



**REPORT OF THE
MANAGEMENT BOARD
OF THE PEPEES CAPITAL GROUP**

for H1 ended 30 June 2024

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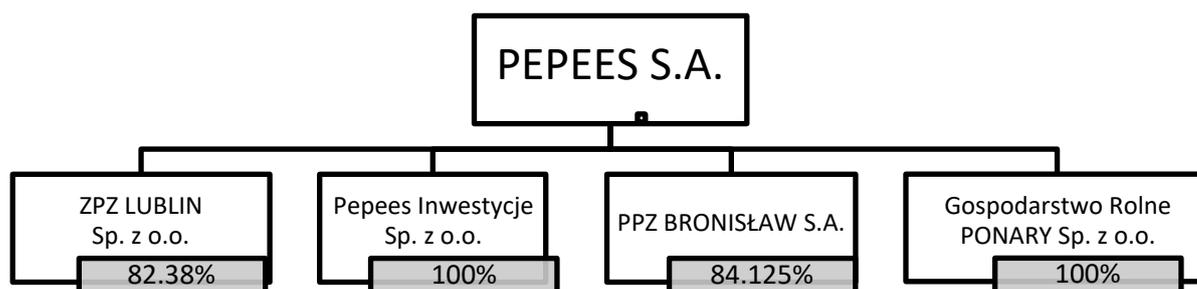
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I. DETAILS OF THE PEPEES CAPITAL GROUP

1. Structure of the PEPEES Capital Group

Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna is the Parent of the PEPEES Capital Group. On 30 June 2024, the PEPEES Capital Group (hereinafter also referred to as the “Group”) comprised the following subsidiaries:



In the Consolidated Semi-Annual Report of the PEPEES Capital Group for the H1 period ended 30 June 2024, the following related parties were consolidated in addition to Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A.:

Name	Registered office	Core business	Registration court	Issuer's share in capital (%)	Share in the total number of votes (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes, processing of fruit and vegetables	District Court in Lublin, 11th Commercial Division of the National Court Register	82.38	82.38
Pepees Inwestycje Sp. z o.o.	Łomża	Purchase and sales of property for own account	District Court in Białystok, 12th Commercial Division of the National Court Register	100	100
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, 13th Commercial Division of National Court Register	84.125	84.125
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Agricultural crops combined with animal husbandry	District Court in Białystok, 12th Commercial Division	100	100

All subsidiaries were consolidated using the full method.

There were no changes in the structure of the Issuer's Capital Group during the reporting period.

1.1. Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. in Łomża - Parent

1.1.1. Basic information about the Parent

The Parent operates under the business name of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. (hereinafter referred to as the “Parent”, “Issuer”). Its registered office is in Łomża, ul. Poznańska 121.

The business is conducted in the form of a joint stock company, established by a notarial deed on 21 June 1994 before Paweł Błaszczuk, notary in Warsaw (Repertory No. A 14126/94).

The Company is entered in the Register of Entrepreneurs kept by the District Court in Białystok, 12th Commercial Division of the National Court Register in Białystok, under KRS number 000038455.

The company holds the following tax identification number (NIP): 7181005512 assigned by the Tax Office in Łomża on 20 January 2000.

The statistical office has assigned the Company the following REGON number: 450096365.

The Company operates under the provisions of the Commercial Companies Code. It is a single business enterprise and has no branches.

PEPEES S.A. with its registered office in Łomża is one of the largest starch potato processing plants in Poland and the only domestic producer of crystalline glucose. The high quality and complete health safety of the manufactured products is ensured thanks to the integrated management system implemented and certified since 2007. The Company’s products are widely used in the food, pharmaceutical, feed, chemical, textile or paper industries.

According to the Company’s Articles of Association, its core business is:

- ✓ potato processing;
- ✓ manufacture of starches and starch products;
- ✓ service activities related to the processing and preservation of fruit and vegetables;
- ✓ production of fruit and vegetable juices.

The business concerning manufacture of starches and starch products was active during the reporting period.

The share capital of the Company as at 30 June 2024 and as at the date of this report amounted to PLN 5,700 thousand and was divided into 95,000 thousand ordinary bearer shares with a nominal value of PLN 0.06 each.

As at the date of approval of this interim report, the shareholder structure of the Company was as follows:

SHAREHOLDER STRUCTURE	Number of shares [pcs]	Share in capital %	Number of votes	Share in the total number of votes at the GMS (%)
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27,759,032	29.22%	6,356,799	6.69%
Michał Skotnicki**	21,443,105	22.57%	21,443,105	22.57%
Maksymilian Maciej Skotnicki**	20,423,531	21.50%	20,423,531	21.50%
Others	25,374,332	26.71%	25,374,332	26.71%

* As a result of failing to comply with notification obligations on the acquisition of significant blocks of shares under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which holds, according to the information held by the Company, 27,759,032 shares in the Company, has lost and cannot exercise voting rights under 21,402,233 shares. The Company’s Management Board has therefore brought an action for determination before the District Court in Białystok. Epsilon FIZ AN takes the opposite position, maintaining that it is entitled to voting rights under 27,759,032 shares representing 29.22% of the total number of votes at the GMS. The Chairman of the Financial Supervision Authority joined the case and presented their

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position on 24 July 2019. The Company reported on the case in current reports Nos. 13/2019, 14 to 23/2019 and 30/2019. On 21 April 2023 the District Court in Białystok ruled that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its registered office in Warsaw has lost the voting rights and cannot exercise them under 21,402,233 ordinary shares. This ruling was not final, as the Issuer informed in current report No. 7/2023. On 26 July 2024 the Court of Appeal in Białystok dismissed the appeal against the ruling of the District Court in Białystok, in which the District Court determined that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, with its registered office in Warsaw, being a shareholder of the Company, has lost and cannot exercise voting rights from 21,402,233 ordinary bearer shares of the Company. This decision is legally binding. The Company announced this in current report No. 11/2024.

*** Mr. Maksymilian Maciej Skotnicki and Mr. Michał Skotnicki are the persons referred to in Article 87(4)(1) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, and thus the total number of shares held by the aforementioned persons comprises 41,866,636 shares, which corresponds to 44.07% of the share capital and 56.89% of the number of authorised votes in the Company (taking into account the loss of the possibility to exercise voting rights by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych).*

1.1.2. Company authorities

As at 30 June 2024 and at the date of publication of this consolidated semi-annual report, the composition of the Management Board and Supervisory Board was as follows:

Management Board

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

There were no changes to the Company's Management Board during the reporting period.

Supervisory Board as at 30 June 2024:

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

The Supervisory Board has an Audit Committee whose composition as at 30 June 2024 and the date of publication of this report was as follows:

Audit Committee

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

1.2. Zakłady Przemysłu Ziemniaczanego “LUBLIN” Spółka z ograniczoną odpowiedzialnością with its registered office in Lublin - subsidiary

1.2.1. Basic information about ZPZ LUBLIN Sp. z o.o.

The Company’s registered office is located in Lublin, at ul. Betonowa 9. The Company operates as a limited liability company, incorporated by a notarial deed on 8 November 1996, drawn up at the Notary’s Office of Antonina Renata Bednara in Lublin, ul. Spokojna 8, Repertory A No. 6437/96 for unlimited duration. The Company is entered in the Register of Entrepreneurs kept by the District Court in Lublin, 11th Commercial Division of the National Court Register in Białystok, under KRS number 0000050886.

The Company holds the following tax identification number (NIP):

9461580419. The company operates under the provisions of the Commercial Companies Code.

The Company’s core business includes mainly production and sale of starch syrup and dried potatoes.

The share capital of the Company as at 30 June 2024 was PLN 2,761,200 and the shareholders were:

PEPEES S.A.	-	22,748 shares with a value of	PLN 2,274,800,	82.38%
			i.e.	
Company employees	-	3,244 shares with a value of	PLN 324.400, i.e.	11.75%
Farmers	-	1,620 shares with a value of	PLN 162.000, i.e.	5.87%

1.2.2. The governing bodies of ZPZ LUBLIN Sp. z o.o. as of 30 June 2023

Management Board

Piotr Kaniowski	President of the Management Board
Tomasz Rojecki	Member of the Management Board.

Supervisory Board

Wojciech Faszczewski	Chairman of the Supervisory Board
Piotr Marian Taracha	Deputy Chairman of the Supervisory Board
Robert Malinowski	Secretary of the Supervisory Board
Mariusz Świetlicki	Member of the Supervisory Board
Agata Czerniakowska	Member of the Supervisory Board.

As at 30 June 2024, the share capital of the Company amounted to PLN 800,000 and was divided into 800,000 shares with a nominal value of PLN 1 each. The shares are not preferred.

The main shareholder is PEPEES, holding 84.125% of the capital. The other shareholders are natural persons.

1.4.2. PPZ BRONISŁAW S.A. company bodies as at 30 June 2024

Management Board

Wojciech Faszczewski	President of the Management Board
Roman Adam Minierski	Vice-President of the Management Board.

Supervisory Board

Maciej Kaliński	Chairman of the Supervisory Board
Agata Czerniakowska	Deputy Chairman of the Supervisory Board
Stanisław Bukowski	Secretary of the Supervisory Board
Grzegorz Dobrowolski	Member of the Supervisory Board
Robert Malinowski	Member of the Supervisory Board.

1.5. Gospodarstwo Rolne Ponary Spółka z ograniczoną odpowiedzialnością with its registered office in Łomża - subsidiary

1.5.1. Basic information about Gospodarstwo Rolne Ponary Sp. z o.o.

The registered office of the Company is located in Łomża, ul. Poznańska 121. The Company operates as a limited liability company, incorporated by way of Articles of Association on 10 November 2015 for unlimited duration. The Company is entered in the Register of Entrepreneurs kept by the District Court in Białystok, 12th Commercial Division of the National Court Register in Białystok, under KRS number 0000585975.

The Company holds the following tax identification number (NIP): 1132898091.
The company operates under the provisions of the Commercial Companies Code.

The Company's core business is agricultural crops combined with animal breeding and husbandry.

As at 30 June 2024, the share capital of the Company amounted to PLN 1,620,000 and was divided into 32,400 equal and indivisible shares with a nominal value of PLN 50 each.
The sole shareholder of the Company is PEPEES.

1.5.2. Governing bodies of Gospodarstwo Rolne Ponary Sp. z o.o. as at 30 June 2024

Management Board

Tomasz Krzysztof Rogala	President of the Management Board.
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2. Business of the PEPEES Capital Group companies

The PEPEES Capital Group is comprised of companies specialising primarily in potato processing to produce, among other things, potato starch, maltodextrin and potato flakes.

Each of the companies performs specific functions which consist of undertaking activities and carrying out actions, and has a significant share in creating value within the PEPEES Capital Group.

“PEPEES” S.A. acts as the Parent. The Management Board of “PEPEES” S.A. prepares the Group’s development strategy and takes key decisions concerning both the scope of operations and finances of the entities forming the PEPEES Capital Group.

PEPEES has one of the largest starch plants producing potato starch in Poland. Its capacity reaches up to 2,400 tonnes of potatoes per day. Significant involved assets include the machinery used in the production of starch, a staff of specialised employees and storage space.

ZPZ Lublin Sp. z o.o., with its registered office in Lublin, focuses on the processing of edible potatoes into potato grits and potato flakes and the production of potato glucose syrups.

PPZ Bronisław S.A. with its registered office in Bronisław mainly processes potatoes into starch and potato flakes.

Gospodarstwo Rolne Ponary Sp. z o.o. with its registered office in Łomża has arable land at its disposal, leased by the Parent for the purpose of growing crops such as starch potatoes.

