



PEPEES CAPITAL GROUP

**Interim abbreviated consolidated financial statement
for the period of 6 months ended 30 June 2020**

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

PEPEES CAPITAL GROUP

*Interim abbreviated consolidated financial statement of
PEPEES Capital Group for 6 months ended on 30 June 2020
(data in PLN '000)*

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**Interim abbreviated consolidated financial statement
OF THE FINANCIAL CONDITION**

Item	ASSETS	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
I.	Fixed assets (long-term)	196 791	200 342	194 147
1	Tangible fixed assets	175 550	179 454	173 726
2	Intangible assets	214	416	227
3	Rights to assets	11 603	11 076	11 110
4	Investment property	588	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			35
8	Assets from deferred income tax	5 071	5 050	4 896
II	Current assets (short-term)	101 349	163 280	116 860
1	Inventories	44 165	85 893	35 886
2	Biological assets	2 479	322	2 148
3	Trade receivables	32 077	20 506	32 908
4	Current income tax receivables	845	-	
5	Other receivables	1 947	6 227	2 803
6	Prepayments	7 717	1 740	7 680
7	Loans granted	723	721	895
8	Other financial assets	5 869	5 838	5 436
9	Monetary assets and equivalents	5 527	42 033	29 104
	Total assets	298 140	363 622	311 007

Item	EQUITY AND LIABILITIES	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
I.	Equity capital	173 470	180 541	172 168
	<i>Equity for the Company shareholders</i>	<i>171 644</i>	<i>178 773</i>	<i>170 622</i>
1	Share capital	5 700	5 700	5 700
2	Supplementary and reserve capitals	161 591	152 918	152 918
3	Assets revaluation reserve	(112)	(65)	(44)
4	Retained earnings	545	(3 871)	(4 179)
5	Current year result	3 920	24 091	16 227
	<i>Non-controlling shares</i>	<i>1 826</i>	<i>1 768</i>	<i>1 546</i>
II	Long-term liabilities	51 263	54 664	57 157
1	Credits and loans	2 558	24 789	27 367
2	Lease liabilities	14 076	15 014	14 822
3	Provisions for deferred income tax	6 264	6 447	6 378
4	Payables for pensions and similar benefits	3 051	2 782	2 640
5	Subsidies	5 314	5 632	5 950
III.	Short-term liabilities	73 407	128 417	81 682
1	Trade payables	12 195	7 424	11 396
2	Current income tax	37	2 528	2 694
3	Other short-term liabilities	16 308	5 190	17 233
4	Credits and loans	37 662	104 815	42 786
5	Lease liabilities	3 095	3 728	3 812
6	Payables for pensions and similar benefits	476	413	270
7	Provisions for other liabilities and charges	3 634	4 319	3 491
	Total equity and liabilities	298 140	363 622	311 007

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Interim abbreviated consolidated financial statement
ON PROFIT FOR LOSS AND OTHER COMPREHENSIVE INCOME

Item	Description	For 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019
I	Revenues from sales		
1	Revenues from sales of products	99 011	109 972
2	Revenues from sales of services	511	414
3	Revenues from sales of goods and materials	14 943	16 701
	Total sales revenues, including:	114 465	127 087
	<i>- revenues from continued operations</i>	<i>114 465</i>	<i>127 087</i>
II	Costs of goods sold		
1	Costs of products sold	(72 138)	(68 053)
2	Costs of services sold	(390)	202
3	Costs of goods and materials sold	(11 012)	(12 740)
4	Result of agricultural	(2 465)	(2 093)
	Total costs of goods sold, including:	(86 005)	(83 088)
	<i>- costs of goods sold from continued operations</i>	<i>(86 005)</i>	<i>(83 088)</i>
III	Gross profit on sales (I-II)	28 460	43 999
1	Sales and marketing costs	(5 193)	(4 964)
2	Overheads	(16 341)	(15 515)
3	Other operating revenues	912	579
4	Other operating costs	(563)	(536)
IV	Operating profit (loss)	7 275	23 563
1	Financial costs	(2 003)	(1 904)
2	Financial revenues	421	258
V	Profit (loss) before tax, including:	5 693	21 917
	<i>- profit (loss) before tax from continued operations</i>	<i>5 693</i>	<i>21 917</i>
	Income tax	(1 708)	(5 221)
VI	Net profit (loss)	3 985	16 696
	- for Parent Company shareholders	3 920	16 227
	- for non-controlling shares	(65)	469
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	3 938	16 678
	- for Parent Company shareholders	3 873	16 209
	- for non-controlling shares	65	469
	<i>- total net income (loss) from continued operations</i>	<i>3 873</i>	<i>16 209</i>

