



**PRZEDSIĘBIORSTWO PRZEMYSŁU
SPOŻYWCZEGO “PEPEES” SPÓŁKA AKCYJNA
IN ŁOMŻA**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

for the 6-month period ended 30 June 2023

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY
THE EUROPEAN COMMISSION**

“PEPEES” S.A.
*Interim condensed consolidated financial statements for the 6-month period ended
 30 June 2023 (data in PLN thousand).*

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
A	(Long-term) fixed assets	127,866	127,642	129,266
1.	Property, plant and equipment	85,369	85,012	86,635
2.	Intangible assets	188	644	276
3.	Rights to assets	15,577	14,576	15,113
4.	Investment property	358	363	369
5.	Investments in subsidiaries	23,586	23,586	23,586
7.	Investments in other parties	383	383	383
8.	Deferred income tax assets	2,405	3,078	2,904
B	(Short-term) current assets	109,812	161,778	101,275
1.	Inventory	47,184	67,050	49,411
2.	Biological assets	3,833	326	4,075
3.	Trade and other short-term receivables	35,340	29,733	30,153
4.	Other financial assets	16,022	13,150	13,378
5.	Cash and cash equivalents	7,433	51,519	4,258
	Total assets	237,678	289,420	230,541

	LIABILITIES	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
A	Equity	160,175	165,203	160,549
1.	Share capital	5,700	5,700	5,700
2.	Issue price surplus over nominal value of shares	7,562	7,562	7,562
3.	Treasury shares	(1,649)	(224)	(112)
4.	Revaluation capital	30,484	30,530	30,530
5.	Retained earnings	118,078	121,635	116,869
B	Liabilities	77,503	124,217	69,992
I	Long-term liabilities	22,936	24,814	24,453
1.	Credits and loans	1,689	2,750	3,009
2.	Liabilities for leased assets	10,919	12,492	11,676
3.	Deferred income tax provision	5,216	5,450	5,652
4.	Retirement and similar benefit liabilities	2,656	2,295	2,240
5.	Subsidies	1,779	1,827	1,876
6.	Other long-term liabilities	677	-	-
II	Short-term liabilities	54,567	99,403	45,539
1.	Trade liabilities and other short-term liabilities	17,772	16,257	18,313
2.	Current income tax liabilities	2,530	3,032	1,227
3.	Credits and loans	30,437	75,881	22,246
4.	Liabilities for leased assets	3,337	3,737	3,289
5.	Retirement and similar benefit liabilities	491	496	464
	Total liabilities	237,678	289,420	230,541

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INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

No.	Item	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
I	Sales revenue	89,528	88,493
1.	Revenue from product sales	77,534	80,375
2.	Revenue from sales of services	389	327
3.	Revenue from sales of goods and materials	11,605	7,791
II	Own cost of sales	(61,536)	(62,620)
1.	Costs of products sold	(44,933)	(51,919)
2.	Costs of services sold	(436)	(398)
3.	Costs of goods and materials sold	(10,974)	(6,973)
4.	Agricultural production result	(5,193)	(3,330)
III	Gross profit (loss) on sales (I - II)	27,992	25,873
1.	Sales and marketing costs	(4,254)	(6,328)
2.	Overhead costs	(12,802)	(12,429)
3.	Other operating revenue	353	314
4.	Other operating expenses	(585)	(883)
IV	Profit (loss) on operating activities	10,704	6,547
1.	Financial costs	(3,020)	(1,899)
2.	Financial revenue	1,403	1,766
V	Pre-tax gain (loss)	9,087	6,414
VI	Income tax	(3,262)	(1,976)
VII	Net gain (loss)	5,825	4,438
VIII	Other comprehensive income	(46)	23
1.	Effects of measurement of available-for-sale financial assets	-	-
2.	Revaluation of employee benefit liabilities	(46)	23
IX	Total comprehensive income, including:	5,779	4,461
X	Net profit (loss) per share	0.06	0.05

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Item	Share capital	Share premium	Treasury shares	Revaluation capital	Retained earnings	Total equity
As at 1 January 2022	5,700	7,562		30,507	112,431	156,200
Changes in the period from 01/01/2022 to 30/06/2022	-		(112)	23	4,438	4,349
Purchase of treasury shares			(112)			(112)
Net profit (loss) for the period					4,438	4,438
Other comprehensive income for the financial year (net)				23		23
As at 30 June 2022	5,700	7,562	(112)	30,530	116,869	160,549
Changes in the period from 01/01/2022 to 31/12/2022	-		(224)	23	9,204	9,003
Purchase of treasury shares			(224)			(224)
Net profit (loss) for the financial year					9,204	9,204
Other comprehensive income for the financial year (net)				23		23
As at 31 December 2022	5,700	7,562	(224)	30,530	121,635	165,203
As at 1 January 2023	5,700	7,562	(224)	30,530	121,635	165,203
Purchase of treasury shares			(1,425)			(1,425)
2022 profit dividend					(7,234)	(7,234)
Supplementary capital dividend					(2,148)	(2,148)
Net profit (loss) for the period					5,825	5,825
Other comprehensive income for the financial year (net)				(46)		(46)
As at 30 June 2023	5,700	7,562	(1,649)	30,484	118,078	160,175