3. Changes in the organisation of the PEPEES Capital Group

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

II. BUSINESS PROFILE OF THE PEPEES CAPITAL GROUP

1. Operating market profile

The PEPEES Capital Group’s core business in the reporting period was production, trade and service activities, focusing mainly on potato processing.

There are three segments within the PEPEES Capital Group, i.e.: “potato processing”, “agricultural crops combined with animal husbandry” and “purchase and sales of property for own account”.

All assets and liabilities of Gospodarstwo Rolne Ponary are allocated to the “agricultural crops combined with animal breeding and husbandry” segment. As Ponary did not generate sales revenue in H1 2024, the “agricultural crops combined with animal breeding and husbandry” segment was not identified in segment revenue and results. Due to the value of Ponary’s land holdings, the segment has been identified in the consolidated financial statements solely for the purpose of presenting its assets and liabilities.

The “purchase and sales of property for own account” segment includes all assets and liabilities of Pepees Inwestycje Sp. z o.o.

All other assets and liabilities recognised in the consolidated financial statements are allocated to the “potato processing” segment.

Both starch and table potatoes are processed in the PEPEES Capital Group. Potatoes are the primary source of starch not only in Poland but throughout Europe. Starch potatoes are potatoes containing no less than 13% starch. Food and technical purpose starch is obtained from such potatoes by mechanical separation from other potato components, washing, cleaning, drying and sifting.

The largest potato starch markets in the world are in China, Germany and the USA, generating nearly 50% of global demand.

The largest markets for potato starch in the European Union are Germany, the Netherlands, France, Denmark and Poland.

Features of companies competing in the EU market:

- ✓ a high proportion of non-potato origin starch products (mainly maize);
- ✓ very high concentration of production (the largest plants each produce 150 to 250 thousand tonnes per year);
- ✓ a longer production period for starch (up to 200 days or twice as long as in Poland) allowing for more efficient use of production assets and higher production volumes;
- ✓ greater opportunities for raw material procurement;
- ✓ a significant share in the production of processed products (modified starches);
- ✓ a large share of sales to markets outside the food sectors.

The biggest competitors of the PEPEES CG in the potato starch processing industry on the domestic market are the Luboń Group and Trzemeszno. Other competitors include: Zakłady Przemysłu Ziemniaczanego "ZETPEZET" sp. z o.o. in Piła, Przedsiębiorstwo Przemysłu Ziemniaczanego NOWAMYŁ S.A., Przedsiębiorstwo Przemysłu Ziemniaczanego S.A. in Niechlów.

The potato starch market in Poland is a saturated and mature market, as evidenced by the dominance of the three largest players (Luboń Group, Trzemeszno, PEPEES CG).

2. Information on the principal products, goods and services sold in the Group

The "potato processing" segment produces:

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

Potato starch

Potato starch (potato flour) is obtained by mechanically crushing the potatoes, extracting, refining, dehydrating, drying and sifting.

Starch is one of the most multifunctional raw materials in the food industry. Some applications make use of its natural gel-forming and thickening properties (food, chemical, textile and paper industries).

In the food and pharmaceutical industries, starch is used to give products the right texture, appearance (form), moisture, consistency and shelf life during storage.

Starch

Starch is extracted from mashed potato tuber cells by rinsing, then cleaning, drying and sifting. The commercial product contains approximately 40% water. The raw material for starch production is potatoes for industrial use with suitable quality features, i.e. high starch content with the highest possible proportion of large starch grains, low non-starch substances, low protein content, round tuber shape, crisp pulp, shallow-set spots.

Potato protein

This product is obtained from potato cell sap by coagulation, separation and drying. The finished product is a free-flowing, grey powder, an odour typical of dried potato protein and a moisture content of no more than 10%. A characteristic feature of the product is its high total protein content of more than 80%, with digestible protein accounting for more than 70% of dry matter. As a high-value, easily digestible vegetable protein, the product is a valuable component of animal feed mixtures and is an excellent animal protein substitute.

Grit

Grit is a starch plant waste product. It is made of lumps of conglomerated and gelatinised starch separated from dried potato meal.

Potato flakes

Potato flakes are made from table potato varieties. These are steamed and then dehydrated 0.2-0.5 mm flakes.

Starch hydrolysates

✓ **Crystalline glucose**

Crystalline glucose is the end product of potato starch hydrolysis. It is in the form of a white, fine, sweet-flavoured crystalline powder. It is characterised by a very high degree of microbiological purity and contains approximately 99.5% pure glucose. Crystalline glucose is a monosaccharide, high in calories and easily absorbed by the body. It is a valuable natural source of energy. Glucose has found extensive use in the production of pharmaceutical and dietary products (medicines, nutritional supplements). Its intake is particularly important during increased physical exertion and recovery.

The food industry mainly uses the properties of glucose as an agent promoting sweetness perception and enhancing product flavour. It is used for confectionery, ice cream, desserts, dry food mixes, soft drinks, and fruit and vegetable products. In addition, crystallised glucose is used by the brewing, wine, baking and meat industries.

✓ **Anhydrous glucose**

Anhydrous glucose is a product obtained by fluidising drying of crystalline glucose to a moisture content of less than 1%. The product meets high microbiological requirements. The entire anhydrous glucose production is used by the pharmaceutical industry. Its main use is in the production of infusion fluids.

✓ **Maltodextrin**

Maltodextrin is a depolymerisation product of potato starch obtained by enzymatic hydrolysis. It is in the form of a slightly sweet-flavoured white powder. The properties of maltodextrin change depending on the degree of starch hydrolysis. An increase in DE (dextrose equivalent) results in an increase in sweetness, accompanied by an increase in solubility and hygroscopicity, and a decrease in viscosity, binding strength and resistance to crystallisation. Maltodextrin has found its way into food production due to its binding, filling and texture-enhancing properties, as well as its flavour and odour stabilising properties. It is an important ingredient in powdered products (ice creams, sauces, soups, fruit extracts, flavoured sprinkles) and nutritional and vitamin and mineral preparations for children and athletes. It constitutes a significant carbohydrate component in modified milk and infant nutrition meals. A large proportion of maltodextrin is used in the production of reduced-calorie foods.

✓ **Glucose syrups**

Glucose syrups are concentrated aqueous solutions of monosaccharides (glucose, maltose) and low molecular weight polysaccharides, obtained by enzymatic hydrolysis of starch. They are temperature and chemically stable, and are characterised by high osmotic pressure. Glucose syrups are used in the production of hard and soft caramel drops, chewing gums, fruit jellies, ice cream, desserts, confectionery. Glucose syrup increases plasticity, affects the durability of the colour and flavour, and provides transparency and gloss. The syrup ensures the appropriate structure and delicate sweetness, improves structural properties, inhibits sugar crystallisation, preserves the natural colour of fruit, adds delicate flavour, and enhances the aroma.

✓ **Hydrol**

Hydrol is a waste product. It is an intercrystalline juice remaining after the separation of glucose crystals from concentrated glucose syrup - massecuite. It is a dense, dark brown liquid with a characteristic aroma. Due to its high content of carbohydrates, hydrol is used in the spirits, feed-producing and chemical industries (e.g. for tanning).

In addition to the above products, in H1 2023 within the Group, sales revenue was also generated in the following groups:

- ✓ seed potatoes;
- ✓ plant protection products,
- ✓ sales of materials.

All assets and liabilities of Gospodarstwo Rolne Ponary Sp. z o.o. are allocated to the “agricultural crops combined with animal breeding and husbandry” segment. Due to the value of GR Ponary Sp. z o.o.’s land holdings, this segment has been identified in this report solely for the purpose of presenting its assets and liabilities. The third segment comprises the purchase and sale of property on own market conducted by Pepees Inwestycje Sp. z o.o.

3. Sales volume and structure

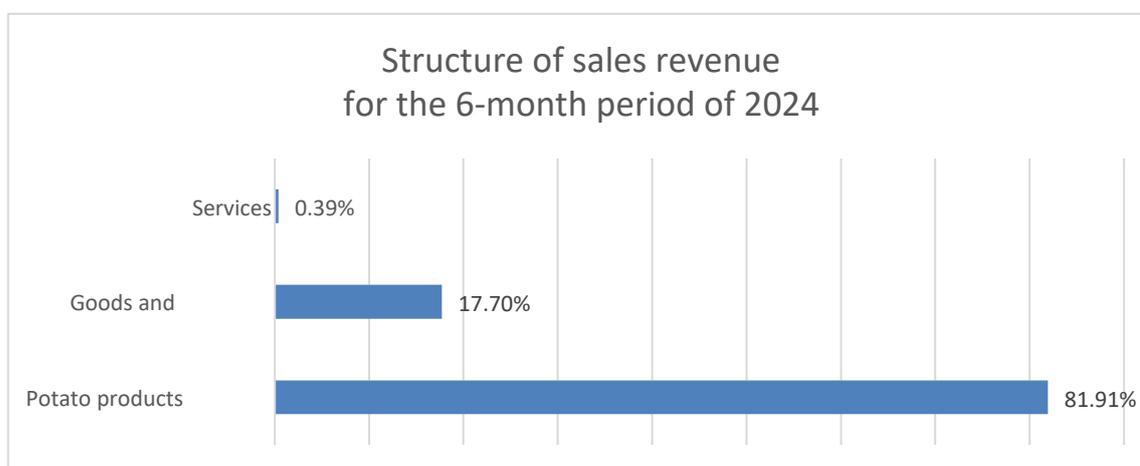
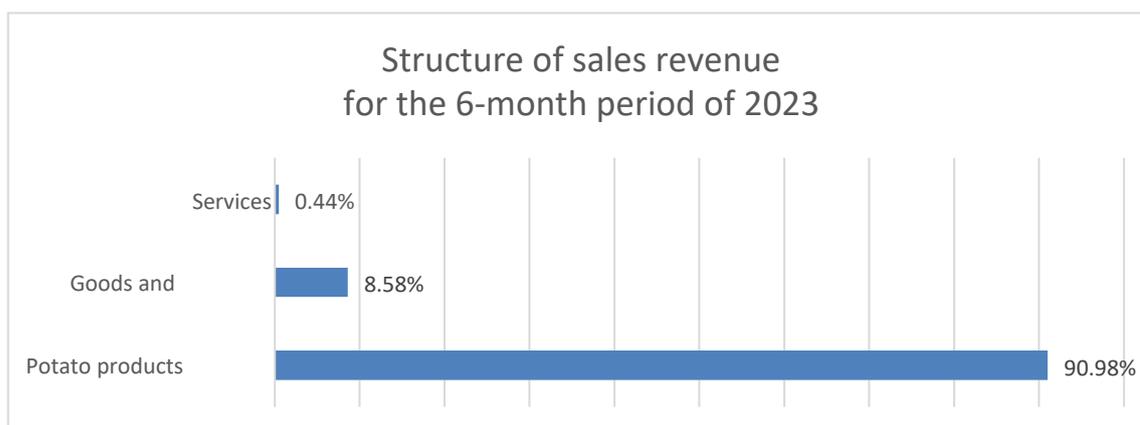
The Capital Group operates in a highly competitive market both domestically and internationally, surrounded by domestic entities as well as major multinational corporations. On the Polish market, both in terms of value and volume, it holds one of the leading positions.

A summary of the structure of sales revenue in the period from 1 January 2024 to 30 June 2024 compared with the same period in 2023 is shown in Table No. 1 and Charts No. 1 and 2.

Table No. 1: Structure of net sales revenue for the 6-month period of 2024 and 6-month period of 2023

(data in PLN thousand).