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Interim abbreviated consolidated statement of changes in equity

Description	Share capital	Capital reserve	Assets revaluation reserve	Other capital reserve	Unallocated earnings	Total share capital for Parent Company shareholders	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 the 1st half of 2019		11 061	(18)	-	(5 820)	5 223	469	5 692
Allocation of profit (loss) 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					16 209	16 209	469	16 678
Other total income for financial year (net)			(18)			(18)	-	(18)
Other consolidation adjustments					432	432		432
As of 30 June 2019	5 700	71 284	(44)	81 634	12 048	170 622	1 546	172 168
Changes in 2019	-							
Allocation of profit (loss) 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	20 220	178 773	1 768	180 541
Changes in the 1st half of 2020								
Allocation of profit for 2019, including:						-	-	-
- increase of capital reserve		8 673			(8 673)	-		-
- transactions with owners (dividend)					(11 400)	(11 400)		(11 400)
Other total income for financial year (net)			(47)			(47)		(47)
Other consolidation adjustments					445	445	(7)	438
Net profit for period					3 873	3 873	65	3 938
As of 30 June 2020	5 700	79 957	(112)	81 634	4 465	171 644	1 826	173 470

PEPEES CAPITAL GROUP
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Interim abbreviated consolidated cash flow statement

Indirect method	For 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019
A. Cash flows from operating activities		
I. Profit (loss) before tax	5 693	21 917
II Total adjustments	33 087	34 832
1. Depreciation	7 059	6 182
2. Profit (loss) due to exchange rate variations	(179)	(124)
3. Interest and share in profit (dividends)	1 350	1 133
4. Profit (loss) on investing activities	(319)	(176)
5. Change in reserves	(353)	(92)
6. Change in inventories	41 728	42 179
7. Change in biological assets	(2 157)	(1 818)
8. Change in receivables	(7 364)	(2 016)
9. Change in short-term liabilities, excluding loans and credits	4 567	(583)
10. Change in prepayments	(5 977)	(5 751)
11. Income tax paid	(5 294)	(4 275)
12. Change in subsidies	(318)	(319)
13. Change in interests for loans and commissions	62	99
14. Other adjustments	282	393
III. Net cash flows from operating activities (I+/-II)	38 780	56 749
B. Cash flows from investing activities		
I. Revenues	445	1 763
1. Sale of intangible and tangible assets	437	1 361
2. Repayment of loans	8	402
II Expenses	3 952	14 853
1. Purchase of intangible and tangible assets	3 310	14 203
2. Purchase of shares	12.	250
3. Purchase of securities	-	250
4. Purchase of property rights	630	-
5. Loans granted	-	150
III. Net cash flows from investing activities (I-II)	(3 507)	(13 090)
C. Cash flows from financial activities		
I. Revenues	3 364	6 937
1. Credits and loans	3 084	6 893
2. Subsidies	280	44
II Expenses	76 262	61 871
1. Repayment of credits and loans	73 343	58 832
2. Interest of credits and loans	1 430	858
3. Lease contracts payments	1 489	2 181
III. Net cash flows from financial activities (I-II)	(72 898)	(54 934)
D. Net cash flow, total (A.III+/-B.III+/-C.III)	(37 625)	(11 275)
E. Cash at the beginning of period	42 111	39 764
F. Cash at the end of period (E+/- D)	4 486	28 489
<i>including of limited availability</i>	-	-