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INTERIM CONDENSED STATEMENT OF CASHFLOWS

No.	CASH FLOW STATEMENT	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
A.	Cash flow from operating activities - indirect method		
I	Pre-tax gain (loss)	9,087	6,414
II	Total adjustments	17,924	19,262
1.	Amortisation	5,798	6,024
2.	Exchange (profit) losses	(44)	(14)
3.	Interest and profit distributions (dividend)	2,034	1,179
4.	(Profit) loss on investing activities	(223)	(61)
5.	Change in provisions	356	(120)
6.	Change in inventories	19,866	13,866
7.	Change in biological assets	(3,507)	(3,515)
8.	Change in receivables	(5,607)	(1,915)
9.	Change in short-term liabilities, except for loans and credits	2,192	4,184
10.	Income tax paid	(3,316)	(1,512)
11.	Change in subsidies	(48)	(49)
12.	Change in accrued interest on loans and commissions	(90)	(3)
13.	Change in other financial assets	(32)	-
14.	Change in rights to assets	(1,001)	648
15.	Depreciation of CO2 emission rights	1,582	600
16.	Other adjustments	(36)	(50)
III	Net cash flows from operating activities	27,011	25,675
B.	Cash flows from investing activities		
I	Inflows	841	137
1.	Disposal of intangible assets and tangible fixed assets	423	74
2.	Repayment of loans granted	418	63
II	Outflows	10,549	5,042
1.	Purchase of intangible assets and tangible fixed assets	6,394	2,013
2.	Purchase of property rights	1,155	629
3.	Loans granted	3,000	2,400
III	Net cash flows from investing activity	(9,708)	(4,905)
C.	Cash flows from financing activities		
I	Inflows	100	2,289
1.	Credits and loans	-	1,929
2.	Additional payments received	100	360
II	Outflows	61,489	52,472
1.	Repayment of credits and loans	55,674	49,171
2.	Interest on bank credits and loans	2,230	1,242
3.	Purchase of treasury shares	1,676	112
4.	Payments from lease contracts	1,909	1,947
III	Net cash flows from financing activities (I-II)	(61,389)	(50,183)
D.	Total net cash flow (A.III+/-B.III+/-C.III)	(44,086)	(29,412)
F.	Opening cash	51,519	33,670
G.	Cash closing balance (F+/-D)	7,433	4,258
	- including: limited disposal cash	-	-

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SELECTED FINANCIAL DATA CONVERTED INTO EUR

No.	SELECTED FINANCIAL DATA	IN PLN THOUSAND		IN EUR THOUSAND	
		2023.	2022	2023.	2022
I	H1 total sales revenue	89,528	88,493	19,408	19,061
II	H1 net profit or loss attributable to shareholders of the Parent	5,825	4,438	1,263	956
III	H1 net comprehensive income	5,779	4,461	1,253	961
IV	H1 net cash flows from operating activities	27,011	25,676	5,855	5,530
V	H1 net cash flows from investing activities	(9,708)	(4,905)	(2,104)	(1,057)
VI	H1 net cash flows from financing activities	(61,389)	(50,183)	(13,308)	(10,809)
VII	H1 net cash flows	(44,086)	(29,412)	(9,557)	(6,335)
VIII	Total assets as at 30/06/2023 and 31/12/2022	237,678	289,420	53,407	61,711
IX	Equity attributable to shareholders of the Parent as at 30/06/2023 and 31/12/2022	160,175	165,203	35,992	35,225
X	H1 profit (loss) per ordinary share in PLN/EUR	0.06	0.05	0.01	0.01
XI	Book value per share as at 30/06/2023 and 31/12/2022 in PLN/EUR	1.69	1.74	0.38	0.37

The data presented in rows VIII, IX and XI in “2023” and “2022” columns refer to the status as at 30 June 2023 and 31 December 2022.

The following exchange rates announced by the National Bank of Poland were used to convert selected financial data into Euro:

- selected items of the interim condensed statement of financial position as at 30/06/2023 at the average exchange rate of EUR 1 = PLN 4.4503, valid as of the balance sheet date;
- selected items of the interim condensed statement of financial position as at 31/12/2022 at the average exchange rate of EUR 1 = PLN 4.6899, valid as of the balance sheet date;
- selected items of the interim condensed statement of comprehensive income and interim condensed statement of cash flows for the period from 1 January 2023 to 30 June 2023 at the exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland valid as of the last day of each month of H1 2023 - EUR 1 = PLN 4,6130;
- selected items of the interim condensed statement of comprehensive income and interim condensed statement of cash flows for the period from 1 January 2022 to 30 June 2022 at the exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland valid as of the last day of each month of H1 2022 - EUR 1 = PLN 4,6427.

