



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

**Interim abbreviated separated financial
statement
for the period of 6 months ended 30 June 2021**

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

PEPEES S.A.
*Interim abbreviated separate financial statement for 6
months ended on 30 June 2021 (data in PLN '000)*

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Interim abbreviated financial situation statement

	ASSETS	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
A	Fixed assets (long-term)	137 854	142 587	148 094
1.	Tangible fixed assets	94 222	98 004	100 466
2.	Intangible assets	193	499	213
3.	Rights to assets	15 417	15 844	16 280
4.	Investment property	378	383	388
5.	Investment in subsidiaries	23 586	23 586	26 632
7.	Investment in other units	375	625	625
8.	Assets from deferred income tax	3 683	3 646	3 490
B	Current assets (short-term)	93 434	126 203	85 838
I	Current assets other than assets classified as held for sale	93 434	116 564	85 838
1.	Inventories	42 022	71 924	33 004
2.	Biological assets	2 669	338	2 479
3.	Trade receivables and other short-term receivables	35 410	23 602	33 191
4.	Current income tax receivables	-	1 245	845
5.	Other financial assets	11 260	7 976	11 949
6.	Monetary assets and equivalents	2 073	11 479	4 370
II	Assets held for sale	-	9 639	-
	Total assets	231 288	268 790	233 932

	EQUITY AND LIABILITIES	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
A	Equity capital	154 661	158 530	156 214
1.	Share capital	5 700	5 700	5 700
2.	Share premium	7 562	7 562	7 562
3.	Assets revaluation reserve	30 501	30 494	30 491
4.	Retained profits	110 898	114 774	112 461
B	Liabilities	76 627	110 260	77 718
I	Long-term liabilities	28 266	29 734	28 689
1.	Credits and loans	4 513	5 496	6 941
2.	Lease liabilities	12 533	13 036	10 967
3.	Provisions for deferred income tax	6 325	6 486	6 163
4.	Payables for pensions and similar benefits	2 921	2 693	2 547
5.	Subsidies	1 974	2 023	2 071
II	Short-term liabilities	48 361	80 526	49 029
IIa	Short-term liabilities other than related to assets held for sale	48 361	80 525	49 029
1.	Trade and other short-term liabilities	19 213	11 146	26 059
2.	Current income tax payables	-	-	-
3.	Credits and loans	25 425	65 889	19 865
4.	Lease liabilities	3 461	3 237	2 852
5.	Payables for pensions and similar benefits	262	253	253
IIb	Liabilities related to assets held for sale	-	1	-
	Total equity and liabilities	231 288	268 790	233 932

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Interim abbreviated statement of profits and losses or other total income

Item	Description	For 6 months ended on 30 June 2021	For 6 months ended on 30 June 2020
I	Revenues from sales	74 026	81 868
1.	Revenues from sales of products	62 845	69 815
2.	Revenues from sales of services	314	301
3.	Revenues from sales of goods and materials	10 867	11 752
II	Costs of goods sold	(60 476)	(60 879)
1.	Costs of products sold	(48 180)	(46 496)
2.	Costs of services sold	(385)	(359)
3.	Costs of goods and materials sold	(10 475)	(11 559)
4.	Result of agricultural production	(1 436)	(2 465)
III	Gross profit (loss) on sales (I-II)	13 550	20 989
1.	Sales and marketing costs	(5 067)	(4 210)
2.	Overheads	(13 000)	(11 992)
3.	Other operating revenues	1 616	543
4.	Other operating costs	(135)	(375)
IV	Operating profit (loss)	(3 036)	4 955
1.	Financial costs	(1 197)	(1 111)
2.	Financial revenues	159	704
V	Profit (loss) before tax	(4 074)	4 548
VI	Income tax	199	(1 330)
VII	Net profit (loss)	(3 875)	3 218
VIII	Other total income	7	(47)
1.	Results of valuation of financial assets available for sale	-	-
2.	Revaluation of liabilities from employee benefits	7	(47)
IX	Total income, including	(3 868)	3 171
X	Net profit (loss) per share	(0.04)	0.03

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Interim abbreviated separate financial statement for 6 months ended on 30 June 2021 (data in PLN '000)