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SELECTED FINANCIAL DATA CONVERTED INTO EUR

Item	SELECTED FINANCIAL DATA Year	PLN thousands		. EUR thousands	
		2020	2019	2020	2019
I	Total revenues from sales for 1st half of the year	114 465	127 087	25 773	29 638
II	Net profit or loss for shareholders of the Holding Company for the 1st half of the year	3 920	16 227	883	3 784
III	Total net income Net profit or loss for shareholders of the Holding Company for the 1st	3 873	16 209	872	3 780
IV	Net cash flows from operating activities for the 1st half of the year	38 780	56 749	8 732	13 234
V	Net cash flows from investment activities for the 1st half of the year	(3 507)	(13 090)	(790)	(3 053)
VI	Net cash flows from financial activities for the 1st half of the year	(72 898)	(54 934)	(16 414)	(12 811)
VII	Net cash flows for the 1st half of the year	(37 625)	(11 275)	(8 472)	(2 629)
VIII	Total assets as of 30.06.2020 and 31.12.2019	298 140	363 622	66 758	85 387
IX	Equity for the Holding Company shareholders as of 30.06.2020 and 31.12.2019	171 644	178 773	38 433	41 980
X	Profit (loss) per ordinary share for the 1st half of the year in PLN	0.04	0.18	0.01	0.04
XI	Book value per share as of 30.06.2020 and 31.12.2019 in PLN	1.81	1.88	0.40	0.44

The data presented in rows: VIII, IX i Xi, in columns "2020" and "2019" are as of 30 June 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 interim abbreviated consolidated financial statement as of 30.06.2020 according to the average exchange rate on the balance sheet day 1 EUR = PLN 4.4660,
- selected items from the interim abbreviated consolidated financial statement as of 31.12.2019 according to the average exchange rate on the balance sheet day 1 EUR = PLN 4.2585,
- selected items from the interim abbreviated consolidated comprehensive income statement and interim abbreviated consolidated cash flow statements for the period from 1 January 2020 to 30 June 2020 according the arithmetic mean of exchange rates published by NBP for the last day of each month of the 1st half of the year - 1 EUR = 4.4413 PLN,
- selected items from the interim abbreviated consolidated comprehensive income statement and interim abbreviated consolidated cash flow statements for the period from 1 January 2019 to 30 June 2019 according the arithmetic mean of exchange rates published by NBP for the last day of each month of the 1st half of 2019 {5}- 1 EUR = 4.2880 PLN,{5}

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PROFIT PER ONE SHARE

Description	For 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019
Net profit (loss) for PEPEES shareholders	3 920	16 227
Weighted average number of shares	95 000 000	95 000 000
Basic profit (loss) per share (expressed in PLN per one share)	0.04	0.17
Net profit (loss) for PEPEES shareholders used for determination of diluted profit per share	3 920	16 227
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)	0.04	0.17
Annualized net profit for PEPEES S.A.'s shareholders	11 784	31 831
Weighted average number of shares	95 000 000	95 000 000
Annualized net earnings per share (expressed in PLN per one share)	0.12	0.34

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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
Identifier NIP:	718-10-05-512
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

Management Board as of 30 June 2020:

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

Supervisory Board as of 30 June 2020:

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

Audit Committee as of 30 June 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)

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2. Information on reporting periods

The presented abbreviated interim consolidated financial statement covers the period from 1 January 2020 to 30 June 2020, and the comparable financial data and information notes cover the period from 1 January 2019 to 30 June 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 June 2020