Product range	For the 6-month period ended 30 June 2024	2024 structure	For the 6-month period ended 30 June 2023	2023 structure	Dynamics
Potato products	93,220	81.91%	110,560	90.98%	84.32%
Other sales, including:	20,589	18.09%	10,963	9.02%	187.80%
a) services	443	0.39%	537	0.44%	82.50%
b) goods and materials	20,146	17.70%	10,426	8.58%	193.23%
Total net sales revenue	113,809	100.00%	121,523	100.00%	93.65%

Chart No. 1: Structure of sales revenue for the 6-month period of 2024**Chart No. 2: Structure of sales revenue for the 6-month period of 2023**

4. Information on domestic and foreign markets

The Group distributes both through a network of wholesalers and trading companies supplying the food industry, as well as supplies products directly to production plants mainly in the meat, food, confectionery, baking and pharmaceutical industries, for which starch products are a raw material used for further processing or a component in the production process. The packaging of products for retail sale allows cooperation with the largest retail chains as well as customers operating in the so-called traditional market. This way, the PEPEES Capital Group brand products reach customers who source starch products for their own needs.

PEPEES Capital Group distribution channel diagrams

The distribution channels are as follows:

Company \Longrightarrow customer (manufacturer - wholesale customer)

Company \Longrightarrow wholesaler \Longrightarrow customer (manufacturer - smaller volume customer)

Company \Longrightarrow wholesaler \Longrightarrow shop \Longrightarrow consumer

Company \Longrightarrow sales chain \Longrightarrow consumer

Transfers with 30, 45 and 60-day payment deadlines are the most common form of settlement. The deferred payment period depends on the length of cooperation with the customer in question, its financial capacity and the volume of goods purchased. The insurer's assessment of financial credibility and the financial limit granted is also the deciding factor. Prepayment is the form used in the case of a new customer. For export sales, a common form of payment is a letter of credit.

Sales revenue by market is presented in the table below.

Table No. 2: Sales revenue by market

Net sales revenue	For the 6-month period ended 30 June 2024	2024 structure	For the 6-month period ended 30 June 2023	2023 structure
Poland, including	77,892	68.44%	91,177	75.03%
- products	63,338	55.65%	81,937	67.43%
- goods and materials	14,111	12.40%	8,703	7.16%
- services	443	0.39%	537	0.44%
EU countries – intra-Community supplies, including:	11,720	10.30%	8,267	6.80%
- products	11,720	10.30%	8,267	6.80%
- goods and materials	0	0.00%	-	0.00%
Other countries – export, including:	24,197	21.26%	22,079	18.17%
- products	18,263	16.05%	20,357	16.75%
- goods and materials	5,934	5.21%	1,722	1.42%
Total	113,809	100.00%	121,523	100.00%

4.1. Domestic sales by industry and geographical structure

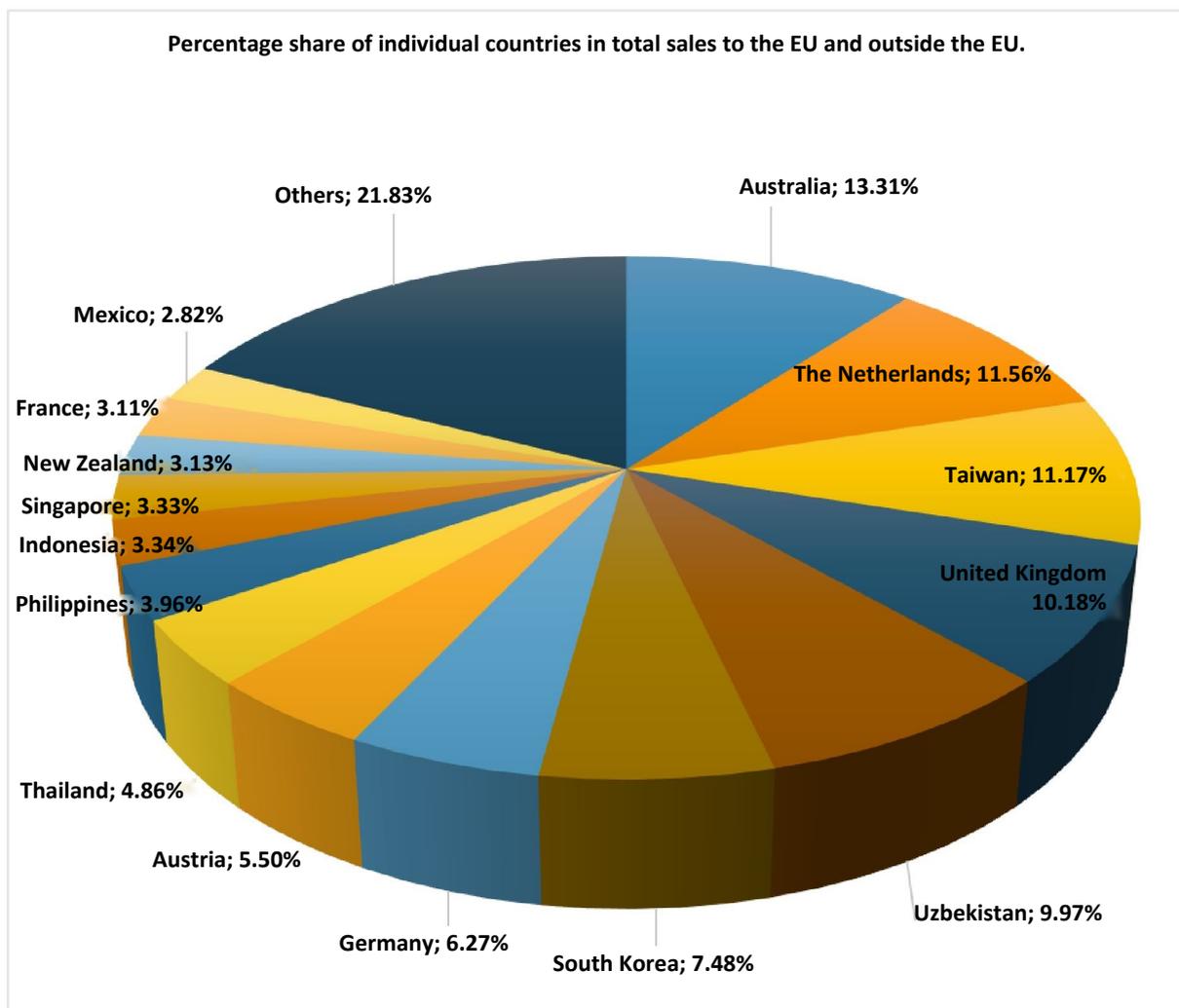
Sales of potato industry's products in H1 2024 were made throughout the country. The largest share by value of sales on the domestic market was that of sales of the core proposed product, i.e. potato starch (43.0%). The next products in terms of share by value are maltodextrin (13.5%), dried potatoes - grits and flakes (11.3%) and starch syrups (6.0%). The main customers for the Parent's products on the domestic market are mostly renowned domestic companies, often with equity links to large European and global companies.

The Group distributed both through a network of wholesalers and trading companies supplying the food industry, as well as supplied products directly to production plants mainly in the food, confectionery, meat and pharmaceutical industries, for which starch products are a raw material used for further processing or a component in the production process. No customer exceeded 10% of sales revenue of both the Group and the Parent.

4.2. Export and intra-Community sales

In H1 2024 export and intra-Community sales amounted to PLN 35,917 thousand, showing an increase of 18% compared to last year. In H1 2024 the Group exported its products, mainly potato starch, to approx. 40 countries. Most products were sold to Australia, the Netherlands, Taiwan and the United Kingdom.

Chart No. 3: Share of individual countries in total sales to the EU and outside the EU



5. Information on sources of supply of production materials, goods and services

In the PEPEES Group, the main raw materials for production are potatoes for industrial use and table potatoes which are purchased in the autumn on the basis of procurement contracts concluded in the spring. Since the early 1990s, there has been a downward trend in potato production in Poland. At the end of the 1990s, their share in the crop structure exceeded 10%; today it is less than 3%. Less than 200,000 hectares were cultivated for potato in Poland in 2023, with starch potatoes accounting for only 5% of the total potato cultivating area. Rising cultivation costs are also affecting the potato crops which are already among the most cost-intensive ones. Costs are generated by certified seed potatoes, fertilisers and harvesting and storage. The COVID-19 pandemic has also greatly slowed down the potato market.

The annual potato harvest declined by 9% in 2023, to 5.5 million tonnes, even though the 2022 harvest was already 25% lower than the average of the last five years. A similar phenomenon of declining crop yields is observed worldwide. Unfortunately, according to long-term forecasts, global potato crop yields will continue to decline at a rate of approx. 2% per year until 2050, with climate change being the primary cause.

Over the past 2-3 years, the price of potatoes has almost tripled on the wholesale market and there is no prospect of it decreasing. This was due to the high cost of investment in irrigation and storage and the increased cost of growing potatoes. At the end of 2023, it was estimated at more than PLN 20,000/ha due to the high prices of fertilisers, energy, plant protection products and seed.

It should be noted that the influx of many agricultural crops from Ukraine to Poland has disrupted market stability in agriculture as a whole. In response to this situation, many crops have dramatically changed their profitability. Cereals, maize and rapeseed were particularly adversely affected. In the context of high prices for inputs, their profitability has been strongly questioned.

The natural consequence of this was that farmers sought crop species that would generate better income. Hence their frequent decisions to change the crop structure on the farm. The 2024 spring season showed that root crops in particular benefited from the turmoil in the staple crop market. However, it is important to remember that these are often one-season or at most two-season responses, as the market abhors a vacuum or lack of proportion. Many farmers have taken an interest in growing edible and starch potatoes this year. This means that the area under potato cultivation is likely to increase compared to the previous year. Cultivation of this species is encouraged above all by rising prices which have been very attractive to farmers for several months.

The increased interest in potato cultivation is evidenced by the fact that, almost from the beginning of 2024, the market faced great difficulties in obtaining certified seed potatoes, and this applied to virtually all varieties.

In addition to potatoes, which are the main raw material, the PEPEES Capital Group also buys the following raw materials and materials for production: paper packaging, enzymes, starch, glucose syrup, industrial gases, electrical materials, fine coals, metal parts, bags, sulphur dioxide, shrink film, hydrochloric acid, labels, cardboard boxes, diatomaceous earth, adhesives, varnishes, thinners, enamels, steel strip, pesticides, etc.

The sources of supply for the basic raw material, potatoes for industrial use, are individual farmers who are not affiliated to any organisations of importance to the Group's operations.

The main sources of supply of materials, goods and services in H1 2024 were Polish companies or branches of foreign companies. Dependence on a single supplier occurred in the case of enzymes and filtration materials due to the fact that these are the only representatives of foreign companies in Poland producing the raw materials which the Group needs.

There is no customer with a share of 10% or more in the Group's revenue. In contrast, there are customers in the individual products' group that account for more than 10% of sales of a given product. This means that:

- more than 29% of maltodextrin was sold to two domestic business partners (15% and 14.5% respectively);
- almost 26% of glucose was sold to two domestic business partners (14.3% and 11.5% respectively);
- almost 33% of protein was sold to two domestic business partners (16.7% and 16.1% respectively).

6. Information on agreements significant for the Group's business activities

6.1. Business agreements concluded in H1 2024

In the first half of 2024, the PEPEES Capital Group did not conclude business agreements of significant value or significant cooperation/collaboration agreements.

Notwithstanding the above, the Issuer points to the following agreements and contracts concluded in H1 2024:

- an agreement to purchase seed potatoes worth more than PLN 8.3 million;
- an agreement for the purchase of potato plant protection products worth more than PLN 6.8 million;
- trade agreements;
- contracts for construction works, related to the start-up of the line for the production of modified products of starch;
- agreement to ensure recycling of packaging waste;
- contracts for the purchase and modernisation of production machinery and equipment, as well as repair works.