Interim abbreviated statement of changes in equity

Description	Share capital	Share premium	Own shares	Revaluation reserve	Retained profits	Total equity capital
As of 1 January 2020	5 700	7 562		30 537	120 644	164 443
Changes for the period from 01.01.2020 to 30.06.2020	-		-	(47)	(8 182)	(8 229)
Allocation of profit for 2018, including:						-
- increase capital reserve						-
- transactions with owners (dividend)					(11 400)	(11 400)
Net profit (loss) for period					3 218	3 218
Other total income for financial year (net)				(47)		(47)
As of 30 June 2020	5 700	7 562	-	30 490	112 462	156 214
Changes for the period from 01.01.2020 to 31.12.2020	-		-	(43)	(5 870)	(5 913)
Allocation of profit for 2019, including:						-
- increase of capital reserve						
- transactions with owners (dividend)					(11 400)	(11 400)
Net profit (loss) for the financial year					5 530	5 530
Other total income for financial year (net)				(43)		(43)
As of 31 December 2020	5 700	7 562	-	30 494	114 774	158 530
As of 1 January 2021	5 700	7 562	-	30 494	114 774	158 530
Allocation of profit for 2020, including:						-
- increase capital reserve						-
- transactions with owners (dividend)						-
Net profit (loss) for period					(3 876)	(3 876)
Other total income for financial year (net)				7		7
As of 30 June 2021	5 700	7 562	-	30 501	110 898	154 661

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Interim abbreviated separate financial statement for 6 months ended on 30 June 2021 (data in PLN '000)

Interim abbreviated cash flow statement

Item	Cash flow statement	For 6 months ended on June 2021	For 6 months ended on 30 June 2020
A.	Cash flows from operating activities - indirect method		
I	Profit (loss) before tax	(4 074)	4 548
II	Total adjustments	35 482	14 223
1.	Depreciation	5 850	5 696
2.	Profit (loss) due to exchange rate variations	10	(71)
3.	Interest and share in profit (dividends)	272	469
4.	Profit (loss) on investing activities	(247)	(421)
5.	Change in reserves	237	(268)
6.	Change in inventories	29 902	22 708
7.	Change in biological assets	(2 331)	(2 157)
8.	Change in receivables	(10 563)	(12 084)
9.	Change in short-term liabilities, excluding loans and credits	9 697	4 965
10.	Income tax paid	-	(4 662)
11.	Change in subsidies	(49)	(49)
12.	Change in interests for loans and commissions	(203)	(74)
13.	Change in other financial assets	427	(118)
14.	Cancellation of CO2 emission allowances	2 494	833
15.	Other adjustments	(14)	(544)
III	Net cash flows from operating activities	31 408	18 771
B.	Cash flows from investing activities		
I	Revenues	8 090	1 483
1.	Sale of intangible and tangible assets	418	437
2.	Repayment of granted loans	6 015	1 046
3.	Receipts from bonds	254	-
4.	Sale of shares	1 403	-
II	Expenses	6 679	4 091
1.	Purchase of intangible and tangible assets	882	2 249
2.	Purchase of shares	-	12
3.	Purchase of property rights	2 197	630
4.	Loans granted	3 600	1 200
III	Net cash flows from investing activities	1 411	(2 608)
C.	Cash flows from financing activities		
I	Revenues	8 501	512
1.	Credits and loans	7 247	232
2.	Subsidies received	1 254	280
II	Expenses	50 726	46 739
1.	Repayment of credits and loans	48 695	44 895
2.	Interest of credits and loans	401	587
3.	Lease contracts payments	10	1 257
III	Net cash flows from financing activities (I-II)	(42 225)	(46 227)
D.	Net cash flow, total (A.III+/-B.III+/-C.III)	(9 406)	(30 064)
F.	Cash at the beginning of period	11 479	34 434
G.	Cash at the end of period (F+/- D)	2 073	4 370
	- including of limited availability	-	-