3.2. General information on associated entities in PEPEES Capital Group

In addition to Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., the Interim Consolidated Abbreviated Semiannual Report of PEPEES Capital Group for the first half of the year ended 30 June 2020, the following associated entities were subject to consolidation:

Name business	Registered office Registration Court	Subject of	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	82.38	82.38
Pepees Inwestycje				
(former OZENERGY Sp. z o.o.)	Łomża	Purchase and sale of real properties for own account	100	100
PPZ BRONISŁAW S.A.	Bronisław	Production of starch i and starch products	84,125	84,125
CHP ENERGIA Sp. z o.o.	Wojny Wawrzyńce	Production of electricity and heat of gas from the biogas plant	67,43	67,43
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Farming combines With animal breeding	100	100

All subsidiaries were consolidated using the full method.

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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 subsidiaries as of 30 June 2020

Basic financial information on subsidiaries as of 30 June 2020 on related entities is presented in the following specification

Description	PPZ BRONISŁAW S.A.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne PONARY	PEPEES Inwestycje Sp. z o.o.
Current assets as of 30.06.2020	15 085	5 644	1 346	201	95
Fixed assets as of 30.06.2020	37 715	6 611	16 427	21 312	-
Short-term liabilities as of 30.06.2020	17 336	4 910	12 198	557	6
Long-term liabilities as of 30.06.2020	15 690	2 448	12 489	7 802	-
Revenues from sales	26 830	10 101	4 061	-	-
Financial result on continued activity	483	1 245	(705)	57	(2)
Financial net result on discontinued activity	-	-	-	-	-
Other total income	-	-	-	-	-
Total income	483	1 245	(705)	57	(2)

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.

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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 17 September 2020.

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.

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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.

9. Seasonality and cyclicalality 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 revaluated 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 30.06.2020.

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

During the first half of 2020, the Group purchased fixed assets for PLN 3 310 thousand. These were mostly modernizations of production machinery and equipment.

Fixed assets for an amount of PLN 437 thousand were sold.

12. Significant commitments to purchase fixed assets

No loan agreements for purchase of fixed assets were executed in the first half of 2020.

13. Inventories

Inventori	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
a) materials	4 837	4 960	5 621
b) semi-finished products and work in progress	165	792	157
c) finished products	31 654	72 138	28 782

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Inventories	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
d) goods	8 356	8 524	2 025
Gross inventories	45 012	86 414	36 585
Revaluation write-offs	(847)	(521)	(699)
Net inventories	44 165	85 893	35 886

The inventories considered as a cost in the reporting period were PLN 83 150 thousand (1st half of 2019 – PLN 80 793 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. The seeds purchase and cultivation costs as at the balance sheet date were PLN 2 704 thousand, revenues from agricultural activity PLN 239 thousand, and the fair value of biological inventories and assets less the costs of sales was about PLN 2 479 thousand. The biological assets are shown in the statement at fair value.

15. Trade receivables

GROSS TRADE RECEIVABLES WITH THE DUE PERIOD AT THE BALANCE SHEET DATE:	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
a) up to 1 month	8 525	15 037	10 431
b) 1 month - 3 months	12 682	2 546	9 909
c) 3 months - 6 months	9 022	-	9 590
d) 6 months - 1 year	-	-	-
e) above 1 year	132	50	132
f) overdue receivables	3 166	4 855	3 828
Total trade receivables (gross)	33 527	22 488	33 890
- revaluation write-offs	(1 450)	(1 982)	(982)
Total trade receivables (net)	32 077	20 506	32

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.