6.2. Credit contracts concluded in H1 2024

On 13 May 2024, PEPEES entered into an agreement for contract with BNP Paribas Bank Polska S.A. for an investment credit to finance and refinance the project for a line for the production of modified products of starch, under which the credit disbursement period was extended to 31 December 2024 (originally to 30 June 2024). The Company further undertook to complete the project being the subject of the credit by 31 December 2024.

6.3. Loan agreements concluded in H1 2024

In H1 2024 the Issuer granted the following loans:

- loan agreement of 28 February 2024 in the amount of PLN 1,550 thousand granted to the related company, PPZ Bronisław S.A., for current operations (repayment deadline: 31/12/2024);
- loan agreement of 28 March 2024 in the amount of PLN 750 thousand granted to the related company, PPZ Bronisław S.A., for current operations (repayment deadline: 31/12/2024);
- loan agreement of 29 April 2024 in the amount of PLN 700 thousand granted to the related company, PPZ Bronisław S.A., for current operations (repayment deadline: 31/12/2024);
- loan agreement of 29 May 2024 in the amount of PLN 600 thousand granted to the related company, PPZ Bronisław S.A., for current operations (repayment deadline: 31/12/2024).

In H1 2024 the following loans were granted to the Issuer:

- loan agreement of 19 March 2024 in the amount of PLN 793 thousand granted by BNP Paribas Lease Group Sp. z o.o. for the purchase of a Deutz Fahr 8280 AGROTRON TTV agricultural tractor (repayment deadline: 13/03/2027).

6.4. Factoring agreements concluded in H1 2024

In the first half of 2024 the Issuer entered into the following factoring agreements:

- a reverse factoring agreement of 15 April 2024 with Santander Factoring Sp. z o.o. for the financing of supplies (the granted financing limit is PLN 4,500 thousand and is valid until 31/07/2024);
- a reverse factoring agreement of 23 April 2024 with PKO Faktoring S.A. for the financing of supplies (the granted financing limit is PLN 4,250 thousand and is valid until 21/10/2024)

6.5. Lease contracts concluded in H1 2024

In H1 2024 the Issuer did not enter into any new lease contracts.

6.6. Insurance contracts concluded in H1 2024

The companies have entered into the following insurance contracts:

- insurance of property against fire and other elements;
- insurance for loss of profit;
- insurance of property against burglary and robbery;
- electronic equipment insurance;
- third-party liability insurance, including:
 - tort third party liability
 - contract third party liability
 - product third party liability
 - management board members' third party liability,
- insurance for domestic and foreign market trade receivables,
- motor vehicle insurance (third party liability, motor hull insurance).

6.7. Agreements between Shareholders concluded in H1 2024

As at the date of this report, the Company is not aware of any agreements between its Shareholders.

7. Information on the Issuer's organisational or equity links with other entities and identification of its main domestic and foreign investments

As at 30 June 2024, PEPEES S.A.'s main investments are shares and bonds in consolidated subsidiaries and 4,000 shares in Warszawski Rolno-Spożywczy Rynek Hurtowy S.A. (WRSRH) the estimated value of which, according to a measurement made using the discounted future cash flow method by an independent actuary, is PLN 9,318 thousand as at 31/12/2023.

WRSRH shares represent 3.33% of WRSRH's capital and 1.6% of the voting rights at the GMS. The State Treasury is the main owner of WRSRH, holding more than 71.83% of the capital. PEPEES does not exercise control over WRSRH.

The Group also holds shares in SBR, Spółdzielczy Bank Rozwoju [Cooperative Development Bank], with its registered office in Szepietowo, with a total value of PLN 270,000, as well as shares in 3 other domestic entities (ZM Ostrołęka, the Development Agency and BPS) which provide less than 5% of the total number of votes at the general meeting and are not significant in terms of the Group's value and investment policy. Consequently, these shares have been reported at the transaction price.

Key financial data of subsidiaries

Name (business name) of subsidiary	Equity as at 30/06	Assets as at 30/06	Liabilities as at 30/06	H1 sales revenue	H1 profit/(loss)
2023					
ZPZ LUBLIN Sp. z o.o.	5,256	14,329	9,073	12,668	1,286
PPZ BRONISŁAW	17,383	62,541	45,158	29,482	897
Pepees Inwestycje Sp. z o.o.	55	56	1	-	(3)
Gospodarstwo Rolne PONARY Sp. z o.o.	15,527	21,451	5,924	-	47
2024					
ZPZ LUBLIN Sp. z o.o.	5,244	13,581	8,337	11,442	33
PPZ BRONISŁAW	9,546	59,289	49,743	30,733	(3,478)
Pepees Inwestycje Sp. z o.o.	42	42	-	-	(3)
Gospodarstwo Rolne PONARY Sp. z o.o.	16,353	21,477	5,124	-	59

The results of ZPZ Lublin Sp. z o.o. and PPZ Bronislaw S.A. deteriorated compared to the previous year as a result of a significant drop in the prices of starch products, accompanied by a simultaneous increase in production costs.

Pepees Inwestycje Sp. z o.o. did not generate any sales revenue.

Ponary Sp. z o.o. did not generate any sales revenue. The net profit achieved in H1 is due to the financial revenue received each month - fees for granting credit surety to the Parent.

Methods of financing subsidiaries in H1 2024

ZPZ LUBLIN Sp. z o.o.	self-financing and credit financing (bank credits)
PPZ BRONISŁAW S.A.	self-financing and credit financing (bank credits and loans from PEPEES)
Pepees Inwestycje Sp. z o.o.	self-financing
Gospodarstwo Rolne PONARY Sp. z o.o.	self-financing and credit financing (loan granted by PEPEES)

8. Description of transactions between related parties

In the period under review, the Parent, "PEPEES" S.A., entered into transactions with related parties that were of a typical nature, resulting from the day-to-day operating activities conducted by "PEPEES" S.A. and its subsidiaries. The transactions were concluded at arm's length. In addition, some of the concluded transactions result from existing agreements with financial institutions, one of hedging of which are mutual guarantees of the PEPEES Capital Group entities that are parties to the respective contracts.

Undertaking cooperation by the Capital Group companies is intended to increase the level of utilisation of the resources available to the entities involved in the transaction and to reduce the risks accompanying

their activities.

The allocation of risk and the division of the company's functions allow it to reduce operating costs and make efficient use of financial resources. Granting surety for a liability, as well as securing its repayment among related parties, allows for faster contract execution which may contribute to more efficient management of the entities within the PEPEES Capital Group.

Pursuant to the provisions of Chapter 4b of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, the Supervisory Board of Pepees periodically evaluates transactions with related parties.

9. Information on credits and loans taken out

As at 30 June 2024, the PEPEES Capital Group had credit liabilities as shown in the table below:

Table No. 3: Credit liabilities as at 30/06/2024

#	Credit/loan type	Credit borrower/Loan borrower	Bank granting the credit/loan	Amount of credit/loan acc. to the contract	Outstanding credit/loan amount	Currency	Repayment date
1	Overdraft facility	"Pepees" S.A.	Santander Bank Polska S.A.	4,000	1,564	PLN	31/08/2025
2	Working capital facility	"Pepees" S.A.	Santander Bank Polska S.A.	36,500	13,688	PLN	31/08/2025
3	Overdraft facility	"Pepees" S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	1,848	PLN	31/08/2025
4	Working capital facility	"Pepees" S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	36,500	13,688	PLN	31/08/2025
5	Investment credit to finance and refinance the acquisition of 100% of the shares in Gospodarstwo Rolne Ponary Sp. z o.o.	"Pepees" S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	1,630	PLN	30/06/2025
6	Loan for the purchase of a property, plant and equipment asset - Deutz Fahr agricultural tractor	"Pepees" S.A.	BNP Paribas Lease Group	937	183	PLN	13/08/2024
7	Loan for the purchase of a Fendt 942 Vario Gen7 ProfiPlus agricultural tractor	"Pepees" S.A.	AGCO Finanse Sp. z o.o.	1,260	1,033	PLN	20/10/2025
8	Loan for the purchase of a Deutz Fahr 9340 AGROTRON TTV agricultural tractor	"Pepees" S.A.	BNP Paribas Lease Group	924	616	PLN	13/12/2026
9	Loan for the purchase of a Deutz Fahr 8280 AGROTRON TTV agricultural tractor	"Pepees" S.A.	BNP Paribas Lease Group	793	563	PLN	13/03/2027
10	Investment credit to finance and refinance investment for production line for modified products of starch	"Pepees" S.A.	BNP Paribas Bank Polska S.A.	3,500	3,082	EUR	30/09/2030

No.	Credit/loan type	Credit borrower/Loan borrower	Bank granting the credit/loan	Amount of credit/loan acc. to the contract	Outstanding credit/loan amount	Currency	Repayment date
11	Overdraft facility	“Pepees” S.A.	BNP Paribas Bank Polska SA	1,000	-	EUR	04/12/2024
12	Working capital facility	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	6,500	2,438	PLN	31/08/2025
13	Working capital facility	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	6,500	2,451	PLN	31/08/2025
14	Overdraft facility	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	2,000	232	PLN	31/08/2025
15	Overdraft facility	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	2,000	100	PLN	31/08/2025
16	Overdraft facility	PPZ Bronisław S.A.	Santander Bank Polska S.A.	700	550	PLN	31/08/2025
17	Working capital facility	PPZ Bronisław S.A.	Santander Bank Polska S.A.	17,800	6,675	PLN	31/08/2025
18	Overdraft facility	PPZ Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	700	654	PLN	31/08/2025
19	Working capital facility	PPZ Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	17,800	6,675	PLN	31/08/2025
20	Investment credit for the modernisation of a starch dryer and the construction of a protein recovery facility	PPZ Bronisław S.A.	Bank Ochrony Środowiska S.A.	8,456	3,367	PLN	31/12/2027
Credits granted in PLN				157,900	57,955	PLN	
Credits granted in EUR				4,500	3,082	EUR	
Total value after translation into PLN				177,309	71,249	PLN	

The interest rate on short-term credits is based on WIBOR for 1M deposits plus bank margins, and on long-term loans on WIBOR for three-month deposits plus bank margins. All credits are in PLN. None of the Group’s loans were terminated during H1 2024, nor did the Group companies terminate their loan contracts during this period.

10. Information on loans, guarantees and sureties granted

Loans

As at 30 June 2024, the Group had the following loans granted by the Parent to its subsidiaries:

- Loan of 10 January 2018 granted to the subsidiary GR Ponary Sp. z o.o. in the amount of PLN 550 thousand. Outstanding amount: PLN 220 thousand. Repayment deadline: 31/12/2024
- Loan of 26 February 2021 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 1,100 thousand. Outstanding amount: PLN 1,100 thousand. Repayment deadline: 31/12/2024
- Loan of 31 May 2021 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 900 thousand. Outstanding amount: PLN 900 thousand. Repayment deadline: 31/12/2024
- Loan of 30 June 2021 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 1,300 thousand. Outstanding amount: PLN 1,300 thousand. Repayment deadline: 31/12/2024

- Loan of 30/05/2022 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 1,400 thousand. Outstanding amount: PLN 1,400 thousand. Repayment deadline: 31/12/2024
- Loan of 29 June 2023 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 2,500 thousand. Outstanding amount: PLN 2,500 thousand. Repayment deadline: 31/12/2024
- Loan of 28 February 2024 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 1,550 thousand. Outstanding amount: PLN 1,550 thousand. Repayment deadline: 31/12/2024
- Loan of 28 March 2024 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 750 thousand. Outstanding amount: PLN 750 thousand. Repayment deadline: 31/12/2024
- Loan of 29 April 2024 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 700 thousand. Outstanding amount: PLN 700 thousand. Repayment deadline: 31/12/2024
- Loan of 29 May 2024 granted to the subsidiary PPZ Bronisław S.A. in the amount of PLN 600 thousand. Outstanding amount: PLN 600 thousand. Repayment deadline: 31/12/2024

As at the balance sheet date, the Parent's outstanding interest on granted loans amounts to, in the case of PPZ BRONISŁAW S.A., PLN 61,2 thousand, while in the case of GR Ponary Sp. z o.o. PLN 4,0 thousand.