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PROFIT PER SHARE

Item	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Net profit (loss) attributable to PEPEES shareholders	5,825	4,438
Weighted average number of shares	95,000,000	95,000,000
Basic net profit (loss) per share (expressed in PLN per share)	0.06	0.05
Net profit (loss) attributable to “PEPEES” S.A. shareholders, used in determining diluted profit per share	5,825	4,438
Weighted average number of ordinary shares for diluted profit per share purposes	95,000,000	95,000,000
Diluted net profit (loss) per share (expressed in PLN per share)	0.06	0.05
Annualised net profit attributable to “PEPEES” S.A. shareholders	10,591	5,970
Weighted average number of shares	95,000,000	95,000,000
Annualised net profit per share (expressed in PLN per share)	0.11	0.06

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NOTES TO THE FINANCIAL STATEMENTS

1. General information

Full name:	Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A.
Registered address:	18-402 Łomża, ul. Poznańska 121
ID:	REGON (National Business Registry) number: 450096365
NIP:	7181005512
Registration Authority:	District Court in Białystok, 12th Commercial Division of the National Court Register
Number in the register:	000038455
Legal form:	Joint Stock Company
Organisational form:	Single business enterprise
Core business by PKD division:	10.62.Z Manufacture of starches and starch products.
Industry:	Food
Duration:	indefinite

Composition of the Management Board as at 30 June 2023:

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

Composition of the Supervisory Board as at 30 June 2023:

Maciej Kaliński	Chairman of the Supervisory Board
Robert Malinowski	Secretary of the Supervisory Board
Kajetan Rościszewski	Member of the Supervisory Board
Jacek Okoński	Member of the Supervisory Board
Agata Czerniakowska	Member of the Supervisory Board

The composition of the Audit Committee as at 30 June 2023:

Maciej Kaliński	Chairman of the Audit Committee
Jacek Okoński	Deputy Chairman of the Audit Committee
Agata Czerniakowska	Member of the Audit Committee
Robert Malinowski	Member of the Audit Committee
Kajetan Rościszewski	Member of the Audit Committee.

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2. Information on reporting periods

The presented interim condensed financial statements cover the period from 1 January 2023 to 30 June 2023 and the comparative financial data and notes cover the period from 1 January 2022 to 30 June 2022 and additionally as at 31 December 2022 in the case of the statement of financial position and statement of changes in equity.

3. Basis for the preparation of the interim condensed financial statements

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), in particular International Accounting Standard 34 and IFRS as endorsed by the EU. As at the date of approval of this report for publication, taking into account the implementation process of IFRS taking place within the EU and the Company’s operations, there is no difference between IFRS standards that have come into force and IFRS standards endorsed by the EU in terms of the accounting policies applied by the Company. IFRS include standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These interim condensed financial statements are presented in Polish zloty (“PLN”) and all figures, unless indicated otherwise, are given in PLN thousand.

These interim condensed financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of approval of these interim condensed financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. is not aware of any circumstances that would indicate a threat to the Company continuing as a going concern.

The interim condensed financial statements do not contain all the information required for annual financial statements and should be read in conjunction with the financial statements for the financial year ended 31 December 2022.

4. Approval of the interim condensed financial statements

These interim condensed financial statements were approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. on 22 September 2023.

5. Significant accounting principles (policies)

The accounting (policy) principles applied in the preparation of the interim condensed financial statements are consistent with those applied in the preparation of the annual financial statements of “PEPEES” S.A. for the year ended 31 December 2022.

6. New accounting standards and interpretations adopted by the International Accounting Standards Board

New standards and interpretations endorsed by the International Accounting Standards Board and approved for use in the European Union after 1 January 2023

Standard	Description of amendments	Effective date
IFRS 17 “Insurance Contracts”	Defines a new approach to recognition of revenue and profit/loss over the period of provision of insurance services	1 January 2023

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Standard	Description of amendments	Effective date
Amendments to IAS 1	The amendments relate to the presentation of the financial statements – disclosure of applied accounting policy	1 January 2023
Amendments to IAS 8	The amendments relate to disclosures of applied accounting policy, including amendments in accounting estimates and the correction of errors	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 17 “Insurance Contracts”	First-time adoption of IFRS 17 and IFRS 9 – comparative figures 1	1 January 2023

The amendments to the above standards did not have a material impact on the Company’s financial position or results of operations in the period of their initial application.

New standards and interpretations endorsed by the International Accounting Standards Board and approved for use in the European Union after 1 January 2024

Standard	Description of amendments	Effective date
Amendments to IAS 1	The amendments relate to the presentation of the financial statements – classification of liabilities as short-term and long-term	1 January 2024
Amendments to IFRS 16 “Leases”	Lease liabilities in sales and leaseback transactions	1 January 2024

Amendments rejected or deferred by the European Union (endorsed by the International Accounting Standards Board)

Standard	Description of amendments	Effective date
IFRS 14 Regulatory prepayments and accruals	Accounting policy and disclosure rules for regulatory deferral accounts	In accordance with the European Commission’s decision, the approval process for the preliminary version of the standard will not be initiated until the final standard version is published
Amendments to IFRS 10 and IAS 28	Includes guidelines for the sale or contribution of assets by an investor to an associate or joint venture	Works on approval have been postponed indefinitely

The effective dates are dates resulting from the content of standards announced by the International

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Accounting Standards Board. The effective dates of standards in the European Union may vary from the effective dates resulting from the content of standards and are announced upon the EU approval for application.

The Issuer has not opted for early application of any standard, interpretation or amendment that has been published but is not yet effective.

The Issuer is in the process of analysing what impact the above changes will have on its financial statements.

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

There were no unusual items in this report with a significant impact on assets, liabilities, capital, financial result and cash flows.

8. Amendments to accounting policies, correction of errors and presentation

“PEPEES” S.A. did not adjust the previous years’ errors. The Company did not change its previously applied accounting policies, except for the application of new or revised standards and interpretations, effective for annual periods beginning on or after 1 January 2023.