16. Trade payables

Payables	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
- trade payables, with payment time:	12 195	7 424	11 396
- up to 12 months	12 195	7 424	11 396
- 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

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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	232	31.08.2020
2	Revolving loan	PEPEES S.A.	Santander Bank Polska S.A.	13 000	4 875	31.08.2020
3	Working capital loan	PEPEES S.A.	Santander Bank Polska S.A.	17 000	4 250	31.08.2020
4	Overdraft facility	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	4 000	0	31.08.2020
5	Revolving loan	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	13 000	3 250	31.08.2020
6	Working capital loan for purchase of potatoes	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	17 000	4 229	31.08.2020
7	Investment loan for construction of the starch drying plant, unloading station	PEPEES S.A.	BGŻ BNP Paribas S.A.	9 822	2 309	25.02.2022
8	Investment loan for modernization of steam boilers dust	PEPEES S.A.	BOŚ S.A.	1 200	140	31.12.2020
9	Investment loan to finance and and refinance purchase of 100% shares in Gospodarstwo Rolne Ponary Sp. z o. o.	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10 530	7 521	30.06.2025

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Item	Loan type	Borrower	Bank that grants a loan	Loan amount acc. to agreement	Outstanding loan amount	Repayment date
10.	Overdraft facility	ZPZ LUBLIN Sp. z o.o.	Santander Bank Polska S.A.	750	135	31.08.2020
11	Revolving loan	ZPZ LUBLIN Sp. z o.o.	Santander Bank Polska S.A.	3 000	1 125	31.08.2020
12	Working capital loan	ZPZ LUBLIN Sp. z o.o.	Santander Bank Polska S.A.	2 000	446	31.08.2020
13	Overdraft facility	ZPZ LUBLIN Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	750	0	31.08.2020
14.	Revolving loan	ZPZ LUBLIN Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	3 000	744	31.08.2020
15.	Working capital loan for purchase of potatoes	ZPZ LUBLIN Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	2 000	460	31.08.2020
16	Overdraft facility	BRONISŁAW S.A.	Santander Bank Polska S.A.	750	30	31.08.2020
17	Revolving loan	BRONISŁAW S.A.	Santander Bank Polska S.A.	5 000	4 875	31.08.2020
18	Working capital loan	BRONISŁAW S.A.	Santander Bank Polska S.A.	10 000	1 728	31.08.2020
19	Overdraft facility	BRONISŁAW S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	750	651	31.08.2020
20	Revolving loan	BRONISŁAW S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	5 000	1 250	31.08.2020
21	Working capital loan for purchase of potatoes	BRONISŁAW S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10 000	2 500	31.08.2020
22	Investment loan for modernisation of starch drying plant and construction of protein	BRONISŁAW S.A.	BOŚ S.A.	8 456	7 036	31.12.2027
23	Investment loan to finance / refinance purchase of real properties by PPZ Bronisław	BRONISŁAW S.A.	Santander Bank Polska S.A.	800	229	30.11.2021
24	Syndicated investment loan	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo and Bank Spółdzielczy in Ostrów Mazowiecka	12 830	9 650	31.05.2029
25	Working capital loan for financing current payables	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo	3 000	1 426	31.05.2022
26	Revolving loan related to performed economic activity	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo	2 500	808	31.08.2021
27	Revolving loan related to performed economic activity	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo	1 000	321	14.09.2020
total			PLN	161 138	60 220	

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

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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 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019
Revenues from sales of products to subsidiaries	910	757
Revenues from sales of goods and materials to subsidiaries	-	251
Revenues from sales of services	231	159
Revenues from sales of tangible assets to subsidiaries	-	28
Total revenues from associated entities	1 141	1 195

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 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019
Purchase of products from subsidiaries	7 175	4 947
Purchase of services from subsidiaries	79	140
Purchase of fixed assets from subsidiaries	-	2 340
Total purchases from associated entities	7 254	7 427

c) Other transactions

Description	For 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019
Interest from loans granted	116	201
Fees on granted guarantees	181	247
Fees on received guarantees	79	79
total	376	527

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

Settlements with subsidiaries	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
Receivables - PPZ BRONISŁAW S.A.	302	295	166
Receivables - CHP Energia Sp. z o.o.	2 591	2 411	1 771
Advance payments - CHP Energia Sp. z o.o.	-	323	461
Receivables – GR Ponary Sp. z o.o.	1	1	1

