Parent Company as of 31/03/2022 and	175,984	171,983	37,826	37,392
IX	Total profit (loss) per one ordinary share for Q1 in PLN/EUR	0.04	0.02	0.01	0.00
X	Book value per share as of 31/03/2022 and 31/12/2021 in PLN/EUR	1.85	1.81	0.40	0.39

Data presented in lines: VII, VIII and X, in columns "2022" and "2021" is as of as of 31 March 2022 and 31 December 2021.

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

- selected items of the statement of the financial standing as of 31/03/2022 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.6525,
- selected items of the statement of the financial standing as of 31/12/2021 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.5994,
- selected items of the statement of comprehensive income and cash flow statement for the period from 1 January 2022 to 31 March 2022 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 Q1 of 2022 and amounts to EUR 1 = PLN 4.6472,
- 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 Q1 2021 and amounts to EUR 1 = PLN 4.5721,

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Profit (loss) per share for the three months ended on 31 March 2022 and 2021  
is presented in the table below:

<b>Specification</b>	<b>For the period of 3 months ended on</b>	<b>For the period of 3 months ended on</b>
Net profit (loss) attributable to PEPEES shareholders	3,813	1,982
Weighted average number of shares	95,000,000	95,000,000
Basic net profit (loss) per share (in PLN per one share)	0.04	0.02
Net profit (loss) attributable to PEPEES shareholders, as used for the determination of diluted profit per share	3,813	1,982
Weighted average number of ordinary shares for the purpose of diluted profit per share	95,000,000	95,000,000
Diluted net profit (loss) per share (in PLN per one share)	0.04	0.02
Net annualised profit attributable to PEPEES shareholders	(566)	4,757
Weighted average number of shares	95,000,000	95,000,000
Annualised net profit per share (in PLN per share)	(0.01)	0.05

**B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE PEPEES CAPITAL GROUP FOR THE PERIOD OF 3 MONTHS  
ENDED ON 31 MARCH 2022**

presented below, comprising:

1. Interim condensed consolidated statement of financial standing.
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.

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL STANDING

No.	ASSETS	As at 31 March 2022	As of 31 December 2021	As of 31 March 2021
<b>A.</b>	<b>(Long-term) fixed assets</b>	<b>173,092</b>	<b>172,744</b>	<b>179,266</b>
1	Plant, property and equipment	151,886	151,999	158,843
2	Intangible assets	208	184	198
3	Rights to assets	11,721	11,913	11,421
4	Investment properties	(571)	573	581
5	Goodwill	1,320	1,320	1,320
6	Investments in other entities	383	383	625
7	Deferred income tax assets	7,003	6,372	6,278
<b>B.</b>	<b>(Short-term) current assets</b>	<b>146,126</b>	<b>180,745</b>	<b>139,426</b>
1	Stock	75,777	97,165	85,624
2	Biological assets	760	560	443
3	Trade receivables and other short-term receivables	32,709	33,922	27,490
4	Current income tax receivables	-	-	1,245
5	Other financial assets	7,125	7,125	7,540
6	Cash and cash equivalents	29,755	41,973	17,084
	<b>Total assets</b>	<b>319,218</b>	<b>353,489</b>	<b>318,692</b>

No.	LIABILITIES	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
<b>A.</b>	<b>Equity</b>	<b>179,270</b>	<b>175,053</b>	<b>179,455</b>
<b>I</b>	<b>Equity allocated to the shareholders of the Company</b>	<b>175,984</b>	<b>171,983</b>	<b>175,608</b>
1	Share capital	5,700	5,700	5,700
2	Share premium	7,562	7 562	7,562
3	Treasury shares	(111)	-	-
4	Revaluation capital	31,027	31,027	31,014
5	Retained earnings	131,806	127,694	131,332
<b>II</b>	<b>Non-controlling shares</b>	<b>3,286</b>	<b>3,070</b>	<b>3,847</b>
<b>B.</b>	<b>Liabilities</b>	<b>139,948</b>	<b>178,436</b>	<b>139,237</b>
<b>I.</b>	<b>Long-term liabilities</b>	<b>35,160</b>	<b>36,728</b>	<b>39,055</b>
1	Loans and borrowings	7,927	8,459	10,292
2	Liabilities due to assets under lease	16,062	16,496	16,769
3	Deferred income tax provision	6,107	6,242	6,506
4	Liabilities related to retirement benefits and similar ones	3,005	3,005	3,318
5	Subsidies	2,059	2,086	2,170
6	Other long-term liabilities	-	440	-
<b>II.</b>	<b>Short-term liabilities</b>	<b>104,788</b>	<b>141,708</b>	<b>100,182</b>
1	Trade and other short-term liabilities	23,277	24,111	19,723
2	Current income tax liabilities	499	-	43
3	Loans and borrowings	75,707	112,614	75,831
4	Liabilities due to assets under lease	4,777	4,455	4,220
5	Liabilities related to retirement benefits and similar ones	528	528	365
	<b>Total liabilities</b>	<b>319,218</b>	<b>353,489</b>	<b>318,692</b>

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

No.	Specification	For the period of 3 months ended on	For the period of 3 months ended on
<b>I</b>	<b>Revenues from sales</b>	<b>64,315</b>	<b>46,369</b>
<b>II</b>	<b>Own cost of sales</b>	<b>(45,619)</b>	<b>(38,593)</b>
<b>III</b>	<b>Gross profit from sales (I-II)</b>	<b>18,696</b>	<b>7,776</b>
1	Costs of sales and marketing	(3,702)	(2,763)
2	Overheads	(8,575)	(7,874)
3	Other operating revenue	146	168
4	Other operating costs	(273)	(244)
<b>IV</b>	<b>Profit (loss) on operating activities</b>	<b>6,292</b>	<b>(2,937)</b>
1	Financial costs	(1,603)	(710)
2	Financial revenue	86	231
3	Profit (loss) on the disposal of a subsidiary	-	5,087
<b>V.</b>	<b>Profit (loss) before taxes</b>	<b>4,775</b>	<b>1,671</b>
	Income tax	(746)	139
<b>VI</b>	<b>Net profit (loss) on continued operations</b>	<b>4,029</b>	<b>1,810</b>
	<b>Net profit (loss) on discontinued operations</b>	<b>-</b>	<b>-</b>
	<b>Net profit (loss), including:</b>	<b>4,029</b>	<b>1,810</b>
	- allocated to the shareholders of the parent company	3,813	1,982
	- allocated to non-controlling interests	216	(172)
<b>VII</b>	<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>VIII</b>	<b>Total comprehensive income, including</b>	<b>4,029</b>	<b>1,810</b>
	- allocated to shareholders of the parent company	3,813	1,982
	- allocated to non-controlling interests	216	(172)
<b>IX</b>	<b>Net profit (loss) per 1 ordinary share</b>	<b>0.04</b>	<b>0.02</b>
	- on continued operations	0.04	0.02
	- on discontinued operations	0.00	0.00
<b>IX</b>	<b>Diluted profit (loss) per 1 ordinary share</b>	<b>0.04</b>	<b>0.02</b>
	- on continued operations	0.04	0.02
	- on discontinued operations	0.00	0.00

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For the period of 3 months ended on 31 March 2022  
(in thousands of PLN)