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SELECTED FINANCIAL DATA CONVERTED INTO EUR

Item	SELECTED FINANCIAL DATA Year	PLN thousands		EUR thousands	
		2021	2020	2021	2020
I	Total revenues from sales for 1st half of the year	74 026	81 868	16 280	18 434
II	Net profit or loss for shareholders of the Holding Company for the 1st half of the year	(3 875)	3 218	(852)	725
III	Net comprehensive income for the 1st half of the year	(3 868)	3 171	(851)	714
IV	Net cash flows from operating activities for the 1st half of the year	31 408	18 771	6 907	4 227
V	Net cash flows from investment activities for the 1st half of the year	1 411	(2 608)	310	(587)
VI	Net cash flows from financial activities for the 1st half of the year	(42 225)	(46 227)	(9 286)	(10 409)
VII	Net cash flows for the 1st half of the year	(9 406)	(30 064)	(2 069)	(6 769)
VIII	Total assets as of 30.06.2021 and 31.12.2020	231 288	268 790	51 161	58 245
IX	Equity for the Holding Company shareholders as of 30.06.2021 and 31.12.2020	154 661	158 530	34 211	34 353
X	Profit (loss) per ordinary share for the 1st half of the year in PLN/EUR	(0.04)	0.03	(0.01)	0.01
XI	Book value per share as of 30.06.2021 and 31.12.2020 in PLN	1.63	1.67	0.36	0.36

The data presented in lines: VIII, IX and Xi, in columns "2021 " and "2020 " are as of 30 June 2021 and 31 December 2020.

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 financial statement as of 30.06.2021 according to the average exchange rate on the balance sheet day 1 EUR = 4.5208 PLN;
- selected items from the interim abbreviated financial statement as of 31.12.2020 according to the average exchange rate on the balance sheet day 1 EUR = 4.6148 PLN,
- selected items from the interim abbreviated comprehensive income statement and interim abbreviated cash flow statements for the period from 1 January 2021 to 30 June 2021 according to the arithmetic mean of exchange rates published by NBP for the last day of each month of the 1st half of 2021- 1 EUR = 4.5472 PLN,
- selected items from the interim abbreviated comprehensive income statement and interim abbreviated cash flow statements for the period from 1 January 2020 to 30 June 2020 according to 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,

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PROFIT PER ONE SHARE

Description	For 6 months ended on 30 June 2021	For 6 months ended on 30 June 2020
Net profit (loss) for PEPEES shareholders	(3 875)	3 218
Weighted average number of shares	95 000 000	95 000 000
Basic profit (loss) per share (expressed in PLN per one share)	(0.04)	0.03
Net profit (loss) for PEPEES shareholders used for determination of diluted profit per share	(3 875)	3 218
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)	0.03
Annualized net profit for PEPEES S.A.'s shareholders	(1 563)	8 048
Weighted average number of shares	95 000 000	95 000 000
Annualized net earnings per share (expressed in PLN per one share)	(0.02)	0.08

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Additional explanatory notes

1. General information

Full name:	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A.
Address of the registered ID:	18-402 Łomża, ul. Poznańska 121 REGON: 450096365
NIP (tax identification Registration body:	7181005512 District Court in Białystok 12th Economic Department of the National Court Register
Registration number:	000038455
Legal form:	joint stock company
Organisational 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 2021:

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

Supervisory Board as of 30 June 2021:

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

Audit Committee as of 30 June 2021:

Maciej Kaliński	Chairman
Krzysztof Stankowski Vice	Chairperson of the Audit Committee
Piotr Marian Taracha	Member of the Audit Committee
Robert Malinowski Member of the	Audit Committee
Tomasz Nowakowski	Member of the Audit Committee

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2. Information on reporting periods

The presented abbreviated interim financial statement covers the period from 1 January 2021 to 30 June 2021, and the comparable financial data and information notes cover the period from 1 January 2020 to 30 June 2020 and additionally 31 December 2020 in case of financial and changes in equity statements.

3. Basis of interim abbreviated 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 Company, as far as the accounting principles applied by the Company 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 Złoty (PLN) and unless stated otherwise all values are given in PLN thousands.

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

The interim abbreviated financial statement does not include all information required for the annual financial statements and should be analysed together with the consolidated statement for financial year ended on 31 December 2020.

4. Approval of interim abbreviated financial statement

This interim abbreviated financial statement was approved for publication by the Management Board of Przedsiębiorstwo Przemysł Spożywczy „PEPEES” S.A. on 21 September 2021.

5. Important accounting rules (policies)

The accounting rules (policies) used to make the interim abbreviated financial statement are consistent with those used to make the PEPEES S.A.'s annual abbreviated financial statement for financial year ended on 31 December 2020.

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

- 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.

