

**CORPORATE GROUP OF
PRZEDSIĘBIORSTWO
PRZEMYSŁU SPOŻYWCZEGO
„PEPEES” S.A.**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2018 TO
30 JUNE 2018**

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

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS		30.06.2018	31.12.2017	30.06.2017
I	Non-current (long-term) assets	157,044	155,419	142,517
1	Property, plant and equipment	148,348	147,034	119,859
2	Intangible assets	216	211	112
3	Goodwill arising on consolidation	3,140	3,140	6,607
4	Investments in associates	-	-	4,310
5	Investments in other entities	113	113	113
6	Granted loans	-	-	-
7	Long-term advances	414	72	9,362
8	Deferred tax assets	4,813	4,849	2,154
II	Current (short-term) assets	102,641	148,468	84,683
1	Inventories	36,849	84,134	29,300
2	Biological assets	2,251	-	747
3	Trade receivables	34,425	23,311	32,769
4	Other receivables	2,333	5,250	1,682
5	Advances	9,692	827	5,845
6	Loans granted	923	762	863
7	Short-term investments	4,540	3,546	2,550
8	Cash and cash equivalents	11,628	30,638	10,927
Total assets		259,685	303,887	227,200

EQUITY AND LIABILITIES		30.06.2018	31.12.2017	30.06.2017
	Equity	149,531	145,547	137,185
	<i>Equity attributable to equity holders of the parent</i>	148,809	141,282	136,105
1	Share capital	5,700	5,700	5,700
2	Reserve capital and other reserves	129,538	124,418	124,418
3	Revaluation reserve	(26)	(172)	(328)
4	Retained earnings/loss from previous years and the	6,110	(2,028)	(1,877)
5	Profit/loss for the year	7,487	13,364	8,192
	<i>Non-controlling interests</i>	722	4,265	1,080
II	Non-current liabilities	47,211	48,684	41,490
1	Loans and borrowings	25,528	25,330	22,200
2	Liabilities related to leased assets	6,418	7,446	4,340
3	Deferred tax liabilities	6,202	6,258	5,655
4	Retirement and similar benefits obligations		2,249	2,296
5	Grants	6,758	6,901	6,999
6	Other liabilities	-	500	-
III	Current liabilities	62,943	109,656	48,525
1	Trade payables	15,965	15,026	10,618
2	Current income tax liabilities	70	2,887	1,165
3	Other current liabilities	3,641	5,317	3,358
4	Loans and borrowings	37,562	81,534	29,607
5	Liabilities related to leased	2,628	2,587	1,748
6	Retirement and similar benefit obligations	288	327	349
7	Provisions for other liabilities and other charges	2,789	1,978	1,680
Total equity and liabilities		259,685	303,887	227,200

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Revenue and expenses Profit and loss</i>		<i>For the period 01.01.2018- 30.06.2018</i>	<i>For the period 01.01.2017- 30.06.2017</i>
I	Sales revenue		
1	Revenue from the sales of products	101,963	98,044
2	Revenue from the sales of services	586	589
3	Revenue from the sales of trade goods and materials	14,208	17,378
	Total sales revenue, including:	116,757	116,011
	- revenue from continuing operations	116,757	116,011
II	Cost of sales		
1	Cost of products sold	(73,649)	(69,627)
2	Cost of services sold	(90)	(349)
3	Costs of trade goods and materials sold	(12,066)	(15,041)
4	Profit/loss from agricultural production	(907)	(457)
	Total cost of sales, including:	(86,712)	(85,474)
	- cost from continuing operations	(86,712)	(85,474)
III	Gross profit from sales (I-II)	30,045	30,537
1	Selling and marketing expenses	(4,789)	(5,450)
2	Administrative expenses	(14,428)	(12,626)
3	Other operating income	590	487
4	Other operating expenses	(538)	(272)
IV	Operating profit (loss)	10,880	12,676
1	Finance costs	(1,523)	(2,147)
2	Finance income	527	150
3	Share of profit of an associate	-	(2)
V	Profit (loss) before tax, including:	9,884	10,677
	- profit (loss) before tax from continuing operations	9,884	10,677
	Income tax expense	(2,430)	(2,325)
VI	Net profit (loss)	7,454	8,352
	- attributable to non-controlling interests	(33)	160
	- attributable to equity holders of the parent company	7,487	8,192
VII	Other comprehensive income	146	(50)
	Effects of the valuation of financial assets	-	-
1	available-for-sale	-	-
2	Revaluation of employee benefit liabilities	146	(50)
VII	Total comprehensive income, including	7,600	8,302
	- attributable to non-controlling interests	(33)	160
	- attributable to equity holders of the parent company, including:	7,633	8,142
	- net comprehensive income (loss) from continued operations	7,633	8,142