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Settlements with subsidiaries	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
Receivables – Pepees Inwestycje Sp. o.o. (OZENERGY)	7	6	5
Payables – ZPZ LUBLIN Sp. z o.o.	286	53	186
Payables - GR PONARY Sp. z o.o.	26	13	13
Balance of settlements with associated entities	2 589	2 970	2 205

e) Balance of loans settlements

Loans granted to subsidiaries	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
PPZ BRONISŁAW S.A.	1 200	-	-
ZPZ LUBLIN Sp. z o.o.	800	1 800	3 000
CHP Energia Sp. z o.o.	4 861	4 788	4 719
GR Ponary Sp. z o.o.	555	553	550
Pepees Inwestycje Sp. z o.o. (OZENERGY)	-	-	1 493
Write-offs for loans granted to CHP	(2 268)	(2 268)	(2 268)
Balance of settlements with associated entities	5 148	4 873	7 494

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 period of 6 months ended 30 June 2020	for the period of 6 months ended 30 June 2019
Short-term employee benefits	1 157	1 344
Benefits after the employment period	-	-
Severance pays	-	-
Payments in shares	-	-
total	1 157	1 344

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.

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20. Change of estimated values

a) Revaluation write-offs

Change of revaluation write-offs form short-term receivables	For 6 months ended on 30 June 2020	For 12 months ended on 31 December 2019	For 6 months ended on 30 June 2019
Beginning of the period	2 028	1 093	1 093
a) increase (due to)	292	1031	13
- for doubtful trade receivables	292	1 017	13
- for receivables in litigation	-	14	-
b) decrease (due to)	650	96	64
- dissolution of provision as a result of payment	106	76	51
- use as a result of relief or sale of receivables	544	-	13
- cancellation	-	20	-
End of the period, including:	1 670	2 028	1 042

b) Inventory revaluation write-offs

Change of inventory revaluation write-offs	for the period of 6 months ended 30 June 2020	For 12 months ended on 31 December 2019	for the period of 6 months ended 30 June 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
- material revaluation write-off due to value loss	-	-	-
b) decrease (due to)	500	781	229
- use	-	-	-
- reversal of write-offs	500	781	229
Inventory revaluation write-offs at the end of period	847	521	699

c) Payables for pensions and similar benefits

Change of pension and similar benefits payables (by titles)	for the period of 6 months ended 30 June 2020	For 12 months ended on 31 December 2019	for the period of 6 months ended 30 June 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
- jubilee benefits	330	693	473
c) used (due to)	76	261	287

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Change of pension and similar benefits payables (by titles)	for the period of 6 months ended 30 June 2020	For 12 months ended on 31 December 2019	for the period of 6 months ended 30 June 2019
- retirement severance pay	-	38	3
- jubilee benefits	76	223	284
d) dissolution (due to)	-	15.	-
- retirement severance pay	-	13	-
- jubilee benefits	-	2	-
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 6 months ended on 30 June 2020	For 12 months ended on 31 December 2019	For 6 months ended on 30 June 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
- provision for used CO2 emission allowances	1 434	942	942
- bonuses for Management Board and employees	1 455	1 379	1 379
b) increase (due to)	589	1 961	2 158
- provision for used CO2 emission allowances	225	1 433	858
- environmental fee	23	89	30
- provisions for annual leave payments	324	155	156
- provisions for benefits provided by contracting parties	17	5	17
- bonuses for Management Board and employees	-	279	1 097
c) use (due to)	1 274	1 458	2 483
- environmental fee	67	102	96
- provisions for annual leave payments	15	206	42
- provision for used CO2 emission allowances	833	941	942
- provisions for benefits provided by contracting parties	23	6	24
- bonuses for Management Board and employees	336	203	1 379
e) end of period	3 634	4 319	3 491
- subsidies to tangible fixed assets	622	622	622
- provision for used CO2 emission allowances	826	1 434	858
- environmental fee	39	83	30
- provisions for annual leave payments	1 011	702	867
- bonuses for Management Board and employees	1 119	1 455	1 097
- provisions for benefits provided by contracting parties	17	23	17