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Share premium	Treasury shares	Revaluation capital	Retained earnings	Total equity attributable to shareholders of the Parent Company	Non-controlling shares	Total equity
<b>As of 1 January 2021</b>	<b>5,700</b>	<b>7,562</b>	-	<b>31,014</b>	<b>129,493</b>	<b>173,769</b>	<b>1,653</b>	<b>175,422</b>
<b>Changes in Q1 2021</b>	-	-	-	-	<b>1,839</b>	<b>1,839</b>	<b>2,194</b>	<b>4,033</b>
Net profit	-	-	-	-	1,982	1,982	2,194	4,176
<b>Comprehensive income</b>	-	-	-	-	-	-	-	-
Other consolidation adjustments	-	-	-	-	<b>1,982</b>	<b>1,982</b>	<b>2,194</b>	4,176
<b>As of 31 March 2021</b>	-	-	-	-	(143)	(143)	-	(143)
<b>As of 1 January 2021</b>	<b>5,700</b>	<b>7,562</b>	-	<b>31,014</b>	<b>131,332</b>	<b>175,608</b>	<b>3,847</b>	<b>179,455</b>
<b>Changes in the period from 01/01/2021 to 31/12/2021</b>	-	-	-	<b>13</b>	<b>(1,799)</b>	<b>(1,786)</b>	<b>1,417</b>	<b>(369)</b>
Net profit	-	-	-	-	(2,397)	(2,397)	(1,008)	(3,405)
Other comprehensive income	-	-	-	13	-	13	-	13
<b>Comprehensive income</b>	-	-	-	<b>13</b>	<b>(2,397)</b>	<b>(2,384)</b>	<b>(1,008)</b>	<b>(3,392)</b>
Dividend	-	-	-	-	-	-	-	-
Other consolidation adjustments	-	-	-	-	598	598	2,425	3,023
<b>State as of 31 December 2021</b>	<b>5,700</b>	<b>7,562</b>	-	<b>31,027</b>	<b>127,694</b>	<b>171,983</b>	<b>3,070</b>	<b>175,053</b>
<b>As of 1 January 2022</b>	<b>5,700</b>	<b>7,562</b>	-	<b>31,027</b>	<b>127,694</b>	<b>171,983</b>	<b>3,070</b>	<b>175,053</b>
<b>Changes in Q1 2022</b>	-	-	(111)	-	<b>4,112</b>	<b>4,001</b>	<b>216</b>	<b>4,217</b>
Net profit	-	-	-	-	3,813	3,813	216	4,029
<b>Comprehensive income</b>	-	-	-	-	<b>3,813</b>	<b>3,813</b>	<b>216</b>	<b>4,029</b>
Purchase of treasury shares	-	-	(111)	-	-	(111)	-	(111)
Other consolidation adjustments	-	-	-	-	299	299	-	299
<b>As of 31 March 2022</b>	<b>5,700</b>	<b>7,562</b>	(111)	<b>31,027</b>	<b>131,806</b>	<b>175,984</b>	<b>3,286</b>	<b>179,270</b>

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## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Indirect method	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on 31 March 2021
<b>A. Cash flows on operating activities</b>		
<b>I. Profit (loss) before taxes</b>	<b>4,775</b>	<b>1,671</b>
<b>II. Total adjustments</b>	<b>24,747</b>	<b>25,341</b>
1. Depreciation	3,298	3,378
2. (Profit) loss from exchange differences	199	43
3. Interests and share in profit (dividends)	1,143	398
4. (Profit) loss on investment activities	(3)	(5,123)
5. Change in provisions	(7)	78
6. Change in the volume of stock	21,388	24,574
7. Change in the volume of biological assets	(200)	(105)
8. Change in the volume of receivables	1,448	623
9. Change in the volume of short-term liabilities except for borrowings and loans	(1,400)	(2,270)
X. Change in advances	(390)	(77)
11. Paid income tax	(1,029)	(81)
12. Change in subsidies	(38)	(25)
13. Change in the amount of interest accrued on borrowings and commissions	4	250
14. Change in other financial assets	(4)	1,109
15. Change in rights to assets	324	214
16. Amortisation of CO2 rights	-	2,291
17. Other adjustments	14	64
<b>III. Net cash flows on operating activity (I+/-II)</b>	<b>29,522</b>	<b>27,012</b>
<b>B. Cash flows on investing activity</b>		
<b>I. Receipts</b>	<b>-</b>	<b>7,315</b>
1. Disposal of intangible assets and property, plant and equipment	-	49
Disposal of shares	-	1,403
3. Repayment of borrowings	-	5,863
<b>II. Expenses</b>	<b>2,308</b>	<b>4,740</b>
1. Acquisition of intangible assets and property, plant and equipment	1,679	2,445
Purchase of property rights	629	1,995
3. Borrowings granted	-	300
<b>III. Net cash flows from investing activity (I-II)</b>	<b>(2,308)</b>	<b>2,575</b>
<b>C. Cash flows on financial activity</b>		
<b>I. Receipts</b>	<b>1,493</b>	<b>7,078</b>
1. Loans and borrowings	1,173	6,796
2. Subsidies	320	282
<b>II. Expenses</b>	<b>40,925</b>	<b>37,931</b>
1. Repayment of loans and borrowings	38,513	36,208
2. Interest loans and borrowings	1,114	459
3. Purchase of treasury shares	111	-
4. Payments under lease agreements	1,187	1,264
<b>III. Net cash flows on financial activities (I-II)</b>	<b>(39,432)</b>	<b>(30,853)</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>(12,218)</b>	<b>(1,266)</b>
<b>E. Opening balance of cash</b>	<b>41,973</b>	<b>18,350</b>
<b>F. Closing balance of cash (E+/- D)</b>	<b>29,755</b>	<b>17,084</b>
<i>including of restricted use</i>	-	1,500

## **ADDITIONAL EXPLANATORY NOTES**

### **1. General information on the Parent Company**

<b>Full name:</b>	Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.
<b>Registered office address:</b>	18-402 Łomża, ul. Poznańska 121 REGON ID: 450096365
<b>NIP ID:</b>	718-10-05-512
<b>Registration body:</b>	District Court in Białystok, 12th Commercial Division of the National Court Register
<b>Number in the register:</b>	000038455
<b>Legal form: Public Limited</b>	Company
<b>Organisational form:</b>	<b>Company consisting of one plant</b>
<b>Main objects of the operations Business Activities:</b>	<b>according to the divisions of the Polish Classification of</b> 1062Z manufacturing starch and starch goo ds.
<b>Industry:</b>	food
<b>Duration:</b>	indefinite

#### **Members of the Management Board as of 31 March 2022:**

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

#### **Members of the Supervisory Board as of 31 March 2022:**

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

On 14 April 2022, i.e. after the balance sheet date, the Annual General Meeting appointed the Supervisory Board for a new term in office, which was constituted on 4 May 2022 with the following composition:

Maciej Kaliński	Chairperson of the Supervisory Board
Tomasz Nowakowski	Deputy Chairperson of the Supervisory Board
Robert Malinowski	Secretary of the Supervisory Board
Kajetan Rościszewski	Member of the Supervisory Board
Jacek Okoński	Member of the Supervisory Board
Agata Czerniakowska	Member of the Supervisory Board

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**Members of the Audit Committee as of 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

On 4 May 2022, i.e. after the balance sheet date, the Supervisory Board for the new term in office appointed the following Audit Committee from among its members:

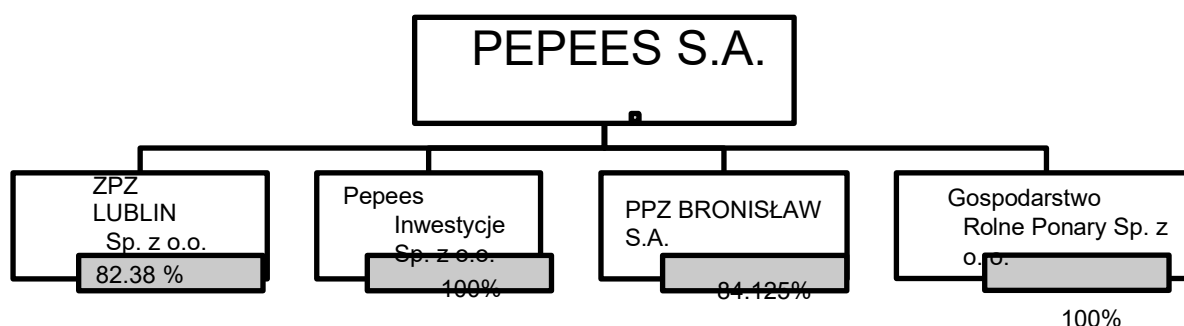
(election at the next meeting)	Chairperson of the Audit Committee
Tomasz Nowakowski	Deputy Chairperson of the Audit Committee
Agata Czerniakowska	Member of the Supervisory Board
Robert Malinowski	Member of the Audit Committee
Kajetan Rościszewski	Member of the Audit Committee.

## 2. Information on reporting periods

The presented interim consolidated financial statements cover the period from 1 January 2022 to 31 March 2022, while comparable financial data and explanatory notes cover the period from 1 January 2021 to 31 March 2021 and additionally as of 31 December 2021 in case of the statement of financial standing and statement of changes in equity.