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- IFRS 17 "Insurance agreements" This Standard defines a new approach to recognition, pricing, presentation and disclosure of insurance agreements

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

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

"PEPEES" S.A. did not adjust errors from previous years. The Company 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 cyclicity of operations

The Company 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 Company did not run tests for the loss of fixed assets value, as there were no indications that the assets had lost their value.

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

The provisions for pension benefits and jubilee benefits were updated based on actuarial calculations as of 30.06.2021.

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 30.06.2021.

The Company 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 Company annually verifies the periods of economic usability for fixed and intangible assets. The last update took place on 31 December 2020.

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The Company analysed sensitivity of owned assets, including the goodwill of every subsidiary, for which impairment tests were performed as at 31.12.2020. The Company will perform new impairment tests as at 31.12.2021..

11. Purchase and sale of tangible fixed assets

During the first half of 2021, the Company purchased fixed assets for PLN 882 thousand. These were mostly modernizations of production machinery and equipment.
Fixed assets for an amount of PLN 418 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 2021 .

13. Inventories

Inventories	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
a) materials	3 216	3 256	3 883
b) semi-finished products and work in progress	203	794	160
c) finished products	33 536	62 509	21 522
d) goods	5 552	5 669	8 286
Gross value of inventories	42 507	72 228	33 851
Revaluation write-downs	(485)	(304)	(847)
Net value of inventories	42 022	71 924	33 004

The inventories considered as a cost in the reporting period were PLN 58 655 thousand (1st half of 2020 – PLN 58 055 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 1 934 thousand, revenues from agricultural activity PLN 497 thousand, and the fair value of biological inventories and assets less the costs of sales was about PLN 2 669 thousand. The biological assets are shown in the statement at fair value.

15. Trade receivables and other short-term receivables

TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
Trade receivables	25 670	17 419	24 788
Other receivables	1 210	5 043	1 150
Prepayments	8 530	1 140	7 253
total	35 410	23 602	33 191

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(GROSS) TRADE RECEIVABLES WITH THE DUE PERIOD AT THE BALANCE SHEET DATE:	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
a) up to 1 month	10 670	6 910	5 323
b) 1 month - 3 months	3 012	5 157	8 989
c) 3 months - 6 months	6 490	-	9 022
d) 6 months - 1 year	-	-	-
e) above 1 year	-	-	-
f) overdue receivables	6 082	5 828	2 701
Total trade receivables (gross)	26 254	17 895	26 035
- revaluation write-offs	(584)	(476)	(1 247)
Total trade receivables (net)	25 670	17 419	24 788

Overdue receivables without revaluation write-offs include receivables from debtors with whom the Company 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. Revaluation write-offs are created in compliance with the model of expected credit losses.

16. Trade and other short-term liabilities

Payables	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
- trade receivables	13 225	4 887	9 241
- other short-term liabilities	2 522	2 570	13 879
- provisions for other liabilities and charges	3 466	3 689	2 939
Total trade and other liabilities and provisions for liabilities	19 213	11 146	26 059

TRADE LIABILITIES	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
a) due from related parties, maturing:	181	187	286
- up to 12 months	181	187	286
- overdue above 180 days	-	-	-
b) due from other entities	13 044	4 700	8 955
- up to 12 months	13 044	4 700	8 955
- over 12 months	-	-	-
Total trade payables	13 225	4 887	9 241

17. Settlements from lawsuits

As of the statement date, there is an undecided lawsuit by EPSILON Investment Fund in Warsaw against „PEPEES” S.A.:

- for the annulment or declaration of invalidity of two resolutions on the appointment of the Supervisory Board members, adopted on 11 May 2018 by the General Meeting of Shareholders, and for the annulment of the resolution on the distribution of profit for 2017. By judgement of 26.10.2018 the Regional Court annulled the resolutions on the appointment of two Supervisory Board members and dismissed the claim in the remaining scope. Appeals against the judgement were filed by both parties. The Court of Appeal in Białystok dismissed

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both appeals. EPSILON filed a cassation appeal, which was accepted for examination by the Supreme Court on 21.11.2020,

