



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

**INTERIM CONDENSED SEPARATE
FINANCIAL STATEMENTS
for the period of 6 months ended on 30 June 2019**

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

PEPEES S.A.
Interim Condensed Separate Financial Statements
for the period of 6 months ended on 30 June 2019
(in PLN 000s)

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
I.	Non-current (long-term) assets	151,045	134,271	126,340
1.	Property, plant and equipment	102,462	95,368	92,366
2.	Intangible assets	223	534	216
3.	Rights to assets	17,161	8,212	8,596
4.	Investment properties	400	-	-
5.	Investments in subsidiaries	26,787	26,632	21,632
6.	Investments in other entities	613	113	113
7.	Loans granted	-	-	700
8.	Deferred tax assets	3,399	3,412	2,717
II.	Current (short-term) assets	98,333	123,505	87,786
1.	Inventories	27,192	52,180	25,887
2.	Biological assets	2,148	330	2,251
3.	Trade receivables	25,895	23,791	26,687
4.	Other receivables	2,285	3,866	1,605
5.	Advances	6,157	1,309	6,213
6.	Loans granted	8,204	8,412	13,152
7.	Other financial assets	5,436	5,436	4,721
8.	Cash and cash equivalents	21,016	28,181	7,270
	Total assets	249,378	257,776	214,126

	EQUITY AND LIABILITIES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
I.	Equity	159,634	156,700	145,345
1.	Share capital	5,700	5,700	5,700
2.	Reserve capital and other reserves	139,626	133,584	121,265
3.	Revaluation reserve	(44)	(26)	(26)
4.	Retained earnings/loss	-	-	12,319
5.	Profit/loss for the year	14,352	17,442	6,087
II.	Non-current liabilities	32,658	26,611	29,415
1.	Loans and borrowings	9,970	11,554	13,138
2.	Liabilities related to leased assets	12,015	4,601	6,119
3.	Deferred tax liability	6,375	6,350	6,085
4.	Retirement and similar benefits obligations	2,129	1,888	1,806
5.	Grants	2,169	2,218	2,267
III.	Current liabilities	57,086	74,465	39,366
1.	Trade payables	9,762	8,623	11,556
2.	Current income tax liabilities	2,567	1,362	-
3.	Other current liabilities	13,794	2,263	1,937
4.	Loans and borrowings	24,598	56,204	21,274
5.	Liabilities related to leased assets	3,374	2,670	2,316
6.	Retirement and similar benefits obligations	166	202	235
7.	Provisions for other liabilities and other charges	2,825	3,141	2,048
	Total equity and liabilities	249,378	257,776	214,126

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**INTERIM CONDENSED INCOME STATEMENT AND STATEMENT OF
OTHER COMPREHENSIVE INCOME**

No.	Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
I	Sales revenue	92,983	83,246
1.	Revenue from the sales of products	77,119	70,525
2.	Revenue from the sales of services	237	273
3.	Revenue from the sales of trade goods and materials	15,627	12,448
II	Cost of sales	(58,424)	(60,249)
1.	Cost of products sold	(43,189)	(47,608)
2.	Cost of services sold	(204)	(182)
3.	Costs of trade goods and materials sold	(12,938)	(11,552)
4.	Profit/loss from agricultural production	(2,093)	(907)
III	Gross profit (loss) from sales (I-II)	34,559	22,997
1.	Selling and marketing expenses	(4,104)	(4,024)
2.	Administrative expenses	(11,606)	(10,846)
3.	Other operating income	304	214
4.	Other operating expenses	(204)	(499)
IV	Profit (loss) on operating activities	18,949	7,842
1.	Finance costs	(1,135)	(868)
2.	Finance income	837	943
V	Profit (loss) before tax	18,651	7,917
VI	Income tax expense	(4,299)	(1,830)
VII	Net profit (loss)	14,352	6,087
VIII	Other comprehensive income	(18)	146
1.	Effects of the valuation of financial assets available-for-sale	-	-
2.	Revaluation of employee benefit liabilities	(18)	146
IX	Total comprehensive income, including	14,334	6,233
X	Net earnings (loss) per share	0.15	0.07

