



CONSOLIDATED QUARTERLY REPORT OF PEPEES CAPITAL GROUP

for the period of 9 months ended 30 September 2020

13 November 2020

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

INDEX TO THE CONSOLIDATED QUARTERLY REPORT

INTRODUCTION.....	4
A. Selected financial data of PEPEES Capital Group.....	6
B. Interim abbreviated consolidated financial statement of PEPEES Capital Group for 9 months ended on 30 September 2020	8
Interim abbreviated consolidated financial situation statement	9
INTERIM CONDENSED CONSOLIDATED PROFIT OR LOSS STATEMENT AND OTHER COMPREHENSIVE INCOME	10
Interim abbreviated consolidated statement of changes in equity	11
INTERIM ABBREVIATED CONSOLIDATED CASH FLOW STATEMENT	12
Additional explanatory notes	13
1. General information on the Parent Company.....	13
2. Information on reporting periods	14
3. Structure of PEPEES Capital Group	14
4. Approval of interim abbreviated consolidated financial statement	15
5. Important accounting rules (policies).....	16
6. New accounting standards and interpretations not applied in these statements	16
7. Untypical items significantly affecting the assets, liabilities, capital, financial result and cash flows.	16
8. Change of accounting and presentation rules and correction of errors.....	16
9. Explanation of seasonality or cyclicity of operations	17
10. Estimates	17
11. Purchase and sale of tangible fixed assets	17
12. Significant commitments to purchase fixed assets	17
13. Inventories	18
14. Biological assets	18
15. Trade receivables	18
16. Trade payables	19
17. Settlements from lawsuits	19
18. Unpaid credits and loans	19
19. Transactions with related parties	21
20. Changes in estimates	23
21. Short-term provisions	24
22. Deferred income tax	25
23. Contingent assets and liabilities	25
24. Issue, redemption and repayment of non-equity and equity securities	26
25. Information on paid (or declared dividend), total and per ordinary and preferred share	26
26. Reporting on operation segments	26
26.1. Information on products and services	26
26.2. Revenues and results by segments.....	27
26.3. Assets and liabilities by segments	28
26.4. Other information about the segments	28
26.5. Revenue by products	28
26.6. Revenue from sales by territorial structure	29
26.7. Information on major customers	29
27. In the case of financial instruments measured at fair value - information on the change in the manner (method) of its determination	30

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

28.	Information on the change in the classification of financial assets as a result of a change in their purpose or use ..	30
29.	Information on changes in the economic situation and conditions of conducting business activity, which have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are included in the fair value or in the adjusted purchase price (production cost)	30
30.	Other information that may significantly affect the assessment of the Group's property, financial situation and financial result	30
31.	Important events that occurred after the balance sheet date	31
C.	QUARTERLY FINANCIAL INFORMATION OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" SPÓŁKA AKCYJNA FOR 9MONTHS ENDED 30 SEPTEMBER	
	2020	32
	REPORT ON THE FINANCIAL CONDITION	33
	STATEMENT OF ON PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	34
	STATEMENT OF CHANGES IN EQUITY	35
	Interim abbreviated cash flow statement	36
	ADDITIONAL EXPLANATORY NOTES	37
1.	Accounting principles	37
2.	Changes in accounting and presentation rules and correction of errors	37
3.	Information on contingent liabilities or contingent assets	37
4.	Information on transactions with related parties	37
D.	ADDITIONAL INFORMATION	39
1.	Organizational changes in PEPEES Capital Group	39
2.	Summary of operations in the reporting period	39
3.	Shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Company	39
4.	List of changes in Issuer's shares or rights to them held by the Issuer's members of managing and supervising bodies	40
5.	Brief description of significant achievements or failures of PEPEES Capital Group, in the three quarters of 2020, together with a list of the most important events related to them	40
6.	Factors and events, particularly of untypical character, significantly affecting the financial results of PEPEES Capital Group 40	
7.	Management Board's position on projected results	40
8.	Indication of significant proceedings pending before a court, arbitration tribunal or public administration body	40
9.	Information on transactions with related parties	41
10.	Information on sureties and guarantees	41
11.	Other information which in the opinion of Capital Group is important for assessment of its human resources, property, financial situation, financial result, and information pertinent to the assessment of the Group's capability of fulfilling its obligations	43
12.	Factors which in the Issuer's and Group's opinion will affect their results at least in the next quarter	43
13.	Approval of the Consolidated Quarterly Report of PEPEES Capital Group for the 9-month period ended 30 September 2020	44

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

INTRODUCTION

1. Consolidated Quarterly Report of PEPEES Capital Group for the period of 9 months ended 30 September 2020 includes:

- A. Selected Financial data of PEPEES Capital Group.
- B. Interim abbreviated consolidated financial statement of PEPEES Capital Group for 9 months ended 30 September 2020
- C. Quarterly Financial Information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for the period of 9 months ended 30 September 2020.
- D. Additional information

2. Period included in the report and comparable data:

Interim abbreviated consolidated financial statement

- Interim abbreviated consolidated financial statement of PEPEES Capital Group covers the period of 9 months ended 30 September 2020
- For the data presented in the interim condensed consolidated statement of financial position, comparable financial data were presented as at 31 December 2019 and 30 September 2019.
- For the data presented in the interim condensed consolidated statement of profit or loss and other comprehensive income, comparable financial data for the period from 1 January 2019 to 30 September 2019 were presented.
- For the data presented in the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow report, comparable financial data were presented for the period from 1 January 2019 to 30 September 2019.

Quarterly Financial Information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża

- Quarterly Financial Information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża covers the period of nine months ended 30 September 2020.
- For the data presented in the statement of financial position, comparable financial data were presented as at 31 December 2019 and 30 September 2019.
- For the data presented in the statement of profit or loss and other comprehensive income, comparable financial data for the period from 1 January 2019 to 30 September 2019.
- For data presented in the statement of changes in equity and the cash flow report, comparable financial data were presented for the period from 1 January 2019 to 30 September 2019.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)



3. Definition of organisational terms for PEPEES Capital Group

As of 30 September 2020, PEPEES Capital Group included the following companies:

- Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna with seat 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 seat in Łomża (former OZENERGY) - subsidiary;
- Przedsiębiorstwo Przemysłu Ziemniaczanego "BRONISŁAW" Spółka Akcyjna z with seat in Bronisław - subsidiary;
- CHP Energia Spółka z ograniczoną odpowiedzialnością with its seat in Wojny Wawrzyńce - subsidiary;
- Gospodarstwo Rolne Ponary Spółka z ograniczoną odpowiedzialnością with seat in Łomża - subsidiary.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

A. Selected financial data of PEPEES Capital Group

Item	SELECTED FINANCIAL DATA Year	PLN thousands		. EUR thousands	
		2020	2019	2020	2019
I	Total revenues from sales for 3 quarters	163 656	180 383	36 842	41 866
II	Net profit or loss for shareholders of the Parent Company for 3 quarters	4 443	21 048	1 000	4 885
III	Total net revenue allocated to the shareholders of the Parent Company	4 396	21 030	990	4 881
IV	Net cash flows from operating activities for 3 quarters	44 135	77 825	9 936	18 063
V	Net cash flows from investing activities	(15 509)	(33 198)	(3 491)	(7 705)
VI	Net cash flows from financial activities for 3 quarters	(62 946)	(78 342)	(14 171)	(18 183)
VII	Net cash flows for 3 quarters	(34 320)	(33 715)	(7 726)	(7 825)
VIII	Total assets as at 30.09.2020 and 31.12.2019.	313 577	363 622	69 271	85 387
IX	Equity for the shareholders of Parent as at 30.09.2020 and 31.12.2019.	172 383	178 781	38 081	41 982
X	Profit (loss) per ordinary share for 3 quarters (value denominated in PLN/EUR)	0,05	0,22	0.01	0,05
XI	Book value per share as of 30.09.2020 and 31.12.2019. (value denominated in PLN/EUR)	1.81	1.88	0.40	0.44

Data presented in lines: VIII, IX and XI, in columns "2020 " and "2019" refer to the situation on 30 September 2020 and 31 December 2019.

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

- selected items from the statement of financial position as of 30.09.2020 at the average exchange rate applicable on the balance sheet date 1 EUR = 4.5268 PLN,
- selected items from financial statement as of 31.12.2019 according to the average exchange rate on the balance sheet day 1 EUR = 4.2585 PLN
- selected items from income and cash flow statements for the period from 1 January 2020 to 30 September 2020 according the arithmetic mean of exchange rates published by NBP for the last day of each month of the 3 quarters - 1 EUR = 4.4420 PLN
- selected items from income and cash flow statements for the period from 1 January 2019 to 30 September 2019 according the arithmetic mean of exchange rates published by NBP for the last day of each month of the 3 quarters 2019 - 1 EUR = 4.3086 PLN

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Profit (loss) per share

Description	For the 9-month period ended 30 September 2020	For 9 months ended on 30 September 2019
Net profit (loss) attributable to shareholders of "PEPEES" S.A.	4 443	21 048
Weighted average number of shares	95 000 000	95 000 000
Basic profit (loss) per share (expressed in PLN per one share)	0,05	0,22
Net profit (loss) attributable to shareholders of "PEPEES" S.A., applied when determining diluted earnings per share	4 443	21 030
Weighted average number of ordinary shares for diluted earnings per share	95 000 000	95 000 000
Diluted profit (loss) per share (expressed in PLN per one share)	0,05	0,22
Annualized net profit for PEPEES S.A.'s shareholders	7 494	33 050
Weighted average number of shares	95 000 000	95 000 000
Annualized net earnings per share (expressed in PLN per one share)	0.08	0,35

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

**B. INTERIM ABBREVIATED CONSOLIDATED FINANCIAL STATEMENT
OF THE PEPEES CAPITAL GROUP FOR THE 9 MONTHS ENDED ON 30
SEPTEMBER 2020**

