

**PRZEDSIĘBIORSTWO  
PRZEMYSŁU SPOŻYWCZEGO  
PEPEES S.A.**

**INTERIM CONDENSED SEPARATE  
FINANCIAL STATEMENTS**

**FOR THE FIRST HALF OF 2018  
(01.01.2018 -30.06.2016)**

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

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## INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO PEPEES S.A

<b>ASSETS</b>	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2017</b>
<b>I Non-current (long-term) assets</b>	<b>126,340</b>	<b>118,847</b>	<b>114,289</b>
1. Property, plant and equipment	92,366	91,659	83,505
2. Intangible assets	216	211	112
3. Investments in subsidiaries	21,632	15,122	9,676
4. Investments in associates	-	-	4,313
5. Investments in other entities	113	113	113
6. Loans granted	700	-	5,800
7. Long-term advances	8,596	8,979	9,362
8. Deferred tax assets	2,717	2,763	1,408
<b>II Current (short-term) assets</b>	<b>87,786</b>	<b>118,054</b>	<b>68,667</b>
1. Inventories	25,887	56,386	20,183
2. Biological assets	2,251	-	747
3. Trade receivables	26,687	19,807	25,779
4. Other receivables	1,605	4,076	1,489
5. Advances	6,213	1,279	5,163
6. Loans granted	13,152	8,381	4,340
7. Other financial assets	181	-	-
8. Investments held for trading	4,540	3,546	2,550
9. Cash and cash equivalents	7,270	24,579	8,416
<b>Total assets</b>	<b>214,126</b>	<b>236,901</b>	<b>182,956</b>
<b>EQUITY AND LIABILITIES</b>	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2017</b>
<b>I Equity</b>	<b>145,345</b>	<b>139,112</b>	<b>132,837</b>
1. Share capital	5,700	5,700	5,700
2. Reserve capital and other reserves	121,265	121,265	121,265
3. Revaluation reserve	(26)	(172)	(328)
4. Retained earnings/loss	12,319	-	-
5. Result for the current year	6,087	12,319	6,200
<b>II Non-current liabilities</b>	<b>29,415</b>	<b>28,474</b>	<b>19,412</b>
1. Loans and borrowings	13,138	11,248	5,951
2. Liabilities related to leased assets	6,119	7,029	3,874
3. Deferred tax liability	6,085	6,133	5,491
4. Retirement and similar benefits obligations	1,806	1,752	1,731
5. Grants	2,267	2,312	2,365
<b>III Current liabilities</b>	<b>39,366</b>	<b>69,315</b>	<b>30,707</b>
1. Trade payables	11,556	7,552	8,223
2. Current income tax liabilities	-	2,757	987
3. Other current liabilities	1,937	2,626	2,229
4. Loans and borrowings	21,274	52,573	16,836
5. Liabilities related to leased assets	2,316	2,225	1,343
6. Retirement and similar benefits obligations	235	274	259
7. Provisions for other liabilities and other charges	2,048	1,308	830
<b>Total equity and liabilities</b>	<b>214,126</b>	<b>236,901</b>	<b>182,956</b>

**INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME  
OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO PEPEES S.A.**

<i>Revenue and expenses</i>		<i>For the period</i>	<i>For the period</i>
<i>Profit and loss</i>		<i>01.01.2018-</i>	<i>01.01.2017-</i>
		<i>30.06.2018</i>	<i>30.06.2017</i>
<b>I</b>	<b>Sales revenue</b>	<b>83,246</b>	<b>80,887</b>
1.	Revenue from the sales of products	70,525	65,968
2.	Revenue from the sales of services	273	196
3.	Revenue from the sales of trade goods and materials	12,448	14,723
<b>II</b>	<b>Cost of sales</b>	<b>(60,249)</b>	<b>(58,610)</b>
1.	Cost of products sold	(47,608)	(44,549)
2.	Cost of services sold	(182)	(172)
3.	Costs of trade goods and materials sold	(11,552)	(13,432)
4.	Profit/loss from agricultural production	(907)	(457)
<b>III</b>	<b>Gross profit from sales (I-II)</b>	<b>22,997</b>	<b>22,277</b>
1.	Selling and marketing expenses	(4,024)	(4,726)
2.	Administrative expenses	(10,846)	(9,001)
3.	Other operating income	214	164
4.	Other operating expenses	(499)	(196)
<b>IV</b>	<b>Operating profit</b>	<b>7,842</b>	<b>8,518</b>
1.	Finance costs	(868)	(1,060)
2.	Finance income	943	365
<b>V</b>	<b>Profit (loss) before tax</b>	<b>7,917</b>	<b>7,823</b>
<b>VI</b>	<b>Income tax expense</b>	<b>(1,830)</b>	<b>(1,623)</b>
<b>VII</b>	<b>Net profit (loss)</b>	<b>6,087</b>	<b>6,200</b>
<b>VIII</b>	<b>Other comprehensive income</b>	<b>146</b>	<b>(50)</b>
1.	Effects of the valuation of financial assets available-for-sale	-	-
2.	Revaluation of employee benefit liabilities	146	(50)
<b>IX</b>	<b>Total comprehensive income</b>	<b>6,233</b>	<b>6,150</b>
<b>X</b>	<b>Net earnings (loss) per share</b>	<b>0.07</b>	<b>0.07</b>
	- basic	0.07	0.07
	- diluted	0.07	0.07

**INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY OF PRZEDSIĘBIORSTWO  
PRZEMYSŁU SPOŻYWCZEGO PEPEES S.A.**

	<i>Share capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve</i>	<i>Other reserves</i>	<i>Retained earnings/loss</i>	<i>Total equity</i>
<b>As at 1 January 2017</b>	<b>5,700</b>	<b>51,950</b>	<b>(278)</b>	<b>53,397</b>	<b>15,918</b>	<b>126,687</b>
<b>Changes in the period from 01.01.2017 to 30.06.2017</b>			<b>(50)</b>	<b>15,918</b>	<b>(9,718)</b>	<b>6,150</b>
Distribution of profit for 2016				15,918	(15,918)	-
Net profit (loss) for the period					6,200	<b>6,200</b>
Other comprehensive income for the year (net)			(50)			<b>(50)</b>
<b>As at 30.06.2017</b>	<b>5,700</b>	<b>51,950</b>	<b>(328)</b>	<b>69,315</b>	<b>6,200</b>	<b>132,837</b>
<b>Changes in the period from 01.01.2017 to 31.12.2017</b>			<b>106</b>	<b>15,918</b>	<b>(3,599)</b>	<b>12,425</b>
Distribution of profit for 2016				15,918	(15,918)	-
Net profit (loss) for the period					12,319	<b>12,319</b>
Other comprehensive income for the year (net)			106			<b>106</b>
<b>As at 31.12.2017</b>	<b>5,700</b>	<b>51,950</b>	<b>(172)</b>	<b>69,315</b>	<b>12,319</b>	<b>139,112</b>
<b>As at 1 January 2018</b>	<b>5,700</b>	<b>51,950</b>	<b>(172)</b>	<b>69,315</b>	<b>12,319</b>	<b>139,112</b>
Distribution of profit for 2017						-
Net profit (loss) for the period					6,087	<b>6,087</b>
Other comprehensive income for the year (net)			146			<b>146</b>
<b>As at 30.06.2018</b>	<b>5,700</b>	<b>51,950</b>	<b>(26)</b>	<b>69,315</b>	<b>18,406</b>	<b>145,345</b>

**INTERIM SEPARATE STATEMENT OF CASH FLOWS OF  
PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO  
PEPEES S.A.**

Indirect method	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
<b>A. Cash flows from operating activities - indirect method</b>		
<b>I Profit (loss) before tax</b>	<b>7,917</b>	<b>7,823</b>
<b>II Total adjustments</b>	<b>22,959</b>	<b>22,086</b>
1. Depreciation/Amortisation	4,354	3,198
2. Foreign exchange (gains) losses	(26)	
3. Interest and share of profit (dividends)	626	456
4. (Profit) loss on investing activities	(98)	(219)
5. Net increase/decrease in provisions	755	(441)
6. Net increase/decrease in inventories	30,499	30,771
7. Net increase/decrease in biological assets	(2,251)	(589)
8. Net increase/decrease in receivables	(4,409)	(6,125)
9. Net increase/decrease in current liabilities, except for loans and borrowings	3,315	1,455
10. Net increase/decrease in advances	(4,551)	(2,500)
11. Paid income tax	(4,613)	(3,385)
12. Net increase/decrease in grants	(45)	(56)
13. Net increase/decrease in accrued interest on loans and sureties	(312)	-
14. Other adjustments	(285)	(479)
<b>III Net cash flows from operating activities</b>	<b>30,876</b>	<b>29,909</b>
<b>B. Cash flow from investing activities</b>		
<b>I Proceeds</b>	<b>258</b>	<b>1,728</b>
1. Disposal of intangible assets and property, plant and equipment	128	324
2. Repayments of cash loans	130	1,404
<b>II Expenses</b>	<b>17,281</b>	<b>11,343</b>
1. Acquisition of intangible assets and property, plant and equipment	5,321	4,063
2. Purchase of shares	6,510	4,312
2. Loans granted	5,450	2,968
<b>III Net cash flows from investing activities</b>	<b>(17,023)</b>	<b>(9,615)</b>
<b>C. Cash flow from financing activities</b>		
<b>I Proceeds</b>	<b>3,755</b>	<b>608</b>
1. Loans and borrowings	3,475	198
2. Received additional payments	280	410
<b>II Expenses</b>	<b>37,400</b>	<b>34,138</b>
1. Repayments of loans and borrowings	35,358	32,778
2. Interest on loans and borrowings	626	456
3. Lease payments	1,416	904
<b>III Net cash flows from financing activities (I-II)</b>	<b>(33,645)</b>	<b>(33,530)</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>(19,792)</b>	<b>(13,236)</b>
<b>E. Balance sheet change in cash, including:</b>	<b>(17,309)</b>	<b>(13,232)</b>
- net increase/decrease in cash due to foreign exchange differences	(16)	(4)
- net increase/decrease in bank overdrafts	(2,467)	
<b>F. Cash at the beginning of period</b>	<b>24,579</b>	<b>21,652</b>
<b>G. Cash at the end of period (F+/-D)</b>	<b>4,787</b>	<b>8,416</b>

**SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR**

NO.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		First half of 2018 and as at 30.06.2018	First half of 2017 and as at 31.12.2017	First half of 2018 and as at 30.06.2018	First half of 2017 as at 31.12.2017
I	Total sales revenue	83,246	80,887	19,636	19,044
II	Net profit	6,087	6,200	1,436	1,460
III	Net comprehensive income	6,233	6,150	1,470	1,448
IV	Net cash flows from operating activities	30,876	29,910	7,283	7,042
V	Net cash flows from investing activities	(17,023)	(9,616)	(4,015)	(2,264)
VI	Net cash flows from financing activities	(33,645)	(33,530)	(7,936)	(7,894)
VII	Total net cash flows	(19,792)	(13,236)	(4,669)	(3,116)
VIII	Earnings (loss) per share	0.07	0.06	0.02	0.02
		<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
IX	Total assets	214,126	236,901	49,093	56,799
X	Equity	145,345	139,112	33,324	33,353
XI	Book value per share	1.53	1.46	0.35	0.35

Figures presented in lines: VIII, IX and XI, in columns "First half of 2017" are as at 31.12.2017.

To translate the selected financial figures into EUR, the following exchange rates published by the National Bank of Poland (NBP) have been applied:

- selected items of the statement of financial position as at 30.06.2018 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3616;
- selected items of the statement of financial position as at 31.12.2017 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.1709;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2018 – 30.06.2018 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2018: 1 EUR = 4.2395 PLN;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2017 to 30.06.2017 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2017: EUR 1 = PLN 4.2474.