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/loss	Total equity
As at 1 January 2018	5,700	51,950	(172)	69,315	12,319	139,112
Changes in the first half of 2018	-	-	146	-	6,087	6,233
Distribution of profit for 2017	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	6,087	6,087
Other comprehensive income for the year (net)	-	-	146	-	-	146
Other changes in equity	-	-	-	-	-	-
As at 30 June 2018	5,700	51,950	(26)	69,315	18,406	145,345
Changes in 2018	-	-	146	12,319	5,123	17,588
Distribution of profit for 2017	-	-	-	12,319	(12,319)	-
Net profit (loss) for the period	-	-	-	-	17,442	17,442
Other comprehensive income for the year (net)	-	-	146	-	-	146
As at 31 December 2018	5,700	51,950	(26)	81,634	17,442	156,700
As at 1 January 2019	5,700	51,950	(26)	81,634	17,442	156,700
Distribution of profit for 2018, including:						
- increase in reserve capital	-	6,042	-	-	(6,042)	-
- transactions with owners (dividend)	-	-	-	-	(11,400)	(11,400)
Net profit (loss) for the period	-	-	-	-	14,352	14,352
Other comprehensive income for the year (net)	-	-	(18)	-	-	(18)
As at 30 June 2019	5,700	57,992	(44)	81,634	14,352	159,634

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INTERIM CONDENSED STATEMENT OF CASH FLOWS

No.	STATEMENT OF CASH FLOWS	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
A.	Cash flows from operating activities - indirect method		
I	Profit (loss) before tax	18,651	7,917
II	Total adjustments	20,270	22,959
1.	Depreciation/Amortisation	4,913	4,354
2.	Foreign exchange (gains) losses	47	(26)
3.	Interest and share of profit (dividend)	287	626
4.	(Profit) loss from investing activities	(176)	(98)
5.	Net increase/decrease in provisions	(111)	755
6.	Net increase/decrease in inventories	24,988	30,499
7.	Net increase/decrease in biological assets	(1,818)	(2,251)
8.	Net increase/decrease in receivables	(523)	(4,409)
9.	Net increase/decrease in current liabilities, except for loans and borrowings	1,270	3,315
10.	Net increase/decrease in advances	(5,589)	(4,551)
11.	Income tax expense	(3,052)	(4,613)
12.	Net increase/decrease in grants	(49)	(45)
13.	Net increase/decrease in accrued interest on loans and fees and commissions	(43)	(312)
14.	Other adjustments	126	(285)
III	Net cash flows from operating activities	38,921	30,876
B.	Cash flow from investing activities		
I	Proceeds	1,103	258
1.	Disposal of intangible assets and property, plant and equipment	277	128
2.	Repayments of cash loans	762	130
3.	Proceeds from bonds	64	-
II	Expenses	11,859	17,281
1.	Acquisition of intangible assets and property, plant and equipment	11,209	5,321
2.	Acquisition of shares and interests	-	6,510
3.	Purchase of securities	500	-
4.	Loans granted	150	5,450
III	Net cash flows from investing activities	(10,756)	(17,023)
C.	Cash flow from financing activities		
I	Proceeds	44	3,755
1.	Loans and borrowings	-	3,475
2.	Received additional payments	44	280
II	Expenses	35,947	37,400
1.	Repayments of loans and borrowings	33,811	35,358
2.	Interest on loans and borrowings	552	626
3.	Lease payments	1,584	1,416
III	Net cash flows from financing activities (I-II)	(35,903)	(33,645)
D.	Total net cash flows (A.III+/-B.III+/-C.III)	(7,738)	(19,792)
F.	Cash at the beginning of period	28,139	24,579
G.	Cash at the end of period (F+/-D)	20,401	4,787
	- including restricted cash	-	-

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SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

No.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		2019	2018	2019	2018
I	Total sales revenue for the first half of the year	92,983	83,246	21,684	19,636
II	Net profit or loss attributable to equity holders of the Parent Company for the first half of the year	14,352	6,087	3,347	1,436
III	Net comprehensive income for the first half of the year	14,334	6,233	3,343	1,470
IV	Net cash flows from operating activities for the first half of the year	38,921	30,876	9,077	7,283
V	Net cash flows from investing activities for the first half of the year	(10,756)	(17,023)	(2,508)	(4,015)
VI	Net cash flows from financing activities for the first half of the year	(35,903)	(33,645)	(8,373)	(7,936)
VII	Net cash flows for the first half of the year	(7,738)	(19,792)	(1,805)	(4,669)
VIII	Total assets as at 30.06.2019 and 31.12.2018	249,378	257,776	58,650	59,948
IX	Equity attributable to equity holders of the Parent Company as at 30.06.2019 and 31.12.2018	159,634	156,700	37,543	36,442
X	Earnings (loss) per share for the first half of the year	0.15	0.07	0.04	0.02
XI	Book value per share as at 30.06.2019 and 31.12.2018	1.68	1.65	0.40	0.38

Figures presented in lines: VIII, IX and XI, in columns "2019" and "2018" are as at 30 June 2019 and 31 December 2018.