Additionally, as at 30 June 2024, there were following loans granted by the Issuer to other entities:

- Loan of 5 April 2023 granted to Dariusz Dorozko Usługi Rolnicze, a service business supporting agricultural production, in the amount of PLN 500 thousand. Outstanding amount: PLN 504 thousand (including interest). Repayment deadline: 30/11/2026
- Loan of 1 August 2023 granted to KERA Arkadiusz Majchrzak, a service business supporting agricultural production, in the amount of PLN 1,160 thousand. Outstanding amount: PLN 938 thousand (including interest). Repayment deadline: 31/12/2024

Sureties

Sureties granted to subsidiaries by the Parent, "PEPEES" S.A., as at 30/06/2024

Agreement of 30 July 2018 concerning the terms and conditions of granting credit repayment security concluded between "PEPEES" S.A. in Łomża and PPZ Bronisław S.A. Pursuant to the agreement, "PEPEES" S.A. provides security for the repayment of the Investment Credit from Foreign Credit Lines taken out by PPZ Bronisław S.A. The value of the investment credit taken out by PPZ Bronisław S.A. amounts to PLN 8,456 thousand. The security provided by "PEPEES" S.A. is in the form of a notary statement of submission to enforcement up to the amount of PLN 12,684 thousand. PEPEES charged a monthly fee of 1% on the granted surety from January to May 2024, while from 1 June 2024 onwards the fee is 2% of the value of hedging per annum.

In the reporting period, PEPEES did not grant any sureties or guarantees.

Sureties granted to the Parent, "PEPEES" S.A., as at 30/06/2024:

Agreement of 12/12/2017 concerning the establishment of a mortgage on the real estate of GR Ponary Sp. z o.o. in the amount of PLN 15,795 thousand for "PEPEES" S.A. as security for the repayment of a credit granted to "PEPEES" S.A. by PKO BP in the amount of PLN 10,530 thousand for the period from 12/12/2017 to 30/06/2025.

A fixed remuneration of PLN 13,162.50 has been agreed for the sureties granted and received, calculated on a monthly basis in accordance with the concluded agreements, specifying the terms of sureties.

In the reporting period and until the date of this report, the PEPEES Capital Group companies did not grant any loans, sureties or guarantees other than those indicated above.

11. Off-balance-sheet items in the PEPEES Capital Group

The change in off-balance sheet items of the PEPEES Capital Group is shown in the table below:

Table No. 4: Change in off-balance sheet items

CHANGE IN CONTINGENT ASSETS (ON ACCOUNT OF)	For the 6-month period ended 30 June 2024	For the 12-month period ended 31 December 2023	For the 6-month period ended 30 June 2023
a) opening balance, including	15,795	15,795	15,795
- surety for investment credit by GR PONARY	15,795	15,795	15,795
b) increase (under)	-		
- surety for investment credit by GR PONARY	-		
c) utilisation (under)	-	-	-
d) closing balance, including	15,795	15,795	15,795
- surety for investment credit by GR PONARY	15,795	15,795	15,795

CHANGE IN CONTINGENT LIABILITIES (ON ACCOUNT OF)	For the 6-month period ended 30 June 2024	For the 12-month period ended 31 December 2023	For the 6-month period ended 30 June 2023
a) opening balance, including	14,720	14,451	14,451
- liabilities under non-competition agreements	2,036	1,767	1,767
- surety for credits to related companies	12,684	12,684	12,684
b) increase (under)	-	269	4
- liabilities under non-competition agreements	-	269	4
c) release (under)	-	-	-
d) closing balance, including	14,720	14,720	14,455
- liabilities under non-competition agreements	2,036	2,036	1,771
- surety for credits to related companies	12,684	12,684	12,684

12. Description of the utilisation of proceeds from the issue of shares or purchase of treasury shares

In 2024, the Company and the Group did not issue securities or purchase treasury shares.

The treasury shares purchased by the Issuer in previous reporting periods represent 1.05% in the Company's share capital and provide 1.05% of the total number of votes attributable to all shares in the Company. The total number of treasury shares held by the Company is 1,186,487 shares, representing 1.25% of the Company's share capital. These shares provide a total of 1.25% of the total number of votes attributable to all shares in the Issuer (as at the date of publication of the report).

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

Treasury shares	As at 30 June 2024	As at 31 December 2023	As at 30 June 2023
Treasury shares at purchase price	1,970	1,970	1,970
Revaluation write-downs on treasury shares	(748)	(546)	(321)
Treasury shares at fair value	1,222	1,424	1,649

13. Explanation of differences between the financial results disclosed in the report and the previously published profit forecasts for the given year

The Parent and the PEPEES Capital Group did not publish financial forecasts for 2024.

14. Assessment of financial resources management

In the first half of 2024, the Issuer entered into two reverse factoring agreements to secure its own liabilities to suppliers:

- a reverse factoring agreement of 15 April 2024 with Santander Factoring Sp. z o.o. for the financing of supplies (the granted financing limit is PLN 4,500 thousand and is valid until 31/07/2024);
- a reverse factoring agreement of 23 April 2024 with PKO Faktoring S.A. for the financing of supplies (the granted financing limit is PLN 4,250 thousand and is valid until 21/10/2024).

Signing the reverse factoring agreements has allowed the Company to optimise management of its finances. With a sure source of funding for payments to suppliers, the Issuer was able to plan its expenditure better and manage its liquidity more flexibly. It also provided an opportunity to finance purchases under newly signed seed potato supply contracts.

Thus, in H1 2024, both the Parent and the Group had the capacity to settle their liabilities with suppliers and financial institutions. There were no risks in terms of repayment of liabilities.

The Group's liquidity should not be at risk in the next reporting period either. Any generated surplus cash is transferred to short-term deposits.

15. Information on financial risk instruments and financial risk management objectives and methods

Information on financial instruments used and financial risks converge for the Capital Group and the Parent which coordinates the management of the aforementioned risks at Group level.

The main financial instruments used by the Group were bank credits, reverse factoring agreements, lease contracts, short-term deposits and cash.

The Group did not enter into derivative transactions during the reporting period. It also did not apply hedge accounting.

Other instruments arising directly in the course of business were trade receivables and trade liabilities.

The main financial risks in H1 2024 were the risk of changes in credit interest rates, the risk of market prices drop for products manufactured by the Group and currency risk. The enterprise's primary objective in managing the above risks is to eliminate or reduce them.

The Group's business risk is closely linked to changes in the price of products on the domestic market and currency exchange rates, the fluctuations of which affect export sales revenue. In parallel, the purchase prices of imported production materials depend on the currency risk level.

The financing of operating and investing activities with bank credits, reverse factoring and leasing leaves the Group exposed to interest rate risk.

The liquidity risk present in the Group is assessed as not high. This is due to the smooth functioning of the trade credit management policy. Business partner assessment and receivables insurance is carried out by KUKI.

Management boards of companies review and agree policies for managing each risk type. They monitor market price risk on all financial instruments held.

16. Information on completed investments and investment plans

In the first half of 2024, the PEPEES Capital Group carried out several investment projects and renovation and construction works.

Major investment projects:

- continued construction of a line of modified products of starch;
- creation of a new laboratory for modified products of starch;
- purchase of an external goods lift to serve the storage area for modified products of starch;
- purchase of a Deutz Fahr 8280 agricultural tractor for the farm;
- purchase and installation of replacement weighing electronics for the packaging machine;
- modernisation of the control system for the packaging machine;
- replacement of the anhydrous glucose hopper;
- purchase and installation of an anhydrous glucose sifter.

In the first half of 2024, renovation and construction work was carried out in the premises of production departments, auxiliary departments and warehouses to improve their technical condition, adapt them to the OHS and fire safety requirements, as well as the Integrated Management Systems in operation at the Company. The scope of works carried out mainly included repairs to walls, floors, ceilings, replacement of door and window frames, as well as electrical and sanitary works.

In the next six months of 2024, the Group will continue with the investments and renovation and construction works.

17. Information on environmental issues

In carrying out its production activities, the Issuer complies with all environmental protection requirements, which are governed by formal legal acts such as permits required under Water Law Act, decisions, integrated permits or agreements concluded with external organisations with regard to pollution emissions, water abstraction, wastewater introduction and waste generation. Production is in the form of processing organic, plant-based products, thereby excluding the generation of significant quantities of hazardous substances. There is constant monitoring of environmental impacts through a system of periodic measurements, recording volumes and characteristic parameters of air pollutant emissions, quantities of waste, and quantities and quality of water intake and discharged wastewater. The current form of monitoring, dictated by the administrative permits held by the Company, must be considered sufficient to assess the operation of the plant. However, a company as large as “PEPEES” is exposed to various risks and hazards which are mainly related to equipment failures in the plant.

Waste management is carried out under conditions that prevent environmental pollution and ensure human health and safety. The Issuer keeps quantitative and qualitative records of waste rotation in accordance with the classification adopted and the specimen documents defined by the relevant regulations.

In place within the Company is an Integrated Management System which includes quality management, environmental protection, activities to ensure the health and safety of production employees and a quality management system for laboratories.

Industrial production, apart from its undoubtedly positive economic and business role for the region's communities, also has a negative impact on the environment. The most common pollutants which are a by-product of industrial activities include dust and gas emissions. The Company operates a heating and production facility that emits pollutants into the atmosphere. However permissible standards contained in the integrated permits were not exceeded during the Issuer's operations.

Environmental risks and hazards associated with the operations:

- water pollution;
- air pollution;
- waste pollution.

To reduce the risk of environmental pollution, it is necessary to ensure that discharges to the meadow sites of Mątwnica-Kupiski and Kupiski-Jednaczewo take place without problems. The Issuer carries out maintenance work performed regularly before and after irrigation periods. In the event of a breakdown, repair work is carried out, combined where possible with modernisation - for example, replacing worn-out components and equipment with newer ones. These measures are aimed at improving the technical condition and eliminating the risk of wastewater leakage into, among others, the areas through which the pipeline route runs.

Legislation relating to the environment and the use of natural resources is constantly changing, and the trend in recent years has been to tighten the standards in force. As a result, the Group may not be able to comply with and act in accordance with future changes in legislation, or such legislative changes may adversely affect the Group's business. In addition, changes in environmental law may lead to the need to adapt the operations of Group companies to new requirements (e.g. introduce changes in the technologies used by the Group to reduce air emissions, or changes in the manner the Group manages waste, conducts water and waste water management), including obtaining new permits, or changing the terms of existing permits held by Group companies. Such an obligation may require the Group to incur certain additional investment expenditures and thus may affect its financial position by increasing its operating costs. The Group seeks to mitigate risks by continuously monitoring environmental legislation and making the necessary investments to meet all environmental requirements. Conscious and responsible action based on the highest environmental standards and consistency in fulfilling environmental tasks are among the Group's priorities. These measures have great potential for risk and cost reduction in the adaptation of the Group's environmental activities to new conditions.

It should be emphasised that due to the increasing environmental protection requirements, the PEPEES Capital Group envisages taking the necessary measures in the field of water and waste water management for better environmental protection. In addition, the Issuer will soon start calculating its carbon footprint, so that the biggest sources of pollution can be found and eliminated in a more accurate manner.