- for invalidation of resolutions 24- 29 on 28 .06.2019 by the General Meeting of Shareholders , including resolution 28 on the Company Articles of Association and authorizing the Management Board to increase the Holding Company's share capital within the target capital along with the option to exclude by the Management Board the pre-emptive rights of current shareholders with the consent of the Supervisory Board. The Regional Court suspended the proceedings until the proceedings related to the suit brought by PEPEES against EPSILON for determination the loss of voting rights,
- cancellation or declaration of invalidity of two resolutions on discharging of fulfilment of obligation, adopted taken on 21.04.2020 by the General Meeting of Shareholders have been concluded in a legally binding manner. The proceedings are pending before the Court of First Instance. The Regional Court suspended the proceedings until the proceedings related to the suit brought by PEPEES against EPSILON for determination the loss of voting rights
 - for invalidation or cancellation of resolutions of the General Meeting : resolution no 4 on examination and approval of the Company's financial statements for the period from 01.01.2020 to 21.12.2020, resolution no 9 on allocation of the net profit of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. for financial year 2020, resolution no 10 on acknowledgement of fulfilment of duties by the President of the Company's Management Board for financial year 2020, resolution no 11 on acknowledgement of fulfilment of duties by the Member of the Company's Management Board for financial year 2020, which were adopted on 29 June 2021 by the General Meeting. The legal action was filed to the Regional Court on 28 July 2021. The contents of resolution subject to litigation were published in the current report no 8/2021.

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.

There are a few lawsuits against the Issuer's trade debtors. 100% revaluation write-offs were made for all receivables in litigation.

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.

Long- and short-term liabilities

Item	Type of a loan Bank that grants a loan		Loan amount acc. to agreement	Currency	Loan amount/ outstanding amount	Repayment date
1	Overdraft facility	Santander Bank Polska S.A.	4 000	PLN	3 607	31.08.2021
2	Revolving loan	Santander Bank Polska S.A.	14 500	PLN	3 625	31.08.2021
3	Working capital loan	Santander Bank Polska S.A.	17 000	PLN	4 250	31.08.2021
4	Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	4 000	PLN	3 640	31.08.2021
5	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	14 500	PLN	3 625	31.08.2021
6	Working capital loan for purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	17 000	PLN	4 250	31.08.2021

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Item	Type of a loan Bank that grants a loan	Loan amount acc. to agreement	Currency	Loan amount/ outstanding amount	Repayment date
7	Investment loan for construction of the starch drying plant, of starch, the unloading station and the water treatment station	BNP Paribas Bank Polska S.A.	9 822	PLN 924	25.02.2022
8	Investment loan to finance and and refinance purchase of 100% shares in Gospodarstwo Rolne Ponary Sp. z o.o.	Powszechna Kasa Oszczędności Bank Bank Polski S.A.	10 530	PLN	6 017 30.06.2025
Total 91		352	PLN 29	938	

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

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 2021	For 6 months ended on 30 June 2020
Revenues from sales of products to subsidiaries	527	910
Revenues from sales of goods and materials to subsidiaries	-	-
Revenues from sales of services	151	231
Revenues from sales of tangible assets to subsidiaries	-	-
Total revenues from associated entities	678	1 141

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 2021	For 6 months ended on 30 June 2020
Purchase of products from subsidiaries	3 846	7 175
Purchase of services from subsidiaries	33	79
Purchase of goods from subsidiaries	897	-
Total purchases from associated entities	4 776	7 254

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c) Other transactions

Description	For 6 months ended on 30 June 2021	For 6 months ended on 30 June 2020
Interest from loans granted	30	116
Fees on granted guarantees	87	181
Fees on received guarantees	79	79
total	196	376

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

Settlements with subsidiaries	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
Receivables - PPZ BRONISŁAW S.A.	3 762	2 659	302
Receivables - CHP Energia (as at 31.12.2020 presented as assets held for sale, while as at 30.06.2021 the settlements were not included in the specification because the company is no longer a subsidiary)	-	1 161	2 591
Receivables – GR Ponary Sp. z o.o.	1	1	1
Receivables – Pepees Inwestycje Sp. o.o. (OZENERGY)	11	8	7
Payables – ZPZ LUBLIN Sp. z o.o.	181	181	286
Payables - PPZ "BRONISŁAW" S.A.	-	6	-
Payables - CHP Energia (as at 31.12.2020 presented as payable related to assets held for sale, while as at 30.06.2021 the settlements were not included in the specification because the company is no longer a subsidiary)	-	1	-
Payables - GR PONARY Sp. z o.o.	13	-	26
Balance of settlements with associated entities	3 580	3 641	2 589

e) Balance of loans settlements

Loans granted to subsidiaries	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
PPZ BRONISŁAW S.A.	3 305	-	1 200
ZPZ LUBLIN Sp. z o.o.	-	-	800
CHP Energia Sp. z o.o. (as at 31.12.2020 presented as assets held for sale, while as at 30.06.2021 the loans were not included in the specification because the company is no longer a subsidiary)	-	4 932	4 861
GR Ponary Sp. z o.o.	554	550	555
Pepees Inwestycje Sp. z o.o.	-	145	-
Loans granted	3 859	5 627	7 416
Write-offs for loans granted to CHP	-	(12)	(2 268)
Loans in financial situation statement	3 859	5 615	5 148