PREPARED IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS IN THE VERSION APPROVED BY THE EUROPEAN COMMISSION

presented below, including:

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

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Interim abbreviated consolidated financial situation statement

Item	ASSETS	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
I.	Fixed assets (long-term)	197 086	200 342	200 399
1	Tangible fixed assets	175 439	179 454	179 899
2	Intangible assets	2 209	416	219
3	Rights to assets	11 527	11 076	11 105
4	Investment property	586	593	400
5	Goodwill from consolidation	3 140	3 140	3 140
6	Investment in other units	625	613	613
7	Long-term advance payments	-	-	150
8	Assets from deferred income liabilities	5 560	5 050	4 873
II.	Current assets (short-term)	116 491	163 280	103 121
1	Inventories	62 308	85 893	48 570
2	Biological assets	1 139	322	133
3	Trade receivables	25 948	20 506	31 695
4	Current income tax receivables	1 483	-	-
5	Other receivables	3 754	6 227	5 138
6	Prepayments	6 618	1 740	5 375
7	Loans granted	678	721	715
8	Other financial assets	6 772	5 838	5 436
9	Monetary assets and equivalents	7 791	42 033	6 059
	Total assets	313 577	363 622	303 520

Item	EQUITY AND LIABILITIES	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
I.	Equity capital	174 167	180 541	177 171
	<i>Equity for the Company shareholders</i>	172 383	178 781	175 499
1	Share capital	5 700	5 700	5 700
2	Supplementary and reserve capitals	166 790	152 918	152 918
3	Assets revaluation reserve	(112)	(65)	(44)
4	Retained earnings	(4 438)	(3 871)	(4 123)
5	Current year result	4 443	24 099	21 048
	<i>Non-controlling shares</i>	1 784	1 760	1 672
II.	Long-term liabilities	52 268	54 664	54 819
1	Credits and loans	21 123	24 789	26 044
2	Lease liabilities	16 334	15 014	14 089
3	Provisions for deferred income tax	6 604	6 447	6 253
4	Pension and similar benefits liabilities	3 051	2 782	2 640
5	Long-term accruals and prepayments	5 156	5 632	5 793
III.	Short-term liabilities	87 142	128 417	71 530
1	Trade payables	22 828	7 424	31 591
2	Current income tax liabilities	7	2 528	2 600
3	Other short-term liabilities	7 180	5 190	6 823
4	Credits and loans	48 882	104 815	22 539
5	Lease liabilities	3 730	3 728	3 946
6	Pension and similar benefits liabilities	476	413	270
7	Provisions for other liabilities and other charges	4 039	4 319	3 761
	Total equity and liabilities	313 577	363 622	303 520

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

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

Item	Description	For 3 months ended 30 September 2020	For a period of 9 months ended 30 September	For 3 months ended 30 September 2019	For 9 months ended 30 September 2019
I	Revenues from sales				
1	Revenues from sales of products	46 906	145 917	49 446	159 418
2	Revenues from sales of services	466	977	744	1 158
3	Revenues from sales of goods and materials	1 819	16 762	3 106	19 807
	Total sales revenues, including:	49 191	163 656	53 296	180 383
	- revenues from continued operations	49 191	163 656	53 296	180 383
II	Costs of goods sold				
1	Costs of products sold	(33 270)	(105 408)	(33 239)	(101 292)
2	Costs of services sold	(217)	(607)	(164)	(366)
3	Costs of goods and materials sold	(3 189)	(14 201)	(1 034)	(13 774)
4	Result of agricultural	(729)	(3 194)	(1 291)	(3 384)
	Total costs of goods sold, including:	(37 405)	(123 410)	(35 728)	(118 816)
	- costs of goods sold from continued operations	(37 405)	(123 410)	(35 728)	(118 816)
III	Gross profit on sales (I-II)	11 786	40 246	17 568	61 567
1	Sales and marketing costs	(2 946)	(8 139)	(2 850)	(7 814)
2	Overheads	(8 782)	(25 123)	(8 707)	(24 222)
3	Other operating revenues	1 451	2 363	201	780
4	Other operating costs	(285)	(848)	(146)	(682)
IV	Operating profit (loss)	1 224	8 499	6 066	29 629
1	Financial costs	(694)	(2 697)	(585)	(2 489)
2	Financial revenues	215	636	595	853
V	Profit (loss) before tax, including:	745	6 438	6 076	27 993
	- profit (loss) before tax from continued operations	745	6 438	6 076	27 993
	Income tax	(263)	(1 971)	(1 129)	(6 350)
VI	Net profit (loss)	482	4 467	4 947	21 643
	- for Parent Company shareholders	523	4 443	4 821	21 048
	- for non-controlling shares	(41)	24	126	595
VII	Other total income	-	(47)	-	(18)
1	Results of valuation of financial assets available for sale	-	-	-	-
2	Revaluation of liabilities from employee benefits	-	(47)	-	(18)
VIII	Total income, including	482	4 420	4 947	21 625
	- for Parent Company shareholders	523	4 396	4 821	21 030
	- for non-controlling shares	(41)	24	22	(11)
	- total net income (loss) from continued operations	523	4 396	4 821	21 030

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Interim abbreviated consolidated statement of changes in equity

Description	Share capital	Capital reserve	Revaluation capital reserve	Other capital reserve	Unallocated earnings	Total equity capital attributable to shareholders of the Parent Company	Non-controlling shares	Total equity capital
As of 1 January 2019	5 700	60 223	(26)	81 634	17 868	165 399	1 077	166 476
Changes in 3 quarters of 2019		11 061	(18)	-	(943)	10 100	595	10 695
Profit distribution for 2018, including:						-		-
- increase of capital reserve		11 061			(11 061)	-		-
- transactions with owners (dividend)					(11 400)	(11 400)		(11 400)
Net profit (loss) for period	-		-	-	21 030	21 030	595	21 625
Other total income for financial year (net)			(18)			(18)	-	(18)
Other consolidation adjustments					488	488		488
As at 30 September 2019	5 700	71 284	(44)	81 634	16 925	175 499	1 672	177 171
Changes in 2019	-							
Allocation of profit for 2018, including:						-	-	-
- increase of capital reserve		11 061			(11 061)	-		-
- transactions with owners (dividend)					(11 400)	(11 400)		(11 400)
Net profit (loss) for period	-	-	-	-	24 091	24 091	691	24 782
Other total income for financial year (net)	-	-	(39)	-	-	(39)		(39)
Other consolidation adjustments					722	722		722
As of 31 December 2019	5 700	71 284	(65)	81 634	20 220	178 773	1 768	180 541
As of 1 January 2020	5 700	71 284	(65)	81 634	20 228	178 781	1 760	180 541
Changes in 3 quarters of 2020								
Allocation of profit for 2019, including:						-	-	-
- increase capital reserve		13 872			(13 872)	-		-
- transactions with owners (dividend)					(11 400)	(11 400)		(11 400)
Other total income for financial year (net)			(47)			(47)		(47)
Other consolidation adjustments					606	606		606
Net profit for period					4 443	4 443	24	4 467
As at 30 September 2020	5 700	85 156	(112)	81 634	5	172 383	1 784	174 167

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Interim abbreviated consolidated cash flow statement

Indirect method	For 3 months ended 30 September 2020	For the period of 9 months ended 30 September 2020	For 3 months ended 30 September 2019	For 9 months ended 30 September 2019
A. Cash flows from operating activities				
I. Profit (loss) before tax	745	6 438	6 076	27 993
II. Total adjustments	4 610	37 697	15 000	49 832
1. Depreciation	4 016	11 075	3 293	9 475
2. (Profit) loss due to exchange rate variation	(25)	(204)	329	205
3. Interest and shares in profit (dividends)	555	1 905	95	1 228
4. (Profit) loss on investing activity	(263)	(582)	(2)	(178)
5. Change in reserves	405	52	270	178
6. Change in inventories	(18 143)	23 585	(12 684)	29 495
7. Change in biological assets	1 340	(817)	2 015	197
8. Change in receivables	4 395	(2 969)	(1 122)	(3 138)
9. Change in current liabilities, except loans and credits	12 827	17 394	22 709	22 126
10. Change in advance payments	1 099	(4 878)	2 190	(3 561)
11. Income tax paid	(993)	(6 287)	(1 393)	(5 668)
12. Change in subsidies	(158)	(476)	(157)	(476)
13. Change in accrued interest on loans and commissions	(75)	(13)	(104)	(5)
14. Change in other financial assets	(174)	(174)	-	-
15. Other adjustments	(196)	86	(439)	(46)
III. Net cash flows from operating activities (I+/-II)	5 355	44 135	21 076	77 825
B. Cash flows from investing activities				
I. Inflows	3 247	3 692	99	1 862
1. Sale of intangible and tangible assets	3 184	3 621	94	1 455
2. Repayment of loans	63	71	5	407
II. Expenses	15 249	19 201	20 207	35 060
1. Purchase of intangible and tangible assets	2 915	6 225	8 807	23 010
2. Purchase of shares	934	946	-	-
3. Purchase of property rights	-	630	-	-
4. Loans granted	-	-	-	150
5. Dividends and other payments to shareholders	11 400	11 400	11 400	11 400
III. Net cash flows from investing activities (I-II)	(12 002)	(15 509)	(20 108)	(33 198)
C. Cash flows from financial activities				
I. Inflows	16 326	19 690	11 650	18 587
1. Credits and loans	16 189	19 273	11 634	18 527
2. Subsidies	137	(417)	16	60
II. Expenses	6 374	82 636	35 058	96 929
1. Repayment of credits and loans	5 140	78 483	33 492	92 324
2. Interest of credits and loans	400	1 830	744	1 602
3. Lease contracts payments	834	2 323	822	3 003
III. Net cash flows from financial activities (I-II)	9 952	(62 946)	(23 408)	(78 342)
D. Net cash flow, total (A.III+/-B.III+/-C.III)	3 305	(34 320)	(22 440)	(33 715)
E. Cash at the beginning of period	4 486	42 111	28 489	39 764
F. Cash at the end of period (E+/- D)	7 791	7 791	6 049	6 049
<i>including of limited availability</i>	<i>1 500</i>	<i>1 500</i>	<i>-</i>	<i>-</i>