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/losses	Total equity attributable to equity holders of the parent entity	Non-controlling interests	Total equity
As at 1 January 2017	5,700	52,668	(278)	53,397	16,712	128,199	920	129,119
Changes in the period from 01.01.2017 to 30.06.2017	-	2,435	(50)	15,918	(10,397)	7,906	160	8,066
Changes in accounting policies					(236)	(236)		(236)
Other consolidation adjustments						-		-
Distribution of profit (loss) for 2016		2,435		15,918	(18,353)			-
Net profit for the period					8,192	8,192	160	8,352
Other comprehensive income			(50)					
As at 30.06.2017	5,700	55,103	(328)	69,315	6,315	136,105	1,080	137,185
Changes in the period from 01.01.2017 to 31.12.2017	-							
Distribution of profit (loss) for 2016		2,435		15,918	(18,353)	-		-
Net profit (loss) for the period					13,364	13,364	(173)	13,191
Taking control of a new entity						-	3,597	3,597
Other comprehensive income for the financial year (net value)			106			106		106
Other consolidation adjustments					(387)	(387)	(79)	(466)
As at 31.12.2017	5,700	55,103	(172)	69,315	11,336	141,282	4,265	145,547
As at 1 January 2018	5,700	55,103	(172)	69,315	11,336	141,282	4,265	145,547
Changes in the period from 01.01.2018 to 30.06.2018								
Distribution of profit (loss) for 2017		5,120			(5,120)	-		-
Net profit for the period					7,487	7,487	(33)	7,454
Increase in shareholding in a subsidiary							(3,510)	(3,510)
Other consolidation adjustments					(106)	(106)		(106)
Other comprehensive income			146			146		146
As at 30.06.2018	5,700	60,223	(26)	69,315	13,597	148,809	722	149,531

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	01.01.2018	01.01.2017
	- 30.06.2018	- 30.06.2017
A. Cash flows from operating activities		
I. Profit (loss) before tax	9,884	10,677
II. Total adjustments	28,426	33,442
1. Depreciation/Amortisation	5,564	4,365
2. Foreign exchange (gains) losses	(123)	(263)
3. Interest and share of profit (dividend)	1,453	1,174
4. (Profit) loss from investing activities	(105)	(318)
5. Net increase/decrease in provisions	811	(197)
6. Net increase/decrease in inventories	47,285	47,983
7. Net increase/decrease in biological assets	(2,251)	(589)
8. Net increase/decrease in receivables	(8,197)	(6,371)
9. Net increase/decrease in current liabilities, except for borrowings	(737)	(3,068)
10. Net increase/decrease in advances	(8,865)	(4,160)
11. Income tax expense	(5,172)	(3,977)
12. Net increase/decrease in grants	(643)	(688)
13. Other adjustments	(594)	(449)
III. Net cash flows from operating activities (I+/-II)	38,310	44,119
B. Cash flows from investing activities		
I. Proceeds	187	357
1. Disposal of intangible assets and property, plant and equipment	187	357
2. Repayments of cash loans	-	-
II. Expenses	14,254	9,467
1. Acquisition of intangible assets and property, plant and equipment	7,494	4,473
2. Purchase of shares	3,510	4,313
3. Loans granted	250	681
III. Net cash flows from investing activities (I-II)	(14,067)	(9,110)
C. Cash flows from financing activities		
I. Proceeds	11,463	5,102
1. Loans and borrowings	11,183	4,692
2. Grants	280	410
II. Expenses	60,212	53,188
1. Repayments of loans and borrowings	57,143	50,919
2. Interest on loans and borrowings	1,323	1,299
3. Lease payments	1,746	970
III. Net cash flows from financing activities (I-II)	(48,749)	(48,086)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(21,506)	(13,077)
E. Cash at the beginning of period	30,637	23,192
F. Cash at the end of period (F+/- D)	9,131	10,115
<i>- including restricted cash</i>	-	-

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		First half of 2018	First half of 2017	First half of 2018	First half of 2017
I	Total sales revenue	116,757	116,011	27,541	27,313
II	Net profit or loss attributable to equity holders of the Company	7,487	8,192	1,766	1,929
III	Net comprehensive income attributable to equity holders of the Company	7,633	8,142	1,800	1,917
IV	Net cash flows from operating activities	38,310	44,119	9,037	10,387
V	Net cash flows from investing activities	(14,067)	(9,110)	(3,318)	(2,145)
VI	Net cash flows from financing activities	(48,749)	(48,086)	(11,499)	(11,321)
VII	Total net cash flows	(21,506)	(13,077)	(5,073)	(3,079)
VIII	Earnings (loss) per share	0.07	0.06	0.02	0.02
		30.06.2018	31.12.2017	30.06.2018	31.12.2017
IX	Total assets	259,685	303,887	59,539	72,859
X	Equity attributable to equity holders of the Company	148,809	141,282	34,118	33,873
XI	Book value per share	1.57	1.49	0.36	0.36

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 – 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: 1 EUR = 4.2474 PLN.