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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 2021	for the period of 6 months ended 30 June 2020
Short-term employee benefits	1 191	1 157
Benefits after the employment period	-	-
Severance pays	-	-
Payments in shares	-	-
total	1 191	1 157

b) Transactions with key personnel and their close family members

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

20. Change of estimated values

a) Revaluation write-offs

Change of revaluation write-offs from short-term receivables	For 6 months ended on 30 June 2021	For 12 months ended on 31 December 2020	For 6 months ended on 30 June 2020
Beginning of the period	611	1 340	1 340
a) increase (due to)	238	213	187
- for doubtful trade receivables	238	213	187
b) decrease (due to)	3	942	43
- dissolution of provision as a result of payment	3	74	43
- use as a result of relief or sale of receivables	-	-	-
- release of write-downs for trade receivables as a result of revaluation to a value that will be recovered - assets classified as held for sale	-	868	-
End of the period:	846	611	1 484

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b) Inventory revaluation write-offs

Change of inventory revaluation write-offs	For 6 months ended on June 2021	For 12 months ended on 31 December 2020	For 6 months ended on 30 June 2020
Beginning of the period	304	395	395
a) increase (due to)	464	1 109	826
- write-off to the net value that can be obtained	464	1 109	826
b) decrease (due to)	283	1 200	374
- reversal of write-offs	283	1 200	374
Inventory revaluation write-offs at the end of period	485	304	847

c) Payables for pensions and similar benefits

Change of pension and similar benefits payables (by type)	For 6 months ended on 30 June 2021	For 12 months ended on 31 December 2020	For 6 months ended on 30 June 2020
a) beginning of the period	2 946	2 488	2 488
- retirement severance pay	410	336	336
- anniversary awards	2 536	2 152	2 152
b) increase (due to)	385	756	388
- retirement severance pay	13	83	73
- anniversary awards	372	673	315
c) use (due to)	148	298	76
- retirement severance pay	12	9	-
- anniversary awards	136	289	76
d) dissolution (due to)	-	-	-
- retirement severance pay	-	-	-
- jubilee benefits	-	-	-
e) end of period	3 183	2 946	2 800
- retirement severance pay	411	410	409
- anniversary awards	2 772	2 536	2 391

21. Short-term provisions

Change of short-term provisions (by type)	For 6 months ended on 30 June 2021	For 12 months ended on 31 December 2020	For 6 months ended on 30 June 2020
a) beginning of the period	3 689	3 519	3 519
- subsidies to tangible fixed assets	98	98	98
- provisions for benefits provided by contracting parties	26	23	23
- environmental fee	117	83	83
- provisions for annual leave payments	673	555	555
- gas emission allowances	2 283	1 434	1 434
- bonuses for Management Board and employees	492	1 326	1 326
b) increase (due to)	2 802	2 418	550

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Change of short-term provisions (by type)	For 6 months ended on 30 June 2021	For 12 months ended on 31 December 2020	For 6 months ended on 30 June 2020
- provision for used CO2 emission allowances	1 744	1 682	225
- environmental fee	37	102	23
- provisions for annual leave payments	568	387	285
- provisions for benefits provided by contracting parties	9	26	17
- bonuses for Management Board and employees	444	221	-
c) use (due to)	3 025	1 400	1 130
- environmental fee	109	68	67
- provisions for annual leave payments	328	269	-
- provision for used CO2 emission allowances	2 080	833	833
- provisions for benefits provided by contracting parties	16	23	23
- bonuses for Management Board and employees	492	207	207
d) dissolution (due to)	-	848	-
- bonuses for Management Board and employees	-	848	-
e) end of period	3 466	3 689	2 939
- subsidies to tangible fixed assets	98	98	98
- provision for used CO2 emission allowances	1 947	2 283	826
- environmental fee	45	117	39
- provisions for annual leave payments	913	673	840
- bonuses for Management Board and employees	444	492	1 119
- provisions for benefits provided by contracting parties	19	26	17