18. Information on employment within the Group

Table No. 5: Employment in the PEPEES Capital Group

Item	Average headcount in H1 2024	As at 30/06/2024		Average headcount in the previous financial year 2023
		Women	Men	
White-collar workers	141	73	70	141
Blue-collar workers	225	23	195	228
Persons on unpaid leave	0	0	1	3
Total	366	96	266	372

19. Major achievements in research and development

The Group did not carry out any major research and development activities in H1 2024.

20. Unusual events with a significant impact on the Group's business performance in H1 2024

In H1 2024 there were no unusual events with significant impact on the financial results of PEPEES Group.

21. Corrections of prior periods' errors and changes in accounting policies

The Group did not voluntarily change accounting policies or correct previous years' errors. The Company's financial statements (separate and consolidated respectively) are prepared in accordance with IAS/IFRS provisions.

22. Information on changes in the Issuer's shares or the rights thereto held by members of the Issuer's management and supervisory staff

Mr. Wojciech Faszczewski, acting as President of the Company's Management Board, holds 701,000 shares in the Parent. The person referred to above is not entitled to shares in the Company.

Mr. Tomasz Krzysztof Rogala, acting as a Member of the Management Board, and the supervising persons do not hold any shares in the Parent or rights thereto.

In the period between the publication of the previous interim report, i.e. 24 May 2024, and the publication of this interim report, the management and supervisory staff did not carry out transactions involving the Company's shares or rights thereto.

None of the management and supervisory staff hold shares in a subsidiary of the Capital Group.

23. Parent listings in H1 2024

The Company's shares have been listed on the Warsaw Stock Exchange since 22 May 1997.

The share price on 2 January 2024 (the opening price on the first day of 2024) was PLN 1.21 and PLN 1.03 on 28 June 2024. The highest exchange rate in the reporting period was PLN 1.25 and the lowest was PLN 1.02. The development of the PEPEES share price in H1 2024 is shown in the chart below:

Chart No. 4: Development of PEPEES share price in H1 2024



24. Information on agreements known to the Issuer which may result in future changes in proportions of shares held by the existing shareholders

The Issuer is not aware of any agreements which may result in future changes in proportions of shares held by the existing shareholders.

25. Information on holders of any securities conferring special control rights in relation to the Issuer, together with a description of such rights

The Issuer's shareholders do not hold securities conferring special control rights in relation to the Issuer.

26. Information on the system of control over employee share ownership plans

The Group does not have a system of control over employee share ownership plans.

27. Information on any restrictions on the transfer of ownership right to the Issuer's securities and any restrictions on the exercise of voting rights attached to the Issuer's shares

As a result of failing to comply with notification obligations on the acquisition of significant blocks of shares under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which holds, according to the information held by the Company, 27,759,032 shares in the Company, has lost and cannot exercise voting rights under 21,402,233 shares. The Company's Management Board has therefore brought an action for determination before the District Court in Białystok. Epsilon FIZ AN takes the opposite position, maintaining that it is entitled to voting rights under 27,714,832 shares representing 29.17% of the total number of votes at the GMS. The Chairman of the Financial Supervision Authority joined the case and presented their position on 24 July 2019. The Management Board is awaiting the final decision of the court. The Company reported on the case in current reports No. 13/2019, 14 to 23/2019 and 30/2019.

On 21/04/2023 the District Court of Białystok ruled that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which is a shareholder of the Company, has lost the voting rights and cannot exercise them under 21,402,233 ordinary shares. This ruling was not final, as the Issuer informed in current report No. 7/2023. On 26 July 2024 the Court of Appeal in Białystok dismissed the appeal against the ruling of the District Court in Białystok, in which the District Court determined that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, with its registered office in Warsaw, being a shareholder of the Company, has lost and cannot exercise voting rights from 21,402,233 ordinary bearer shares of the Company. This decision is legally binding. The Company announced this in current report No. 11/2024.

28. Summary of activities during the reporting period

In H1 2024, the PEPEES Capital Group generated sales revenue of PLN 113,809 thousand which represents a 6.3% decrease compared to the corresponding period of last year (PLN 121,523 thousand). The decrease in sales revenue was a consequence of the significantly lower market prices for starch products manufactured by the Group.

The decrease in sales revenue was accompanied by a simultaneous 16.3% increase in own cost of sales which resulted in a lower gross profit on sales of PLN 16,041 thousand which represents a 57.2% drop compared to the corresponding period last year.

The Group incurred an operating loss of PLN 6,774 thousand, meaning a decrease of 149.7% compared to the previous year (profit of PLN 13,620 thousand).

H1 2024 sales and marketing costs increased by 5.1% in relation to the comparative period, while overhead costs increased by 2.3%.

The balance of other operating activities, defined as the balance of other operating revenue less other operating expenses, in the six-month period of 2024 closed at PLN 1,149 thousand with a result of minus PLN (538) thousand in the comparative period.

On the other hand, the result on financing activities, understood as the balance of financial revenue less financial expenses, amounted to minus PLN (4,004) thousand in the first half of 2024. For the first half of last year, the balance was minus PLN (3,804) thousand. It should be noted that the financing of operating and investing activities with WIBOR-based bank credits leaves the Group exposed to interest rate risk. In addition the Group has debt under lease based on variable interest rate.

As a consequence of the above, the Group incurred a gross loss after the first half of 2024 in the amount of PLN 10,778 thousand with gross profit of PLN 9,816 thousand in the comparative period, while net

loss between January and June 2024 amounted to PLN 11,035 thousand with net profit of PLN 6,624 thousand in the corresponding period of 2023.

In the opinion of the Issuer's Management Board, the loss incurred in the first half of 2024 was most influenced by the lower market price of the main product, i.e. potato starch, compared to 2023. The average sales price of starch was approx. PLN 900/t lower in H1 2024 than in the comparable period of the previous year.

It should also be noted that the decline in sales revenue in H1 2024 was accompanied by a concomitant increase in the cost of goods sold, influenced by continued inflation. These two factors were the most significant contributors to the loss incurred by the Group in the reporting period.

In the opinion of the Issuer's Management Board, the forecast for the second half of 2024 and beyond is more optimistic, as a gradual upward trend in the sales price can be observed in the starch market from July 2024 onwards (1.7% increase in July compared to June, 3.3% increase in August compared to July). The Issuer's Management Board anticipates that this favourable trend for the Group will continue, allowing higher sales revenue to be generated in the coming months. At the same time, the Group plans to source higher volumes of raw material for processing, which should translate into lower unit production costs. In addition, a new line for the production of modified products of starch is planned to be launched at the beginning of 2025, which will allow the Issuer to open up to new markets (both food and pharmaceutical). Product diversification will enable the Group to compete with foreign companies and attract new customers.

29. Brief description of significant achievements or failures of the PEPEES Capital Group in H1 2024, together with a list of the most important events concerning them

In H1 2024 there were no significant achievements or failures in the PEPEES Capital Group other than those presented in this report.

30. Other information which, in the opinion of the Capital Group, is material for the assessment of its personnel, economic, and financial position, financial result and their changes, and information material for the assessment of the Group's ability to meet its obligations

In H1 2024 there were no events other than those described below and in other sections of this report which could be material for the assessment of the personnel, economic, and financial position, financial result and their changes and which could be material for the assessment of the PEPEES Capital Group's ability to meet its obligations.

As part of its liquidity management, from April 2024, the Issuer started to use reverse factoring agreements for its liabilities, under which it factored invoices relating to purchases from selected suppliers.

PEPEES minimises the liquidity risk arising from the use of reverse factoring agreements by working with two factors:

- On 15 April 2024, the Company entered into a reverse factoring agreement with Santander Factoring Sp. z o.o. for financing deliveries. The allocated funding limit is PLN 4,500 thousand and is valid until 31 July 2024.
- On 23 April 2024, the Issuer entered into a reverse factoring agreement with PKO Faktoring S.A. for financing deliveries. The allocated funding limit is PLN 4,250 thousand and is valid until 21 October 2024.

As at 30 June 2024, the total factoring limit was PLN 8,750 thousand, including the unused limit of PLN

359 thousand. Liabilities factored at the end of the reporting period amounted to PLN 8,391 thousand.

31. Information on factors which, in the opinion of the Issuer and the Group, would affect their results in the perspective of at least the next six months

In the next six months, the following factors will have a significant impact on the result:

- the macroeconomic situation in Poland and on foreign markets;
- prevailing weather conditions;
- the quantity and value of bought potatoes – the basic raw material for production;
- the price of starch on the Polish and global markets, translating into the value of sales revenue and the level of realised margins;
- interest rates - the Group uses credits and leases, the interest rate of which is based on WIBOR;
- fluctuations in the prices of energy raw materials and energy, linked to the increased stringency of climate and environmental regulations;
- the financial market situation – in particular the possibility of obtaining credit;
- the economic situation – GDP level, demand for the Group's products and the situation on the labour market;
- hostilities in Ukraine and sanctions against Russia and Belarus and the economic impact of these actions;
- exchange rates – the Group is an exporter (mainly PLN/USD. PLN/EUR).

The Group's operations are mainly based on domestic raw material supplied by Polish farmers, therefore the war across the eastern border will not disrupt supplies. During the next six months of 2024, the PEPEES Capital Group will implement the concluded agreements and carry out the operational activities that form the basis of its operations, including production, trade, and service activities.

32. Information on the entity authorised to audit and review the Issuer's financial statements

PEPEES S.A. and its subsidiaries entered into agreements to review and audit the financial statements for the years 2023 to 2027 with WBS Audyt Sp. z o.o. with its registered office in Warsaw.

The subject of the agreements is the review of the separate and consolidated financial statements as at 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 and the audit of the separate and consolidated financial statements for the years 2023 to 2027. The total value of the remuneration under the concluded agreements due for 2024 is PLN 124,000 plus VAT.

In addition, an agreement dated 16/04/2024 was concluded with an entity authorised to audit reports during the reporting period, concerning the performance of an assurance service consisting in the preparation of an independent statutory auditor's report on the assessment of the report on the remuneration of the Management Board and Supervisory Board drawn up for 2023 by the PEPEES Supervisory Board. The remuneration for the said service was agreed at PLN 8,000 plus VAT.

33. Information on proceedings pending before a court, an authority competent to conduct arbitration proceedings or before a public administration body

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

On 21/04/2023 the District Court of Białystok ruled that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which is a shareholder of the Company, has lost the voting rights and cannot exercise them under 21,402,233 ordinary shares. This ruling was not final, as the Issuer informed in current report No. 7/2023. On 26 July 2024 the Court of Appeal in Białystok dismissed the appeal against the ruling of the District Court in Białystok, in which the District Court determined that EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, with its registered office in Warsaw, being a shareholder of the Company, has lost and cannot exercise voting rights from 21,402,233 ordinary bearer shares of the Company. This decision is legally binding. The Company announced this in current report No. 11/2024.

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

- to annul or declare invalid resolutions Nos. 24 to 29, adopted on 28/06/2019 by the Ordinary General Meeting of Shareholders, including resolution No. 28 on amending the Company's Articles of Association and authorising the Company's Management Board to increase the Company's share capital within the framework of authorised capital with the possibility for the Management Board to exclude the pre-emptive rights of the Company's existing shareholders in whole or in part with the consent of the Company's Supervisory Board. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;
- to annul or declare invalid two discharge resolutions adopted on 21/04/2020 by the General Meeting of Shareholders. The proceedings are pending before the court of first instance. The District Court suspended the proceedings pending the final conclusion of the proceedings in the PEPEES v EPSILON action for determination of loss of voting rights;

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

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

There are several cases pending in court for the recovery of trade receivables on which the Company has made 100% revaluation write-downs. The amounts are not significant in relation to the total receivables.