**EARNINGS PER SHARE**

	<b>30.06.2018</b>	<b>30.06.2017</b>
Net profit	6,087	6,200
Weighted average number of shares	95,000,000	95,000,000
Basic earnings per share (in PLN per share)	0.06	0.07
Net earnings used to calculate diluted earnings per share	6,087	6,200
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	95,000,000
Diluted earnings per share (in PLN per share)	0.06	0.07
Annualised net earnings	12,206	17,370
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.13	0.18

## NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

### 1. General information

<b>Full business name:</b>	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A.
<b>Registered office:</b>	18-402 Łomża, ul. Poznańska 121
<b>Identifier:</b>	Company Stat. No. [REGON]: 450096365
<b>NIP [Tax ID No.]:</b>	7181005512
<b>Registration body:</b>	District Court in Białystok, XII Economic Division of the National Court Register (KRS)
<b>KRS Reg. No.:</b>	000038455
<b>Legal form:</b>	Spółka Akcyjna [a joint stock company]
<b>Organisational form:</b>	A single-establishment company

**Primary objects according to the Polish Classification of Activities (PKD) – 1062Z**  
Manufacture of starches and starch products.

**Industry** – food industry

**Company’s lifetime** – indefinite

#### **The composition of the Board of Directors as at 30.06.2018:**

Mr Wojciech Faszczewski	– President of the Board of Directors
Mr Tomasz Rogala	– Member of the Board of Directors

#### **The composition of the Supervisory Board as at 30.06.2018:**

1. Mr Maciej Kaliński	- Chairman of the Supervisory Board
2. Mr Piotr Marian Taracha	- Vice Chairman of the Supervisory
3. Mr Krzysztof Stankowski	- Secretary of the Supervisory Board
4. Mr Robert Malinowski	- Member of the Supervisory Board
5. Ms Agata Czerniakowska	- Member of the Supervisory Board

### 2. Reporting periods

These interim separate financial statements cover the period from 1 January 2018 to 30 June 2018, and comparative financial information and notes cover the period from 1 January 2017 to 31 December 2017, and additionally as at 31 December 2017 in the case of the statement of financial position and the statement of changes in equity.

These financial statements were prepared assuming that the Company would continue as a going concern in the foreseeable future. There are no circumstances indicating any threats to the activities of PEPEES.

### **3. Statement of compliance and the basis for the preparation of these condensed interim separate financial statements**

The accounting policies applied to prepare the semi-annual separate financial statements are consistent with the policies applied to the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the application of the following new or revised standards and interpretations applicable to annual periods beginning on or after 1 January 2018.

The IFRSs comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC'). The IFRSs as approved by the EU do not differ significantly from the regulations approved by the International Accounting Standards Board (IASB), except for the following items awaiting the approval by the European Union.

When preparing these interim condensed financial statements, certain information and disclosures which, in accordance with the IFRS's adopted by the EU, are usually included in the full financial statements, are presented here in an abbreviated form or omitted in accordance with IAS 34. Therefore, these semi-annual financial statements should be read together with the most recent full separate financial statements of the Company prepared for the year ended 31 December 2017 and published on 29 March 2018.

The Issuer has not decided to apply any standard, interpretation or amendment which has not come into force yet, on an earlier date. The Company's Board of Directors is in the process of analysing and assessing their impact on the accounting policies applied by the Issuer and future separate financial statements.

### **4. The application of standards in 2018**

#### **IFRS 9 – first-time adoption and accounting policies**

The Entity implemented IFRS 9 on 1 January 2018 and decided to apply a modified retrospective approach with effect from 1 January 2018. Also in this case, in accordance with the option allowed by the standard, the Entity has decided not to restate comparative data, which means that the data presented as at 31 December 2017 and for the periods of three and six months ended on 30 June 2017 have been prepared on the basis of IAS 39.

#### *Classification and measurement*

From 1 January 2018, the Entity has classified financial assets into one of three categories specified in IFRS 9:

- measured at fair value through other comprehensive income;
- measured at amortised cost;
- measured at fair value through profit or loss.

The Issuer classifies investments in debt instruments in a given category of assets on the basis of the business model for managing groups of financial assets and the contractual cash flow characteristics of a financial asset.

Upon initial recognition, the Company classifies investments in equity instruments (other than related to investments in subsidiaries and associates) that are not held for trading and are not quoted on an active market as measured at fair value through other comprehensive income. Whereas, the Issuer measures derivatives and investments in equity instruments quoted on an active market at fair value through profit or loss. For the measurement at amortised cost, the Company classifies loans granted, trade receivables and other receivables subject to IFRS 9. Interest income on investments in debt instruments is recognised by the Company in profit or loss. Upon the disposal of investments in debt instruments, the Issuer recognises cumulative gain or loss from the measurement in profit or loss.

*Measurement of financial assets at amortised cost*

The Entity measures financial assets at amortised cost using the effective interest rate method. Non-current receivables subject to IFRS 9 are discounted as at the balance sheet date.

Trade receivables with maturities of less than 12 months are measured at the amount payable, less any expected loss allowance.

*Measurement of financial liabilities at fair value through profit or loss*

The Entity recognises in profit or loss changes in the fair value of financial assets classified in this category of financial assets. Also, interest income and income from dividends received from equity instruments quoted on the active market are recognised in profit or loss.

*Measurement of financial assets at fair value through other comprehensive income*

The Entity recognises gains/losses on the measurement of investments in debt instruments and in equity instruments classified by the Entity upon initial recognition in this category of assets, in other comprehensive income. Dividends from equity instruments measured at fair value through other comprehensive income are recognised by the Company as revenue in profit or loss.

Interest income on investments in debt instruments is recognised by the Entity in profit or loss. Upon the disposal of investments in debt instruments, the Entity recognises cumulative gain or loss from the measurement in profit or loss.

*Financial liabilities*

The Entity classifies financial liabilities into one of the following categories:

- measured at amortised cost;
- measured at fair value through profit or loss.

**IFRS 15 – first-time adoption**

The Issuer implemented IFRS 15 on 1 January 2018 and decided to apply the modified retrospective method, i.e. with the combined effect of the first-time adoption of the standard recognised on the date of the first application.

Therefore, the Issuer applied the practical expedient provided under IFRS 15 and decided not to restate comparative data. This means that the data as at 31 December 2017 and for the periods of three and six month ended on 30 June 2017 have been prepared on the basis of the standards in force in these periods: IAS 18 *Revenue*, IAS 11 *Construction Contracts* and interpretations related to the recognition of revenue before the entry into force of IFRS 15.

International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ('IFRS 15') establishes the so-called 'five-step model' for recognising revenue resulting from contracts with customers. Under IFRS 15, the Issuer recognises revenue at an amount that reflects the consideration to which the Issuer expects to be entitled in exchange for the transfer of promised goods or services to the customer.