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22. Deferred income tax

Provisions for deferred income	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
Difference between balance sheet value and tax value of fixed assets	5 657	5 749	5 422
Unrealized exchange rate differences	1	1	-
Investments valuation	662	662	625
Interest due but not received	5	74	116
Total provisions for deferred income	6 325	6 486	6 163

Assets from deferred income tax	As of 30 June 2021	As of 31 December 2020	As of 30 June 2020
Unpaid remunerations	138	139	121
Provision for unused annual leaves	173	128	160
Provision for pension and anniversary awards	605	560	532
Unrealized exchange rate differences	68	36	59
Revaluation write-offs	-	-	535
Inventory revaluation write-offs	92	139	241
Shares revaluation write-offs	18	886	565
Lease liabilities	1 165	1 218	897
Provision for bonuses for Management Board and employees	84	94	213
Provision for used CO2 emission allowances	370	434	157
Tax loss	957	-	-
Other	13	12	10
total	3 683	3 646	3 490

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23. Provisional assets and liabilities

CHANGE OF VOLUME OF PROVISIONAL ASSETS (BY TITLES)	For 6 months ended on 30 June 2021	For 12 months ended on 31 December 2020	For 6 months ended on 30 June 2020
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			
c) use (due to)	-	-	-
d) end of period, including	15 795	15 795	15 795
- security of the investment loan by GR PONARY	15 795	15 795	15 795

CHANGE OF VOLUME OF PROVISIONAL ASSETS (BY TYPE)	For 6 months ended on 30 June 2021	For 12 months ended on 31 December 2020	For 6 months ended on 30 June 2020
a) beginning of the period, including	32 073	33 373	33 373
- liabilities under non-compete agreements	1 155	1 155	1 155
- loan securities for related companies	30 918	32 218	32 218
b) increase (due to)	29	-	-
- liabilities under non-compete agreements	29		
- loan securities for related companies	-	-	-
c) use (due to)	-	-	-
- liabilities under non-compete agreements	-		
- loan securities for related companies	-		
d) dissolution (due to)	-	1 300	-
- liabilities under non-compete agreements	-		
- loan securities for related companies	-	1 300	
e) end of period, including	32 102	32 073	33 373
- liabilities under non-compete agreements	1 184	1 155	1 155
- loan securities for related companies	30 918	30 918	32 218

24. Reporting on operation segments
24.1. Information on products and services

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" operates mainly in the "potato processing" segment. The following products are made within this segment:

- potato starch used in households and in food, pharmaceutical, pulp and paper and textile industries;
- a few types of glucose used in food, confectionery and pharmaceutical industries;
- maltodextrin which is an essential additive to powdered products(ice cream , sauces , soups, fruit solids, flavours) and vitamin and mineral nutrients for children and athletes;

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- 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;

24.2 Revenues by products

Product name	For the period of 6 months ended 30 June 2021	For the period of 6 months ended 30 June 2020
Starch	42 121	45 992
Protein	3 923	5 708
Glucose	6 373	5 461
Hydrol	323	262
Maltodextrin	9 592	11 916
Starch syrups	513	476
Goods and materials	10 867	11 752
Services	314	301
total	74 026	81 868

24.3 Sales revenues by territorial structure

Description	For the period of 6 months ended 30 June 2021	for the period of 6 months ended 30 June 2020
Poland, including	46 496	55 894
Starch	22 120	28 337
Protein	2 819	3 460
Glucose	5 000	4 640
Hydrol	323	262
Maltodextrin	6 503	9 432
Starch syrups	513	476
Goods and materials	8 904	8 986
Services	314	301
EU countries - intra-Community supplies, including:	5 450	6 996
Starch	2 908	2 967
Protein	298	1 201
Maltodextrin	1 607	2 298
Glucose	352	530
Goods	285	-
Remaining countries - export	22 080	18 978
Starch	17 093	14 688
Protein	806	1 047
Glucose	1 021	291
Maltodextrin	1 482	186
Goods	1 678	2 766
total	74 026	81 868

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24.4 Information on main customers

The Company 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 42% of maltodextrin was sold to three domestic counterparties(19.9%; 12.8% and 9.6% respectively),
- 38% of protein was sold to two domestic customers (20.9% and 17.3% respectively),

25. Issue, repurchase and repayment of securities

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

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 2021.