III. ECONOMIC AND FINANCIAL POSITION

1. Economic position of the Capital Group

The balance of assets as at 30 June 2024 compared to the balance as at 31 December 2023 is shown in the table below.

Table No. 6: Balance of assets as at 30/06/2024 and 31/12/2023

Asset name	As at		Changes in amounts + increases - decreases	Structure ratios in %	
	30/06/2024	31/12/2023		30/06/2024	31/12/2023
A. FIXED ASSETS	180,428	180,779	(351)	60.5	47.8
1. Tangible fixed assets	160,818	159,494	1,324	53.9	42.1
2. Intangible assets	135	165	(30)	0.0	0.0
3. Rights to assets	12,033	13,145	(1,112)	4.0	3.5
4. Investment property	548	553	(5)	0.2	0.1
5. Goodwill	1,320	1,320	-	0.4	0.3
6. Investments in other parties	713	713	-	0.2	0.2
7. Deferred income tax assets	4,861	5,389	(528)	1.6	1.4
B. CURRENT ASSETS	117,790	197,714	(79,924)	39.5	52.2
1. Inventories	51,487	109,850	(58,363)	17.3	29.0
2. Biological assets	3,788	34	3,754	1.3	0.0
3. Trade and other short-term receivables	48,180	32,707	15,473	16.2	8.6
4. Current income tax receivables	1,196	1	1,195	0.4	0.0
5. Other financial assets	10,430	10,390	40	3.5	2.7
6. Cash and cash equivalents	2,709	44,732	(42,023)	0.9	11.8
Total assets	298,218	378,493	(80,275)	100.0	100.00

The Group's assets, expressed in terms of total assets as at 30 June 2024 in the amount of PLN 298,218 thousand, decreased by PLN 80,275 thousand in relation to the end of 2023. The decrease was mainly in current assets (down by PLN 79,924 thousand), particularly on account of inventories, due to seasonal potato processing.

Cash also declined due to the repayment of short-term credits. Trade receivables, however, increased, due to the sale of seed potatoes and pesticides with payment deadlines until delivery of potatoes for processing.

2. Capital Group funding sources

A summary of the sources of funding for assets as at 30 June 2024 compared with the position as at 31 December 2023 is shown in the table below.

Table No. 7: Sources of asset financing as at 30/06/2024 and 31/12/2023

Specification of funding sources	As at		Changes in amounts + increases - decreases	Structure ratios in %	
	30/06/2024	31/12/2023		30/06/2024	31/12/2023
A. Equity	170,878	180,296	(9,418)	57.3	47.6
<i>Capital attributable to shareholders of the Company</i>	168,440	177,312	(8,872)	56.5	46.8
Share capital	5,700	5,700	-	1.9	1.5
Issue price surplus over nominal value of shares	7,562	7,562	-	2.5	2.0
Treasury shares	(1,222)	(1,424)	202	-0.4	-0.4
Revaluation reserve	30,998	30,985	13	10.4	8.2
Retained profit	125,402	134,489	(9,087)	42.1	35.5
<i>Non-controlling shares</i>	2,438	2,984	(546)	0.8	0.8
B. Liabilities	127,340	198,197	(70,857)	42.7	52.4
<i>Long-term liabilities</i>	39,385	39,996	(611)	13.2	10.6
Credits and loans	15,787	12,988	2,799	5.3	3.4
Liabilities for leased assets	12,912	14,677	(1,765)	4.3	3.9
Provision for deferred income tax	5,336	5,609	(273)	1.8	1.5
Retirement and similar benefit liabilities	3,541	3,574	(33)	1.2	0.9
Subsidies	1,809	3,148	(1,339)	0.6	0.8
Other long-term liabilities	-	-	-	0.0	0.0
<i>Short-term liabilities</i>	87,955	158,201	(70,246)	29.5	41.8
Trade and other short-term liabilities	28,560	24,474	4,086	9.6	6.5
Current income tax liabilities	1	3,499	(3,498)	0.0	0.9
Credits and loans	55,462	125,395	(69,933)	18.6	33.1
Liabilities for leased assets	3,473	4,350	(877)	1.2	1.1
Retirement and similar benefit liabilities	459	483	(24)	0.2	0.1
Total liabilities	298,218	378,493	(80,275)	100.0	100.0

In H1 2024, the Group's equity, constituting 57.3% of liabilities, accounted for the largest share of sources of asset financing.

On 6 June 2024, the Ordinary General Meeting of "PEPEES" S.A. adopted Resolution No. 7 on the allocation of the Issuer's net profit for the financial year 2023 in the amount of PLN 7,778 thousand to supplementary capital.

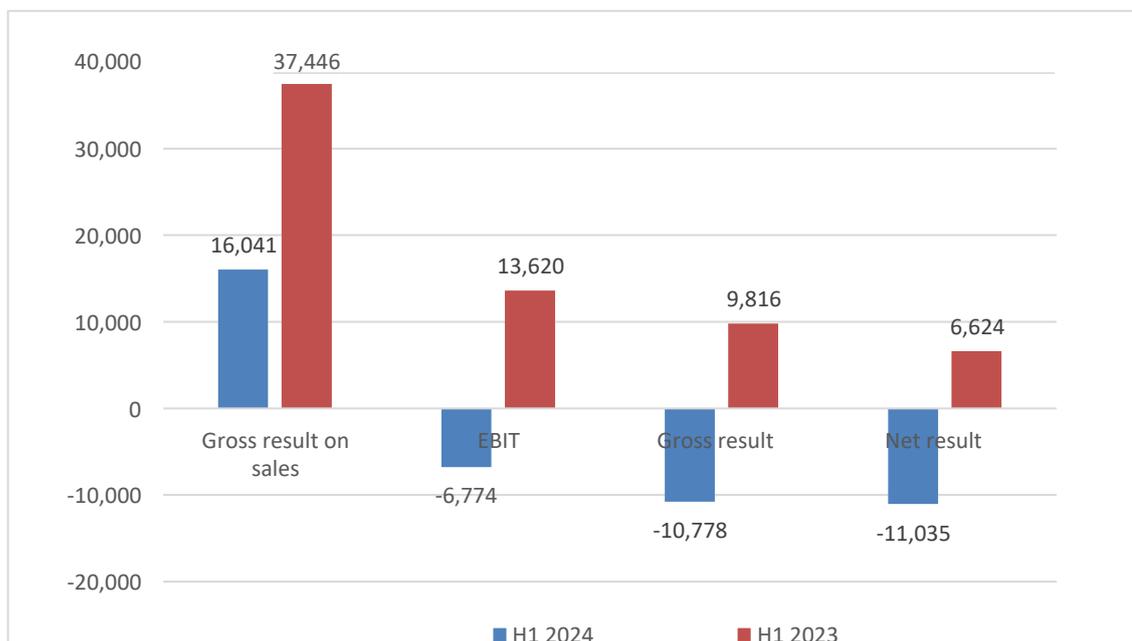
Current liabilities decreased by PLN 70,246 thousand which was mainly caused by repayment of short-term credits and loans.

3. Capital Group's financial results

The Capital Group's financial results from business activity for H1 2024 and 2023 are shown in the table and chart below.

Table No. 8: Statement of financial result for H1 2024 and 2023

No.	Item	Implementation for H1 2024	Implementation for H1 2023	Dynamics in %
1	Sales revenue	113,809	121,523	93.7%
2	Own cost of sales	(97,768)	(84,077)	116.3%
3	Gross profit on sales (I-II)	16,041	37,446	42.8%
4	Sales and marketing costs	(5,561)	(5,290)	105.1%
5	Overheads	(18,403)	(17,998)	102.3%
6	Other operating income	1,533	194	790.2%
7	Other operating costs	(384)	(732)	52.5%
8	Operating profit (loss)	(6,774)	13,620	-49.7%
9	Financial expenses	(4,700)	(4,965)	94.7%
10	Financial revenue	696	1,161	59.9%
12	Pre-tax profit (loss)	(10,778)	9,816	-109.8%
13	Income tax	(257)	(3,192)	8.1%
14	Net profit (loss) on continued operations	(11,035)	6,624	-166.6%
15	Net profit (loss) on discontinued operations	-	-	-
16	Net profit (loss), including:	(11,035)	6,624	-166.6%
17	- attributable to shareholders of the Parent	(10,489)	6,255	-167.7%
18	- attributable to non-controlling shares	(546)	369	-148.0%
19	Other comprehensive income	13	(46)	-28.3%
20	Total comprehensive income, including:	(11,022)	6,578	-167.6%
21	- attributable to shareholders of the Parent	(10,476)	6,209	-168.7%
22	- attributable to non-controlling shares	(546)	369	-148.0%
23	Net profit (loss) per ordinary share	-0.12	0.07	-167.6%
24	- from continuing operations	-0.12	0.07	-167.6%
25	- from discontinued operations	-	-	-
26	Diluted net profit (loss) per ordinary share	-0.12	0.07	-167.6%
27	- from continuing operations	-0.12	0.07	-167.6%
28	- from discontinued operations	-	-	-

Chart No. 5: Financial results of the PEPEES Capital Group

In the period under review, all results are noticeably worse compared to the same period of the previous year, which was mainly influenced by a reduction in sales prices for starch products while increasing the cost of goods sold.

4. Cash flows

In H1 2024, the PEPEES Capital Group experienced a negative net cash flow balance due to the high repayment of short-term credits. The balance from operating activities is positive at PLN 38,322 thousand. The balance from investing activities is negative due to expenditure on the construction of a line of modified products of starch and the purchase of machinery and equipment. The balance from financing activities was negative, amounting to PLN 75,349 thousand, resulting in particular from the repayment of credits and loans. The cash balance in the consolidated statement of cash flows as at 30 June 2024 was positive, amounting to PLN 2,709 thousand.

5. Economic indicators

The indicators presented below are Alternative Performance Measures (APMs) within the meaning of the ESMA Guidelines on Alternative Performance Measures. Alternative Performance Measures are not a measure of financial performance under International Financial Reporting Standards, nor should they be considered as measures of financial performance or cash flows. These indicators are not uniformly defined and may not be comparable to indicators presented by other companies, including companies operating in the same sector as the PEPEES Group. Alternative Performance Measures should only be analysed in addition to, and not as a substitute for, the financial information presented in the Group's consolidated financial statements. These figures should be considered in conjunction with the Group's consolidated financial statements. The PEPEES Group presents selected APM indicators as, in its opinion, they provide additional (in addition to the data presented in the financial statements) information on the Group's financial and operational position, as well as facilitate analysis and assessment of the Group's financial performance over different reporting periods. The Issuer presents these specific Alternative Performance Measures as they are applied cyclically and uniformly on the ground of successive reports. The selection of Alternative Performance Measures was preceded by an analysis of their usefulness in terms of providing investors with helpful information on the Group's financial position, cash flows and financial efficiency and, in the opinion of the Management Board, allows for an optimal assessment of financial results. The results presented below should not be attributed a higher level

of materiality than measurements derived directly from the Company's financial statements or the Group's consolidated financial statements.