### **5. New accounting standards and interpretations not applied in these financial statements**

The standards below have not been applied yet by the Company in the process of the preparation of these financial statements.

- a) IFRS 14 *Regulatory Deferral Accounts* issued on 30 January 2014, effective for annual periods beginning on or after 1 January 2016. The European Commission has decided not to initiate the process of adopting this standard in its interim version until its final version is issued.
- b) IFRS 16 *Leases* – effective for annual periods beginning on or after 1 January 2019. This standard modifies the definition of finance and operating lease.
- c) IFRS 17 *Leases* — the standard will be effective for annual periods beginning on or after 1 January 2021.
- d) Amendments to IFRS 9 *Financial Instruments – Prepayment Features with Negative Compensation*.
- e) Amendments to IFRS 10 and IAS 28, for which the effective date has been deferred indefinitely. The amendments pertain to the sale or contribution of assets between an investor and its associate or joint venture, aiming to eliminate contradictions between the requirements of IAS 28 and IFRS 10.
- f) Amendments to IAS 28 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*.
- g) Amendments to IAS 19 *Employee Benefits* – amendments to the defined benefit plan effective after 1 January 2019.
- h) Annual programme of amendments 2015-2017.
- i) IFRIC 23 *Uncertainty over Income Tax Treatments* that will be effective for annual periods beginning on or after 1 January 2019.

The Company has not decided to apply on an earlier date any standard, interpretation or amendment that was published but has not come into force yet in the light of EU's laws.

The Board of Directors is currently assessing the impact of the aforementioned standards and interpretations upon the Company's reporting.

### **6. Changes in accounting policies and presentations, and correcting errors**

In the reporting period, there were no corrections of errors from previous periods. Also, the accounting policies were not changed, except for those described in section 4.

## 7. **Seasonality or cyclical nature of operations**

The Company's core business comprises the processing of potatoes and starch production. The purchase and processing of potatoes takes place in autumn in the period of 3 months, while the sale of manufactured products lasts all year long.

## 8. **Non-typical items having significant impact on assets, liabilities, equity and financial result**

In the reporting period, there were no non-typical items having significant impact on assets, liabilities, equity and financial result.

## 9. **Estimates**

Write-downs of receivables have been revalued by the amount reflecting the level of customers default risk.

Provisions for retirement benefits and jubilee benefits have been revalued on the basis of actuarial calculations as at 30.06.2018.

Provisions for unused annual leaves have been revalued on the basis of expected remunerations of employees including adds-on for the employer for unused annual leaves unused as at 30.06.2018.

The Company recognises deferred tax assets on the basis of the assumption that, in the future, it will generate tax profit enabling their utilisation.

The Company verifies, on an annual basis, useful lives of property, plant and equipment and intangible assets. The last revaluation was made as at 31.12.2017.

## 10. **Acquisition and sales of property, plant and equipment**

In the reporting period, the Company acquired property, plant and equipment for PLN 5,307 thousand. The purchases comprised mainly production plant and machinery and the upgrade of the wastewater treatment plant.

The Company sold property, plant and equipment for PLN 17 thousand. Profit on the disposal of property, plant and equipment amounted to PLN 13 thousand.

## 11. **Commitments to purchase property, plant and equipment**

The Company did not borrow any new loans to purchase property, plant and equipment.

## 12. **Inventories**

INVENTORIES	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
a) materials	3,523	2,972	2,443
b) semi-finished products and work in	297	1,770	1,111
c) finished products	18,974	48,592	14,859
d) trade goods	3,114	3,124	2,009
<b>Gross inventories</b>	<b>25,908</b>	<b>56,458</b>	<b>20,422</b>

INVENTORIES	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
<b>Write-downs</b>	(21)	(72)	(239)
<b>Net inventories</b>	<b>25,887</b>	<b>56,386</b>	<b>20,183</b>

Inventories recognised as an expense in the reporting period amounted to PLN 59,160 thousand (the first half of 2017: PLN 57,671 thousand).

In the reporting period, the Group decreased write-downs of inventories.

Write-downs as at 30.06.2018 amount to PLN 21 thousand (30.06.2017: PLN 239 thousand).

The carrying amount of inventories used as security for bank loans is PLN 14,500 thousand.

Encumbrances on inventories due to borrowed bank loans:

- a registered pledge on inventories of potatoes, finished products and semi-finished products for the benefit of Powszechna Kasa Oszczędności Bank Polski S.A., securing loans for which the debt as at 30.06.2018 amounts to PLN 6,000 thousand;
- a registered pledge on inventories of materials, finished products and trade goods for the benefit of Bank Zachodni WBK S.A., securing loans for which the debt as at 30.06.2018 amounts to PLN 4,000 thousand.

### 13. Biological assets

The Company leases two agricultural holdings (one from March 2014 and the second from March 2018), which were sown with annual plants and, as at the balance sheet date, they are underripe. Biological assets are recognised in the financial statements at fair value.

Plants	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
Underripe plants	2,251	-	747
<b>Total</b>	<b>2,251</b>	<b>-</b>	<b>747</b>

### 14. Trade receivables

TRADE RECEIVABLES	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
a) from related parties	286	1,985	327
- up to 12 months	286	1,985	327
b) from other entities	26,401	17,822	25,452
- up to 12 months	26,401	17,822	25,452
- over 12 months	-	-	-
<b>Total trade receivables</b>	<b>26,687</b>	<b>19,807</b>	<b>25,779</b>
	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2017</b>
<b>(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:</b>			
a) up to 1 month	7,449	5,326	9,870
b) over 1 month up to 3 months	6,610	8,793	2,960
c) over 3 months up to 6 months	10,479	1,167	11,233
d) over 6 months up to 1 year	-	-	-
e) over 1 year	-	-	-
f) past due receivables	2,483	4,900	1,901
<b>Total (gross) trade receivables</b>	<b>27,021</b>	<b>20,186</b>	<b>25,964</b>

<b>(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:</b>	<b>As at 30.06.2018</b>	<b>As at 31.12.2017</b>	<b>As at 30.06.2017</b>
- write-downs of trade receivables	(334)	(379)	(185)
<b>Total (net) trade receivables</b>	<b>26,687</b>	<b>19,807</b>	<b>25,779</b>

Statutory interest is charged on past due receivables. The Company recognised provisions fully covering receivables past due by more than 180 days, as past experience shows that such receivables can be difficult to collect. For receivables past due from 60 to 120 days, the Company recognises provisions based on estimated amounts of uncollectible trade receivables on the basis of past experience and analyses of the financial situation of individual counterparties.