On 29 June 2021 the Ordinary General Meeting of "PEPEES" S.A. adopted Resolution No. 9 on the transfer of profit for the financial year 2020 in the amount of PLN 5,529,766.07 to the reserve capital.

The company has not declared a dividend for 2021.

**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 2021 , the Company did not change the rules of determining the fair value of financial instruments. The same rules methods were used as when making the Company's financial statement for the year ended on 31 December 2020.

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

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

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

In connection with coronavirus pandemic in Poland, the Management Board took immediate actions to limit potential health and safety hazard for employees and ensure business continuity. Appropriate safety and hygiene procedures according to the Ministry of Health guidelines were implemented. In addition to providing staff safety, which has been the priority, all actions have focused on flexible response to changing circumstances and activities aiming to limit the epidemic impact on business, including

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to preserve revenue while keeping costs under strict control.

The Company's objective has been to achieve the maximum rate of return on investments while maintaining moderate level of investment risk. PEPEES assumes performance of parallel activities in the field of development, through increase of efficiency of activities and mitigation of risks, as well as performance of further investment activities .

The existing epidemic condition as a result of the spread of the COVID-19 coronavirus and related actions taken by the government administration in Poland and other countries negatively affect the Company's development. The year 2021 will remain influenced by the fight against the effects of the pandemic. The Issuer monitors on an ongoing basis the development of the situation in Poland and worldwide, related to the COVID-19 coronavirus pandemic, verifying all information with respect to its impact on the economic situation and taking ad hoc actions to minimize the consequences related to the above-mentioned extraordinary circumstances.

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

In the reporting period the structure of the Issuer's Capital Group changed – as from 30.06.2021 CHP Energia company has not been a related party. On 18.03.2021 PEPEES sold all its shares in CHP Energia company. The shares were bought by ORLEN Południe S.A., a subsidiary of PKN ORLEN S.A. The condensed consolidated financial statements for the first half of 2021 present the assets and liabilities of CHP Energia Sp. z o.o. as at the date of loss of control, as well as the result on sales and cash flows therefrom (note no 26 to the consolidated financial statements as of 30.06.2021). As far as the impact of the disposal of the interest in the standalone financial statements is concerned, the result on the transaction was disclosed in the financial statements as at 31.12.2020 through the presentation and valuation of the asset in accordance with IFRS 5 (note 10.17 to the financial statements as of 31.12.2020).

In the first half of 2021, there were no events other than those described in this report, which could be important for assessment of its property, financial situation, financial result, and could be pertinent to the assessment of the PEPEES's capability of fulfilling its obligations.

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

On 5 July 2021 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 62.5 million, the repayment date was also prolonged to 31.08.2022.

On 5 July 2021 also an annex to multipurpose credit line agreement with Powszechna Kasa Oszczędności Bank Polski S.A. was also signed. Under the annex, the credit limit granted to PEPEES and subsidiaries was raised to PLN 62.5 million, the repayment date was also prolonged to 31.08.2022.

On 28 July 2021 EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie brought a legal action to the Regional Court in Warsaw for invalidation or cancellation of resolutions of the General Meeting : resolution no 4 on examination and approval of the Company's financial statements for the period from 01.01.2020 to 31.12.2020, resolution no 9 on allocation of the net profit of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S. A. for financial year 2020, resolution no 10 on acknowledgement of fulfilment of duties by the President of the Company's Management Board for financial year 2020, resolution no 11 on acknowledgement of fulfilment of duties by the Member of the Company's Management Board for financial year 2020, which were adopted on 29 June 2021 by the General Meeting of Shareholders. The contents of resolution subject to litigation were published in the current report no 8/2021.

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32. Approval of the financial statement

This Interim Condensed Financial Statements of "PEPEES" S.A. for the 1st half of the year ended 30 June 2021 was approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” Spółka Akcyjna in Łomża on 21 September 2021.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

President of Management Board - Wojciech Faszczewski

Member of Management Board - Tomasz Rogala

SIGNATURE OF THE PERSON WHO PREPARED THE REPORT

Deputy Chief Accountant – Małgorzata Kordas