Table No. 9: Economic indicators

Indicator	Economic content	H1 2024	H1 2023
Return on assets	$\frac{\text{Net profit (loss) attributable to shareholders of the Parent} \times 100}{\text{Total assets}}$	-3.52%	2.14%
Return on equity	$\frac{\text{Net profit (loss) attributable to shareholders of the Parent} \times 100}{\text{equity attributable to shareholders of the Parent}}$	-6.23%	3.49%
Net return on sales	$\frac{\text{Net profit (loss) attributable to shareholders of the Parent} \times 100}{\text{Total sales revenue}}$	-9.22%	5.15%
Gross return on sales	$\frac{\text{Gross profit on sales} \times 100}{\text{Total sales revenue}}$	14.09%	30.81%
EBIT	Profit (loss) on operating activities, i.e. profit before interest (financial expenses minus financial revenue) and tax (income tax)	(6,774)	13,620
EBITDA	Profit (loss) on operating activities (EBIT) plus amortisation	(218)	20,149
EBIT margin	$\frac{\text{EBIT} \times 100}{\text{Total revenue from sales}}$	-5.95%	11.21%
EBITDA margin	$\frac{\text{EBITDA} \times 100}{\text{Total revenue from sales}}$	-0.19%	16.58%
Liquidity ratio I	$\frac{\text{Current assets (short-term)}}{\text{Short-term liabilities}}$	1.34	1.57
Liquidity ratio II	$\frac{\text{Current assets (short-term) - inventories}}{\text{Short-term liabilities}}$	0.75	0.75
Receivables turnover rate** in days	$\frac{\text{average balance of trade receivables} \times 180}{\text{Sales revenue}}$	46.55	39.76
Liability repayment rate in days**	$\frac{\text{average trade liabilities} \times 180}{\text{Own cost of sales}}$	26.93	26.54
Inventory rotation rate in days**	$\frac{\text{average inventory} \times 180}{\text{Own cost of sales}}$	148.52	179.70

Indicator	Economic content	H1 2024	H1 2023
Equity-to-fixed-assets ratio	$\frac{\text{Equity attributable to shareholders of the Company}}{\text{Fixed assets (long-term)}}$	0.93	1.05
Funding structure durability	$\frac{(\text{Equity attributable to shareholders of the Company} + \text{long-term liabilities})}{\text{Total liabilities}}$	0.70	0.72

**Balances at the beginning and end of each reporting period were used to calculate turnover ratios.*

Using indicator-based analysis, a synthetic assessment of the economic and financial position of the PEPEES Group was made. Key indicators from the areas of profitability, liquidity, operating efficiency (effectiveness) and capital structure (debt) were selected.

In H1 2024, most of the profitability indicators were negative, due to the incurred losses. Only the gross return on sales was positive at 14.09%.

Compared to the corresponding period of the previous year, the turnover of trade receivables increased by approximately 7 days, which in 2024 were repaid after an average of approximately 47 days. On the other hand, the speed of repayment of liabilities remained at a similar level of approximately 27 days.

The inventory turnover rate has decreased, but still reaches a high level of approximately 149 days. It should be noted that this indicator is always high in the Group due to the seasonality of production.

Liquidity indicators were at a similar level to that of the previous year.

IV. Development of the Issuer and the Capital Group

1. Description of the main risks and threats and the characteristics of the external and internal factors significant for the development of the Parent and the PEPEES Capital Group

1.1. Risks and threats

✓ Risks relating to the situation in Ukraine

As a result of the continued aggression of the Russian Federation against Ukraine, the Management Board anticipates the following risks:

1. Difficulties in accessing markets - due to hostilities and economic sanctions in place, difficult access to Central Asian markets (Uzbekistan, Kazakhstan) and restrictions for rail transport in Ukraine (hostilities) and Russia and Belarus (economic sanctions) are expected.
2. Global restrictions on access to major export markets - container transit difficulties in the company's main export destinations, trade insurance restrictions.
3. Currency crisis - likelihood of significant fluctuations in the company's export settlement currencies (EUR, USD).

- ✓ **Dependence of production on weather conditions and seasonality**
The main raw material for production is potatoes. Consequently, the volume and quality of production depends on potato harvest. Inclement weather limits potato yields and reduces starch content.
- ✓ **Globalisation**
The globalisation process can be seen mainly in terms of competitiveness. We are currently seeing strong competition from substitutes. There are many products in the food industry that perform similar functions (filling and thickening) to potato starch, e.g. wheat starch, maize starch, imported hydrocolloids of natural origin such as guar gum, xanthan gum, acacia gum, locust bean gum and gelatine.
In addition, there is a lot of competition within the starch sector in the European Union.
- ✓ **Dependence on profitability of potato production**
The high cost of potato production is causing it to be displaced by other more profitable crops. In addition, the region of north-eastern Poland has become a dairy heartland, taking agricultural land away from other production sectors. For this reason, it is becoming increasingly difficult to attract new growers from areas closest to the plant. As a result, the Group is forced to buy raw material from increasingly remote regions of the country which translates into reduced profitability.
- ✓ **Foreign exchange risk**
Such risks arise from international trade in currencies other than the Polish zloty.
Strong currency price fluctuations have a significant impact on the profitability of foreign transactions.
- ✓ **Liquidity and credit risk**
The financing of operating and investing activities with bank credits and leasing makes the Group significantly exposed to interest rate risk.
The liquidity risk management process involves managing assets and liabilities in such a manner as to take into account any changes in cash flows, both current and future. The risk of losing financial liquidity is a risk of the Group being unable to pay its financial liabilities on their maturity. To maintain liquidity, the Group uses various sources of funding, including overdrafts, working capital loans, revolving credit line loans, reverse factoring and trade credit. The Group uses methods of settlement with business partners such as letters of credit and prepayments to mitigate the risk of customers failing to pay their dues on time. The companies observe the behaviour of their business partners in the payment market (both at the bidding stage and during the execution of contracts) and assess their ability to meet their obligations and take immediate action in the event of even the slightest sign of disruption in their customers' payment cycles.
- ✓ **Economic downturn fluctuations**
The state of economic activity globally, domestically and in a specific sector influences the operation of the company through various indicators (GDP, prices, wages, inflation level, tax law, employment, etc.).
- ✓ **Sales of a product posing a risk to the health and life of the consumer**
The Group is a producer of food products. In the event of sales of a product posing a risk to health or life, the brand would lose, an obligation to compensate customers and consumers would arise, and costs would be incurred for the recall and disposal of the product.

The risk is low due to the Quality and Food Safety Management System in place.

A recall procedure has been implemented and recall simulations are being carried out.

1.2. External factors determining the successful development of the Issuer and the Group

The development of the Issuer and its Group in the potato industry depends primarily on the agricultural policy of the European Union and Poland, as well as on the creation of appropriate conditions for the operation of the agricultural and food industry.

Factors creating fundamental opportunities for development are:

- ✓ the growth of the domestic food industry (the food industry is a growing industry in the long-term assessment of market analysts);
- ✓ the possibility of obtaining EU funds to finance investments;
- ✓ market demand for modified potato starch products;
- ✓ access to new and modern technologies;
- ✓ development of markets in international trade;
- ✓ development of specialised farms;
- ✓ the broad spectrum of applications of starch and its modified products;
- ✓ area subsidies for starch potatoes.

1.3. Internal factors determining the successful development of the Issuer and the Group

The most important internal factors and those relevant to further development are:

- ✓ systematic investment and modernisation activities of production departments to increase the efficiency and innovation of production and reduce operating costs;
- ✓ sourcing new markets;
- ✓ implemented certified Quality and Food Safety Management System;
- ✓ GMP (Good Manufacturing Practice) system in place for manufacturers of active substances;
- ✓ SMETA-compliant activities; presence on the SeDeX platform;
- ✓ good cooperation with growers throughout the year;
- ✓ the possibility of producing hydrolysates tailored to specific customer requirements;
- ✓ high production capacity;
- ✓ low production waste water disposal costs;
- ✓ implementing the strategy and taking investment measures;
- ✓ expanding the product range;
- ✓ the professional knowledge and experience of staff.

2. Development prospects of the Issuer and the Group

Operating conditions for most sectors of the broadly defined industry have become highly unpredictable in recent months. The war in Ukraine, disrupted logistics, galloping inflation and the fluctuations in energy and gas prices resulting largely from these phenomena are currently putting enormous pressure on business operators. The current operating environment of the PEPEES S.A. Capital Group is no different. Negotiation processes, production activities and sales are carried out under conditions that are much more unpredictable compared to earlier periods. As a result, planning processes must be carried out with great sensitivity and care, and operations automatically need to take into account a number of risks that were absent in earlier periods. This state of affairs requires the individual companies of the PEPEES Capital

Group to be highly sensitive and flexible in their current and future business activities.

In the face of the above circumstances, the Group has successfully continued its core business and, despite the objective risks emanating from the environment, has consistently pursued the strategy adopted on 12 June 2019 for the period from 2019 to 2024.

The Group's objective remains to maximise returns on investment while maintaining a moderate level of investment risk. The PEPEES Group envisages parallel development activities by increasing the efficiency of the Group companies and minimising the risks to which they are exposed, as well as pursuing further investing activities. In the event of attractive market offers, investing activity will continue both within and outside the Group.

3. Development strategy of the Company and the PEPEES Capital Group

According to the PEPEES Capital Group's strategy for the years 2019 to 2024, the most important objectives are:

- increasing the value and market share of the PEPEES Capital Group;
- expanding target markets and product ranges, including modified products;
- establishing cooperation with an industry investor;
- intensifying and improving raw material sourcing;
- optimising the operation of the PEPEES Capital Group.

Market penetration strategy:

Using its own funds, credits, share issues and other external sources, the PEPEES Capital Group plans to increase sales value and market share through organic growth and acquisitions, organise warehouse management, modernise the starch plant and build a line of modified products of starch (Pepees S.A.), transfer production to ZPZ Lublin and optimise the use of property to ensure the growth of the Capital Group.

New product and diversification strategy:

Using its own funds, credits, share issues and other external sources, as well as assuming the possibility of raising capital from an industry investor, the PEPEES Capital Group plans to implement measures enabling it to introduce an attractive product range to the market. The Issuer has begun construction of a line of modified products of starch which will enable the Group to introduce new products (modified products of starch) to the European food and pharmaceutical markets.

4. Characteristics of the Issuer Capital Group's development path policy

The policy of the PEPEES Capital Group is to continuously develop and optimise its product range taking into account the changing expectations and preferences of its customers.

The PEPEES Capital Group aims to significantly increase starch production and introduce new products (modified products of starch) to the market which will enable it to compete with foreign companies. The Group's strategy ranges from short-term tasks, such as those related to improving the condition of the starch production market in Poland and the conditions for growers, to long-term steps aimed at establishing cooperation with an industry investor. The Group is keen to have good and long-lasting relationships with growers that guarantee stability and profitability in the cultivation of raw materials, thus ensuring that the Group has regular suppliers of raw materials through the use of a clear and transparent procurement system.

Surplus products will be directed to foreign markets with a particular focus on emerging markets such as Asian markets. The Group's new market strategy is based on the markets of South East Asia, South America and the developing European countries.

This should be achieved through the continuation of the project titled "Export and domestic market development programme" which will involve identifying the Group's key foreign markets and building a sales system for them. There is a growing demand for starch worldwide, so the PEPEES Group is creating effective tools for the distribution and sales of domestic products.

The PEPEES Group's development strategy is to systematically improve its quality and cost competitiveness in relation to leading Polish companies in the potato processing industry.

V. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna in Łomża declares that to the best of its knowledge:

- the condensed consolidated financial statements for H1 2024 and the comparative data have been prepared in accordance with the applicable accounting principles and give a true, reliable and fair view of the economic and financial position of the PEPEES Capital Group and the Capital Group's incurred net loss;
- the condensed financial statements of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. for the first half of 2024 and the comparative data have been prepared in accordance with the applicable accounting principles and give a true, reliable and fair view of the Company's economic and financial position and the net loss incurred;
- the Management Report on the Capital Group's activities in H1 2024 gives a true picture of the development, achievements and situation of the PEPEES Capital Group, including a description of the main threats and risks.

REPRESENTATIVES

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża

President of the Management Board – Wojciech Faszczewski

Member of the Management Board – Tomasz Rogala