Trade receivables are insured in KUKI, which determines credit rating for customers and, on that basis, assigns credit limits to them. The limits for and ratings of each customer are subject to verification.

Past due receivables for which no write-downs were recognised are receivables from debtors with whom the Company has cooperated for several years now and the assessment of their economic and financial situation does not imply that they are doubtful receivables. The past due period ranges from a few days to 6 months.

### **15. Trade payables**

<b>TRADE PAYABLES</b>	<b>As at 30.06.2018</b>	<b>As at 31.12.2017</b>	<b>As at 30.06.2017</b>
a) from related parties	138	190	270
- up to 12 months	138	190	270
- over 12 months			
b) from other entities	11,418	7,362	7,953
- up to 12 months	11,418	7,362	7,953
- over 12 months			-
<b>Total trade payables</b>	<b>11,556</b>	<b>7,552</b>	<b>8,223</b>

### **16. Litigation settlements**

As at the balance sheet date, there is an unresolved case due to the lawsuit of EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie against PEPEES S.A. to repeal/annul resolutions adopted on 11.05.2018 by the Annual General Meeting of Shareholders concerning the distribution of the Company's net profit for the financial year 2017 and the appointment of members of the Supervisory Board. At the meeting on 10 August 2018, the Court dismissed the Plaintiff's request to prohibit any factual or legal acts aimed at transferring the Company's profit for 2017 to reserves – investment fund within the scope covered by Resolution No. 12. And, within the remaining scope, i.e. regarding the suspension of the registration proceedings by the District Court in Białystok, XII Economic Division of the National Court Register regarding the entry in the Register on the basis of resolutions Nos. 25 and 29, the Company's claim has been dismissed. The decision of the Court is final and binding.

**17. Changes in business operation conditions and economic situation that affect the fair value of financial assets and financial liabilities**

In the reporting period, there were no changes in business operation conditions and economic situation that affect the fair value of financial assets and financial liabilities of the Company.

**18. Outstanding loans and borrowings or agreement infringements**

As at the balance sheet date, the bank loans listed in the table below have been repaid when due. No loan or borrowing agreement was infringed.

No.	Loan type /Agreement/	Lending bank	Contractual loan value	Debt as at 30.06.2018	Repayment date
1	2	3	4	5	6
1	Overdraft facility	Bank Zachodni WBK S.A.	4,000	1,861	31.08.2018
2	Revolving loan	Bank Zachodni WBK S.A.	10,000	1,750	31.08.2018
3	Working capital loan	Bank Zachodni WBK S.A.	16,000	4,000	31.08.2018
4	Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	606	31.08.2018
5	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	3,750	31.08.2018
6	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	16,000	6,000	31.08.2018
7	Subsidised investment loan to upgrade plant and machinery.	Bank Polskiej Spółdzielczości S.A.	1,295	115	30.11.2018
8	Investment loan for the construction of a starch drying room, an unloading node and	BGŻ BNP Paribas S.A.	9,822	5,079	25.02.2022
9	Investment loan to upgrade the dust removal system for boilers	BOŚ	1,200	721	31.12.2020
10	Investment loan to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	10,530	30.06.2025
			<b>82,847</b>	<b>34,412</b>	

*Securities*

The first three loans were taken out under a single agreement called “A Multiline Agreement.” These loans are secured with:

- a contractual joint mortgage amounting to PLN 58,500 thousand on real properties:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of rights under an insurance policy for the real properties:

- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on assets:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of rights under an insurance policy for fixed assets
- a registered pledge on inventories with the value not less than 145% of the balance of the working capital loan with the assignment of the insurance policy for inventories;
- an assignment of rights under an insurance policy for inventories;
- transfer of receivables arising from the operations of PEPEES S.A., PPZ Bronisław S.A., ZPZ Lublin Sp. z o.o.;
- a blank promissory note with a promissory note agreement.

The next three loans were granted under the so-called “Multi-purpose Line of Credit”, which is secured with:

- a contractual mortgage up to PLN 58,500 thousand on real properties:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on fixed assets:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of a cash payable under insurance agreements for fixed assets and inventories;
- a registered pledge on inventories:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- global assignment of 40% of receivables:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- a blank promissory note with a promissory note agreement.

Re: 7

The loan is secured with a general mortgage amounting to PLN 1,295 thousand; a capped mortgage up to PLN 880.6 thousand; the transfer of ownership of plant and machinery amounting to PLN 1,295 thousand; an assignment of rights under an insurance policy; a blank promissory note; an authorisation to use bank accounts.

Re: 8

The loan is secured with a contractual joint mortgage up to PLN 14,734 thousand, the assignment of rights under an insurance policy and the statement on the submission to execution.

Ad.9

The loan is secured with a mortgage amounting to 150% of the loan amount, i.e. PLN 1,800 thousand, established on the Company’s real properties, an authorisation to use bank accounts and a blank promissory note.

Re: 10

The loan is secured with a joint mortgage up to PLN 15,795 thousand; an assignment of a cash payable under an insurance policy; registered pledges on 32,400 shares (100% of shares) in Gospodarstwo Rolne Ponary; a blank promissory note.