## 3. Structure of the PEPEES Capital Group

### 3.1. Structure of the PEPEES Capital Group as of 31 March 2022



### 3.2. General information on related parties of the PEPEES Capital Group

In the Consolidated Quarterly Report of the PEPEES Capital Group for Q1 ended on 31 March 2022, apart from Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., the following related parties were subject to consolidation:

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Name	Registered office	Objects of operations	Court Registration	Issuer's share in capital (%)	Share in the total number of votes (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sales of 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	84.125	84.125
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Agriculture combined with husbandry	District Court in Białystok 12th Commercial Division of the National Court Register	100	100

All the subsidiaries were subject to consolidation based on the full method.

During the reporting period and until the preparation date hereof, there were no changes in the structure of the Issuer's Capital Group.

### 3.3. Basic financial information on related parties as of 31 March 2022

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 31/03/2022	22,541	9,112	377	70
Fixed assets as of 31/03/2022	44,017	6,065	21,290	-
Short-term liabilities as of 31/03/2022	33,669	8,979	558	1
Long-term liabilities as of 31/03/2022	16,733	2,101	6,532	-
Revenues from sales	19,229	5,637	-	-
Financial result on continued activities	1,983	562	29	(1)
Net financial result on discontinued activities	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	1,983	562	29	(1)

### 3.4. Grounds underlying 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.

These interim condensed consolidated financial statements are presented in Polish złoty ("PLN"), and all amounts, unless otherwise indicated, are specified in thousands of PLN.

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

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The interim condensed consolidated financial statements do not include all the information requisite for annual consolidated financial statements and should be considered in conjunction with the consolidated financial statements for the fiscal year ended on 31 December 2021.

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

These interim condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on 26 May 2022.

#### **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 on 31 December 2021. The Group has not opted for the early application of any standard, interpretation or amendment published but not yet effective under the EU provisions of law.

#### **6. Unusual items with a significant impact on assets, liabilities, capital, financial result and cash flows**

There are no unusual items herein that have a significant impact on assets, liabilities and capital.

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

The Group did not change its accounting policies during the reporting period and did not correct any errors of previous years.

#### **8. Explanations related to the 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 finished products lasts all year round.

#### **9. Estimations**

During the reporting period, the Group did not test its non-current assets for impairment as there were no indications of impairment.

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 of 31/12/2021.

The revaluation of provisions for unused holidays was made on the basis of expected remuneration of employees together with mark-ups charged to the employer for holidays unused as of 31/03/2022.

The Group recognises deferred income tax assets, assuming that the tax profit will be generated in the future, from which the assets could be used.

Each year, the Group verifies adopted useful lives of fixed assets and intangible assets. The last update took place as of 31/12/2021.

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

During Q1 2022, the Group purchased fixed assets for PLN 1,679 thousand. The purchases mainly concerned the modernisation 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 2022, no loan agreements were entered into for the purchase of fixed assets.

## 12. Stock

STOCK	State as of 31 March 2022	State as of 31 December	State as of 31 March 2021
a) materials	7,991	5,790	3,670
b) semi-finished products and work in progress	1,133	1,128	904
c) finished products	60,148	83,730	75,099
d) goods	6,622	6,835	6,104
<b>Gross value of stock</b>	<b>75,894</b>	<b>97,483</b>	<b>85,777</b>
Revaluation write-offs	(117)	(318)	(153)
<b>Net value of stock</b>	<b>75,777</b>	<b>97,165</b>	<b>85,624</b>

Value of stock recognised as cost in the reporting period amounted to PLN 44,767 thousand (Q1 2021 – PLN 37,294 thousand).

## 13. Biological assets

Plant assets	State as of 31 March 2022	State as of 31 December	State as of 31 March 2021
Biological assets	760	560	443
<b>Total</b>	<b>760</b>	<b>560</b>	<b>443</b>

Since March 2014, "PEPEES" S.A. has been leasing an agricultural farm (Roje) and since October 2021 and April 2022 – additional land (Krzekoty and Jachowo) and seeds of annual plants were planted there. Costs related to the purchase of seeds and growing them in Q1 2022 amount to PLN 1,114 thousand, whereas revenues from agricultural activities – PLN 40 thousand. Biological assets were presented in the statement at fair value.

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## 14. Trade receivables

<b>TRADE RECEIVABLES (GROSS) – WITH THE PERIOD OF PAYMENT REMAINING AFTER THE BALANCE SHEET DATE:</b>	<b>State as of 31 March 2022</b>	<b>State as of 31 December 2021</b>	<b>State as of 31 March 2021</b>
a) up to 1 month	15,073	15,492	7,774
b) above 1 month and up to 3 months	6,517	3,875	6,323
c) above 3 months and up to 6 months	752	4	1,750
d) above 6 months up to 1 year	-	32	84
e) above 1 year	-	-	-
f) past due receivables	4,085	6,436	5,828
Total trade receivables (gross)	26,427	25,839	21,759
- revaluation write-offs of trade receivables	(801)	(880)	(706)
<b>Total trade receivables (net)</b>	<b>25,626</b>	<b>24,959</b>	<b>21,053</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 the assessment of their economic and financial standing such receivables do not constitute bad debts. They are past due from a few days to 3 months. There are no receivables past due more than 180 days not covered by a revaluation write-off.

## 15. Trade liabilities

<b>LIABILITIES</b>	<b>State as of 31 March 2022</b>	<b>State as of 31 December</b>	<b>State as of 31 March 2021</b>
- trade liabilities with maturity date:	14,915	15,916	12,791
- up to 12 months	14,915	15,916	12,791
- overdue more than 180 days	-	-	-

## 16. Settlements resulting from litigations

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

- for revoking the declaration of invalidity of two resolutions on the appointment of the Supervisory Board Members, as adopted on 11 May 2018 by the General Meeting of Shareholders, and for revoking the resolution on the distribution of profit for 2017. With the judgement of 26/10/2018, the Regional Court rendered invalid the resolutions on the appointment of two members of the Supervisory Board and dismissed the action within the remaining scope. The appeals against the judgement were filed by both parties. The Court of Appeal in Białystok dismissed both of them. EPSILON filed a cassation appeal, which the Supreme Court accepted for examination on 21/11/2020,
- for revoking or rendering invalid resolutions no . 24-29 adopted on 28/06/2019 by the Annual General Meeting of Shareholders, including resolution no 28 on amendments to the Articles of Association and authorisation of the Company's Management Board to raise the share capital of the Company within the scope of the authorised capital and with the option to exclude the pre-emptive right of the current shareholders of the Company in whole or in part upon the consent of the Company's Supervisory Board. The District Court suspended the proceedings until

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the proceedings in the suit brought by PEPEES against EPSILON for determining the loss of voting rights have been concluded in a legally binding manner,

- for revoking the declaration of invalidity of two resolutions on the acknowledgement of fulfilment of duties adopted on 21/04/2020 by the General Meeting of Shareholders. The litigation is pending before the Court of First Instance. The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for determining the loss of voting rights have been concluded in a legally binding manner,
- for revoking or rendering invalid four resolutions on: consideration and approval of the financial statements for 2020, distribution of the profit for 2020 and acknowledgement of fulfilment of duties of the Management Board Members, as adopted on 29/06/2021 by the General Meeting of Shareholders. The litigation is pending before the Court of First Instance. On 11 January 2022, the Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for determining the loss of voting rights have been concluded in a legally binding manner.

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

There are several litigations pending against the Group's debtors for trade settlements. As for all receivables in litigation, they were written down by 100%.