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Additional explanatory notes

1. General information on the Parent Company

Full name:	Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.
Seat address:	18-402 Łomża, ul. Poznańska 121
Identifier:	REGON: 450096365
NIP (tax identification number):	7181005512
Registered at:	District Court in Białystok XII Commercial Department of National Court Register
Registration number:	000038455
Legal form:	Spółka Akcyjna (Joint Stock Company)
Organizational form:	single-site company
Classification of activity according to PKD:	1062Z Manufacture of starches and starch products.
Industry:	food processing
Duration:	undetermined

The Management Board Members as at 30 September 2020:

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

The Supervisory Board Members as at 30 September 2020:

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

The members of the Audit Committee as at 30 September 2020:

Maciej Kaliński	Chairman
Piotr Marian Taracha	Vice-Chairman
Krzysztof Stankowski	Member of the Audit Committee
Robert Malinowski	Member of the Audit Committee (elected on 14 April 2020)
Tomasz Nowakowski	Member of the Audit Committee (elected on 14 April 2020)

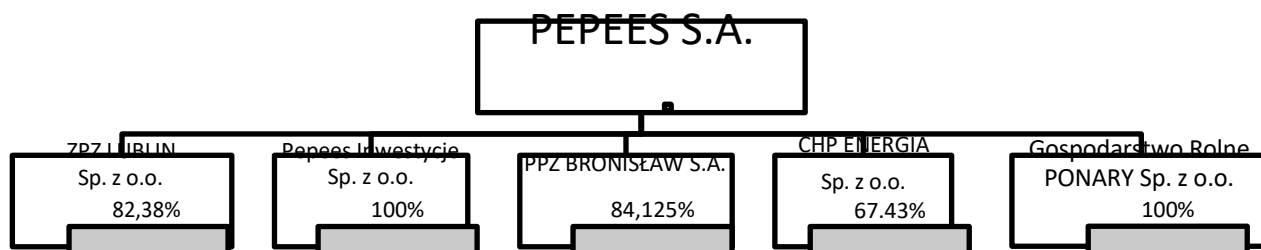
PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

2. Information on reporting periods

The interim consolidated financial statement covers the period from 1 January 2020 to 30 September 2020, and the comparable financial data and information notes cover the period from 1 January 2019 to 30 September 2019 and additionally 31 December 2019 in case of financial and changes in equity statements.

3. Structure of PEPEES Capital Group

3.1. Structure of PEPEES Capital Group as of 30 September 2020



3.2. General information on associated entities in PEPEES Capital Group

In the Consolidated Quarterly Report of PEPEES Capital Group for 3 quarters ended 30 September 2020, besides from Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. the following related entities were subject to consolidation:

Name Court	Registered office	Subject of business	Registration	Issuer's share in equity (%)	Share in the total number of votes (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes, fruit and vegetable processing	District Court in Lublin, 11th Economic Department of the National Court Register	82,38	82,38
Pepees Inwestycje					
(dawniej OZENERGY Sp. z o.o.)	Łomża	Purchase and sale of real properties for own account	District Court in Białystok, 12th Wydział Gospodarczy KRS	100	100
PPZ BRONISŁA W S.A.	Bronisław	Production of starch i and starch products	Sąd Rejonowy w Bydgoszczy XIII Wydział Gospodarczy KRS Sąd Rejonowy w Białymstoku XII	84,125	84,125
CHP ENERGIA Sp. z o.o.	Wojny Wawrzyńce	Produkcja energii elektrycznej i ciepłej z gazu pozyskiwanego w biogazowni	Wydział Gospodarczy KRS Sąd Rejonowy w	67,43	67,43
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Uprawy rolne połączone z chowem i hodowlą zwierząt	Białymstoku XII Wydział Gospodarczy	100	100

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

All subsidiaries were consolidated using the full method. There were no changes in the Issuer's Capital Group structure in the reporting period and until this report was made.

3.3. Basic financial information on related parties as of 30 September 2020

Description	PPZ BRONISŁAW S.A.	ZPZ Lublin Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne Ponary Sp. z o.o.	PEPEES Inwestycje Sp. z o.o.
Current assets as of 30.09.2020	18 302	7 869	3 568	223	94
Fixed assets as at 30.09.2020	39 044	6 434	16 083	21 311	-
Short-term liabilities as of 30.09.2020	22 153	6 695	14 964	553	7
Long-term liabilities as at 30.09.2020	15 331	2 398	11 946	7 620	-
Revenues from sales	35 307	14 941	5 714	-	-
Financial result on continued activity	571	1 558	(1 050)	82	(4)
Financial net result on discontinued activity	-	-	-	-	-
Other total income	-	-	-	-	-
Total income	571	1 558	(1 050)	82	(4)

3.4. Basis of interim abbreviated consolidated financial statement

This interim abbreviated financial statement has been made in accordance with the International Financial Reporting Standards (IFRS), particularly the International Accounting Standard 34 and IFRS approved by the EU. As at the date of approval of this statement for publication, taking into account the process of implementation of the IFRS standards in the EU and the business performed by the Group, as far as the accounting principles applied by the Group are concerned, there is no difference between IFRS standards that entered into force and IFRS standards approved by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

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

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

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

4. Approval of interim abbreviated consolidated financial statement

This interim abbreviated consolidated financial statement was approved by the Management Board of the Parent Company on 13 November 2020.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

5. Important accounting rules (policies)

The accounting rules (policies) used to make the interim abbreviated consolidated financial statement are consistent with those used to make the Group's annual abbreviated consolidated financial statement for financial year ended on 31 December 2019.

6. New accounting standard and interpretation that have not been not used in this statement

The following standards and interpretations were issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, but has not entered into force yet:

- Amendments to IAS 1 and IAS 8 - definition of term "significant". Amendment has not been approved by the European Commission.
- Amendments to IFRS 3 "Business combinations" - definition of a business. Amendment has not been approved by the European Commission.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - reform of IBOR. Amendment has not been approved by the European Commission.
- IFRS 17 "Insurance agreements" This Standard defines a new approach to recognition, pricing, presentation and disclosure of insurance agreements .

According to the Group's estimations, the above mentioned standards, amendments to the current standards and interpretation would not have significant impact on the financial statement, if they were applied by the Group as at the balance sheet date.

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

COVID-19 pandemic has influenced the Group's activities, mainly through reduction of the demand for the Group's products, decrease of the amount of sold products and reduction of prices. These factors affected the volume of revenues and profits shown in the statement of comprehensive income.

In the opinion of the Management Board, the above phenomena surely influence the results of the Parent Company and the entire Group. Major threats are related to reduction of industrial production on the company's main export markets and the European Union (including the meat industry and ready products), reduction of demand for native potato starch, fall of starch prices on global markets. The above elements coincide with logistic problems, increased costs of transportation, longer payment periods (increase in the amount of receivables) and the fall of operating cash flows resulting from this. In result of the pandemic, no assets were lost and no significant changes in the statement on the financial condition occurred.

8. Change of accounting and presentation rules and correction of errors

The Group did not adjust the errors for previous years and in the reporting period it did not change previously applied accounting principles save for application of new or amended standards or interpretations applicable to annual periods commencing from 1 January 2020 onwards.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

9. Seasonality and cyclicity of operations

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

10. Estimated values

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

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

The provisions for pension benefits and jubilee benefits were made based on actuarial calculations as of 30.06.2020.

The provisions for unused annual leaves were updated based on the foreseen employees' salaries with overheads payable by the employer for unused annual leaves as of 30.09.2020.

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

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

The Parent Company analysed sensitivity of owned assets, including the goodwill of every subsidiary, for which impairment tests were performed as at 31.12.2019. The Parent Company will perform new impairment tests as at 31.12.2020.

11. Purchase and sale of tangible fixed assets

In the three quarters of 2020, the Group purchased fixed assets for PLN 6 225 thousand. These were mostly modernizations of production machinery and equipment.

Fixed assets were sold for PLN 3,621 thousand.

12. Significant commitments to purchase fixed assets

In the three quarters of 2020, no loan agreements were concluded for the purchase of fixed assets.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

13. Inventories

Inventories	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
a) materials	7 202	4 960	7 618
b) semi-finished products and work in progress	4 393	792	377
c) finished products	45 053	72 138	37 769
d) goods	6 066	8 524	3 403
Gross inventories	62 714	86 414	49 167
Revaluation write-offs	(406)	(521)	(597)
Net inventories	62 308	85 893	48 570

The value of inventories recognised as cost in the reporting period was PLN 119 609 thousand (Q3 2019 - PLN 115 066 thousand) .

14. Biological assets

"PEPEES" S.A. has leased a farm since March 2014 and new land since March 2018 on which annual plants were sown. Costs related to the purchase of seeds and cultivation as at the balance sheet date amount to PLN 4 037 thousand, revenues from agricultural activity PLN 891 thousand. The fair value of inventories amounts to PLN1 170 000, while the value of biological assets less the costs of sale amounts to approximately PLN 1 139 000. The biological assets are shown in the statement at fair value.