## 19. Related parties

### 19.1 General information about related parties

Name	Place of business	Objects	Registry court	Issuer's interest in capital	Share in total votes
ZPZ LUBLIN sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes; fruit and vegetable processing	District Court in Lublin, XI Economic Division of the National Court Register (NCR)	82.38%	82.38%
PPZ BRONISŁA W S.A.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, XIII Economic Division of the NCR	84.125%	84.125%
Pepees Inwestycje sp. z o.o. (formerly OZENERGY)	Łomża	Buying and selling of own real estate	District Court in Białystok, XII Economic Division of the NCR	100%	100%
CHP ENERGIA sp. z o.o.	Wojny Wawrzyńce	Power generation and heat from gas produced in a biogas plant	District Court in Białystok, XII Commercial Division of the District Court	67.43%	67.43%
Gospodarstwo Rolne PONARY sp. z o.o.	Łomża	Growing of crops combined with farming of animals (mixed farming)	District Court in Białystok, XII Commercial Division of the NCR	100%	100%

### 19.2 Basic financial information about related parties

	PPZ Bronisła w S.A.	ZPZ Lublin Sp. z o.o.	CHP ENERGI A sp. z o.o.	Pepees Inwestycje sp. z o.o. (formerly OZENERGY)	Gospodarstwo Rolne PONARY Sp. z o.o.
Current assets as at 30.06.2018	19,829	5,645	1,996	1,457	96
Non-current assets as at 30.06.2018	12,302	4,477	20,992	-	21,202
Current liabilities as at 30.06.2018	17,013	7,407	10,671	1,466	554
Non-current liabilities as at 30.06.2018	4,253	407	16,880	-	9,278
Revenue for the first half of 2018	23,139	10,336	4,352	-	-
Net profit/loss on continuing operations for the first half of 2018	1,792	235	(1,099)	(12)	59
Net profit/loss from discontinued operations for the first half of 2018	-	-	-	-	-
Other comprehensive income for the first half of 2018	-	-	-	-	-
Total comprehensive income for the first half of 2018	1,792	235	(1,099)	(12)	59

### 19.3 The issuer's transactions with its subsidiaries

#### a) Revenue from the sales of products and trade goods

Types of revenue	2018 first half	2017 first half
Revenue from the sales of products to subsidiaries	111	103
Revenue from the sales of services	153	136
<b>Total revenue from related parties</b>	<b>264</b>	<b>239</b>

The selling price is determined using the cost-plus pricing method or on the basis of price lists applicable in transactions with unrelated parties.

#### b) Purchases of trade goods and services

Types of purchases	2018 first half	2017 first half
Purchases of products from subsidiaries	3,847	3,969
Purchases of services from subsidiaries	264	86
<b>Total purchases from related parties</b>	<b>4,111</b>	<b>4,055</b>

#### c) Other transactions

Types	2018 first half	2017 first half
Interest on granted loans	230	155
Charges on sureties granted	181	-
<b>Total</b>	<b>411</b>	<b>155</b>

#### d) Balances of settlements as of the balance sheet date arising from sale/purchase of trade goods/services

Receivables from related parties	2018 first half	2017 first half
ZPZ Lublin	-	47
CHP Energia	1,190	280
GR Ponary	1	
Pepees Inwestycje	6	
<b>Total receivables from related parties</b>	<b>1,197</b>	<b>327</b>

Payables to related parties	2018 first half	2017 first half
ZPZ Lublin	103	208
PPZ BRONISŁAW	8	33
CHP Energia	28	29
GR Ponary	26	-
<b>Total payables to related parties</b>	<b>165</b>	<b>270</b>

**e) Balance of settlements related to cash loans**

<b>Cash loans granted to subsidiaries</b>	<b>2018 first half</b>	<b>2017 first half</b>
ZPZ Lublin	3,000	3,000
PPZ BRONISŁAW	4,000	3,973
CHP Energia	3,919	2,234
GR Ponary	550	-
Pepees Inwestycje	1,460	-
<b>Total</b>	<b>12,929</b>	<b>9,207</b>

**19.4 The issuer's transactions with shareholders**

On 04.01.2018, the Company entered into a conditional sales agreements with two natural persons, who are shareholders of the Company, under which the Company acquired the remaining stake in Gospodarstwo Rolne Ponary sp. z o.o. comprising the total of ca. 32.6% of shares. Thus, the Company has become the holder of 100% of shares in Ponary.

**19.5 The issuer's transactions with key managing and supervisory employees**

**a) benefits for key management personnel (members of the Board of Directors) and members of the Supervisory Board (in PLN 000s)**

<b>Transactions with the key management personnel</b>	<b>2018 first half</b>	<b>2017 first half</b>
Short-term employee benefits	907	1,004
Post-employment benefits		
Other long-term benefits		
Termination benefits		
Share-based payments		
<b>Total</b>	<b>907</b>	<b>1,004</b>

**b) Transactions with key personnel and close members of their families**

In the reporting period, there were no transactions within the meaning of IAS 24.

**20. Changes in estimates**

**a. Write-downs of receivables**

<b>MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES</b>	<b>2018 first half</b>	<b>2017</b>	<b>2017 first half</b>
<b>Opening balance</b>	<b>404</b>	<b>260</b>	<b>260</b>
<b>a) increases (due to)</b>	<b>73</b>	<b>298</b>	<b>15</b>
- recognition for doubtful trade receivables		196	-
- recognition for interest receivable		47	15
- recognition for receivables in litigation	73	55	-

<b>MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES</b>	<b>2018 first half</b>	<b>2017</b>	<b>2017 first half</b>
<b>b) decreases (due to)</b>	<b>59</b>	<b>154</b>	<b>90</b>
- reversal of provisions due to payment	44	94	33
- utilisation due to the redemption and sales of receivables		-	57
- cancellation	15	60	-
<b>Write-downs of receivables at the period end</b>	<b>418</b>	<b>404</b>	<b>185</b>

**b. Write-downs of inventories**

<b>MOVEMENT ON WRITE-DOWNS OF INVENTORIES</b>	<b>2018 first half</b>	<b>2017</b>	<b>2017 first half</b>
<b>Opening balance</b>	<b>72</b>	<b>182</b>	<b>182</b>
<b>a) increases (due to)</b>	<b>0</b>	<b>255</b>	<b>57</b>
- write-downs to net realisable value	-	255	57
- impairment loss for materials	-	-	-
<b>b) decreases (due to)</b>	<b>51</b>	<b>365</b>	<b>0</b>
- utilisation	-	14	-
- reversals of write-downs	51	351	-
<b>Write-downs of inventories at the end of the period</b>	<b>21</b>	<b>72</b>	<b>239</b>