## 17. Outstanding loans and borrowings

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

### Long-term and short-term liabilities

No.	Type of loan	Borrower	Loan amount under an agreement	Currency	Outstanding loan / borrowing to be repaid	Currency	Interest rate	Maturity date
1	Investment loan for financing and refinancing the purchase of 100% shares in Gospodarstwo Rolne Ponary	"PEPEES" S.A.	10,530	PLN	4,889	PLN	1-M WIBOR interest rate for deposits plus the Bank's margin	30/06/2025
2	Investment loan for the modernisation of a starch dryer and construction of a protein recovery facility	PPZ Bronisław	8,456	PLN	5,481	PLN	Interest rate 3-M WIBOR for 3-month deposits plus the Bank's margin	31/12/2027
3	Loan on the current account	"PEPEES" S.A.	4,000	PLN	-	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
4	Revolving loan	"PEPEES" S.A.	16,500	PLN	12,375	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
5	Working capital loan	"PEPEES" S.A.	17,000	PLN	10,625	PLN	1-month WIBOR+ the Bank's margin	31/08/2022

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No.	Type of loan	Borrower	Loan amount under an agreement	Currency	Outstanding loan /borrowing to be	Currency	Interest rate	Maturity date
6	Loan on the current account	"PEPEES" S.A.	4,000	PLN	-	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
7	Revolving loan	"PEPEES" S.A.	16,500	PLN	10,313	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
8	Working capital loan for potato purchase	"PEPEES" S.A.	17,000	PLN	10,625	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
9	Procurement working capital loan	ZPZ "LUBLIN"	2,000	PLN	1,034	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
10	Procurement working capital loan	ZPZ "LUBLIN"	2,000	PLN	913	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
11	Revolving loan	ZPZ "LUBLIN"	4,000	PLN	2,500	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
12	Revolving loan	ZPZ "LUBLIN"	4,000	PLN	3,000	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
13	Loan on the current account	ZPZ "LUBLIN"	2,000	PLN	-	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
14	Credit on the current account	ZPZ "LUBLIN"	2,000	PLN	-	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
15	Loan on the current account	PPZ "BRONISŁAW"	700	PLN	-	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
16	Purchase loan	PPZ "BRONISŁAW"	9,000	PLN	5,475	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
17	Revolving loan	PPZ "BRONISŁAW"	7,300	PLN	5,624	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
18	Loan on the current account	PPZ "BRONISŁAW"	700	PLN	672	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
19	Purchase loan	PPZ "BRONISŁAW"	8,000	PLN	5,187	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
20	Working capital loan for potato purchase	PPZ "BRONISŁAW"	8,300	PLN	4,921	PLN	1-month WIBOR+ the Bank's margin	31/08/2022
<b>TOTAL</b>			<b>143,986</b>	<b>PLN</b>	<b>83,634</b>	<b>PLN</b>		
<i>long-term</i>					<b>7,927</b>	<b>PLN</b>		
<i>short-term</i>					<b>75,707</b>	<b>PLN</b>		

In the reporting period, no provisions of the loan agreements were breached. All loans are repaid according to schedules specified under 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 on 31 March 2022	For the period of 3 months ended on 31 March 2021
Revenues from the sales of products to subsidiaries	216	159
Revenues from the sales of services	79	83
Revenues from the sales of fixed assets	15	-
<b>Total revenues from related entities</b>	<b>310</b>	<b>242</b>

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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 on 31 March 2022	For the period of 3 months ended on 31 March 2021
Purchases of products from subsidiaries	3,370	1,717
Purchases of services from subsidiaries	21	19
<b>Total purchases from related entities</b>	<b>3,391</b>	<b>1,736</b>

**c) Other transactions**

Specification	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on 31 March 2021
Interest on borrowings granted	28	7
Fees on sureties granted	31	31
Fees on sureties received	39	39
<b>Total</b>	<b>98</b>	<b>77</b>

**d) Balances of settlements as of the balance sheet date generated as a result of the sale/purchase of goods/services**

Settlements with subsidiaries	State as of 31 March 2022	State as of 31 December	State as of 31 March 2021
ZPZ LUBLIN Sp. z o.o.	36	-	-
Receivables – PPZ Bronisław S.A.	846	624	2,826
Advances – PPZ Bronisław	571	571	
Receivables - GR PONARY Sp. z o.o.	1	1	1
Receivables – PEPEES Inwestycje Sp. z o.o.	1	-	9
Liabilities – ZPZ Lublin Sp. z o.o.	1,140	149	141
Liabilities – PPZ BRONISŁAW S.A.	25	2	41
Liabilities – GR PONARY	13	13	13
<b>Balance of settlements with related parties</b>	<b>1,277</b>	<b>1,032</b>	<b>2,641</b>

**e) Balance of borrowing settlements**

Borrowings granted to subsidiaries	State as of 31 March 2022	State as of 31 December 2021	State as of 31 March 2021
PPZ BRONISŁAW S.A.	3,300	3,300	1,100
GR PONARY Sp. z o.o.	554	550	550
<b>Borrowings granted</b>	<b>3,854</b>	<b>3,850</b>	<b>1,650</b>

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## 18.2 Issuer's transactions with shareholders

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

## 18.3 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 on	For the period of 12 months ended on 31	For the period of 3 months ended on
Short-term employee benefits	472	2,438	481
Benefits after the employment period			
Benefits due to the termination of employment relationship			
Payments in the form of shares			
<b>Total</b>	<b>472</b>	<b>2,438</b>	<b>481</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 and their close family members.

## 19. Changes in estimates

### a) Revaluation write-offs of receivables

CHANGE IN REVALUATION WRITE-OFFS OF SHORT-TERM RECEIVABLES	For the period of 3 months ended on 31 March 2022	For the period of 12 months ended on 31 December 2021	For the period of 3 months ended on 31 March 2021
Opening balance	1,017	797	797
<b>a) increase (due to)</b>	<b>7</b>	<b>423</b>	<b>100</b>
- establishment for bad debts related to supplies	7	336	100
- establishment for due interest	-	2	-
- establishment for receivables claimed in litigation	-	85	-
<b>b) decrease (due to)</b>	<b>86</b>	<b>203</b>	<b>58</b>
- dissolution of provisions due to payment	86	196	58
- cancellation	-	7	-
<b>Closing balance of write-offs, including:</b>	<b>938</b>	<b>1,017</b>	<b>839</b>

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

<b>CHANGE IN REVALUATION WRITE-OFFS OF STOCK</b>	<b>For the period of 3 months ended on 31 March 2022</b>	<b>For the period of 12 months ended on 31 December 2021</b>	<b>For the period of 3 months ended on 31 March 2021</b>
Opening balance	318	304	304
a) increase (due to)	-	761	-
- impairment revaluation write-offs of materials	-	761	-
b) decrease (due to)	201	747	151
- reversals of write-offs	201	747	151
Closing balance of revaluation write-offs of stock	117	318	153

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

<b>CHANGE IN LIABILITIES RELATED TO RETIREMENT BENEFITS AND SIMILAR ONES</b>	<b>For the period of 3 months ended on 31 March 2022</b>	<b>For the period of 12 months ended on 31 December 2021</b>	<b>For the period of 3 months ended on 31 March 2021</b>
a) opening balance	3,533	3,682	3,682
- retirement benefits	703	729	729
- jubilee awards	2,830	2,953	2,953
b) increase (due to)	-	236	-
- retirement benefits	-	24	-
- jubilee awards	-	212	-
c) use (due to)	-	330	-
- retirement benefits	-	33	-
- jubilee awards	-	297	-
d) dissolution (due to)	-	55	-
- retirement benefits	-	17	-
- jubilee awards	-	38	-
d) closing balance	3,533	3,533	3,682
- retirement benefits	703	703	729
- jubilee awards	2,830	2,830	2,953

**20. Short-term provisions**

<b>CHANGE IN SHORT- TERM PROVISIONS (BY TITLE)</b>	<b>For the period of 3 months ended on 31 March 2022</b>	<b>For the period of 12 months ended on 31 December 2021</b>	<b>For the period of 3 months ended on 31 March 2021</b>
a) opening balance	3,527	3,772	3,772
- subsidies to plant, property and equipment	98	98	98
- provisions for benefits performed by counterparties	86	26	26
- fee for using the natural environment	84	117	117
- provisions for holiday remuneration	800	715	715
- rights to gas emissions	2,429	2,283	2,283
- bonuses for the Management Board and employees	30	533	533
b) increase (due to)	1,953	3,380	951

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<b>CHANGE IN SHORT- TERM PROVISIONS (BY TITLE)</b>	<b>For the period of 3 months ended on 31 March 2022</b>	<b>For the period of 12 months ended on 31 December 2021</b>	<b>For the period of 3 months ended on 31 March 2021</b>
- provision for used CO2 emission rights	1,415	2,226	751
- fee for using the natural environment	15	92	18
- provisions for holiday remuneration	261	493	182
- provisions for benefits performed by counterparties	-	95	-
- bonuses for the Management Board and employees	262	474	-
<b>c) use (due to)</b>	<b>2,590</b>	<b>3,625</b>	<b>2,673</b>
- provision for used CO2 emission rights	2,429	2,080	2,079
- fee for using the natural environment	60	125	101
- provisions for holiday remuneration	-	408	-
- provision of benefits performed by counterparties	71	35	-
- bonuses for the Management Board and employees	30	977	493
<b>d) closing balance</b>	<b>2,890</b>	<b>3,527</b>	<b>2,050</b>
- subsidies to plant, property and equipment	98	98	98
- provision for used CO2 emission rights	1,415	2,429	955
- fee for using the natural environment	39	84	34
- provisions for holiday remuneration	1,061	800	897
- bonuses for the Management Board and employees	262	30	40
- provisions for benefits performed by counterparties	15	86	26