9. Explanation of the seasonal or cyclical nature of operations

The Company operates in the “potato processing” segment. Potatoes are bought and processed in the autumn over a 3-month period, while the sale of the produced products continues throughout the year.

10. Estimated values

During the reporting period, the Company did not test its property, plant and equipment for impairment as there were no indications of impairment.

The amounts of receivables revaluation write-downs have been updated to take into account the degree of risk in not receiving payment from customers.

Provisions for retirement benefits and jubilee bonuses have been updated based on actuarial calculations as at 30/06/2023.

Provisions for unused holiday leave were updated on the basis of the size of the projected remuneration of employees together with mark-ups charged to the employer for unused leave as at 30/06/2023.

The Company recognises deferred tax assets on the assumption that taxable profit shall be achieved in the future against which they can be utilised.

The Company carries out annual reviews of the assumed economic useful lives of property, plant and equipment and intangible assets. The last update was on 31 December 2022.

The Company has performed a sensitivity analysis on the held assets, including goodwill in each of the subsidiaries tested for impairment as at 31/12/2022. In the case of PPZ Bronisław only, there were indications that a full impairment test was required as at 30/06/2023. The asset impairment test was performed based on the discounted cash flow (“DCF”) method based on projections developed by the Company’s management board for the years 2023 to 2027.

The Company will carry out new impairment tests as at 31/12/2023.

11. Acquisitions and disposals of items of property, plant and equipment

During H1 2023, the Company acquired fixed assets for an amount of PLN 6,394 thousand. The purchases were primarily related to the construction of a line of modified products of starch. Fixed assets (two passenger cars and a combine harvester) were sold for a total of PLN 423 thousand.

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12. Significant liabilities for the purchase of property, plant and equipment

No credit facility contracts for the purchase of property, plant and equipment were concluded in H1 2023.

13. Inventories

INVENTORIES	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
a) materials	6,546	7,785	6,573
b) semi-finished products and work in progress	4	441	571
c) finished products	33,699	53,678	33,316
d) goods	7,594	5,663	9,152
Gross inventories	47,843	67,567	49,612
Revaluation write-downs	(659)	(517)	(201)
Net inventories	47,184	67,050	49,411

The value of inventories recognised as an expense during the reporting period amounted to PLN 55,907 thousand (H1 2022 - PLN 58,892 thousand).

14. Biological assets

“PEPEES” S.A. has been leasing a farm (Roje) since March 2014, agricultural land (Krzekoty) since October 2021 and additional land (Wrzosity) since March 2023. All three of these farms were sown with annual crops. Seed acquisition and cultivation costs as at the balance sheet date amounted to PLN 6,302 thousand, agricultural operations revenue amounted to PLN 1,108 thousand and the fair value of inventories and biological assets less sales costs was approximately PLN 3,833 thousand. Biological assets were recognised at fair value in the report.

15. Trade and other short-term receivables

TRADE AND OTHER SHORT-TERM RECEIVABLES	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
Trade receivables	26,685	24,261	22,008
Other receivables	2,107	4,029	1,494
Advances	6,548	1,443	6,651
Total	35,340	29,733	30,153

(GROSS) TRADE RECEIVABLES WITH MATURITY AS AT THE BALANCE SHEET DATE:	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
a) up to 1 month	6,616	14,815	10,816
b) between 1 and 3 months	10,584	5,164	9,502
c) between 3 and 6 months	7,057	-	-
d) from 6 months up to 1 year	-	-	-
e) over 1 year	-	-	-
f) overdue receivables	3,640	5,150	2,998
(Gross) total trade receivables	27,897	25,129	23,316
- trade receivables revaluation write-downs	(1,212)	(868)	(1,308)
(Net) total trade receivables	26,685	24,261	22,008

Overdue receivables, on which no allowance has been made, are receivables from debtors with whom the Company has been working for several years and based on an assessment of these debtors' economic and financial situation there is no indication that they are doubtful receivables. The overdue period of these receivables ranges from a few days to three months. There are no receivables overdue for more than 180 days

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for which a revaluation write-down has not been created. The exception is receivables from the related company, PPZ Bronisław, overdue for more than 6 months, amounting to PLN 445 thousand, for which no write-down was created as at 30/06/2023 due to their repayment at the beginning of July 2023. Revaluation write-downs are created in accordance with the expected credit loss model.

16. Trade liabilities and other short-term liabilities

LIABILITIES	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
- trade receivables	5,716	9,878	11,791
- other short-term liabilities (including dividend settlements with shareholders)	10,603	3,331	3,286
- provisions for other liabilities and other charges	1,453	3,048	3,236
Total trade liabilities, other liabilities and provisions for liabilities	17,772	16,257	18,313

TRADE LIABILITIES	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
a) from related parties, with a maturity:	276	142	136
- up to 12 months	276	142	136
- over 12 months			-
b) from other parties	5,440	9,736	11,655
- up to 12 months	5,440	9,736	11,655
- over 12 months			-
Total trade liabilities	5,716	9,878	11,791

17. Litigation settlements

On 25/06/2019 the Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. filed a lawsuit with the court to establish that the shareholder of EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, holding, according to the information in the Company’s possession, 27,714, 832 shares, lost and cannot exercise the voting rights from 21,402,233 shares due to the breach of the obligation to notify of the acquisition of significant blocks of shares pursuant to Article 89(1)(1) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies. Epsilon FIZ AN takes the opposite position, maintaining that it is entitled to voting rights under 27,714,832 shares representing 29.17% of the total number of votes at the GMS. The Chairman of the Financial Supervision Authority joined the case and presented their position on 24 July 2019. The Company reported on the case in current reports Nos. 13/2019, 14 to 23/2019 and 30/2019.