**c. Retirement and similar benefits obligations**

<b>MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)</b>	<b>2018 first half</b>	<b>2017</b>	<b>2017 first half</b>
a) opening balance	<b>2,026</b>	<b>1,937</b>	<b>1,937</b>
- retirement benefits	265	216	216
- jubilee benefits	1,761	1,721	1,721
b) increases (due to)	<b>133</b>	<b>393</b>	<b>152</b>
- retirement benefits	10	67	34
- jubilee benefits	123	326	118
c) utilisation (due to)	<b>118</b>	<b>304</b>	<b>99</b>
- retirement benefits	-	18	11
- jubilee benefits	118	286	88
d) closing balance, including:	<b>2,041</b>	<b>2,026</b>	<b>1,990</b>
- retirement benefits	275	265	239
- jubilee benefits	1,766	1,761	1,751

**d. Short-term provisions**

<b>MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)</b>	<b>2018 first half</b>	<b>2017</b>	<b>2017 first half</b>
a) opening balance	<b>1,308</b>	<b>1,324</b>	<b>1,324</b>
- grants related to property, plant and equipment	101	101	101

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	2018 first half	2017	2017 first half
- provisions for services performed by contractors	31	23	23
- grants related to loans	8	26	26
- fee for the use of the environment	123	165	165
- provisions for compensations for annual leaves	470	388	388
- greenhouse gas emission allowance	305	337	337
- bonuses for the Board of Directors and employees	270	284	284
<b>b) increases (due to)</b>	<b>903</b>	<b>1,199</b>	<b>714</b>
- provision for used CO <sub>2</sub> emission allowances	280	305	138
- fee for the use of the environment	26	123	36
- provisions for compensations for annual leaves	142	470	525
- provisions for services performed by contractors	17	31	15
- bonuses for the Board of Directors and employees	438	270	
<b>c) utilisation (due to)</b>	<b>163</b>	<b>1,215</b>	<b>1,208</b>
- fee for the use of the environment	123	165	165
- provisions for compensations for annual leaves	-	388	388
- provision for used CO <sub>2</sub> emission allowances	-	337	337
- provision for services performed by contractors	31	23	23
- grants related to property, plant and equipment	3		
- grants related to loans	6	18	11
- bonuses for the Board of Directors and employees	-	284	284
<b>e) closing balance</b>	<b>2,048</b>	<b>1,308</b>	<b>830</b>
- grants related to property, plant and equipment	98	101	101
- grants related to loans	2	8	15
- provision for used CO <sub>2</sub> emission allowances	585	305	138
- fee for the use of the environment	26	123	36
- provisions for compensations for annual leaves	612	470	525
- bonuses for the Board of Directors and employees	708	270	0
- provisions for services performed by contractors	17	31	15

**e. Deferred income tax**

DEFERRED TAX LIABILITIES	30.06.2018	31.12.2017	30.06.2017
The difference between the carrying amount and the tax value of property, plant and equipment	6,017	6,123	5,476
Unrealised foreign exchange differences	9	2	-
Interest due but not received	59	8	15
<b>Total deferred tax liabilities</b>	<b>6,085</b>	<b>6,133</b>	<b>5,491</b>
DEFERRED TAX ASSETS	30.06.2018	31.12.2017	30.06.2017
Outstanding remunerations	102	132	89
Provisions for compensations for annual leaves	116	89	100
Provision for bonuses for the Board of Directors and employees	135	51	-
Provisions for retirement benefits and jubilee benefits	388	385	378
Unrealised foreign exchange differences	24	48	44
Write-downs of inventories	35	44	45
Write-downs of shares	565	565	18
Provision for used CO <sub>2</sub> emission allowances	111	58	26

<b>DEFERRED TAX ASSETS</b>	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2017</b>
Lease payables	1,238	1,385	705
Other accruals	3	6	3
<b>Total deferred tax assets</b>	<b>2,717</b>	<b>2,763</b>	<b>1,408</b>

**21. Changes in the classification of financial instruments as a result of a change of the purpose or use of such assets**

In the reporting period, no financial instruments were reclassified.

**22. Movement on contingent liabilities and contingent assets**

<b>MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)</b>	<b>2018 first half</b>	<b>2017</b>	<b>2017 first half</b>
a) opening balance, including:	<b>18,944</b>	<b>6,710</b>	<b>6,710</b>
- liabilities related to non-competition agreements	710	710	710
- loan sureties to related parties	18,234	6,000	6,000
b) increase (due to)	<b>0</b>	<b>12,234</b>	<b>6,224</b>
- loan sureties to related parties	-	12,234	6,224
c) utilisation (due to)	<b>0</b>	<b>0</b>	<b>0</b>
- liabilities related to non-competition agreements	-	-	-
- loan sureties to related parties	-	-	-
d) reversal	<b>0</b>	<b>0</b>	<b>0</b>
-	-	-	-
e) balance at the end of the period, including:	<b>18,944</b>	<b>18,944</b>	<b>12,934</b>
- liabilities related to non-competition agreements	710	710	710
- loan sureties to related parties	18,234	18,234	12,224

<b>MOVEMENT ON CONTINGENT ASSETS (BY TITLES)</b>	<b>2018 first half</b>	<b>2017</b>	<b>2017 first half</b>
a) opening balance, including:	10,822	10,822	10,822
- value of land used under the right of perpetual usufruct	10,822	10,822	10,822
b) increases (due to)	15,795	-	-
- surety of GR PONARY for investment loan	15,795	-	-
c) utilisation (due to)	-	-	-
d) closing balance, including:	26,617	10,822	10,822
- value of land used under the right of perpetual usufruct	10,822	10,822	10,822
- surety of GR PONARY for investment loan	15,795	-	-

**23. The issue, redemption and repayment of debt and equity securities**

In the reporting period, no debt or equity securities were issued, redeemed or repaid.

**24. Paid or declared dividends**

The Company did not pay or declare payments of dividends.

## 25. Segment reporting

The Company operates in a single, main reporting segment covering the processing of potatoes to obtain starch and starch hydrolysates. A single segment is identified in the Company's daily records and internal reports.

### 25.1. Products and services

Within the segment: 'the processing of potatoes', the Company produces:

- potato starch used in households and by the food industry, pharmaceutical industry, paper industry and textile industry;
- a few varieties of glucose used by the food industry, confectionery industry and pharmaceutical industry;
- maltodextrin, which is an essential ingredient of foodstuff (ice cream, sauces, soups, fruit extracts, flavoured sprinkles), and vitamin and mineral preparations and supplements for children and athletes;
- a protein that is produced from cellular juice of potatoes through coagulation, separation and drying; it is a valuable component of compound feedingstuffs for animals and a great substitute for animal proteins;
- a wide range of starch syrups used in confectionery and baking industries.