## 21. Deferred income tax

<b>PROVISIONS DUE TO DEFERRED INCOME TAX</b>	<b>State as of 31 March 2022</b>	<b>State as of 31 December</b>	<b>State as of 31 March 2021</b>
Difference between the balance sheet value and tax value of plant, property and equipment	5,401	5,545	5,833
Valuation of investments	693	693	662
Unrealised foreign exchange differences	13	4	4
Due interests not received	-	-	4
Other	-	-	3
<b>Total deferred income tax provisions</b>	<b>6,107</b>	<b>6,242</b>	<b>6,506</b>

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<b>DEFERRED INCOME TAX</b>	<b>State as of 31 March 2022</b>	<b>State as of 31 December</b>	<b>State as of 31 March 2021</b>
Unpaid remuneration	152	144	194
Provision for unused holiday leaves	202	152	170
Retirement benefits and anniversary bonuses	672	672	700
Unrealised foreign exchange differences	110	121	27
Revaluation write-offs of stock	22	62	27
Revaluation write-offs of shares	18	18	18
Liabilities due in relation to the subject of lease	848	912	1,219
Consolidation adjustments – retained earnings	100	(15)	(1)
Provision for bonuses for the Management Board and employees	50	6	8
Depreciation of CO2 emission rights	269	462	182
Valuation of assets	2,330	2,330	2,389
Tax loss	2,075	1,368	1,333
Other	126	124	12
<b>Total</b>	<b>7,003</b>	<b>6,372</b>	<b>6,278</b>

## 22. Off-balance sheet items

<b>Item</b>	<b>State as of 31 March 2022</b>	<b>State as of 31 December</b>	<b>State as of 31 March 2021</b>
<b>Off-balance sheet assets</b>			
Guarantees received	-	-	311
<b>Off-balance liabilities</b>			
Mortgages on company assets	147,529	147,529	169,339
Pledge on assets	83,447	107,956	120,430
Loan surety	12,684	12,684	30,918
Assignment of receivables under insurance policy	313,000	313,000	254,630
Potential compensation as regards non-compete clauses	1,765	1,765	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 during the reporting period.

On 28 December 2021, the Management Board of PEPEES S.A. has issued an invitation to tender for the sale of shares under the authority granted by the Annual General Meeting of Shareholders by way of Resolution No. 24 of 25 April 2017 and the resolution of the Supervisory Board of 23 December 2021. The Invitation is related to the acquisition of no more than 2,000,000 ordinary bearer shares of the Company coded PLPEPES00018, representing in total 2.11% of the Company's share capital and the total number of votes at the Company's General Meeting.

The purchase price for treasury shares was set at PLN 1.20 per share. The invitation was addressed to all the shareholders of the Company. The repurchase was carried out through the agency of Dom Maklerski Banku Ochrony Środowiska S.A. As a result of the invitation, as many as 32,828 treasury shares were purchased between 29 December 2021 and 11 January 2022. Accordingly, on 14 February 2022, the Management Board renewed its invitation to tender the shares. In the second round, as many as

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34,295 shares were acquired. The total number of treasury shares held by the Issuer as of the date of publication of the report is 67,123 shares, representing 0.071% of the share capital and the total number of votes attributable to all shares of the Issuer. The Company acquires treasury shares for the purposes indicated in the AGM Resolution, i.e. alternatively for redemption or resale against payment or use in acquisition transactions.

## **24. Reporting on segments of the operations**

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

Within the PEPEES Capital Group, four industry segments were separated, that is "potato processing," "electricity production," "agricultural production combined with animal breeding" and "purchase and sale of real property for own market." Upon the sale of the shares in CHP Energia, which operates in the "electricity production" segment, three segments remained in the Group.

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

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

The other types of operations are related to:

- works and services,
- sales of selected goods and materials,
- growing and sales of annual plants.
- purchase and sales of real property on own account.

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## 24.2 Segment revenues and results

	Revenues		Profit	
	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on 31 March 2021	For the period of 3 months ended on	For the period of 3 months ended on
Potato processing	64,315	46,369		(2,861)
<b>Total revenues from sales</b>	<b>64,315</b>	<b>46,369</b>		
Other operating revenue			146	168
Other operating costs			(273)	(244)
Profit (loss) on the disposal of a subsidiary			-	5,087
Financial revenue			86	231
Financial costs			(1,603)	(710)
<b>Profit (loss) before tax</b>			<b>4,775</b>	<b>1,671</b>

## 24.3 Assets and liabilities of the segments

Assets of the segments	State as of 31 March 2022	State as of 31 December	State as of 31 March 2021
Potato processing	299,527	333,830	299,062
Agricultural production combined with animal breeding	19,621	19,588	19,540
Purchase and sales of real properties on own account	70	71	90
<b>Total assets of segments</b>	<b>319,218</b>	<b>353,489</b>	<b>318,692</b>

Liabilities of the segments	State as of 31 March 2022	State as of 31 December	State as of 31 March 2021
Potato processing	139,945	178,436	139,234
Agricultural production combined with animal breeding	3	-	3
Purchase and sales of real properties on own account	-	-	-
<b>Total liabilities of the segments</b>	<b>139,948</b>	<b>178,436</b>	<b>139,237</b>

All assets and liabilities of Gospodarstwo Rolne Ponary are allocated to the "agricultural production 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 2022 Ponary and Pepees Inwestycje did not generate any revenues from sales, the segment of "agricultural production combined with animal breeding" and "purchase and sale of real property on own account" were not separated in revenues and results of the segments. As regards the value of land owned by Ponary, the segment of this activity was separated in these financial statements only for the purpose of presenting the assets and liabilities.

## 24.4 Other information on the segments

Segment	Depreciation		Increase in non-current assets	
	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on 31 March 2021	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on 31 March 2021
Potato processing	3,298	3,378	1,679	2,445
<b>Total operations continued</b>	<b>3,298</b>	<b>3,378</b>	<b>1,679</b>	<b>2,445</b>

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## 24.5 Revenues by products

Product name	For the period of 3 months ended on	For the period of 3 months ended on
Starch	32,899	27,103
Protein	5,269	3,519
Glucose	5,784	2,732
Maltodextrin	5,785	4,669
Starch syrups	1,659	1,409
Dried potatoes (grits, flakes, cubes)	8,963	4,482
Goods and materials	3,740	2,257
Services	216	198
<b>Total</b>	<b>64,315</b>	<b>46,369</b>

## 24.6 Revenues from sales according to the geographical structure

Specification	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on
<b>Poland, including</b>	<b>39,539</b>	<b>31,386</b>
Starch	15,363	16,609
Protein	3,016	2,445
Glucose	5,063	2,224
Maltodextrin	4,276	3,004
Starch syrups	1,659	1,409
Dried potatoes (grits, flakes, cubes)	6,542	3,665
Goods and materials	3,404	1,832
Services	216	198
<b>EU states – intra-Community supplies, including:</b>	<b>3,774</b>	<b>3,735</b>
Starch	1,678	1,421
Protein	605	601
Maltodextrin	751	981
Glucose	710	183
Dried potatoes (grits, flakes, cubes)	30	549
<b>Other countries – exports</b>	<b>21,002</b>	<b>11,248</b>
Starch	15,858	9,074
Protein	1,648	472
Glucose	11	325
Maltodextrin	758	684
Dried potatoes (grits, flakes, cubes)	2,391	268
Goods	336	425
<b>Total</b>	<b>64,315</b>	<b>46,369</b>

## 24.7 Information about key customers

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

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**25. Information on dividends paid (or declared) , in total and per share, broken down into ordinary and preference shares**

The Capital Group companies did not pay dividends during the reporting period. The management boards of the companies did not declare or propose dividends from the 2022 profit distribution.

**26. In case of financial instruments measured at fair value - information about the changed manner (method) in which it is determined**

During the period of 3 months ended on 31 March 2022, the Group did not change the principles for determining the 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 on 31 December 2021.

**27. Information on change in the classification of financial assets as a result of changed purpose or use thereof**

During the period presented, there were no changes in the classification of financial assets as a result of changed purpose or use.