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

- selected items of the interim condensed statement of financial position as at 30.06.2019 – at the average exchange rate as at the balance sheet date: 1 EUR = PLN 4.2520;
- selected items of the interim condensed statement of financial position as at 31.12.2018 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3000;
- selected items of the interim condensed statement of comprehensive income and of the interim condensed statement of cash flows for the period from 1 January 2019 to 30 June 2019 – at the exchange rate being the arithmetic mean of average exchange rates announced by the NBP and applicable on the last day of each month of the first half of 2019: EUR 1 = PLN 4.2880;
- selected items of the interim condensed statement of comprehensive income and of the interim condensed statement of cash flows for the period from 1 January 2018 to 30 June 2018 – at the exchange rate being the arithmetic mean of average exchange rates announced by the NBP and applicable on the last day of each month of the first half of 2018: EUR 1 = PLN 4.2395.

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EARNINGS PER SHARE (EPS)

Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Net earnings (loss) attributable to the shareholders of PEPEES	14,352	6,087
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.15	0.06
Net earnings (loss) attributable to the shareholders of PEPEES S.A. applied in the calculation of diluted earnings per share	14,352	6,087
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	95,000,000
Diluted net earnings (loss) per share (in PLN per share)	0.15	0.06
Annualised net earnings attributable to the equity holders of PEPEES S.A.	25,707	12,206
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.27	0.13

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NOTES

1. General information

Full business name:	Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A.
Registered office:	18-402 Łomża, ul. Poznańska 121
Identifier:	Company Stat. No. [REGON]: 450096365
NIP [Tax ID No.]:	718-10-05-512
Registration body:	District Court in Białystok, XII Commercial Division of the National Court Register
KRS Reg. No.:	000038455
Legal form:	Spółka Akcyjna [a joint stock company]
Organisational form:	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 June 2019:

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

The composition of the Supervisory Board as at 30 June 2019:

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

The composition of the Audit Committee as at 30 June 2019:

Mr Maciej Kaliński	Chairman
Mr Piotr Marian Taracha	Vice-Chairman
Mr Krzysztof Stankowski	Member

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2. Reporting periods

These interim condensed financial statements cover the period from 1 January 2019 to 30 June 2019, and comparative financial figures and notes cover the period from 1 January 2018 to 30 June 2018 and, additionally, as at 31 December 2018 in the case of the statement of financial position and the statement of changes in equity.

3. Basis of preparation

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), particularly in accordance with International Accounting Standard 34 and the IFRS adopted by the EU. As at the date of authorising these financial statements for publication, having regard for the IFRS implementation process continuing in the EU and the Company's business activity, within the scope of the accounting policies adopted by the Company, there are no differences between the IFRS which have come into force and the IFRS as adopted by the EU. The IFRSs comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC').

These interim condensed financial statements have been prepared in the Polish zloty (PLN) and all values, unless otherwise specified, are provided in thousands of PLN.

These interim condensed financial statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of authorising these interim condensed financial statements, the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. does not confirm the existence of any circumstances which would indicate any threat to the Company's remaining a going concern.

These interim condensed financial statements do not comprise all the information required in the annual financial statements and they should be analysed together with the financial statements for the financial year ended on 31 December 2018.

4. Authorising the interim condensed financial statements

These interim condensed financial statements were authorised for publication by the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. on 12 September 2019.

5. Significant accounting policies

Accounting policies applied for the preparation of these interim condensed financial statements are consistent with the ones applied for the preparation of the annual financial statements of "PEPEES" S.A. for the year ended on 31 December 2018, except for the application of the following new or revised standards and interpretations applicable to annual periods beginning on or after 1 January 2019:

- Amendments to IFRS 16 *Leases*, effective for annual periods beginning on or after 1 January 2019.

6. The adoption of accounting standards in 2019

The adoption of new interpretations and amendments to standards in the first half of 2019 had no impact on the financial standing of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. in Łomża.

IFRS 16 *Leases* has been adopted, which introduces a single accounting model for lessees under which a lessee must recognise assets and liabilities under each lease with a lease term of over 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset and a lease liability to make lease payments.

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Lessees are required to separately recognise the depreciation expense on the right-of-use asset and interest expense on the lease liability.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach, and standard's transition provisions permit certain reliefs. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Company, applying clause C5(b) of IFRS 16, has implemented IFRS 16 without restating comparative data, therefore the figures for 2018 and 2019 are not comparable. The cumulative effect of initially applying the standard was recognised by the Company as an adjustment to the opening balance of retained earnings (due to the fact that lease assets and liabilities were estimated at the same value; as at 1 January 2019, there was no impact of the standard adoption on retained earnings).

The Company is a user under lease agreements of machines, devices and means of transport. All these leases were treated, under IAS 17, as finance leases and recognised in the statement of financial position as non-current assets and lease liabilities. The application of IFRS 16 to these leases did not affect the financial statements.