15. Trade receivables

(GROSS) TRADE RECEIVABLES - WITH THE REPAYMENT PERIOD LEFT AFTER THE BALANCE SHEET	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
a) up to 1 month	19 443	15 037	16
b) 1 month - 3 months	1 744	2 546	12
c) 3 months - 6 months	2 531	-	-
d) 6 months - 1 year	-	-	156
e) above 1 year	132	50	83
f) overdue receivables	3 640	4 855	3 871
Total trade receivables (gross)	27 490	22 488	32
- revaluation write-offs	(1 542)	(1 982)	(1 040)
Total trade receivables (net)	25 948	20 506	31

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

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

16. Trade payables

Payables	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
- trade payables, with payment time:	22 828	7 424	31 591
- up to 12 months	22 828	7 424	31 591
- overdue above 180 days	-	-	-

17. Settlements from lawsuits

On 25 June 2019 the Management Board of "PEPEES" S.A. filed a lawsuit to the court to rule that due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to the Public Offering and Public Companies Act of 29 July 2005 the shareholder EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27 759 032 shares of the Company, has lost and cannot exercise voting rights on 21 402 233 shares. Epsilon FIZ AN believes that they can exercise voting rights on 27.714.832 shares which is 29.17% of total votes at the General Meeting. The case was joined by the Chairman of Financial Supervision Commissions (KNF), who presented his standpoint on the issue on 24 July 2019. The Management Board awaits the valid decision of the court of law. The Company informed about the issue in interim reports Nos 13/2019, 14- 23/2019 and 30/2019.

As of the statement date, there is an undecided lawsuit by EPSILON Investment Fund in Warsaw against

„PEPEES” S.A. on repealing or cancellation of resolutions no 24-29, adopted on 28.06.2019 by the Ordinary General Meeting and resolutions no 9 and 10, adopted on 21 April 2020 by the Ordinary General Meeting .

Otherwise, there are no significant pending litigations in court, proceedings in an arbitration court or a public administration body in respect to liabilities or receivables of the Issuer or its subsidiaries.

18. Unpaid credits and loans

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

Long- and short-term liabilities

Item	Loan type	Borrower	Bank that grants a loan	Loan amount acc. to agreement	Outstanding loan	Repayment date
1	Overdraft facility	PEPEES S.A.	Santander Bank Polska S.A.	4 000	0	31.08.2021
2	Revolving loan	PEPEES S.A.	Santander Bank Polska S.A.	14 500	3 313	31.08.2021
3	Working capital loan	PEPEES S.A.	Santander Bank Polska S.A.	17 000	15 386	31.08.2021
4	Overdraft facility	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	4 000	0	31.08.2021
5	Revolving loan	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	14 500	3 250	31.08.2021

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Item	Loan type	Borrower	Bank that grants a loan	Loan amount acc. to agreement	Outstanding loan amount	Repayment date
6	Working capital loan for purchase of potatoes	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	17 000	4 229	31.08.2021
7	Investment loan for construction of the starch drying plant, the unloading station and the water	PEPEES S.A.	BNP Paribas Bank Polska S.A.	9 822	1 962	25.02.2022
8	Investment loan for modernisation of the steam boiler dust extraction system	PEPEES S.A.	BOŚ	1 200	70	31.12.2020
9	Investment loan to finance and financing and refinancing of the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o.o.	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10 530	7 145	30.06.2025
10	Overdraft facility	ZPZ LUBLIN Sp. z o.o.	Santander Bank Polska S.A.	1 500	0	31.08.2021
11	Revolving loan	ZPZ LUBLIN Sp. z o.o.	Santander Bank Polska S.A.	4 000	990	31.08.2021
12	Working capital loan for purchase of potatoes	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	2 000	793	31.08.2021
13	Overdraft facility	ZPZ LUBLIN Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	1 500	0	31.08.2021
14	Revolving loan	ZPZ LUBLIN Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	4 000	1 197	31.08.2021
15	Working capital loan for purchase of potatoes	ZPZ LUBLIN Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	2 000	818	31.08.2021
16	Overdraft facility	BRONISŁAW S.A.	Santander Bank Polska S.A.	700	0	31.08.2021
17	Revolving loan	BRONISŁAW S.A.	Santander Bank Polska S.A.	6 300	4 250	31.08.2021
18	Working capital loan	BRONISŁAW S.A.	Santander Bank Polska S.A.	8 500	1 728	31.08.2021
19	Investment loan	BRONISŁAW S.A.	Santander Bank Polska S.A.	800	189	30.11.2021
20	Overdraft facility	BRONISŁAW S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	700	0	31.08.2021
21	Revolving loan	BRONISŁAW S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	6 300	1 826	31.08.2021
22	Working capital loan	BRONISŁAW S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	8 500	3 397	31.08.2021
23	Investment loan	BRONISŁAW S.A.	BOŚ Bank	8 456	6 800	31.12.2027
24	Syndicated investment loan	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo and Bank Spółdzielczy in Ostrów Mazowiecka	12 830	9 444	31.12.2023
25	Working capital loan for financing current commitments	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	3 000	1 251	31.05.2022
26	Working capital loan related to performed business activity	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	2 500	667	31.08.2021
27	Working capital loan related to performed business activity	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	1 300	1 300	14.09.2021
total			PLN	167 438	70 005	

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

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

19. Issuer's transactions with associated entities

19.1 Issuer's transactions with subsidiaries

a) Revenues from sales of products and goods

Revenue type	For the period of 3 months ended 30 September	For the period of 9 months ended 30 September	For the period of 3 months ended 30 September	For the period of 9 months ended 30 September
Revenues from sales of products to subsidiaries	145	1 055	98	(855)
Revenues from sales of goods and materials to subsidiaries	1 383	1 383	1 816	2 067
Revenues from sales of services	117	348	93	252
Revenues from sales of tangible assets to subsidiaries	-	-	-	28
Total revenues from associated entities	1 645	2 786	2 007	3 202

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

b) Purchase of products and services

Purchase type	For the period of 3 months ended 30 September	For the period of 9 months ended 30 September	For the period of 3 months ended 30 September	For the period of 9 months ended 30 September
Purchase of products from subsidiaries	1 467	8 642	1 773	6 720
Purchase of goods from subsidiaries	-	-	14	14
Purchase of services from subsidiaries	38	117	18	158
Purchase of fixed assets from subsidiaries	-	-	136	2 476
Total purchases from associated entities	1 505	8 759	1 941	9 368

c) Other transactions

Description	For the months ended 30 September	For the months ended 30 September	For the months ended 30 September	For the months ended 30 September
Interest from loans granted	10	126	77	278
Fees on granted guarantees	87	268	116	362
Fees on received guarantees	39	118	39	118
total	136	512	232	758

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

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

Settlements with subsidiaries	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
Receivables - ZPZ LUBLIN Sp. z o.o.	-	-	-
Receivables - PPZ BRONISLAW S.A.	1 872	295	1 654
Receivables - CHP Energia Sp. z o.o.	2 157	1 926	1 761
Advance payments - CHP Energia Sp. z o.o.	925	485	461
Receivables – GR Ponary Sp. z o.o.	1	1	1
Receivables – Pepees Inwestycje Sp. o.o. (OZENERGY)	7	6	6
Payables – ZPZ LUBLIN Sp. z o.o.	257	53	310
Payables - PPZ BRONISLAW S.A.	11	-	1
Payables - CHP Energia Sp. z o.o.	60	-	-
Payables - GR PONARY Sp. z o.o.		13	13
Balance of settlements with associated entities	4 634	2 647	3 559

e) Balance of loans settlements

Loans granted to subsidiaries	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
PPZ BRONISLAW S.A.	1 200	-	-
ZPZ LUBLIN Sp. z o.o.	-	1 800	2 500
CHP Energia Sp. z o.o.	4 896	4 788	4 754
GR Ponary Sp. z o.o.	552	553	552
Loans granted	6 648	7 141	7 806
Write-offs for loans granted to CHP	(2 268)	(2 268)	(2 268)
Balance of settlements with associated entities	4 380	4 873	5 538

19.2 Issuer's transactions with shareholders

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

19.3 Issuer's transactions with key management and supervisory personnel

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

Description	For the 9-month period ended 30 September 2020	For 9 months ended on 30 September 2019
Short-term employee benefits	1 649	1 918
Benefits after the employment period	-	-
Severance pays	-	-
Payments in shares	-	-
total	1 649	1 918

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

b) Transactions with key personnel and their close family members

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

20. Change of estimated values

a) Revaluation write-offs

Change of revaluation write-offs VALUE OF SHORT-TERM RECEIVABLES	For 9 months ended on 30 September 2020	For 12 months ended on 31 December 2019	For 9 months ended on 30 September 2019
Beginning of the period	2 045	1 093	1 093
a) increase (due to)	314	1 048	15
- for doubtful trade receivables	314	1 034	15
- for receivables in litigation	-	14	0
b) decrease (due to)	662	96	67
- dissolution of provision as a result of payment	118	76	54
- use as a result of relief or sale of receivables	544	-	13
- cancellation	-	20	0
End of the period, including:	1 697	2 045	1 041

b) Inventory revaluation write-offs

Change of inventory revaluation write-offs	For 9 months ended on 30 September 2020	For 12 months ended on 31 December 2019	For 9 months ended on 30 September 2019
Beginning of the period	521	611	611
a) increase (due to)	826	691	317
- write-off to the net value that can be obtained	826	691	317
- impairment loss	-	-	-
b) decrease (due to)	941	781	331
- use	-	-	-
- reversal of write-offs	941	781	331
Inventory revaluation write-offs at the end of the period	406	521	597

c) Payables for pension and similar benefits

Change of pension and similar payables (by type)	For 9 months ended on 30 September 2020	For 12 months ended on 31 December 2019	For 9 months ended on 30 September 2019
a) beginning of the period	3 195	2 677	2 677
- retirement severance pay	600	550	550
- jubilee benefits	2 595	2 127	2 127
b) increase (due to)	407	794	519
- retirement severance pay	77	101	46