**28. Information on changes in economic conditions and operating conditions having a significant impact on the fair value of the entity's financial assets and financial liabilities, regardless of whether those assets and liabilities are recorded at fair value or adjusted price of purchase (production cost)**

On 24/02/2022, Russia's invasion of Ukraine began, representing an escalation of the conflict that had originated in 2014 .At the time of publication of these financial statements, the situation is still very dynamic. The European Union has so far imposed six packages of sanctions on Russia, including targeted individual sanctions, economic sanctions and various diplomatic measures. The Russian invasion of Ukraine, combined with all the EU sanctions, is exerting a significant impact on global trade and, therefore, on the Group companies. The exchange rates used by the Group are constantly fluctuating, which carries the risk of unpredictability in forward foreign contracts (with delayed deliveries) or in contracts with deferred payment dates.

The increase in energy commodity prices, already initiated in 2021, will continue. It will probably cause reduction in supplies from the East (oil, gas, coal); the reserves of energy raw materials will also be increased by all the European countries; therefore, their availability will be affected, similarly contributing to further increase in prices.

The increase in fuel prices will, in turn, translate into the increased price of transport services. Prices of goods and services also fluctuate greatly. In relation to previous reporting periods, the "PEPEES" Capital Group has experienced a significant increase in the prices of raw materials, basic and auxiliary materials for production.

Furthermore, the Issuer will lose the ability to export its products to the Ukrainian market due to the hostilities, as well as to the Russian and Belarusian markets as a result of economic sanctions. The Company will also have difficult access to Central Asian markets (Uzbekistan, Kazakhstan) due to rail transport restrictions through Ukraine (warfare) and by Russia (economic sanctions).

Polskie Górnictwo Naftowe i Gazownictwo S.A.("PGNiG") on 26 April 2022 published a current report in which it announced the planned complete suspension from 27 April 2022

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of natural gas supplies by PAO Gazprom and OOO Gazprom Eksport ("Gazprom"). PGNiG is the main supplier of gas for the PEPEES Group companies. As of the date of these interim condensed consolidated financial statements, the agreement with PGNiG for the supply of gaseous fuel to PEPEES is being implemented in full and there are no disruptions in supply. Gas transmission is in line with the Group's contract and demand. In addition, according to information provided by representatives of the Government of the Republic of Poland (RP) at the conference on 26 April 2022, gas storage facilities in Poland are 76% full, and the Government of the Republic of Poland has already taken steps to diversify gas supplies to Poland and to source gas from various directions.

All the Group's companies monitor the developments in the armed conflict in Ukraine and successive sanctions imposed on Russia, verifying all information from the perspective of its impact on the economic standing of the Group and undertaking ad-hoc activities to minimise consequences related to these extraordinary circumstances.

**29. Other information which may significantly affect the assessment of the economic and financial standing, and financial performance of the Group**

During the presented period, all events and information affecting the asset and financial standing have been disclosed herein. In addition to the Covid-19 pandemic, which is gradually receding yet still occurring with varying degrees of severity in respective countries, yet another major factor affecting the global economy came into play at the end of February. The Russian invasion of Ukraine, combined with all the EU sanctions, is exerting a significant impact on global trade and, therefore, on the Group companies.

The Group does not have any other information that may significantly affect the assessment of the economic and financial standing, and financial performance of the Group.

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

After the end of the reporting period, i.e. on 14 April 2022, the Annual General Meeting of the Company, which the Issuer's Management Board mentioned in current report No. 10/2022.

Among the resolutions adopted was also one to cover the Issuer's loss for the financial year of 2021 in the amount of PLN 2,343 thousand from supplementary capital and the other to appoint the Supervisory Board Members for a new term (the new composition of the Supervisory Board is presented at pt. 1).

**C. INTERIM CONDENSED FINANCIAL STATEMENTS  
OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZYM  
"PEPEES" SPÓŁKA AKCYJNA FOR THE PERIOD OF 3 MONTHS ENDED  
ON 31 MARCH 2022**

presented below, comprising:

1. Interim condensed statement of financial standing
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.

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## INTERIM CONDENSED STATEMENT OF FINANCIAL STANDING

	ASSETS	State as of 31 March 2022	State as of 31 December 2021	State as of 31 March 2021
<b>A</b>	<b>(Long-term) fixed assets</b>	<b>130,433</b>	<b>130,861</b>	<b>139,912</b>
1.	Plant, property and equipment	87,456	88,103	95,798
2.	Intangible assets	208	184	198
3.	Rights to assets	15,437	15,761	15,630
4.	Investment properties	371	373	381
5.	Investments in subsidiaries	23,586	23,586	23,586
6.	Investments in other entities	383	383	625
7.	Deferred income tax assets	2,992	2,471	3,694
<b>B</b>	<b>(Short-term) current assets</b>	<b>120,009</b>	<b>136,720</b>	<b>106,651</b>
1.	Stock	54,298	63,277	57,999
2.	Biological assets	760	560	443
3.	Trade receivables and other short-term receivables	26,646	28,238	24,392
4.	Current income tax receivables	-	-	1,245
5.	Other financial assets	10,979	10,975	9,200
6.	Cash and cash equivalents	27,326	33,670	13,372
	<b>Total assets</b>	<b>250,442</b>	<b>267,581</b>	<b>246,563</b>

	LIABILITIES	State as of 31 March 2022	State as of 31 December 2021	State as of 31 March 2021
<b>A</b>	<b>Equity</b>	<b>159,173</b>	<b>156,200</b>	<b>156,329</b>
1.	Share capital	5,700	5 700	5,700
2.	Share premium	7,562	7,562	7,562
3.	Treasury shares	(111)	-	-
4.	Revaluation capital	30,507	30,507	30,494
5.	Retained earnings	115,515	112,431	112,573
<b>B</b>	<b>Liabilities</b>	<b>91,269</b>	<b>111,381</b>	<b>90,234</b>
<b>I</b>	<b>Long-term liabilities</b>	<b>24,324</b>	<b>25,643</b>	<b>28,272</b>
1.	Loans and borrowings	3,385	3,761	4,889
2.	Liabilities due to assets under lease	10,736	11,088	12,354
3.	Deferred income tax provision	5,830	5,957	6,337
4.	Liabilities related to retirement benefits and similar ones	2,472	2,472	2,694
5.	Subsidies	1,901	1,925	1,998
6.	Other long-term liabilities	-	440	-
<b>II</b>	<b>Short-term liabilities</b>	<b>66,945</b>	<b>85,738</b>	<b>61,962</b>
1.	Trade and other short-term liabilities	16,972	13,280	11,265
2.	Current income tax liabilities	496	-	-
3.	Loans and borrowings	45,442	68,735	47,081
4.	Liabilities due to assets under lease	3,683	3,371	3,363
5.	Liabilities related to retirement benefits and similar ones	352	352	253
	<b>Total liabilities</b>	<b>250,442</b>	<b>267,581</b>	<b>246,563</b>

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

No.	Specification	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on 31 March 2021
<b>I</b>	<b>Revenues from sales</b>	<b>43,135</b>	<b>33,019</b>
<b>II</b>	<b>Own cost of sales</b>	<b>(29,103)</b>	<b>(26,623)</b>
<b>III</b>	<b>Gross profit (loss) on sales (I-II)</b>	<b>14,032</b>	<b>6,396</b>
1.	Costs of sales and marketing	(3,105)	(2,394)
2.	Overheads	(6,166)	(6,090)
3.	Other operating revenue	118	52
4.	Other operating costs	(67)	(124)
<b>IV</b>	<b>Profit (loss) on operating activities</b>	<b>4,812</b>	<b>(2,160)</b>
1.	Financial costs	(986)	(507)
2.	Financial revenue	118	269
<b>V</b>	<b>Profit (loss) before tax</b>	<b>3,944</b>	<b>(2,398)</b>
<b>VI</b>	<b>Income tax</b>	<b>(860)</b>	<b>197</b>
<b>VII</b>	<b>Net profit (loss)</b>	<b>3,084</b>	<b>(2,201)</b>
<b>VIII</b>	<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
1.	Results of the measurement of financial assets available for sale	-	-
2.	Reassessment of liabilities under employee benefits	-	-
<b>IX</b>	<b>Total comprehensive income, including</b>	<b>3,084</b>	<b>(2,201)</b>
<b>X</b>	<b>Net profit (loss) per 1 share</b>	<b>0.032</b>	<b>(0.023)</b>