So far, the Company has treated its right of perpetual usufruct of land as operating lease, recognising the payables made for this in the profit or loss of the period to which they pertained. Currently, the right of perpetual usufruct of land is classified by the Company as a lease under IFRS 16. As a result, the Company recognised lease payables at the present value of the remaining payments for the perpetual usufruct of land (the right will expire in 2089), discounted using the Company's incremental borrowing rate (6.92%) on the day of the first-time adoption. The lease payable (fees for perpetual usufruct of land) as at the date of the first-time adoption of IFRS 16 amounted to PLN 8,652 thousand. The asset related to the right of usufruct was recognised by the Company in the amount equal to the amount of the aforementioned liability, so the value of the Company's equity as at 1 January 2019 has not changed. The asset related to the right of usufruct is presented in the condensed statement of financial position in the 'Rights to assets' line.

The analysis carried out in the Company shows that the lease agreement criteria according to IFRS 16 are also met by land lease agreements, which were previously disclosed in the statement of financial position as advance payments, because the lease payment was paid in advance. Currently, the Company has reported the present value arising from these agreements as a right to assets.

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The adoption of IFRS 16 had an impact on the presentation of the financial statements as presented in the table below.

Specification	As at		
	31 December 2018	Adjustment resulting from first-time adoption of IFRS 16	1 January 2019
Non-current assets, including:	134,271	9,394	143,665
- rights to assets	-	17,607	17,607
- advance payments	8,213	(8,213)	-
Current assets, including:	123,505	(742)	122,763
- advance payments	1,309	(742)	567
Total assets	257,776	8,652	266,428
Equity and liabilities, including:			
Equity	156,700	-	156,700
Non-current liabilities, including:	26,611	8,050	34,661
- lease liabilities	4,601	8,050	12,651
Current liabilities, including:	74,465	602	75,067
- lease liabilities	2,670	602	3,272
Total equity and liabilities	257,776	8,652	266,428

Impact on the statement of comprehensive income:	01.01.2019 – 30.06.2019
- decrease in costs of taxes and charges	(301)
- increase in interest costs (discount)	280
- increase in depreciation/amortisation costs	62

Impact on the statement of cash flows:	01.01.2019 – 30.06.2019
- total lease payments	2,186

7. New accounting standards and interpretations not applied in these financial statements

The following standards and interpretations have been published by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but have not come into force yet:

- ✓ IAS 17 *Insurance Contracts* was published by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021. The new IFRS 17 *Insurance Contracts* will replace the current IFRS 4, which allows for a variety of practices related to the accounting for insurance contracts. IFRS 17 will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts. As at the date of these financial statements, the new standard has not been approved by the European Union yet.

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- ✓ **IFRS 3 Business Combinations.** As a result of the amendment to IFRS 3, the definition of ‘a business’ has been modified. The present definition is narrower and will probably result in more acquisitions being classified as acquisitions of assets. Amendments to IFRS 3 are effective for annual periods beginning on or after 1 January 2020. As at the date of these financial statements, the new standard has not been approved by the European Union yet.
- ✓ **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.** The Board has published a new definition of the term ‘material’. The amendments to IAS 1 and IAS 8 clarify the definition of ‘material’ and ensure greater consistency between standards, but they are not expected to have a significant impact on the preparation of financial statements. The amendment is effective for annual periods beginning on or after 1 January 2020. By the decision of the European Union, IFRS 14 will not be approved.
- ✓ **IFRS 14 Regulatory Deferral Accounts.** This standard permits entities which prepare financial statements in accordance with IFRS’s for the first time (on or after 1 January 2016) to account for regulatory deferral account balances in accordance with its previously adopted accounting policies. To ensure greater comparability with entities that already apply IFRS’s and do not disclose such balances, in accordance with the published IFRS 14, regulatory deferral account balances should be presented separately in the statement of financial position and statement of profit or loss and the statement of other comprehensive income. By the decision of the European Union, IFRS 14 will not be approved.
- ✓ **Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures.** The amendments address the issue of the current conflict between IFRS 10 and IAS 28. The accounting treatment depends on whether non-monetary assets sold or contributed to an associate or a joint venture constitute a ‘business’. When non-monetary assets are a ‘business’, the investor discloses full profit or loss on the transaction. On the other hand, if assets do not meet the definition of a ‘business’, the investor recognises profit or loss excluding the portion constituting interests of other investors. The amendments were published on 11 September 2014. The effective date of the amended regulations has not been determined by the International Accounting Standards Board. As at the date of these financial statements, the approval of this amendment has been postponed by the European Union.
- ✓ **Amendments to references to the Conceptual Framework in IFRS Standards.** Amendments to references to the Conceptual Framework in IFRS Standards will become effective as of 1 January 2020.