On 21/04/2023 the District Court of Białystok ruled that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which is a shareholder of the Company, has lost the voting rights and cannot exercise them under 21,402,233 ordinary shares. This ruling is not final, as the Issuer informed in current report No. 7/2023. EPSILON has filed an appeal.

As at the date of this report, there are pending lawsuits filed by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw against “PEPEES” S.A.:

- to annul or declare invalid resolutions Nos. 24 to 29, adopted on 28/06/2019 by the Ordinary General Meeting of Shareholders, including resolution No. 28 on amending the Company’s Articles of Association and authorising the Company’s Management Board to increase the Company’s share capital within the framework of authorised capital with the possibility for the Management Board to exclude the pre-emptive rights of the Company’s existing shareholders in whole or in part with the consent of the Company’s Supervisory Board. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting

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rights;

- to annul or declare invalid two discharge resolutions adopted on 21/04/2020 by the General Meeting of Shareholders. The proceedings are pending before the court of first instance. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;
- to annul or declare invalid four resolutions adopted on 29 June 2021 by the Ordinary General Meeting of Shareholders, i.e. resolution No. 4 on the consideration and approval of the Company’s financial statements for the period from 01/01/2020 to 31/12/2020, resolution No. 9 on the allocation of the Company’s net profit for the financial year 2020, and resolutions No. 10 and 11 on granting discharge to the members of the Company’s Management Board. The proceedings are pending before the court of first instance. On 11 January 2022 the District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;
- to annul or declare invalid nine resolutions adopted on 14 April 2022 by the Ordinary General Meeting of Shareholders on the consideration and approval of the Company’s financial statements for the period from 01/01/2021 to 31/12/2021, the consolidated report, the Company’s management report, the allocation of the Company’s net profit for the financial year 2021, granting discharge to the Company’s Management Board members, the appointment of 2 Supervisory Board members, the purchase of treasury shares and the creation of reserve capital. The proceedings are pending before the court of first instance. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;
- to annul or declare invalid three resolutions adopted on 25 May 2023 by the Ordinary General Meeting of Shareholders, i.e. resolutions No. 9 and 10 on granting discharge to the members of the Company’s Management Board and resolution No. 11 on granting discharge to the Chairman of the Supervisory Board. The proceedings are pending before the court of first instance. Trial date has not yet been set.

Otherwise, there are no other significant proceedings pending before a court, an authority competent to conduct arbitration proceedings or a public administration body concerning the liabilities and receivables of the Issuer or its subsidiaries.

Several court cases are pending against the Issuer’s debtors for trade settlements. 100% revaluation write-downs were created for all receivables in litigation.

18. Outstanding credits and loans

As at the balance sheet date there exist bank credits listed in the following tables, repayable according to maturity.

Long-term and short-term liabilities

No.	Credit/loan type	Lending bank/lender	Amount of credit/loan acc. to the contract	Currency	Outstanding credit/loan amount	Repayment date
1	Credit on the current account	Santander Bank Polska S.A.	4,000	PLN	4,000	31/08/2023
2	working capital loan	Santander Bank Polska S.A.	36,500	PLN	9,340	31/08/2023
3	Credit on the current account	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	PLN	2,480	31/08/2023
4	Revolving credit	Powszechna Kasa Oszczędności Bank Polski S.A.	19,000	PLN	4,750	31/08/2023
5	Working capital facility for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	17,500	PLN	4,375	31/08/2023

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6	Investment credit to finance and refinance the acquisition of 100% of the shares in Gospodarstwo Rolne Ponary Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	PLN	3,008	30/06/2025
7	Loan for the purchase of property, plant and equipment - Deutz Fahr agricultural tractor	BNP Paribas Lease Group	937	PLN	550	13/08/2024
8	Credit on the current account	BNP Paribas Bank Polska SA	1,000	EUR	814	19/12/2023
Credits in PLN			92,467	PLN	28,503	
Credits in EUR			1,000	EUR	814	
Total after conversion to PLN			96,917	PLN	32,126	

No credit facility contracts were breached during the reporting period. All credits are repaid in accordance with the schedules contained in the contracts.

19. Transactions with related entities

19.1 Issuer’s transactions with subsidiaries

a) Revenue from sales of goods and products

Revenue type	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Revenue from sales of products to subsidiaries	625	682
Revenue from sales of services	163	157
Revenue from sales of fixed assets to subsidiaries	-	16
Revenue from sales of goods to subsidiaries	816	-
Total revenue from related parties	1,604	855

The sales price is determined using the cost-plus method or on the basis of price lists in force with unrelated parties.

b) Purchases of goods and services

Purchase types	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Purchases of products from subsidiaries	8,506	7,573
Purchases of services from subsidiaries	45	53
Purchases of fixed assets from subsidiaries	1,016	-
Purchases of goods from subsidiaries	-	156
Total purchases from related parties	9,567	7,782

c) Other transactions

Item	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Interest on loans granted	248	65
Fees on sureties granted	63	63
Fees on sureties received	79	79
Total	390	207

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d) Settlement balances as at the balance sheet date arising from the sale/purchase of goods/services