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## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Capital from the sale of shares above	Treasury shares	Share from revaluation	Retained earnings	Total equity
State as of 1 January 2021	5,700	7,562	-	30,494	114,774	158,530
Changes in Q1 2021	-	-	-	-	(2,201)	(2,201)
Net profit (loss) for the period					(2,201)	(2,201)
State as of 31 March 2021	5,700	7,562	-	30,494	112,573	156,329
Changes in 2021	-	-	-	13	(2,343)	(2,330)
Net profit (loss)	-		-	-	(2,343)	(2,343)
Other comprehensive income	-		-	13		13
Comprehensive income				13	(2,343)	(2,330)
State as of 31 December 2021	5,700	7,562	-	30,507	112,431	156,200
State as of 1 January 2022	5,700	7,562	-	30,507	112,431	156,200
Changes in the period from 01/01/2022 to 31/03/2022	-	-	(111)	-	3,084	2,973
Net profit (loss)	-				3,084	3,084
Purchase of treasury shares			(111)			(111)
Comprehensive income	-	-	-	-	3,084	3,084
State as of 31 March 2022	5,700	7,562	(111)	30,507	115,515	159,173

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**INTERIM CONDENSED CASH FLOW STATEMENT**

No.	Cash flow statement	For the period of 3 months ended on 31 March 2022	For the period of 3 months ended on 31 March 2021
<b>A.</b>	<b>Cash flows on operating activities – indirect method</b>		
<b>I</b>	<b>Profit (loss) before tax</b>	<b>3,944</b>	<b>(2,398)</b>
<b>II</b>	<b>Total adjustments</b>	<b>16,216</b>	<b>20,542</b>
1.	Depreciation	2,970	2,889
2.	Foreign exchange (gains) losses	44	(13)
3.	Interest and shares in profit (dividend)	617	174
4.	(Profit) loss on investment activities	3	1
5.	Change in provisions	-	1
6.	Change in stock	8,979	13,925
7.	Change in biological assets	(200)	(105)
8.	Change in receivables	1,592	(581)
9.	Changes in short-term liabilities, except for loans and borrowings	2,932	119
X.	Change of the state of prepayments and accruals	-	228
11.	Paid income tax	(1,029)	-
12.	Change in subsidies	(24)	(25)
13.	Change in the amount of interest accrued on borrowings and commissions	-	250
14.	Change in other financial assets	(4)	1,109
15.	Change in rights to assets	324	214
16.	Amortisation of CO2 rights	-	2,291
17.	Other adjustments	18	65
<b>III</b>	<b>Net cash flows on operating activities</b>	<b>20,160</b>	<b>18,144</b>
<b>B.</b>	<b>Cash flows on investing activities</b>		
<b>I</b>	<b>Receipts</b>	<b>40</b>	<b>7,418</b>
1.	Disposal of intangible and legal assets and property, plant and equipment	16	-
2.	Disposal of shares	-	1,403
3.	Repayment of borrowings granted	24	6,015
<b>II</b>	<b>Expenses</b>	<b>1,628</b>	<b>3,607</b>
1.	Purchase of intangible and legal assets and property, plant and equipment	999	212
2.	Purchase of property rights	629	1,995
3.	Borrowings granted	-	1,400
<b>III</b>	<b>Net cash flows on investing activities</b>	<b>(1,588)</b>	<b>3,811</b>
<b>C.</b>	<b>Cash flows on financial activities</b>		
<b>I</b>	<b>Receipts</b>	<b>320</b>	<b>3,402</b>
1.	Loans and borrowings	-	3,120
2.	Surcharges received	320	282
<b>II</b>	<b>Expenses</b>	<b>25,236</b>	<b>23,464</b>
1.	Repayment of loans and borrowings	23,670	22,535
2.	Interest on loans and borrowings	641	244
3.	Purchase of treasury shares	111	-
4.	Payments under lease agreements	814	685
<b>III</b>	<b>Net cash flows on financial activities (I-II)</b>	<b>(24,916)</b>	<b>(20,062)</b>
<b>D.</b>	<b>Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>(6,344)</b>	<b>1,893</b>
<b>F.</b>	<b>Opening balance of cash</b>	<b>33,670</b>	<b>11,479</b>
<b>G.</b>	<b>Closing balance of cash (F+/-D)</b>	<b>27,326</b>	<b>13,372</b>
	- including of restricted use	-	1,500

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## **ADDITIONAL EXPLANATORY NOTES**

### **1. Accounting principles**

Data for the interim condensed financial statements for the period of 3 months ended on 31 March 2022 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 principles of accounting and correction of prior period errors.

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

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

Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A. holds the perpetual usufruct right to 493,591 m<sup>2</sup>, the value of which as of 31 December 2021, pursuant to the decision on the annual fee for 2021, amounted 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 standing under "rights to assets."

"PEPEES" S.A. received a surety from its related company GR Ponary Sp. z o.o. in the amount of PLN 15,795 thousand, 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 surety for the loan granted by BOŚ S.A. to its affiliate PPZ "Bronisław" S.A. up to the amount of PLN 12.684 thousand.

There may be obligations under post-employment non-compete agreements. Such agreements are executed with the Management Board Members and several employees. In case of terminating the employment relationship with them, the Company is obliged to pay compensation amounting to approximately PLN 1,171 thousand.

### **4. Information on transactions with related entities**

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

During the reporting period, the Issuer bought starch from the subsidiary for an amount of PLN 451,6 thousand. Besides, "PEPEES" S.A. sold maltodextrin to ZPZ "LUBLIN" Sp. z o.o. for the amount of PLN

7.2 thousand, glucose for PLN 4.3 thousand, starch for PLN 3.2 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 cost-plus basis or based on price lists applicable to unrelated entities.

As of the balance sheet date, there is a balance of liabilities of PLN 140.0 thousand and a balance of receivables of PLN 36.3 thousand.

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

During the reporting period, the Parent Company purchased potato starch from its subsidiary PPZ "BRONISŁAW" S.A. for the amount of PLN 2,885.3 thousand, amylose of PLN 34.2 thousand and service for PLN 20.5 thousand. The Issuer sold to a related company potato starch in the amount of PLN 201.3 thousand, provided services: vehicle rental and storage in the amount of PLN 3.8 thousand and fixed assets in the amount of PLN 15.5 thousand. Furthermore, in the first quarter, the subsidiary paid surety fees to the Parent Company in the amount of PLN 31.3 thousand and interest on a borrowing of PLN 24.4 thousand.

As of the balance sheet date, there is an outstanding balance of a borrowing in the amount of PLN 3,300 thousand, trade receivables and advances in the total amount of PLN 1,417 thousand, and trade receivables in the total amount of PLN 25,2 thousand.

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

"PEPEES" S.A. sold services to its subsidiary GR Ponary Sp. z o.o. amounting to PLN 2.6 thousand. Meanwhile, in the previous periods GR Ponary Sp. z o.o. granted a surety to the Parent Company for a loan facility, on which fees in the amount of PLN 39.5 thousand were accrued in Q1 2022.

The outstanding amount of the borrowing as of the balance sheet date was PLN 554 thousand, trade receivable.

PLN 1.0 thousand, while surety liabilities PLN 13thousand.

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

During the reporting period, "PEPEES" S.A. provided services to Pepees in the amount of 1 thousand PLN. The balance of trade receivables on the balance sheet date is PLN 1.3 thousand.

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

During the reporting period, PEPEES did not grant any sureties or guarantees. As of the balance sheet date,

there is a surety for a loan up to the amount of PLN 12,684 thousand granted to PPZ "BRONISŁAW" S.A.

There may be obligations under post-employment non-compete agreements. Such agreements are executed with members of the Management Board and several employees. In case of terminating the employment relationship with them, the Company is obliged to pay compensation amounting to approximately PLN 1,171 thousand.

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## **D. ADDITIONAL INFORMATION**

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

During the reporting period, there were no material changes in the organisation of the PEPEES Capital Group.

### **2. Summary of operations during the reporting period**

During Q1 2022, the PEPEES Capital Group received revenues from sales in the amount of PLN 64,315 thousand, which in relation to revenue in the same period last year (PLN 46,369 thousand) represents a 38.7% increase.