Effective dates are dates resulting from the content of standards issued by the International Financial Reporting Council. The dates of the adoption of standards in the European Union may differ from the dates of adoption resulting from the content of standards and are announced at the time of authorising them for adoption by the European Union.

The Company is currently analysing how the adoption of the aforementioned standards and interpretations may affect the Company’s financial statements and accounting policies.

8. Non-typical items having significant impact on assets, liabilities, equity, financial performance and cash flows

In the reporting period, there were no non-typical events having significant impact on assets, liabilities, equity, financial performance and cash flows.

9. Changes in applied accounting policies; correcting errors and presentations

“PEPEES” S.A. did not correct errors from previous years. The Company did not change its accounting policies applied previously, except for the application of the new or revised standards and interpretations applicable to annual periods beginning on or after 1 January 2019.

In connection with the adoption of IFRS 16, the Company has changed the presentation of advances for the lease of agricultural holdings. From 01.01.2019, they have been presented in the interim condensed statement of financial position as rights to assets (in previous reporting periods, advances for the lease were presented as long-term advances).

For the purpose of data comparability, long-term advances as at 31.12.2018 and 30.06.2018 have been presented in these interim condensed financial statements as rights to assets.

10. Seasonality or cyclical nature of operations

The Company operates in an industry sector: ‘potatoes processing’. 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.

11. Estimates

In the reporting period, the Company did not conduct impairment tests of non-current assets, since there were no indications of any such impairment.

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 30.06.2019.

Provisions for unused annual leaves were updated on the basis of expected remunerations of employees including adds-on for the employer for annual leaves unused as at 30.06.2019.

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 update was made on 31 December 2018.

12. Acquisition and sales of property, plant and equipment

In the first half of 2019, the Company acquired non-current assets for PLN 11,209 thousand. The purchases mainly concerned the modernisation of machinery and production devices.

The Group sold property, plant and equipment for PLN 277 thousand.

13. Significant commitments made to purchase non-current assets

In the first half of 2019, no loan agreements to purchase non-current assets were concluded.

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14. Inventories

INVENTORIES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
a) materials	3,889	3,377	3,523
b) semi-finished products and work in progress	157	703	297
c) finished products	21,939	43,749	18,974
d) trade goods	1,487	4,351	3,114
Gross inventories	27,472	52,430	25,908
Write-downs	(280)	(250)	(21)
Net inventories	27,192	52,180	25,887

Inventories recognised as an expense in the reporting period amounted to PLN 56,127 thousand (first half of 2018: PLN 59,160 thousand).

15. Biological assets

Since March 2014, PEPEES S.A. has leased an agricultural holding that was sown with annual plants, and, since March 2018, new land that has been sown with annual plants. The costs associated with the acquisition of seeds and with the cultivation as at the balance sheet date amount to PLN 2,248 thousand; revenue from agricultural activities to PLN 116 thousand; and the fair value of inventories and biological assets less costs to sell to ca. PLN 2,148 thousand. Biological assets are recognised in the financial statements at fair value.

16. Trade receivables

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
a) up to 1 month	6,801	11,634	7,449
b) over 1 month up to 3 months	7,042	8,815	6,610
c) over 3 months up to 6 months	9,377	-	10,479
d) over 6 months up to 1 year	-	-	-
e) over 1 year	-	-	-
f) past due receivables	2,970	3,677	2,483
Total (gross) trade receivables	26,190	24,126	27,021
- write-downs of trade receivables	(295)	(335)	(334)
Total (net) trade receivables	25,895	23,791	26,687

Past due receivables for which no write-downs are 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 for those receivables ranges from a few days to three months. There are no receivables overdue more than 180 days not subject to a write-down.

17. Trade payables

TRADE PAYABLES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
- trade payables, falling due:	9,762	8,623	11,556
- up to 12 months	9,762	8,623	11,556
- overdue more than 180 days	-	-	-

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18. Litigation settlements

As at the balance sheet date, the following litigations remain unresolved:

- a case due to the lawsuit filed by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie against PEPEES S.A. to repeal or to declare the invalidity of resolutions Nos. 24-29 adopted on 28.06.2019 by the Annual General Meeting of Shareholders, including resolution No. 28, on the amendment to the Company's Articles of Association and authorising the Company's Board of Directors to increase the Company's share capital within the limits of the authorised capital, with the possibility of depriving existing shareholders by the Board of Directors of all or part of their pre-emptive rights with the consent of the Company's Supervisory Board.
- a lawsuit filed by the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A. to confirm that the Company's shareholder: EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which — according to the information available to the Company — holds 27,714,832 shares, due to the breach of the obligation to notify of the acquisition of qualifying holdings pursuant to Article 89(1)(1) of the Polish Act on public offering and the conditions for introducing financial instruments to an organised trading system, and on public companies — has lost and may not exercise its voting rights attached to 21,402,233 shares.