Other types of activities:

- the generation of heat, which is produced mainly to meet own needs;
- works and services;
- the sale of certain trade goods and materials.

The table below presents the revenue for each group of products and services.

Product or service	Sales revenue	
	2018 - first half	2017 - first half
Starch	49,414	46,377
Glucose	5,433	4,809
Maltodextrin	10,316	8,355
Protein	4,564	5,312
Starch syrups	501	462
Hydrol	297	301
Heat	-	352
Trade goods and materials	12,448	14,723
Services	273	196
<b>Total</b>	<b>83,246</b>	<b>80,887</b>

### 25.2 Sales revenue by territories:

Specification	2018 - first half	2017 - first half
<b>Poland, including</b>	<b>50,073</b>	<b>50,388</b>
Starch	22,693	21,772
Glucose	4,921	4,654
Maltodextrin	9,035	7,325

Specification	2018 - first half	2017 - first half
Protein	2,146	3,773
Starch syrups	501	462
Hydrol	297	301
Heat	-	352
Trade goods and materials	10,207	11,553
Services	273	196
<b>EU countries - intra-Community supplies, including:</b>	<b>9,431</b>	<b>5,101</b>
Starch	6,872	2,780
Maltodextrin	1,279	1,027
Glucose	97	35
Protein	1,157	864
Trade goods	26	395
<b>Other countries – export, including:</b>	<b>23,742</b>	<b>25,398</b>
Starch	19,849	21,825
Protein	1,261	675
Maltodextrin	2	4
Glucose	415	120
Trade goods	2,215	2,774
<b>Total</b>	<b>83,246</b>	<b>80,887</b>

### 25.3 Major customers

The Company does not have any customer for whom sales revenue exceeded 10% of total revenue. However, in the group of specific products, there are customers, whose share represents over 10% in the sale of a given product. And so:

- over 53% of maltodextrin sold to three Polish customers (22.2%, 16% and 14.8% respectively);
- 35.9% of protein sold to two Polish customers (19.3% and 16.6% respectively);
- almost 15% of glucose sold to one Polish customer.

### 26. Other significant events in the reporting period

- 1) On 04.01.2018, the Company entered into a conditional sales agreements with two natural persons, who are shareholders of the Company, under which the Company acquired a 32.6% stake in Gospodarstwo Rolne Ponary sp. z o.o. Thus, the Company has become the holder of 100% of shares in Ponary.
- 2) On 11.05.2018, the General Meeting of Shareholders approved of the financial statements for 2017 and adopted the resolution on the allocation of the profit for 2017 to capital reserves in order to make investments.
- 3) On 04.07.2018, the Company received from the District Court, Economic Court in Białystok, VII Economic Division, a copy of the lawsuit filed by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie against the Company to annul resolutions adopted on 11 May 2018 by the Company's Annual General Meeting of Shareholders regarding the appointment of members of the Supervisory Board and the annulment of the resolution regarding the allocation of the Company's net profit for the financial year 2017. Together with the copy of the lawsuit, the Company received a copy of the Court's decision of 29 June 2018 on securing the plaintiff's claim by suspending the performance of the challenged resolutions.

## **27. Significant events after the end of the interim period**

On 25 July 2018, the Company received a notification that Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych increased the Company's stake to 24.57% of the share capital and of the total number of votes at the General Meeting of Shareholders.

On 30 July 2018, PEPEES guaranteed, up to PLN 12,684 thousand, an investment loan from funds from foreign lines of credit granted to a subsidiary Przedsiębiorstwu Przemysłu Ziemniaczanego „Bronisław” S.A. in the amount of PLN 8,456 thousand. The final loan repayment date has been scheduled for 31 December 2027.

On 3 August 2018, an annex was signed to the multi-line agreement dated 07.10.2014 concluded with Bank Zachodni WBK S.A. Under the annex, the credit limit granted to PEPEES S.A. and its subsidiaries was increased to PLN 52 million and the repayment date was extended until 31.08.2019.

Also on 3 August 2018, the Group signed an annex to the multi-purpose credit line agreement concluded with Powszechna Kasa Oszczędności Bank Polski S.A. Under the annex, the credit limit granted to PEPEES S.A. and its subsidiaries was increased to PLN 52 million and the repayment date was extended until 31.08.2019.

At the meeting on 10 August 2018, the Court dismissed the request of Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych to prohibit any factual or legal acts aimed at transferring the Company's profit for 2017 to reserves – investment fund within the scope covered by Resolution No. 12. And, within the remaining scope, i.e. regarding the suspension of the registration proceedings by the District Court in Białystok, XII Economic Division of the National Court Register regarding the entry in the Register on the basis of resolutions Nos. 25 and 29, the Company's claim has been dismissed. The decision of the Court is final and binding.

## **28. Effects of changes in the structure of the business entity, including those resulting from business combinations, acquisition or sale of the Group entities, long-term investments, division, restructuring and discontinuation of operations**

During the reporting period, there were no changes in the structure of the entity.

## **29. Fair values of financial instruments**

The shares of ‘Warszawski Rolno-Spożywczy Rynek Hurtowy’ were classified as investments measured at fair value through profit or loss using the discounted cash flow (DCF) model. Fair value measurement was classified at level 3 of the fair value hierarchy pursuant to IFRS 13.

## **30. Interests in other entities, related to entities becoming or ceasing to be investment entities**

PEPEES has not been and is not an investment entity pursuant to section 27 of IFRS 10.

### 31. Authorising the condensed interim separate financial statements

These condensed interim separate financial statements were authorised by the Board of Directors on 14.09.2018. These condensed interim separate financial statements are published together with the condensed interim consolidated financial statements, which were authorised for publication on 14.09.2018.

#### SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Title/Function	Signature
14.09.2018	Wojciech Faszczeński	President of the Board of Directors	
14.09.2018	Tomasz Rogala	Member of the Board of Directors	

#### SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Date	Name	Title/Function	Signature
14.09.2018	Wiesława Załuska	Chief Accountant	