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Change of pension and similar benefits payables (by type)	For the 9-month period ended 30 September 2020	For 12 months ended on 31 December 2019	For the 9-month period ended 30 September 2019
- jubilee benefits	330	693	473
c) use (due to)	76	261	287
- retirement severance pay	0	38	3
- jubilee benefits	76	223	284
d) dissolution (due to)	0	15	0
- retirement severance pay	0	13	0
- jubilee benefits	0	2	0
d) end of period	3 527	3 195	2 910
- retirement severance pay	678	600	594
- jubilee benefits	2 849	2 595	2 316

21. Short-term provisions

Change of short-term provisions (by type)	For 9 months ended 30 September 2020	For 12 months ended on 31 December 2019	For the 9-month period ended 30 September 2019
a) beginning of the period	4 319	3 816	3 816
- subsidies to tangible fixed assets	622	622	622
- provisions for benefits provided by contracting parties	23	24	24
- environmental fee	83	96	96
- provisions for annual leave payments	702	753	753
- gases Issue rights	1 434	942	942
- bonuses for Management Board and employees	1 455	1 379	1 379
b) increase (due to)	1 202	1 961	2 704
- provision for used CO2 emission allowances	656	1 433	1 248
- environmental fee	-	89	55
- provisions for annual leave payments	324	155	157
- provisions for benefits provided by contracting parties	2	5	18
- bonuses for Management Board and employees	220	279	1 226
c) use (due to)	1 482	1 458	2 759
- environmental fee	17	102	96
- provisions for annual leave payments	296	206	318
- provision for used CO2 emission allowances	833	941	942
- provisions for benefits provided by contracting parties	-	6	24
- bonuses for Management Board and employees	336	203	1 379
e) end of period	4 039	4 319	3 761
- subsidies to tangible fixed assets	622	622	622
- provision for used CO2 emission allowances	1 257	1 434	1 248
- environmental fee	66	83	55
- provisions for annual leave payments	730	702	592
- bonuses for Management Board and employees	1 339	1 455	1 226
- provisions for benefits provided by contracting parties	25	23	18

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

22. Deferred income tax

Provisions for deferred income	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
Difference between balance sheet value and tax value of tangible fixed assets	6 002	5 799	5 669
Investments valuation	625	625	548
Unrealized exchange rate differences	1	1	10
Interest due but not received	(35)	22	22
Other	11	-	4
Total provisions for deferred income	6 604	6 447	6 253

Assets from deferred income tax	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
Unpaid remunerations	196	165	163
Unpaid liabilities	5	-	8
Provision for unused annual leaves	114	113	94
Provision for pension and jubilee benefits	670	608	552
Unrealized exchange rate differences	25	54	25
Revaluation write-offs	-	1	-
Inventory revaluation write-offs	158	106	65
Shares revaluation write-offs	565	565	565
Lease liabilities	1 467	1 016	1 064
Consolidation adjustments - retained earnings	(535)	(516)	(564)
Provision for bonuses for Management Board and employees	254	261	233
Cancellation of CO2 emission allowances	239	272	237
Property valuation	2 392	2 392	2 428
Other	10	13	3
total	5 560	5 050	4 873

23. Conditional assets and liabilities

CHANGE OF VOLUME OF PROVISIONAL ASSETS (by type)	For 9 months ended 30 September 2020	For 12 months ended 31 December 2019	For 9 months ended 30 September 2019
a) beginning of the period, including	15 795	15 795	15 795
- security of the investment loan by GR PONARY	15 795	15 795	15 795
b) increase (due to)	-	-	-
c) use (due to)	-	-	-
d) end of period, including	15 795	15 795	15 795
- security of the investment loan by GR PONARY	15 795	15 795	15 795

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

CHANGE OF VOLUME OF PROVISIONAL ASSETS (BY TYPE)	For 9 months ended on 30 September 2020	For 12 months ended 31 December 2019	For 9 months ended 30 September 2019
a) beginning of the period, including	33 781	325	325
- liabilities under non-compete agreements	1 563	1 407	1 407
- loan securities for related companies	32 218	30 918	30 918
b) increase (due to)	-	1 456	522
- liabilities under non-compete agreements	-	156	222
- loan securities for related companies	-	1 300	300
d) end of period, including	33 781	33 781	32 664
- liabilities under non-compete agreements	1 563	1 563	1 446
- loan securities for related companies	32 218	32 218	31 218

24. Issue, repurchase and repayment of securities

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

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

On 21 April 2020, the General Meeting of Shareholders of PEPEES S.A. adopted resolution No. 8 on allocation of profit for the fiscal year 2019 amounting to PLN 19,181,930.51: PLN 11,400,000 PLN was allocated to dividend (PLN 0.12 PLN per share), and the remaining PLN 7,781,930.51 was allocated to capital reserve.

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

The dividend was paid on time.

26. Reporting on operation segments

26.1. Information on products and services

Four branches are specified in PEPEES Capital Group that is: "potato processing", "production of electricity", "agricultural farming combined with animal breeding" and "purchases and sales of real properties for own account".

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

In the "potato processing" segment, the following products are produced:

- potato starch used in households and in

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

food, pharmaceutical, pulp and paper and textile industries,

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

In the electricity generation segment, the following products are produced:

- electricity from agricultural biogas,
- heat for own needs, that is used, for instance, to dry animal feed.

The segment of "agricultural farming combined with animal breeding" includes all assets and liabilities of Gospodarstwo Rolne Ponary Sp. z o.o.

Because during the 1st half of 2020 Ponary did not generate any revenues from sale, the segment of "agricultural farming combined with animal breeding" was not separated in revenues and results of the segments. Due to the value of land owned by Ponary, the third segment was separated in this statement exclusively to show its assets and liabilities.

26.2 Revenues and results by segments

Specification	Revenues		Profit	
	For 9 months ended 30 September 2020	For 9 months ended 30 September 2019	For 9 months ended 30 September 2020	For 9 months ended 30 September 2019
Potato processing	159 113	175 188	8 005	30 549
- including among segments	8	8		
Power generation	5 714	5 795	(1 021)	(1 018)
- including among segments	1 163	876		
Purchase and sale of real properties on own account	-	284		
Total revenues from sales	163 656	180 383	6 984	29 531
Other operating revenues			2 363	780
Other operating costs			(848)	(682)
Financial revenues			636	853
Financial costs			(2 697)	(2 489)
Profit (loss) before tax			6 438	27 993

Due to the fact that GR Ponary Sp. z o.o. did not generate revenues from sales in 2020, the segment of "agricultural crops combined with animal breeding" was not distinguished in the revenues and results of the segments.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

26.3 Assets and liabilities by segments

Assets	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
Potato processing	281 365	348 026	270 364
Power generation	12 655	13 703	13 783
Farming connected with livestock breeding	19 488	1 762	19 373
Sale and purchase of real property for own account	69	131	-
Total assets of the segments	313 577	363 622	303 520

Liabilities of the segments	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
Potato processing	120 568	164 131	106 777
Power generation	18 842	18 870	19 572
Farming connected with livestock breeding	-	-	-
Sale and purchase of real property.	-	80	-
Total liabilities	139 410	183 081	126 349

26.4 Other information about the segments

Segment	Depreciation		Increase of fixed assets	
	For 9 months ended 30 September 2020	For 9 months ended 30 September 2019	For 9 months ended 30 September 2020	For 9 months ended 30 September 2019
Processing for purchase of potatoes	9 989	8 284	6 213	22 794
Production of energy electric	1 086	1 191	12	216
Total continued operations	11 075	9 475	6 225	23 010

26.5 Revenues by products

Product	For 3 months ended 30 September 2020 2019	For 9 months ended 30 September 2020	For 3 months ended 30 September 2019 2019	For 9 months ended 30 September 2019
Starch	28 092	88 491	35 216	110 334
Protein	2 036	9 253	497	5 270
Glucose	2 326	8 049	2 432	7 348
Maltodextrin	5 701	17 608	4 795	14 963
Starch syrups	1 401	3 968	1 628	4 713
Dried potatoes (granulate, flakes, cubes)	4 613	13 635	3 627	13 482
Feeds and fertilizers	107	257	283	638
Electric power	730	2 756	968	2 670
Property rights (electric power and heat)	533	1 900	672	2 067
Goods and materials	3 186	16 762	2 434	17 740
Services	466	977	744	1 158
total	49 191	163 656	53 296	180 383

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

26.6 Sales revenues by territorial structure

Description	For 3 months ended 30 September 2020 2019	For 9 months ended 30 September 2020 2019	For 3 months ended 30 September 2019	For 9 months ended 30 September 2019
Poland	32 167	115 803	35 286	119 191
Starch	15 772	55 526	20 916	62 439
Protein	1 470	5 306	277	3 774
Glucose	2 170	7 072	2 177	6 729
Maltodextrin	4 686	14 109	3 941	12 002
Starch syrups	1 401	3 968	1 628	4 713
Dried potatoes (granulate, flakes, cubes)	3 749	12 039	3 537	12 648
Feeds	107	257	283	638
Electric power	730	2 756	968	2 670
Property rights (electric power and heat)	533	1 900	672	2 067
Goods and materials	1 083	11 893	143	10 353
Services	466	977	744	1 158
EU countries - intra-Community supplies, including:	2 705	10 001	3 155	15 674
Starch	1 357	4 389	2 041	10 743
Protein	41	1 242	100	693
Maltodextrin	910	3 208	781	2 869
Glucose	144	674	143	396
Dried potatoes (granulate, flakes, cubes)	191	426	90	823
Goods	62	62	-	150
Remaining countries - export	14 319	37 852	14 855	45 518
Starch	10 963	28 576	12 259	37 152
Protein	525	2 705	120	803
Glucose	12	303	112	223
Maltodextrin	105	291	73	92
Dried potatoes (granulate, flakes, cubes)	673	1 170	-	11
Goods	2 041	4 807	2 291	7 237
total	49 191	163 656	53 296	180 383

26.7 Information on main customers

The Group does not have a customer revenues from which would exceed 10% of total revenues. However, in the group of individual products, there are customers accounting for more than 10% of sale of a given product. And so:

- over 54% of maltodextrin was sold to three domestic counterparties (28.2%; 13.6% and 12.5% respectively)
- over 40% of protein was sold to two domestic customers (26.5% and 13.6% respectively)

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

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

In the period of 9 months ended 30 September 2020, the Group did not change the rules for determining fair value of financial instruments. The same rules and methods were used as when making the Group's consolidated financial statement for the year ended on 31 December 2019.