Within the remaining scope, there are no other significant proceedings before a court, a competent arbitration authority or a public administration body regarding liabilities and receivables of the Issuer or its subsidiaries.

19. Outstanding loans and borrowings

As at the balance sheet date, the bank loans listed in the tables below have been repaid when due.

Non-current and current liabilities

No.	Loan type	Lending bank	Contractual loan amount	Currency	Outstanding loan/borrowing amount	Repayment date
1	Overdraft facility	Santander Bank Polska S.A.	4,000	PLN	272	31.08.2019
2	Revolving loan	Santander Bank Polska S.A.	10,000	PLN	4,500	31.08.2019
3	Working capital loan	Santander Bank Polska S.A.	16,500	PLN	6,188	31.08.2019
4	Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	PLN	383	31.08.2019
5	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	PLN	3,750	31.08.2019
6	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	16,500	PLN	6,187	31.08.2019
7	Investment loan for the construction of a starch drying room, an unloading node and a water treatment unit	BNP Paribas Bank Polska S.A.,	9,822	PLN	3,694	25.02.2022
8	Investment loan to upgrade the dust removal system for boilers	BOŚ S.A.	1,200	PLN	442	31.12.2020
9	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	PLN	9,151	30.06.2025
Total			82,552	PLN	34,567	

In the reporting period, no terms and conditions of loan agreements were violated. All loans are repaid in accordance with the schedules included in the agreements.

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20. Related party transactions

20.1 The Issuer's transactions with its subsidiaries

a) Revenue from the sales of products and trade goods

Types of revenue	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Revenue from the sales of products to subsidiaries	757	111
Revenue from the sales of trade goods and materials to subsidiaries	251	-
Revenue from the sales of services	160	153
Revenue from the sales of fixed assets to subsidiaries	28	-
Total revenue from related parties	1,196	264

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	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Purchases of products from subsidiaries	4,946	3,847
Purchases of services from subsidiaries	140	264
Purchases of property, plant and equipment from subsidiaries	2,064	-
Total purchases from related parties	7,150	4,111

c) Other transactions

Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Interest on granted loans	201	230
Charges on sureties granted	247	181
Fees on sureties received	79	87
Total	527	498

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

Settlements with subsidiaries	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Receivables – PPZ “BRONISŁAW” S.A.	166	1,241	-
Receivables – CHP Energia Sp. o.o.	1,670	371	1,190
Receivables – GR Ponary Sp. z o.o.	1	1	1
Receivables – Pepees Inwestycje Sp. z o.o. (OZENERGY)	6	6	6

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Settlements with subsidiaries	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Liabilities – ZPZ “LUBLIN” Sp. z o.o.	186	82	103
Liabilities – PPZ “BRONISŁAW” S.A.	-	19	8
Liabilities – CHP Energia Sp. z o.o.	21	-	28
Liabilities – GR Ponary Sp. z o.o.	13	-	26
Balance of settlements with related parties	1,623	1,518	1,032

e) Balance of settlements related to cash loans

Cash loans granted to subsidiaries	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
PPZ “BRONISŁAW” Sp. z o.o.	-	-	4,000
ZPZ “LUBLIN” Sp. z o.o.	3,000	3,000	3,000
CHP Energia Sp. z o.o.	4,719	4,905	3,919
GR Ponary Sp. z o.o.	550	553	550
Pepees Inwestycje Sp. z o.o. (OZENERGY)	1,493	1,465	1,460
Balance of settlements with related parties	9,762	9,923	12,929

20.2 The Issuer's transactions with shareholders

In the reporting period, there were no transactions between the Parent Company and shareholders.

20.3 The Issuer's transactions with the key management and supervisory personnel

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

Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Short-term employee benefits	1,344	907
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	1,344	907

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

In the reporting period, the Company did not enter into any transactions with key employees and members of their families.