Due to the improvement in the global economy, resulting from the gradual lifting of most of the restrictions imposed during the coronavirus pandemic, there was a noticeable increase in demand for the Group's products, which increased sales volumes. The price of potato starch is also gradually increasing on world markets. The above was the reason for the increased sales revenue generated by the Group.

Cost of sales increased by 18.21% compared to the previous year, mainly due to the prevailing inflation in Poland. The gross profit on sales amounting to PLN 18,696 thousand increased by 140.43% when compared to the same period of the previous year.

Sales and marketing expenses for Q1 2022 increased by 33.98% when compared to the comparative period and general and administrative expenses increased by 8.9%, mainly due to increased prices of goods and services, which was further accelerated by the Russian invasion of Ukraine.

The balance of other operating activities in the period of three months of 2022 closed at minus PLN 127 thousand with a result of minus PLN 76 thousand in the comparative period.

Therefore, the operating profit amounted to PLN 6,292 thousand for Q1 2022, while the operating loss amounted to PLN 2,937 thousand in the corresponding period of the previous year.

In turn, the result of financial operations construed as the balance of financial revenues minus financial costs in January -March 2022 deteriorated as compared to the analogical period of the previous year, as the Group's financial income in 2021 includes the gain on the disposal of CHP Energia. Therefore, in the current year, the result on financial operations closed with the loss of PLN 1,517 thousand, compared to the profit on financial activities of PLN 4,608 thousand last year. It should also be emphasised that, due to the constantly increasing reference rates of the National Bank of Poland (threefold increase in reference rates in Q1 2022), the Group companies pay increasingly higher interest on their loans and lease agreements, which results in significantly increased financial costs.

As a consequence of the above, gross profit after Q1 2022 amounted to PLN 4,775 thousand with PLN 1,671 thousand of gross profit generated in the comparative period, and net profit in the period from January to March 2022 amounted to PLN 4,029 thousand with PLN 1,810 thousand of net profit in the corresponding period of 2021, i.e. it increased by 122.6%.

### **3. Information on the shareholding structure**

The shareholding structure as of the publication date hereof presents itself as follows:

SHAREHOLDING	Number of shares [pcs.]	Share in capital %	Number of votes	Share in the total number of votes at the Annual General Meeting %
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27,759,032	29.22%	6,356,799	6.69%
Michał Skotnicki**	21,443,105	22.57%	21,443,105	22.57%
Maksymilian Maciej Skotnicki**	20,703,282	21.79%	20,703,282	21.79%
Others	25,094,581	26.42%	11,010,212	26.42%

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*\*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 filed an action to the Regional Court in Białystok to decide on the issue. Epsilon FIZ AN*

*is of the contrary opinion, claiming that it is entitled to vote in relation to 27,759,032 shares accounting for 29.22% of the total number of votes at the AGM. The Chairperson of the Polish Financial Supervision Authority joined the case; he presented his opinion on 24 July 2019. The Management Board is awaiting a valid and binding ruling of the court. The Company discussed the issue in current reports no. 13/2019, 14-23/2019 and 30/2019.*

*\*\* Maksymilian Maciej Skotnicki and Michał Skotnicki are persons referred to in Article 87(4)(1) of the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies; therefore, the total shareholding of the aforementioned individuals comprises 42,146,387 shares, which accounts for 44.36% 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**

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

Tomasz Rogala and persons supervising the Company do not hold any shares in the Company or rights thereto.

During the period from the publication date of the previous periodic statements, i.e. 17 March 2022, to the publication date hereof, the managing and supervising persons did not make any transactions as regards the Company's shares or rights thereto.

**5. Brief description of achievements or failures of the PEPEES Capital Group in Q1 2022 together with the list of the most important events concerning them**

During the period of Q1 2022, the PEPEES Capital Group had no significant achievements or failures referred to herein.

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

The beginning of this year was a period of high volatility and uncertainty as to the consequences of the war, which has been going on since 24 February 2022 in Ukraine and the effects of the successive packages of sanctions imposed on Russia and the general geopolitical situation attributable to these events. Additionally, there was the pressure of rising prices for materials and other inputs, with the Covid-19 pandemic continuing (albeit less significant now, but still occurring with varying degrees of severity in respective countries).

Russia's invasion of Ukraine at the end of February 2022 has brought sales to these two markets and additionally Belarus to a standstill and, therefore, created a risk of reduced sales throughout 2022 in case the conflict is not resolved quickly.

**7. Management Board's opinion as regards the forecast results**

The Management Board of the Parent Company did not publish forecasts of separate and consolidated results for 2022.

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

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

- for revoking the declaration of invalidity of two resolutions on the appointment of the Supervisory Board Members, as adopted on 11 May 2018 by the General Meeting of Shareholders, and for revoking the resolution on the distribution of profit for 2017. With the judgement of 26/10/2018, the Regional Court rendered invalid the resolutions on the appointment of two members of the Supervisory Board and dismissed the action within the remaining scope. The appeals against the judgement were filed by both parties. The Court of Appeal in Białystok dismissed both of them. EPSILON filed a cassation appeal, which the Supreme Court accepted for examination on 21/11/2020,
- for revoking or rendering invalid resolutions no. 24-29 adopted on 28/06/2019 by the Annual General Meeting of Shareholders, including resolution no 28 on amendments to the Articles of Association and authorisation of the Company's Management Board to raise the share capital of the Company within the scope of the authorised capital and with the option to exclude the pre-emptive right of the current shareholders of the Company in whole or in part upon the consent of the Company's Supervisory Board. The Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for determining the loss of voting rights have been concluded in a legally binding manner,
- for revoking or rendering invalid two resolutions on the acknowledgement of fulfilment of obligations 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 determining the loss of voting rights have been concluded in a legally binding manner,
- for revoking or rendering invalid four resolutions on: consideration and approval of the financial statements for 2020, distribution of the profit for 2020 and acknowledgement of fulfilment of duties of the Management Board Members, as adopted on 29/06/2021 by the General Meeting of Shareholders. The proceedings are pending before the Court of First Instance. On 11 January 2022, the Regional Court suspended the proceedings until the proceedings in the suit brought by PEPEES against EPSILON for the determination of the loss of voting rights have been concluded in a legally binding manner.

Within the remaining scope, there are no other significant litigations or proceedings before the court, arbitration body or public administration authority as regards the Issuer's liabilities or receivables.

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 on transactions with related entities**

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

The operations of the PEPEES Capital Group is based on the activity of specialised entities whose profiles serve are complementary types of services. The aim of cooperation of enterprises of the Capital Group is to raise the level of use of the resources that the entities have at their disposal and limit risk due to performed operations.

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

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

During the reporting period and until the preparation date hereof, the companies of the PEPEES Capital Group did not grant any material sureties or guarantees.

The total value of sureties or guarantees granted as of 31/03/2022 by PEPEES amounts to PLN 12,684 thousand.

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

In the period of Q12022, no other events were recorded than the ones described herein, which events could be essential for the assessment of its personnel, economic, financial standing, financial performance and their changes, and information that could be significant for the assessment of the PEPEES Capital Group's options to fulfil their obligations.

## **12. Specification of factors that in the Issuer's and the Group's opinion will impact the results achieved by them in the perspective of at least the next quarter**

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

- volatility of prices of products sold
- impact of the war in Ukraine on geopolitical relations and the macroeconomic environment – prices of coal, natural gas and other energy resources,
- exchange rates (mainly PLN/USD, PLN/EUR)
- impact of the COVID-19 pandemic on the macroeconomic environment, particularly on demand,
- European Union climate policy and the price of property rights and allowances related to emissions of CO<sub>2</sub>,
- significant increase in inflation and market interest rates, affecting operating costs and investment financing,
- significant increase in the volatility of energy commodity and energy prices associated with the increased restrictiveness of climate and environmental regulations,
- situation on the financial market – in particular credit opportunities,
- economic situation – level of GDP, consumption of the Group's products and situation on the job market.

In the period of the next quarter, the PEPEES Capital Group will perform agreements executed and will conduct operating activities being the core of its functioning, including productive, commercial and service-related operations.

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

This Consolidated Quarterly Statement of the PEPEES Capital Group for Q1 ended on 31 March 2022 was approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża.

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

**President of the Management Board – Wojciech Faszczewski**

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

**SIGNATURE OF THE PERSON WHO PREPARED THE REPORT**

**Deputy Chief Accountant – Małgorzata Kordas**