Settlements with subsidiaries	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
Receivables and advances - PPZ “BRONISŁAW” S.A.	4,420	3,158	2,946
Receivables - ZPZ “LUBLIN” Sp. z o.o.	-	118	25
Receivables - GR Ponary Sp. z o.o.	-	1	-
Receivables - Pepees Inwestycje Sp. z o.o.	1	-	-
Liabilities - ZPZ “LUBLIN” Sp. z o.o.	236	142	136
Liabilities - PPZ “BRONISŁAW” S.A.	40	-	-
Liabilities - GR Ponary Sp. z o.o.	-	-	13
Balance of settlements with related parties	4,145	3,135	2,822

e) Balance of loan settlements

Loans granted to subsidiaries	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
PPZ “BRONISŁAW” Sp. z o.o.	7,297	4,700	4,700
ZPZ “LUBLIN” Sp. z o.o.	1,000	1,007	1,000
GR Ponary Sp. z o.o.	300	550	553
Loans granted	8,597	6,257	6,253
Loan write-downs	-	-	-
Loans in the statement of financial position	8,597	6,257	6,253

19.2 Issuer’s transactions with shareholders

There were no transactions of the Parent with shareholders during the reporting period.

19.3 The Issuer’s transactions with key management and supervisory personnel

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

Item	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Short-term employee benefits	1,196	1,105
Post-employment benefits	-	-
Severance payments	-	-
Share-based payments	-	-
Total	1,196	1,105

b) Transactions with key personnel and their close family members

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

20. Changes in estimated value balances

a) Notes receivable revaluation write-downs

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CHANGE IN REVALUATION WRITE-DOWNS FOR SHORT-TERM RECEIVABLES	For the 6-month period ended 30 June 2023	For the 12-month period ended 31 December 2022	For the 6-month period ended 30 June 2022
Opening balance	877	794	794
a) increases (under)	436	1,164	821
- creation for doubtful trade receivables	436	1,164	821
b) decreases (under)	28	1,081	149
- release of payment provisions	28	950	149
- cancellations	-	131	-
Closing balance write-downs	1,285	877	1,466

b) Inventory revaluation write-downs

CHANGE IN INVENTORY REVALUATION WRITE- DOWNS	For the 6-month period ended 30 June 2023	For the 12-month period ended 31 December 2022	For the 6-month period ended 30 June 2022
Opening balance	517	318	318
a) increases (under)	638	674	178
- write-downs to net realisable value	638	674	178
b) decreases (under)	496	475	295
- write-down reversals	496	475	295
Closing balance of inventory revaluation write-downs	659	517	201

c) Retirement and similar benefit liabilities

CHANGE IN RETIREMENT AND SIMILAR BENEFIT LIABILITIES (ON ACCOUNT OF)	For the 6-month period ended 30 June 2023	For the 12-month period ended 31 December 2022	For the 6-month period ended 30 June 2022
a) opening balance	2,791	2,824	2,824
- retirement severance pay	365	393	393
- jubilee bonuses	2,426	2,431	2,431
b) increase (under)	585	424	152
- retirement severance pay	77	20	5
- jubilee bonuses	508	404	147
c) utilisation (under)	229	457	272
- retirement severance pay	31	48	33
- jubilee bonuses	198	409	239
d) release (under)	-	-	-
- retirement severance pay	-	-	-
- jubilee bonuses	-	-	-
e) closing balance	3,147	2,791	2,704
- retirement severance pay	411	365	365
- jubilee bonuses	2,736	2,426	2,339

21. Short-term provisions

CHANGE IN SHORT-TERM PROVISIONS (ON ACCOUNT OF)	For the 6-month period ended 30 June 2023	For the 12-month period ended 31 December 2022	For the 6-month period ended 30 June 2022
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a) opening balance	3,048	3,437	3,437
- subsidies to property, plant and equipment	98	98	98
- provisions for services rendered by business partners	34	86	86
- environmental fee	73	84	84
- holiday leave pay provisions	779	740	740
- gas emission rights	1,579	2,429	2,429
- bonuses for the Management Board and employees	485	-	-
b) increase (under)	299	1,280	971

CHANGE IN SHORT-TERM PROVISIONS (ON ACCOUNT OF)	For the 6-month period ended 30 June 2023	For the 12-month period ended 31 December 2022	For the 6-month period ended 30 June 2022
- provision for used CO2 emission rights	-	-	264
- environmental fee	27	78	26
- holiday leave pay provisions	210	685	282
- provisions for services rendered by business partners	62	32	31
- bonuses for the Management Board and employees	-	485	368
c) utilisation (under)	167	1,419	1,172
- environmental fee	58	89	71
- holiday leave pay provisions	-	646	-
- provision for used CO2 emission rights	-	600	1,014
- provision for services rendered by business partners	34	84	87
- bonuses for the Management Board and employees	75	-	-
d) release (under)	1,727	250	
- provision for used CO2 emission rights	1,579	250	
- bonuses for the Management Board and employees	148		
e) closing balance	1,453	3,048	3,236
- subsidies to property, plant and equipment	98	98	98
- provision for used CO2 emission rights	-	1,579	1,679
- environmental fee	42	73	39
- holiday leave pay provisions	989	779	1,022
- bonuses for the Management Board and employees	262	485	368
- provisions for services rendered by business partners	62	34	30