28. Information on change of classification of financial assets as a result of change of purpose of use of such assets

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

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

In the presented period there was no change of the economic conditions and terms and conditions of business activity that would have impact on the fair value of financial assets and financial liabilities of the Group.

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

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

COVID-19 pandemic had an impact on all economic sectors. The agricultural and food industry has also suffered, although not as much as other sectors.

In connection with numerous restrictions introduced in most countries of the world and aimed at limiting the spread of COVID-19 coronavirus, the Management Board identifies a number of threats affecting the activities of PEPEES S.A. Group.

There were significant fluctuations of the global demand for native potato starch. Reduced industrial production on selected export markets (including the meat and ready product industries) results in a decreased demand for native potato starch. During the first wave of the pandemic, this phenomenon was observed in the markets of South Korea, Taiwan and Indonesia, but also in the European Union - Romania, Greece and Bulgaria, where PEPEES S.A. had a significant position. Now the demand on Asian markets has stabilised, due to the weakening of the epidemic and in result of the return of the food industry to production levels comparable to those from before COVID - 19. However, the unpredictability of the development of the epidemic situation does not allow the conclusion of long-term contracts and precise planning of sales on these markets.

In the second half of 2020 a slowdown in sales is observed on American markets, e.g. in Mexico, Latin American countries. With a relatively high production of potato starch in Europe, the reduced demand results in downward pressure on prices on these markets, which translates into reduced profitability of selected PEPEES S.A. product groups.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

During the first wave of the pandemic, there was a significant standstill in the logistics sector, resulting in delays in the delivery of goods and the risk of late deliveries to customers. At present, the costs of forwarding services are on an upward trend, which results from the need to meet restrictive epidemiological standards.

However, there is no risk of late delivery, as most logistics service providers have returned to regular operations. As far as exports (mainly maritime transport) are concerned, it is not possible to plan shipments on a long-term basis, due to the unpredictability of the global pandemic and the risk of ad hoc seaport closures.

Freezing of the HORECA sector during the first wave of the pandemic (hotels, restaurants, cafés) and limiting the production of products for that industry (delicatessen and refrigeration products, meat, bakery, confectionery) had a negative impact on the development of PEPEES business on the local market. Undoubtedly, the second wave of the pandemic and a renewed suspension of the sector's operations will definitely exacerbate this phenomenon, and the expected wave of bankruptcies may deprive the Capital Group of some of its revenues from this sector.

In the longer time frame, one can expect new restrictions and formal requirements imposed by the food producers on the raw materials suppliers which will entail additional operational costs for the Company.

General economic slowdown (including higher unemployment caused by temporary lockdown of many industries) reduces the purchasing power. The growing trend in sales, i.e. to retail chains, is expected to be temporarily stopped.

The impact of the COVID pandemic - 19 on the economy was shown, inter alia, by significant exchange rate fluctuations, including USD and EUR - main settlement currencies of PEPEES S.A. This phenomenon limits the predictability of revenues from sales as well as the price attractiveness of the company's offer as compared to the European competitors.

In result of the pandemic, no assets were lost and no significant changes in the statement on the financial condition occurred.

31. Important events that took place after the balance sheet day

There were no significant events after the balance sheet date that would require recognition in these interim abbreviated financial statements.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

C. Quarterly Financial Information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for the period of nine months ended 30 September 2020.

PREPARED IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS IN THE VERSION APPROVED BY THE EUROPEAN COMMISSION

presented below, including:

1. Statement of financial position.
2. Statement of profit or loss and other comprehensive income.
3. Statement of changes in equity.
4. Cash flow statement.
5. Additional explanatory notes.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

REPORT ON THE FINANCIAL POSITION

	ASSETS	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
I.	Fixed assets (long-term)	147 491	151 766	153 059
1.	Tangible fixed assets	99 506	103 464	104 533
2.	Intangible assets	208	413	216
3.	Rights to assets	16 062	16 717	16 970
4.	Investment property	386	393	400
5.	Investment in subsidiaries	26 632	26 632	26 787
6.	Investment in other units	625	613	613
8.	Long-term advance payments	-	-	150
9.	Assets from deferred income tax	4 072	3 534	3 390
II.	Current assets (short-term)	94 066	123 896	87 844
1.	Inventories	45 485	55 712	35 660
2.	Biological assets	1 139	322	133
3.	Trade receivables	21 717	16 340	27 524
4.	Current income tax receivables	1 483	-	-
5.	Other receivables	2 575	4 310	3 771
6.	Prepayments	5 827	1 302	5 221
7.	Loans granted	5 057	5 593	6 252
8.	Other financial assets	7 069	5 961	5 530
9.	Monetary assets and equivalents	3 714	34 356	3 753
	Total assets	241 557	275 662	240 903

	EQUITY AND LIABILITIES	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
I.	Equity capital	156 228	164 443	162 991
1.	Share capital	5 700	5 700	5 700
2.	Supplementary and reserve capitals	147 408	139 626	139 626
3.	Assets revaluation reserve	(112)	(65)	(44)
4.	Current year result	3 232	19 182	17 709
II.	Long-term liabilities	30 681	30 815	31 224
1.	Credits and loans	6 218	8 385	9 177
2.	Lease liabilities	13 354	11 714	11 658
3.	Provisions for deferred income tax	6 515	6 312	6 115
4.	Pension and similar liabilities	2 547	2 284	2 129
5.	Subsidies	2 047	2 120	2 145
III.	Short-term liabilities	54 648	80 404	46 688
1.	Trade payables	15 523	5 436	24 259
2.	Current income tax payables	-	2 394	2 541
3.	Other short-term liabilities	3 079	2 576	3 059
4.	Credits and loans	29 137	63 083	10 261
5.	Lease liabilities	3 300	3 192	3 368
6.	Pension and similar liabilities	253	204	166
7.	Provisions for other liabilities and charges	3 356	3 519	3 034
	Total equity and liabilities	241 557	275 662	240 903

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

STATEMENT OF ON PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Item	Description	For 3 months ended on 30 September	For the 9-month period ended 30	For 3 months ended on 30 September 2019	For 9 months ended on 30 September 2019
I	Revenues from sales	37 371	119 239	39 795	132 778
1.	Revenues from sales of products	32 207	102 022	36 148	113 267
2.	Revenues from sales of services	340	641	254	491
3.	Revenues from sales of goods and materials	4 824	16 576	3 393	19 020
II	Costs of goods sold	(29 285)	(90 164)	(27 164)	(85 588)
1.	Costs of products sold	(23 938)	(70 434)	(23 050)	(66 239)
2.	Costs of services sold	(204)	(563)	(118)	(322)
3.	Costs of goods and materials sold	(4 414)	(15 973)	(2 705)	(15 643)
4.	Result of agricultural production	(729)	(3 194)	(1 291)	(3 384)
III	Gross profit (loss) on sales (I-II)	8 086	29 075	12 631	47 190
1.	Sales and marketing costs	(2 453)	(6 663)	(2 251)	(6 355)
2.	Overheads	(6 107)	(18 099)	(6 655)	(18 261)
3.	Other operating revenues	655	1 198	53	357
4.	Other operating costs	(68)	(443)	(129)	(333)
IV	Operating profit (loss)	113	5 068	3 649	22 598
1.	Financial costs	(415)	(1 526)	(340)	(1 475)
2.	Financial revenues	355	1 059	786	1 623
V	Profit (loss) before tax	53	4 601	4 095	22 746
VI	Income tax	(39)	(1 369)	(738)	(5 037)
VII	Net profit (loss)	14	3 232	3 357	17 709
VIII	Other total income	-	(47)	-	(18)
1.	Effects of valuation of financial assets available for sales	-	-	-	-
2.	Revaluation of liabilities from employee benefits	-	(47)	-	(18)
IX	Total income, including	14	3 185	3 357	17 691
X	Net profit (loss) per share	0.00	0.03	0.04	0.19

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020 (data in
PLN thousand)

Statement of changes in equity.