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21. Changes in estimates

a) Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
Opening balance	412	404	404
a) increases (due to)	6	230	73
- recognition for doubtful trade receivables	6	129	-
- recognition for interest receivable	-	24	-
- recognition for receivables in litigation	-	77	73
b) decreases (due to)	64	222	59
- reversal of provisions due to payment	51	110	44
- utilisation due to the writing-off and sale of receivables	13	-	-
- cancellations	-	112	15
Write-downs at the end of the period	354	412	418

b) Write-downs of inventories

MOVEMENTS ON WRITE-DOWNS OF INVENTORIES	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
Opening balance	250	72	72
a) increases (due to)	259	229	-
- write-downs to net realisable value	259	229	-
b) decreases (due to)	229	51	51
- reversals of write-downs	229	51	51
Write-downs of inventories at the end of the period	280	250	21

c) Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance	2,090	2,026	2,026
- retirement benefits	317	265	265
- jubilee benefits	1,773	1,761	1,761
b) increases (due to)	492	409	133
- retirement benefits	39	74	10
- jubilee benefits	453	335	123
c) utilisation (due to)	287	345	118
- retirement benefits	3	22	-
- jubilee benefits	284	323	118
d) reversal (due to)	-	-	-

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MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
- retirement benefits	-	-	-
- jubilee benefits	-	-	-
e) closing balance	2,295	2,090	2,041
- retirement benefits	353	317	275
- jubilee benefits	1,942	1,773	1,766

22. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance	3,141	1,308	1,308
- grants related to property, plant and equipment	98	101	101
- provisions for services performed by contractors	24	31	31
- loan subsidies	-	8	8
- fee for the use of the environment	96	123	123
- provisions for holiday pays	602	470	470
- greenhouse gas emission allowance	942	305	305
- bonuses for the Board of Directors and employees	1,379	270	270
b) increases (due to)	2,151	2,159	903
- provision for used CO ₂ emission allowances	858	637	280
- fee for the use of the environment	30	96	26
- provisions for holiday pays	149	293	142
- provisions for services performed by contractors	17	24	17
- bonuses for the Board of Directors and employees	1,097	1,109	438
c) utilisation (due to)	2,467	326	163
- fee for the use of the environment	96	123	123
- provisions for holiday pays	26	161	-
- provision for used CO ₂ emission allowances	942	-	-
- provision for services performed by contractors	24	31	31
- grants related to property, plant and equipment	-	3	3
- loan subsidies	-	8	6
- bonuses for the Board of Directors and employees	1,379	-	-
e) closing balance	2,825	3,141	2,048
- grants related to property, plant and equipment	98	98	98
- loan subsidies	-	-	2
- provision for used CO ₂ emission allowances	858	942	585
- fee for the use of the environment	30	96	26
- provisions for holiday pays	725	602	612
- bonuses for the Board of Directors and employees	1,097	1,379	708
- provisions for services performed by contractors	17	24	17

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23. Deferred income tax

DEFERRED TAX LIABILITIES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
The difference between the carrying amount and the tax value of property, plant and equipment	5,650	5,676	6,017
Unrealised foreign exchange differences	1	2	9
Investment valuation	548	548	-
Interest due but not received	176	124	59
Total deferred tax liabilities	6,375	6,350	6,085

DEFERRED TAX ASSETS	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Outstanding remunerations	135	119	102
Provision for unused annual leaves	138	114	116
Retirement and jubilee benefits	436	397	388
Unrealised foreign exchange differences	65	62	24
Write-downs of receivables	535	535	-
Write-downs of inventories	84	78	35
Write-downs of interests	565	565	565
Lease payables	1,067	1,095	1,238
Provision for bonuses for the Board of Directors and employees	208	262	135
Provision for used CO ₂ emission allowances	163	179	111
Others	3	6	3
Total	3,399	3,412	2,717

24. Contingent assets and liabilities

MOVEMENT ON CONTINGENT ASSETS (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance, including:	27,495	10,822	10,822
- value of land used under the right of perpetual usufruct	11,700	10,822	10,822
- surety of GR PONARY for investment loan	15,795	-	-
b) increases (due to)	-	25,263	15,795
- value of land used under the right of perpetual usufruct	-	9,468	-
- surety of GR PONARY for investment loan	-	15,795	15,795
c) utilisation (due to)	-	-	-
d) closing balance, including:	27,495	36,085	26,617
- value of land used under the right of perpetual usufruct	11,700	20,290	10,822
- surety of GR PONARY for investment loan	15,795	15,795	15,795

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MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance, including:	32,034	18,944	18,944
- liabilities related to non-competition agreements	1,116	710	710
- loan sureties to related parties	30,918	18,234	18,234
b) increases (due to)	39	13,090	-
- liabilities related to non-competition agreements	39	406	-
- loan sureties to related parties	-	12,684	-
c) utilisation (due to)	-	-	-
- liabilities related to non-competition agreements	-	-	-
- loan sureties to related parties	-	-	-
d) reversal (due to)	-	-	-
- liabilities related to non-competition agreements	-	-	-
- loan sureties to related parties	-	-	-
e) closing balance, including:	32,073	32,034	18,944
- liabilities related to non-competition agreements	1,155	1,116	710
- loan sureties to related parties	30,918	30,918	18,234

25. Segment reporting

25.1. Products and services

Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” operates mainly in the segment: ‘processing of potatoes’. In this segment, it 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 powdered products (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.