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22. Deferred income tax

Provisions for deferred income tax	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
Difference between balance sheet value and tax value of fixed assets	5 567	5 799	5 805
Investments valuation	625	625	548
Unrealized exchange rate differences	-	1	1
Interest due but not received	61	22	20
Other	11	-	4
Total provisions for deferred income	6 264	6 447	6 378

Assets from deferred income tax	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
Unpaid remunerations	143	165	153
Provision for unused annual leaves	169	113	146
Provision for pension and jubilee benefits	669	608	554
Unrealized exchange rate differences	59	54	(65)
Revaluation write-offs	-	1	-
Inventory revaluation write-offs	241	106	84
Shares revaluation write-offs	565	565	565
Lease liabilities	897	1 016	1 067
Consolidation adjustments - retained earnings	(444)	(516)	(540)
Provision for bonuses for Management Board and employees	213	261	208
Cancellation of CO2 emission allowances	157	272	163
Property valuation	2 392	2 392	2 428
Other	10	13	3
total	5 071	5 050	4 896

23. Provisional assets and liabilities

CHANGE OF VOLUME OF PROVISIONAL ASSETS (BY TITLES)	For 6 months ended on 30 June 2020	For 12 months ended on 31 December 2019	For 6 months ended on 30 June 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)	-	-	-
- security of the investment loan by GR PONARY	-	-	-
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

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CHANGE OF VOLUME OF PROVISIONAL LIABILITIES (BY TITLES)	For 6 months ended on 30 June 2020	For 12 months ended on 31 December 2019	For 6 months ended on 30 June 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	39
- liabilities under non-compete agreements	-	156	39
- loan securities for related companies	-	1 300	-
d) end of period, including	33 781	33 781	32 364
- liabilities under non-compete agreements	1 563	1 563	1 446
- loan securities for related companies	32 218	32 218	30 918

24. Issue, repurchase and repayment of securities

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

25. Reporting on operation segments

25.1. 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 of "agricultural farming combined with animal breeding" includes all assets and liabilities of Gospodarstwo Rolne Ponary, segment of "purchase and sale of real property for own account" 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 food, pharmaceutical, pulp and paper and textile industries;
- a few types of glucose used in food, sugar 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;

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- 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.

25.2 Revenues and results by segments

Specification	Revenues		Profit	
	For 6 months ended 30 June 2020	For 6 months ended 30 June 2019	For 6 months ended 30 June 2020	For 6 months ended on 30 June 2019
Potato processing	110 810	123 871	7 489	24 454
- including among segments	7	5		
Power generation	4 061	3 664	(521)	(934)
- including among segments	399	443		
Total revenues from sales	114 465	127 087	6 968	23 520
Other operating revenues			912	579
Other operating costs			(558)	(536)
Financial revenues			421	258
Financial costs			(1 865)	(1 904)
Profit (loss) before tax			5 848	21 917

25.3 Assets and liabilities by segments

Assets	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
Potato processing	267 299	330 388	277 789
Power generation	11 304	13 703	13 849
Farming connected with livestock breeding	19 467	19 400	19 350
Sale and purchase of real property for own account	70	131	19
Total assets of the segments	298 140	363 622	311 007

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Liabilities of the segments	As of 30 June 2020	As of 31 December 2019	As of 30 June 2019
Potato processing	107 490	164 131	119 533
Power generation	17 180	18 870	19 306
Farming connected with livestock breeding	-	-	-
Sale and purchase of real property.	-	80	-
Total liabilities	124 670	183 081	138 839