Description	Share capital	Capital reserve	Assets revaluation reserve	Other capital reserve	Unallocated earnings	Total equity capital
As of 1 January 2019	5 700	51 950	(26)	81 634	17 442	156 700
Changes in the period from 01.01.2019 to 30.09.2019						
Allocation of profit for 2018, including:						-
- increase capital reserve		6 042			(6 042)	-
- transactions with owners (dividend)					(11 400)	(11 400)
Net profit (loss) for period					17 709	17 709
Other total income for financial year (net)			(18)			(18)
As of 30 September 2019	5 700	57 992	(44)	81 634	17 709	162 991
Changes in 2019						
Allocation of profit for 2018, including:				-	-	-
- increase capital reserve	-	6 042			(6 042)	-
- transactions with owners (dividend)	-				(11 400)	(11 400)
Net profit (loss) for period	-	-			19 182	19 182
Other total income for financial year (net)	-	-	(39)		-	(39)
As at 31 December 2019	5 700	57 992	(65)	81 634	19 182	164 443
As of 1 January 2020	5 700	57 992	(65)	81 634	19 182	164 443
Allocation of profit for 2019, including:						-
- increase capital reserve		7 782			(7 782)	-
- transactions with owners (dividend)					(11 400)	(11 400)
Net profit (loss) for period					3 232	3 232
Other total income for financial year (net)			(47)			(47)
As of 30 September 2020	5 700	65 774	(112)	81 634	3 232	156 228

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

Interim abbreviated cash flow statement

Item	Cash flow statement	For the period of 3 months ended 30 September	For the period of 9 months ended 30 September	For the period of 3 months ended 30 September	For the period of 9 months ended 30 September
A.	Cash flows from operating activities - intermediate method				
I	Profit (loss) before tax	53	4 601	4 095	22 746
II	Total adjustments	552	14 782	8 568	28 838
1.	Depreciation	2 878	8 574	2 516	7 429
2.	Profit (loss) due to exchange rate variations	71		(50)	(3)
3.	Interest and share in profit (dividends)	215	684	109	396
4.	(Profit) loss on investment activities	(206)	(627)	(2)	(178)
5.	Change in reserves	(417)	149	2 209	98
6.	Change in inventories	(12 481)	10 227	(8 468)	16 520
7.	Change in biological assets	1 340	(817)	2 015	197
8.	Change in receivables	2 491	(3 642)	(3 115)	(3 638)
9.	Change in short-term liabilities, excluding loans and credits	5 625	10 590	15 162	16 432
10.	Change in prepayments	1 426	(4 525)	1 527	(4 062)
11.	Income tax paid	(907)	(5 569)	(1 015)	(4 067)
12.	Change in subsidies	(24)	(73)	(24)	(73)
13.	Change in accrued interests on loans	(47)	(121)	(97)	(140)
14.	Change in other financial assets	(56)	(174)		
15.	Other adjustments	(190)	106	(199)	(73)
III	Net cash flows from operating activities	605	19 383	12 663	51 584
B.	Cash flows from investing activities	-		-	
I	Revenues	4 070	5 553	2 131	3 234
1.	Sale of intangible and tangible assets	3 184	3 621	93	370
2.	Repayment of granted loans	886	1 932	2 038	2 800
3.	Receipts from bonds	-	-	-	64
II	Expenses	13 247	17 338	15 971	27 830
1.	Acquisition of intangible assets and fixed tangible assets	913	3 162	4 571	15 780
2.	Purchase of shares	934	946	-	-
3.	Purchase of bonds	-	-	-	500
4.	Purchase of property rights	-	630		
5.	Loans granted	-	1 200	-	150
6.	Dividends and other payments to shareholders	11 400	11 400	11 400	11 400
III	Net cash flows from investing activities	(9 177)	(11 785)	(13 840)	(24 596)
C.	Cash flows from financing activities	-		-	
I	Revenues	11 336	11 616	7 108	7 152
1.	Credits and loans	11 199	11 199	7 092	7 092
2.	Subsidies received	137	(417)	16	60
II	Expenses	3 195	49 934	22 589	58 536
1.	Repayment of credits and loans	2 418	47 313	21 566	55 377
2.	Interest of credits and loans	97	684	212	764
3.	Lease contracts payments	680	1 937	811	2 395
III	Net cash flows from financial activities (I-II)	8 141	(38 318)	(15 481)	(51 384)
D.	Net cash flow, total (A.III+/-B.III+/-C.III)	(431)	(30 720)	(16 658)	(24 396)
E.	Balance sheet change in cash, including:	(656)	(30 642)	(17 263)	(24 428)
	- change in cash in result of exchange rate differences	(7)	(78)	(50)	(3)
	- change in the balance of overdrafts	232	-	655	35
F.	Cash at the beginning of period	4 145	34 434	20 401	28 139
G.	Cash at the end of period (F+/- D)	3 714	3 714	3 743	3 743
	- including of limited availability	1 500	1 500	-	-

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

Additional explanatory notes

1. Accounting rules

The data for the Quarterly Financial Information for the period of 9 months ended 30 September 2020 have been prepared by means of the same accounting principles as in the last annual financial statements.

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

Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A did not adjust the errors for previous years and in the reporting period it did not change previously applied accounting principles save for application of new or amended standards or interpretations applicable to annual periods commencing from 1 January 2020 onwards. .

3. Information on conditional assets or liabilities

a) Conditional assets

"PEPEES S.A. received a surety in the amount of PLN 15,795 thousand from its related entity, GR Ponary Sp. z o.o , which constituted a collateral for an investment loan granted by PKO Bank Polski S.A. for financing and refinancing of purchase of 100% shares in Gospodarstwo Rolne Ponary Sp. z o.o.

b) Conditional liabilities

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

"PEPEES S.A. receives interest subsidies for investment loans. In the event of failure to meet the terms and conditions of the loan agreements, i.e., inter alia

- failure to pay instalments and interest within the contractual deadlines;
- failure to implement the investment as planned;
- misuse of credit,

surcharges shall be reimbursed. The Company is not in danger of not meeting the above conditions, as the investments have already been implemented according to the plan and the loans have been used for their intended purpose and the instalments and interest shall be repaid by the Company on the agreed date.

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

4. Transactions with associated entities

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

In the reporting period, the Issuer purchased starch, potato flakes and semolina from its subsidiary Total value of purchases at ZPZ "LUBLIN" Sp. z o.o. amounted to PLN 1,775 thousand . "PEPEES S.A. sold to ZPZ LUBLIN Sp. z o.o starch and maltodextrin for PLN 80 thousand and leases out a flake production line - the rent for 1 month is PLN 23.5 thousand The selling price shall be determined

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

using the 'cost plus' method or on the basis of price lists applicable to unrelated parties .

As at the balance sheet date, there is a balance of liabilities of PLN 257 thousand.

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

In the reporting period the Parent Company purchased from its subsidiary PPZ "BRONISŁAW" S.A. potato starch for the amount of PLN 5,843 thousand, additionally starch and potato flakes in the total value of PLN 45 thousand, as well as storage and warehouse lease service for the amount of PLN 64 thousand. Whereas, in the period of three quarters of, the Issuer sold potatoes for processing to its related company for the amount of

PLN 1,365 thousand, potato starch in the value of PLN 975 thousand , provided the following services: vehicle rental and storage for the amount of PLN 12 thousand. In the period of 9 months of 2020 , the subsidiary paid interest on the loan and fees on sureties to the Parent Company in the amount of PLN 107 thousand.

As at the balance sheet date, there is a balance of outstanding loans of PLN 1.2 million and a balance of receivables of PLN 1,872 thousand and liabilities of PLN 11 thousand.

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

In the period of 3 quarters of 2020 "PEPEES" S.A. purchased from CHP Energia Sp. z o.o.: pellet, biocompost, storage and yard rental service . The total value of purchases was PLN 1,031 thousand.

In the analysed period "PEPEES" S.A. sold potato pulp to the related company for PLN 18 thousand and services of machine lease/rental and bookkeeping for the total amount of PLN 114 thousand.

As at the balance sheet date, there is a balance of unpaid loans of PLN 4,896 thousand, trade receivables of PLN 1,081 thousand, receivables on account of fees from sureties of PLN 1,076 thousand and receivables on account of advance payment of PLN 925 thousand.

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

The company "PEPEES" S.A. sold services in the amount of PLN 8 thousand to its subsidiary GR Ponary Sp. z o.o . Whereas GR Ponary Sp. z o.o. in previous periods granted the Parent Company a surety for a loan, from which in the period of three quarters of 2020 fees were calculated in the amount of PLN 118 thousand. In addition, , GR Ponary paid interest to the Issuer in the amount of PLN 18 thousand on the loan granted. The amount of outstanding loan as at the balance sheet date was PLN 552 thousand, while trade receivables were PLN 1 thousand.

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

The Issuer. sold to the subsidiary Pepees Inwestycje Sp. z o.o. services of PLN 3 thousand . As of the balance date, there is a balance of trade receivables in the amount of PLN 7 thousand .

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

D. Additional information

1. Organizational changes in PEPEES Capital Group

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

2. Summary of operations in the reporting period

In the period of 9 months of 2020, the PEPEES Capital Group achieved sales revenues of PLN 163,656 thousand, which means a 9.3% decrease compared to the same period last year (PLN 180,383 thousand).

An increase of 3.9% in the growth rate of cost of sales compared to the previous year, with a simultaneous decrease in the growth rate of sales revenue resulted in a lower gross result on sales at the level of PLN 40,246 thousand, a decrease of 34.6% year on year.

The costs of sales and marketing in the period of 9 months of 2020 increased by 4.2% compared to the comparative period, while the costs of general management increased by 3.7%.

The balance of other operating activities in the 9 months of 2020 amounted to PLN 1,515 thousand with the result of PLN 98 thousand in the comparative period.

On the other hand, the result on financial activities, understood as the balance of financial income less financial costs, in the period from January to September 2020 deteriorated in relation to the corresponding item of the comparative period.

As a result, the gross profit after the end of the third quarter of 2020 amounted to PLN 6,438 thousand with PLN 27,993 thousand of gross profit generated in the comparative period, while the net profit in the period from January to September 2020 amounted to PLN 4,467 with PLN 21,643 of net profit in the corresponding period of 2019.

3. Shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of the Parent Company

As at the date of approval of this periodical report, the Company's shareholding structure was as follows:

SHAREHOLDING	Number of shares [no.]	Share in capital %	Number of votes	Share in total number at the GMS %
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%
Other	11 010 212	11.59 %	11 010 212	11.59 %

** Due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to the Public Offering and Public Companies Act of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27 759 032 shares of the Company, has lost and cannot exercise voting rights on 21 402 233 shares. The Management Board filed a lawsuit for determination to District Court in Białystok. Epsilon FIZ AN believes that they can exercise voting rights on 27.759.032 shares which is 29.22% of total votes at the General Meeting. The Chairman of Financial Supervision Commissions (KNF)

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

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

****** Mr Maksymilian Maciej Skotnicki and Michał Skotnicki are persons referred to in article 87 sec. 4 point of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005, and therefore the accumulative ownership of the above mentioned persons comprises 42 102 456 shares/votes , which accounts for 44.32% share in the share capital/total number of votes in the Company.