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25.2 Revenue by products

Product name	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Starch	56,724	49,414
Protein	4,773	4,564
Glucose	4,521	5,433
Hydrol	395	297
Maltodextrin	10,182	10,316
Starch syrups	524	501
Trade goods and materials	15,627	12,448
Services	237	273
Total	92,983	83,246

25.3 Sales revenue by territories

Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Poland, including	55,722	50,073
Starch	28,306	22,693
Protein	3,497	2,146
Glucose	4,157	4,921
Hydrol	395	297
Maltodextrin	8,075	9,035
Starch syrups	524	501
Trade goods and materials	10,531	10,207
Services	237	273
EU countries - intra-Community supplies, including:	11,458	9,431
Starch	8,374	6,872
Protein	593	1,157
Maltodextrin	2,088	1,279
Glucose	253	97
Trade goods	150	26
Other countries – export	25,803	23,742
Starch	20,044	19,849
Protein	683	1,261
Glucose	111	415
Maltodextrin	19	2
Trade goods	4,946	2,215
Total	92,983	83,246

25.4 Major customers

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

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- over 48% of maltodextrin sold to three Polish customers (27.4%, 11% and 10.3% respectively);
- 60% of protein sold to two Polish customers (40% and 20% respectively);
- over 14% of glucose sold to one Polish customer.

26. The issue, redemption and repayment of non-equity and equity securities

In the reporting period, there was no issue, redemption or repayment of non-equity or equity securities.

27. Dividends paid (or declared), in aggregate and per share, separately for ordinary shares and preference shares

In the period of six months ended on 30 June 2019, there was no dividend payment.

On 28 June 2019, the Annual General Meeting of Shareholders of "PEPEES" S.A. adopted Resolution No. 15 on the allocation of profit for the financial year 2018 of PLN 17,442,179.57 in such a way that a portion of the profit, i.e. PLN 11,400,000 is allocated to the payment of dividend of PLN 0.12 (twelve groszes) per share, while the rest of the profit of PLN 6,042,179.57 is allocated to the Company's reserve capital.

The day on which the list of shareholders entitled to dividend payment is established has been set for 8 July 2019. The dividend payment date has been set for 27 September 2019.

**28. In the case of financial instruments at fair value
– information on the change of the manner (method) of its determination**

In the period of 6 months ended on 30 June 2019, the Company did not change the principles concerning the determination of the fair value of financial instruments. The same principles and methods of valuation were followed as for the preparation of the financial statements of the Company for the year ended on 31 December 2018.

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

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

30. Information on changes in the economic situation and conditions for conducting business activity that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are carried at fair value or at amortised cost

In the reporting period, there was no change in the economic situation and conditions for conducting business activity affecting the fair value of financial assets and financial liabilities of the Company.

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31. Other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Company

In the reporting period, all events and information affecting the assets and financial standing have been presented in this report. The Company does not have any other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Company.

32. Important events after the reporting period

On 5 August 2019, an annex was signed to the multi-line agreement dated 07.10.2014 concluded with Santander Bank Polska (formerly: Bank Zachodni WBK S.A.). Under the annex, the credit limit granted to PEPEES S.A. and its subsidiaries was increased to PLN 55.5 million and the repayment date was extended until 31.08.2020.

On 5 August 2019, the Group also signed an annex to the multi-purpose credit line agreement 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 55.5 million and the repayment date was extended until 31.08.2020.

On 6 August 2019, the Company became aware of the filing by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie ("the Plaintiff") of the lawsuit to repeal or annul resolutions Nos. 24-29 of the Company's Annual General Meeting of Shareholders of 28 June 2019, including Resolution No. 28 on the amendment to the Company's Articles of Association and authorising the Company's Board of Directors to increase the Company's share capital within the limits of the authorised capital, with the possibility of depriving existing shareholders by the Board of Directors of all or part of their pre-emptive rights with the consent of the Company's Supervisory Board.

33. Authorising financial statements

These Interim Condensed Financial Statements of "PEPEES" S.A. for the first half of the year ended on 30 June 2019 were authorised for publication by the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża on 12 September 2019.

SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS

Board President – Wojciech Faszczewski



Signed by:

Wojciech Faszczewski
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.

Date: 2019-09-12 16:31

Board Member – Tomasz Rogala



Signed by:

Tomasz Krzysztof Rogala
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.

Date: 2019-09-12 07:45

SIGNATURE OF THE PERSON WHO PREPARED
THE FINANCIAL STATEMENTS

Chief Accountant – Wiesława Załuska

Signed by:

Wiesława Załuska
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.

PEPEES® S.A.

Date: 2019-09-12 06:14