25.4 Other information about the segments

Segment	Depreciation		Increase of fixed assets	
	For 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019	For 6 months ended on 30 June 2020	For 6 months ended on 30 June 2019
Potato processing	6 329	5 361	3 310	14 016
Power generation	730	821	-	187
Total continued operations	7 059	6 182	3 310	14 203

25.5 Revenues by products

Product	for the period of 6 months ended 30 June 2020	for the period of 6 months ended 30 June 2019
Starch	60 399	75 118
Protein	7 217	4 773
Glucose	5 723	4 916
Maltodextrin	11 907	10 168
Starch syrups	2 567	3 085
Dried potatoes (granulate, flakes, cubes)	9 022	9 855
Feeds and fertilizers	150	355
Electric power	2 026	1 702
Property rights (electric power and heat)	1 367	1 395
Goods and materials	13 576	15 306
Services	511	414
Total	114 465	127 087

25.6 Sales revenues by territorial structure

Description	for the period of 6 months ended 30 June 2020	for the period of 6 months ended 30 June 2019
Poland, including	83 636	83 905
Starch	39 754	41 523
Protein	3 836	3 497
Glucose	4 902	4 552
Maltodextrin	9 423	8 061
Starch syrups	2 567	3 085

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Description	for the period of 6 months ended 30 June 2020	for the period of 6 months ended 30 June 2019
Dried potatoes (granulate, flakes, cubes)	8 290	9 111
Feeds and fertilizers	150	355
Electric power	2 026	1 702
Property rights (electric power and heat)	1 367	1 395
Goods and materials	10 810	10 210
Services	511	414
EU countries - intra-Community supplies, including:	7 296	12 519
Starch	3 032	8 702
Protein	1 201	593
Maltodextrin	2 298	2 088
Glucose	530	253
Dried potatoes (granulate, flakes, cubes)	235	733
Goods	-	150
Remaining countries - export	23 533	30 663
Starch	17 613	24 893
Protein	2 180	683
Glucose	291	111
Maltodextrin	186	19
Dried potatoes (granulate, flakes, cubes)	497	11
Goods	2 766	4 946
total	114 465	127 087

25.7 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:

- more than 52% of maltodextrin was sold to three domestic counterparties (25.9%; 13.9% and 12.9% respectively),
- 37% of protein was sold to two domestic customers (22% and 15% respectively),
- 11% of glucose was sold to one domestic counterparty.

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

No dividend was paid during 6 months ended on 30 June 2020.

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.

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

During the 6 months ended on 30 June 2020, the Group did not change the rules of determining the fair value of financial instruments. The same rules 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 off such assets

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

The outbreak of the Coronavirus epidemics changed considerably the situation on global and local markets. In the beginning the problem was perceived as distortions in the supply chain but together with the development of the pandemics it entailed economic and social restrictions (so called lockdown). The consequences of closed economies at the turn of the first and second quarters had impact on the global economy.

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 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.

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(data in PLN '000)

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

On 17 July 2020 an annex to the credit multiline agreement of 07.10.2014 with Santander Bank Polska (former Bank Zachodni WBK S.A.) was signed. Under the annex, the credit limit granted to PEPEES and subsidiaries was raised to PLN 58.5 million, the repayment date was also prolonged to 31.08.2021.

On 17 July 2020 also an annex do multipurpose credit line agreement with Powszechna Kasa Oszczędności Bankiem Polskim S.A. was also signed. Under the annex, the credit limit granted to PEPEES and subsidiaries was raised to PLN 58.5 million, the repayment date was also prolonged to 31.08.2021.

In July 2020 the dividend was paid in the total amount of PLN 11 400 thousand, that is PLN 0.12 per one share.

32. Approval of interim abbreviated consolidated financial statement

This Interim Abbreviated Consolidated Financial Statement of PEPEES Capital Group for the 1st half of the year ended 30 June 2020 was approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” Spółka Akcyjna in Łomża on 17 September 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