The Company has not received any information on changes in the ownership of shares in the period from the date of publication of the previous report, i.e. 18 September 2020 to the date of publication of this report.

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

Mr Wojciech Faszczewski, the President of the Management Board, has 701.000 of Company shares. The above-mentioned person has to rights for Company shares.

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

During the period from the publication of the previous interim report, that is 18 September 2020 to the publication of this report the management and supervisory persons do not made transactions involving Company shares or rights to them..

5. Brief description of significant achievements or failures of PEPEES Capital Group, in the three quarters of 2020, together with a list of the most important events related to them

In the three quarters of 2020 ,there were no significant achievements or failures in PEPEES Capital Group, which this report concerns.

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

In the period of 9 months ended 30 September 2020 ,the PEPEES Capital Group paid out a dividend affecting its equity and cash flows.

7. Management Board standpoint on forecast results

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

8. Important court, administrative or arbitration proceedings

On 25 June 2019 the Management Board of "PEPEES" S.A. filed a lawsuit to the court to rule that due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to the Public Offering and Public Companies Act of 29 July 2005 the shareholder EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27 714 832 shares of the Company, has lost and cannot exercise voting rights on 21 402 233 shares. Epsilon FIZ AN believes that they can exercise voting rights on 27.714.832 shares which is 29.17% of total votes at the General Meeting. The case was joined by the Chairman of Financial Supervision Commissions (KNF), who presented his standpoint on the issue on 24 July 2019. The Management Board awaits the valid decision of the court of law. The Company informed about the issue in interim reports Nos 13/2019, 14- 23/2019 and 30/2019.

As of the statement date, there is an undecided lawsuit by EPSILON Investment Fund in Warsaw against "PEPEES" S.A. to annul or declare invalid the resolutions no. 24-29, adopted on

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

28.06.2019 by the Ordinary General Meeting of Shareholders and resolutions No. 9 and 10, adopted on 21 April 2020 by the Ordinary General Meeting of Shareholders.

Otherwise, there are no significant pending litigations in court, proceedings in an arbitration court or a public administration body in respect to liabilities or receivables of the Issuer or its subsidiaries.

9. Transactions with associated entities

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

Cooperation between the Capital Group companies is intended to increase the level of utilization of resources at the disposal of the companies and to limit the operational risk.

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

10. Information on guarantees

In the reporting period, a deposit agreement of 22.09.2020 was concluded between "PEPEES" S.A. and Spółdzielczy Bank Rozwoju in Szepietowo (SBR). Under the agreement, the Issuer transferred to the account of the SBR Bank the amount of PLN 1.5 million as a deposit, constituting a security for the repayment of the working capital loan of PLN 1,300 thousand. The deposit was granted by SBR to the subsidiary CHP Energia Sp. z o.o. The deposit will be returned to the Issuer upon receipt of debt repayment from CHP Energia together with interest due to SBR in Szepietowo.

Furthermore, as at the balance sheet date, guarantees granted and received in earlier reporting periods remain valid.

Sureties granted by the Parent Company "PEPEES" S.A. as at 30.09.2020:

- Agreement dated 9 June 2014 on the terms and conditions of loan repayment security concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Under the agreement, "PEPEES" S.A. provides security for the repayment of the investment loan taken out by CHP Energia Sp. z o.o. The value of the investment loan incurred by CHP Energia Sp. z o.o. amounts to PLN 12 830 thousand. The security granted by "PEPEES" S.A. has a form of a bill of exchange guarantee up to the amount of PLN 12,224 thousand, for the period up to 25.05.2024. For the guarantee PEPEES charges a fee in the amount of 1.8% of the current debt amount of a loan, determined on the basis of the information contained in the debt certificate issued quarterly by Spółdzielczy Bank Rozwoju in Szepietowo.
- Agreement dated 14 September 2017 on the terms and conditions of loan repayment security concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Under the agreement, PEPEES S.A. secures repayment of an investment loan concluded by CHP Energia Sp. z o.o. The value of the working capital loan incurred by CHP Energia Sp. z o.o. amounts to PLN 3 000 thousand. „PEPEES” S.A. gave security in form of an aval up to the amount of PLN 2 800 thousand (debt about at the date of the security). A fee is charged by PEPEES every month in the amount of 1.8% of the current debt under the loan determined on the basis of information on debt amount issued every quarter of the year by Spółdzielczy Bank Rozwoju in Szepietowo.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

- Agreement dated 14 September 2017 on the terms and conditions of loan repayment security concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Under the agreement, PEPEES S.A. secures repayment of an investment loan concluded by CHP Energia Sp. z o.o. The value of the working capital loan incurred by CHP Energia Sp. z o.o. amounts to PLN 800 thousand. „PEPEES” S.A. gave security in form of an aval up to the amount of PLN 710 thousand (debt about at the date of the security). A fee is charged by PEPEES every month in the amount of 1.8% of the current debt under the loan determined on the basis of information on debt amount issued every quarter of the year by Spółdzielczy Bank Rozwoju in Szepietowo.
- Agreement dated 14 September 2017 on the terms and conditions of loan repayment security concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Under the agreement, PEPEES S.A. secures repayment of an investment loan concluded by CHP Energia Sp. z o.o. The value of the working capital loan incurred by CHP Energia Sp. z o.o. amounts to PLN 2 500 thousand. „PEPEES” S.A. gave security in form of an aval up to the amount of PLN 2,500 thousand. A fee is charged by PEPEES every month in the amount of 1.8% of the current debt under the loan determined on the basis of information on debt amount issued every quarter of the year by Spółdzielczy Bank Rozwoju in Szepietowo.
- Agreement of 30 July 2018 r. concerning the conditions of loan repayment security concluded between "PEPEES" S.A. in Łomża and PPZ Bronisław S.A. Under the agreement, "PEPEES" S.A. provides security for the repayment of the Investment Loan from the funds coming from the Foreign Credit Lines contracted by PPZ Bronisław S.A. The value of the investment loan incurred by PPZ Bronisław S.A. amounts to PLN 8 456 thousand. The security granted by "PEPEES" S.A. is in the form of a notary statement on submission to enforcement up to the amount of PLN 12,684 thousand. PEPEES charges a monthly fee on the security in the amount of 1%.
- On 3 January 2019 the Issuer granted an aval to bank SBR in Szepietowo for repayment of working capital credit in the amount of PLN 300 thousand, which was granted to its subsidiary CHP Energia Sp. z o.o. A fee is charged by PEPEES every month in the amount of 1.8% of the current debt under the loan determined on the basis of information on debt amount issued every quarter of the year by Spółdzielczy Bank Rozwoju in Szepietowo.
- On 20 September 2019 PEPEES S.A. granted an aval to bank SBR in Szepietowo for repayment of working capital credit in the amount of PLN 1 000 thousand, which was granted to its subsidiary CHP Energia Sp. z o.o. A fee is charged by PEPEES every month in the amount of 1.8% of the current debt under the loan determined on the basis of information on debt amount issued every quarter of the year by Spółdzielczy Bank Rozwoju in Szepietowo.

The total value of sureties or guarantees granted as of 30.09.2020 by PEPEES Company to the entities of PEPEES Capital Group amounts to PLN 32 million.

Sureties granted to the Parent Company "PEPEES" S.A. as at 30.09.2020:

- Surety of an individual (farmer) dated 28 December 2016 for „PEPEES” S.A. under a loan granted to another individual, who is the company's farmer, in the amount of PLN 304 thousand.
- Agreement of 12.12.2017 concerning the establishment of a mortgage on the real estate of GR Ponary Sp. z o.o. in the amount of PLN 15,795 thousand, in favour of "PEPEES" S.A., as a security for the repayment of the loan granted to "PEPEES" S.A. by PKO BP in the amount of PLN 10,530 thousand for the period 12.12.2017 - 30.06.2025. For the sureties granted and received, a fixed remuneration was set in the amount of PLN 13,162.50, which is calculated on a monthly basis in accordance with the concluded agreement, specifying the terms of the guarantee.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

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

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

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

The following factors will have a significant impact on the result in the next quarter:

- Coronavirus pandemics and its possible impact on disruptions of continuity of operations or restrictions of operations:
 - ☐ due to possible infection with virus SARS-CoV-2 and more frequent absences of the employees employed at the main technological process,-
 - ☐ due to possible disruptions in the supply chain of materials and services and logistic restriction, in particular in international transportation,
 - ☐ due to possible closure of some outlets, decreased demand and optimisation of counterparties' inventories of raw materials and ready products
 - ☐ in result of extraordinary amendments of legal provisions,
- volume and value of purchased potatoes, that is the basic raw material for production,
- starch price on the Polish and global markets,
- foreign exchange rate - the Group is an exporter of products,
- basic interest rates - The Group has loans whose interest rates are based on WIBOR.

The Group's activity is based mainly on the domestic raw material provided by Polish farmers, so the pandemics will not disrupt supplies. In the next quarter of 2020, PEPEES Capital Group will perform the executed contracts and continue its basic operations, including production, trade and services.

PEPEES CAPITAL GROUP
Consolidated Quarterly Report
for the 9-month period ended 30 September 2020. (data
in thousand PLN)

**13. Approval of Consolidated Report Quarterly of
PEPEES Capital Group for the period of 9 months ended 30 September 2020**

This Consolidated Quarterly Report of PEPEES Capital Group for the period of 9 months ended 30 September 2020 was approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” Spółka Akcyjna in Łomża on 13 November 2020.

SIGNATURES OF THE PARENT COMPANY MANAGEMENT BOARD

President of Management Board - Wojciech Faszczeński

Member of Management Board - Tomasz Krzysztof Rogala

SIGNATURE OF THE PERSON WHO MADE THE REPORT

Chief Accountant - Wiesława Załuska