22. Deferred income tax

DEFERRED INCOME TAX PROVISIONS	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
Difference between the carrying amount and the tax value of property, plant and equipment	4,533	4,801	4,953
Unrealised foreign exchange differences	34	-	6
Measurement of investments	649	649	693
Total deferred tax provisions	5,216	5,450	5,652

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DEFERRED INCOME TAX ASSETS	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
Unpaid remuneration	142	137	129
Provision for unused holiday leave	188	148	194
Retirement benefits and jubilee bonuses	598	530	514
Unrealised foreign exchange differences	35	154	47
Inventory revaluation write-downs	125	98	38
Share revaluation write-downs	18	18	18

DEFERRED INCOME TAX ASSETS	As at 30 June 2023	As at 31 December 2022	As at 30 June 2022
Accrued interest on credits	-	27	-
Leased asset liabilities	481	752	754
Provision for bonuses for the Management Board and employees	50	92	70
Provision for used CO2 emission rights	-	300	319
Tax loss	746	807	807
Other	22	15	14
Total	2,405	3,078	2,904

23. Contingent assets and liabilities

CHANGE IN CONTINGENT ASSETS (ON ACCOUNT OF)	For the 6-month period ended 30 June 2023	For the 12-month period ended 31 December 2022	For the 6-month period ended 30 June 2022
a) opening balance, including	15,795	15,795	15,795
- surety for investment credit by GR PONARY	15,795	15,795	15,795
b) increase (under)	-	-	-
c) utilisation (under)	-	-	-
d) closing balance, including	15,795	15,795	15,795
- surety for investment credit by GR PONARY	15,795	15,795	15,795

CHANGE IN CONTINGENT LIABILITIES (ON ACCOUNT OF)	For the 6-month period ended 30 June 2023	For the 12-month period ended 31 December 2022	For the 6-month period ended 30 June 2022
a) opening balance, including	13,857	13,855	13,855
- liabilities under non-competition agreements	1,173	1,171	1,171
- surety for credits to related companies	12,684	12,684	12,684
b) increase (under)	4	40	15
- liabilities under non-competition agreements	4	40	15
- surety for credits to related companies			
c) utilisation (under)	-	38	
- liabilities under non-competition agreements	-	38	
- surety for credits to related companies			
d) release (under)			39
- liabilities under non-competition agreements			39
- surety for credits to related companies			-
e) closing balance, including	13,861	13,857	13,831
- liabilities under non-competition agreements	1,177	1,173	1,147
- surety for credits to related companies	12,684	12,684	12,684

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24. Segment reporting

24.1. Information about products and services

Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” operates mainly in the “potato processing” segment. This segment produces:

- potato starch used in households and by the food, pharmaceutical, paper and textile industries;
- several ranges of glucose used by the food, confectionery and pharmaceutical industries;
- maltodextrin, which is an important ingredient in powdered products (ice creams, sauces, soups, fruit extracts, flavoured sprinkles) and nutritional and vitamin and mineral preparations for children and athletes;
- protein which is obtained from potato cell sap by coagulation, separation and drying; it is a valuable component of animal feeds and an excellent substitute for animal protein;
- a wide range of starch syrups for use in the confectionery and baking industry.

24.2 Revenue by product

Product name	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Starch	48,771	50,912
Protein	5,714	4,839
Glucose	7,660	11,667
Hydrol	225	434
Maltodextrin	14,318	11,438
Starch syrups	846	1,085
Goods and materials	11,605	7,791
Services	389	327
Total	89,528	88,493

24.3 Sales revenue by territorial structure

Item	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Poland, including	63,978	53,166
Starch	32,923	24,174
Protein	2,535	3,532
Glucose	7,111	9,867
Hydrol	225	434
Maltodextrin	10,067	8,246
Starch syrups	846	1,085
Goods and materials	9,882	5,501
Services	389	327
EU countries - intra-Community supplies, including:	6,332	6,473

Item	For the 6-month period ended 30 June 2023	For the 6-month period ended 30 June 2022
Starch	2,677	2,874

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Protein	1,117	431
Maltodextrin	1,989	1,570
Glucose	549	1,598
Other countries - export	19,218	28,854
Starch	13,172	23,864
Protein	2,062	876
Glucose		202
Maltodextrin	2,262	1,622
Goods	1,722	2,290
Total	89,528	88,493

24.4 Information about major customers

The Company has no customer with sales revenue exceeding 10% of total revenue. In contrast, there are customers in the individual products’ group that account for more than 10% of sales of a given product. This means that:

- more than 39% of maltodextrin was sold to two domestic business partners (23.8% and 15.4% respectively);
- more than 34% of glucose was sold to two domestic business partners (23.8% and 10.7% respectively); more than 16% of protein was sold to a domestic customer.

25. Issue, redemption and repayment of non-equity and equity securities

There was no issue or repayment of non-equity or equity securities during the reporting period.

On 17 January 2023 the Management Board of PEPEES S.A. announced an invitation to submit offers for the sale of shares on the basis of the authorisation granted by the Ordinary General Meeting of Shareholders by Resolution No. 28 of 14 April 2022. The invitation concerned the purchase of no more than 1,000,000 ordinary bearer shares of the Company marked with the code PLPEPES00018, representing in total 1.05% of the Company’s share capital and the total number of votes at the Company’s General Meeting.

