THE OPINION OF THE BOARD OF DIRECTORS OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO PEPEES S.A. WITH ITS REGISTERED OFFICE IN WARSAW ('THE COMPANY') ON THE EXCLUSION OF PRE-EMPTIVE RIGHTS OF EXISTING SHAREHOLDERS OF THE COMPANY WITH REFERENCE TO THE SHARES ISSUED AS PART OF THE TARGET CAPITAL

Acting under Article 433 § 2 of the Polish Commercial Code and due to the addition, to the agenda of the Annual General Meeting of Shareholders ('**the AGM**') of the Company to be held on 28 June 2019, of the resolution on amendments to the Company's Articles of Association and on authorising the Company's Board of Directors to increase the share capital of the Company as part of the target capital, and on authorising the Board of Directors to deprive shareholders of all or certain pre-emptive rights with the consent of the Company's Supervisory Board, the Company's Board of Directors hereby recommends to the AGM that existing shareholders of the Company should be deprived of their pre-emptive rights with reference to the shares issued as part of the target capital.

The Company's Board of Directors is currently working on the *Strategy of Pepees Group for 2019-2024* ('**the Strategy**'), which will be presented to the Company's Supervisory Board to be approved pursuant to Article 20.2(3) of the Company's Articles of Association. If it is approved by the Supervisory Board, the Company's financial needs will increase significantly. The Board of Directors will promptly inform about the approval of the Strategy in an appropriate report.

The draft Strategy provides for a higher sales value and bigger market share owing to organic growth and acquisitions. It envisages, among other things, the expansion and enhancement of the attractiveness of a diversified product portfolio; the expansion of target markets and the acquisition of new customers; the establishment of the cooperation with an industry partner in particular from the sectors of foodstuffs, diet supplements and products intended for children and from the pharmaceutical industry. To implement the Strategy, proper *know-how* and considerable investments in the development of new products, particularly modified products, and state-of-the-art technologies must be ensured. At present, the Board of Directors is estimating that the cost of the Strategy implementation will be ca. PLN 90 million. This amount does not include significant—but not yet possible to assess—expenditure on investments related to modified products and acquisitions.

These plans will make it possible to continue to develop the Company, to boost its value and, as a result, to further increase the Company's share price.

At present, the Company's financial situation is stable, the Company has been generating profit for several years now, while continuously investing and modernising its means of production. However, generated profits are not sufficient to meet the Company's needs at the high level identified presently. The expenditure on the ongoing maintenance and upgrade of machines and on the growth thought the implementation of the Strategy will be considerably higher. This is compounded by the shareholders' pressure to pay the dividend. Resolutions of the General Meeting of Shareholders on the allocation of profits for investments have been challenged already twice. The Board of Directors is obliged to take also such opinions into consideration.

An issue of shares is the least expensive and the best way to source financing. However, so far, due to the conflict in the Company, none of the shareholders has been able to ensure appropriate funding taking into account the challenges, level and manner of the Company's development. In addition, there are no entities from the industry among the Company's shareholders. To ensure the Company's development, the Board of Directors recognises the need to find a partner from the industry that would establish equity links with the Company, and to this end they want to be able to offer shares to such a partner.

For these reasons, the Board of Directors have addressed the AGM to give consent to the exclusion of pre-emptive rights.

The Board of Directors is proposing that the shares in the increased share capital be offered primarily through private placement, which will reduce the costs of the offer. The increase will be according to the Company's financial needs. Their level will be determined by the Board of Directors upon obtaining the opinion of the Supervisory Board. Therefore, at present, it is not possible to determine the amount of the necessary revenue from share issues or the quantity of shares to be issued. The authorisation to issue shares as part of the target capital will make it possible to adjust the issue volume and the issue time to market conditions and the Company's current capital-related needs.

The Board of Directors is proposing that the issue price be determined in the future on the assumption that that it cannot be lower than the arithmetic mean of average daily prices weighted with the trading volume from three years immediately preceding the publication of the AGM convening notice, as, due to the fluctuations of the Company's share price, the success of an issue cannot be certain when the price is set in advance. In addition, the adoption of such bases for the determination of the issue price will make it possible to adapt it to the actual market value of the Company's shares existing prior to the publication of the notice on the planned increase in the share capital, and to eliminate the risk of the necessity of basing the price on an artificially raised share price, which, in the case of such low liquidity as the liquidity of the Company's shares, is a real risk. The final issue price will be determined by the Board of Directors with the consent of the Supervisory Board.

In the opinion of the Board of Directors, the issue of shares carried out this way is in the interest of the Company and therefore in the interest of its both present and future shareholders.

Faithfully yours,

Wojciech Faszczewski
President of the Board of Directors

Tomasz Rogala
Member of the Board of Directors