The purchase price for the treasury shares was set at PLN 1.65 per share. The invitation was addressed to all shareholders of the Company.

As a result of the aforementioned invitation, 1,000,000 treasury shares were acquired at the proposed price of PLN 1.65 per share.

The acquired shares represent 1.05% in the Company’s share capital and provide 1.05% of the total number of votes attributable to all shares in the Company.

The total number of treasury shares held by the Company is 1,186,487 shares, representing 1.25% of the Company’s share capital. These shares provide a total of 1.25% of the total number of votes attributable to all shares in the Issuer (as at the date of publication of the report).

The Company acquires treasury shares for the purposes indicated in the Resolution of the GMS, i.e. alternatively for redemption or resale against payment or for use in acquisition transactions.

26. Information on paid (or declared) dividend, aggregate and per one share, separately for ordinary and preference shares

No dividends were paid during the six months ended 30 June 2023.

On 25 May 2023, the Ordinary General Meeting of “PEPEES” S.A. adopted Resolution No. 8 on the distribution of the Issuer’s profit for the financial year 2022 in the amount of PLN 9,203,815.70 in the following manner: the amount of PLN 1,970,411.91 for the supplementary capital and the amount of PLN 7,233,403.79 for the payment of dividends to shareholders.

Pursuant to the aforementioned Resolution, part of the supplementary capital (created from previous years’ profits) in the amount of PLN 2,147,947.51 was allocated to the payment of dividends to shareholders. Thus, a total dividend of PLN 9,381,351.30, i.e. PLN 0.10 per share, was set, excluding

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1,186,487 treasury shares which do not participate in the dividend.

The date by which the list of shareholders entitled to dividends is determined is set at 6 June 2023. In contrast, the dividend payment date was set for 19 July 2023.

27. For financial instruments measured at fair value, information about a change in the method(s) used to determine it

During the six-month period ended 30 June 2023, the Company did not change its policies for determining the fair value of financial instruments. The same measurement principles and methods were followed as in the preparation of the Company’s financial statements for the year ended 31 December 2022.

28. Information on change in the classification of financial assets as a result of change in the purpose or utilisation of those assets

There were no changes in the classification of financial assets during the period presented as a result of a change in the purpose or use.

29. Information about changes in economic position and business conditions having significant impact on the fair value of the entity’s financial assets and financial liabilities, regardless of whether those assets and liabilities are recognised at fair value or adjusted purchase price (cost of manufacture)

2022 and the beginning of 2023 extended a series of unfavourable years, full of uncertainty and unprecedented events. It was yet another very challenging year for all sectors, during which many unfavourable market trends converged. It is important to emphasise that many industries failed to recover from the COVID-19 pandemic and were faced with another economic crisis, cost spikes and galloping inflation. The continuing market uncertainty was further exacerbated by the outbreak of war in Ukraine which caused temporary perturbations in many areas of the economy. The military acts of the Russian aggressor and the sanctions imposed on Russia have resulted in a significant energy crisis in Europe, caused by the stoppage of supplies from the East (oil, gas, coal) which has dramatically increased fuel prices. Instead, the increase in fuel prices has translated into an increase in the price of transport services, which in turn has raised the prices of all products and services in European markets.

The Russian invasion of Ukraine, coupled with all the EU sanctions, is having a significant impact on global trade and therefore also on the Company. The exchange rates used by PEPEES are constantly fluctuating, which carries a risk of unpredictability in forward foreign contracts (with delayed deliveries) or in contracts with deferred payment deadlines.

With the Russian aggressor still not intending to withdraw its troops from Ukrainian territory there is a reasonable risk that all the unfavourable trends for the economy will continue in 2023. The Issuer continuously monitors the development of the armed conflict in Ukraine and the subsequent sanctions imposed on Russia, reviewing all information with a view to its impact on the Company’s economic situation and taking ad hoc measures to minimise the consequences associated with these extraordinary circumstances.

30. Other information which could significantly affect evaluation of the economic and financial position and financial result of the Company

During the presented period, all events and information affecting the economic and financial position have been disclosed in this report.

The Company has no other information that could materially affect the assessment of its economic and financial position and financial result.

31. Significant events that occurred after the balance sheet date

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On 6 July 2023, an annex was signed with Santander Bank Polska to the multi-line agreement of 07/10/2014. Under the annex, the credit limit in the total amount of PLN 67.5 million granted to PEPEES and its subsidiaries was renewed. The loan repayment term was also extended to 31/08/2024.

An annex to the multi-purpose credit line agreement with Powszechna Kasa Oszczędności Bank Polski S.A. was also signed on 6 July 2023. Under the annex, the credit limit in the total amount of PLN 67.5 million granted to PEPEES and its subsidiaries was renewed. The loan repayment term was also extended to 31/08/2024.

In July 2023 a total dividend of PLN 9,381,351.30, i.e. PLN 0.10 per share was paid. The number of shares covered by the dividend was 93,813,513. No dividend was used to cover 1,186,487 treasury shares held by the Company.

32. Approval of the financial statements

These Interim Condensed Financial Statements of “PEPEES” S.A. for H1 ended 30 June 2023 were approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna in Łomża on 22 September 2023.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

President of the Management Board - Wojciech Faszczewski

Member of the Management Board - Tomasz Rogal

SIGNATURE OF THE PERSON PREPARING THE REPORT

Chief Accountant - Małgorzata Kordas