EARNINGS PER SHARE

	30.06.2018	30.06.2017
Net earnings attributable to the equity holders of PEPEES	7,487	8,192
Weighted average number of shares	95,000,000	95,000,000
Basic earnings per share (in PLN per share)	0.08	0.09
Net earnings attributable to the equity holders of PEPEES applied in the calculation of diluted earnings per share	7,487	8,192
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)	0.08	0.09
Annualised net earnings attributable to the equity holders of PEPEES	12,659	17,282
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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the parent company

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 30.06.2018:

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:

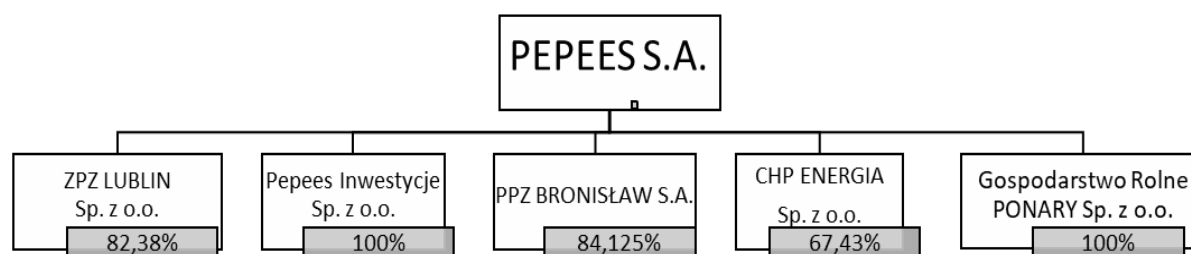
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|-------------------------|-----------------|
| 1. Maciej Kaliński | – Chairman |
| 2. Piotr Marian Taracha | – Vice-Chairman |
| 3. Krzysztof Stankowski | – Secretary |
| 4. Robert Malinowski | – Member |
| 5. Agata Czerniakowska | – Member |

2. Reporting periods

These interim consolidated financial statements cover the period from 1 January 2018 to 30 June 2018, and comparative financial figures and notes cover the period from 1 January 2017 to 30 June 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 have been prepared assuming that the Group would continue as a going concern in the foreseeable future. There are no circumstances indicating any threats to the activities of PEPEES Group.

3. The Group's structure as at 30 June 2018



3.1 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 sales of potato syrup and dried potatoes, processing of fruit and vegetables	District Court in Lublin, XI Economic Division of the National Court Register (NCR)	82.38%	82.38%
PPZ BRONISŁAW 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	Production of electricity and heat from gas produced in a biogas plant	District Court in Białystok, XII Commercial Division of the NCR	67.43%	67.43%
Gospodarstwo Rolne PONARY sp. z o.o.	Warsaw	Growing of crops combined with farming of animals (mixed farming)	District Court in Białystok, XII Commercial Division of the NCR	100%	100%

3.2 Changes in the Group

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. By virtue of the resolution of the Extraordinary General Meeting of Shareholders of OZEnergy of 10 May 2018, the name of this company was changed to: PEPEES Inwestycje Spółka z ograniczoną odpowiedzialnością. The core objects were also changed to "Buying and selling of own real estate".

Apart from the aforementioned changes, there were no other changes in PEPEES Group in the reporting

period.

3.3 Basic financial information about related parties

	PPZ BRONISŁAW S.A.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne PONARY Sp. z o.o.	Pepees Inwestycje Sp. z o.o.
Current assets as at 30.06.2018	19,829	5,645	1,996	96	1,457
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	554	1,466
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 from continuing operations for the first half of 2018	1,792	235	(1,099)	59	(12)
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)	59	(12)

4. Compliance declaration and the basis for the preparation of the interim condensed consolidated financial statements

The accounting policies applied to prepare the semi-annual consolidated 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.

5. The application of standards in 2018

IFRS 9 – first-time adoption and accounting policies

The Group 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 Group 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 Group 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 Group 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 Group 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 derivatives and investments in equity instruments quoted on an active market are measured 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group recognises revenue at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the customer.

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

The standards below have not been applied yet by the Group in the process of the preparation of these consolidated 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 Group 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 Group's reporting.

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

The Group did not change the previously applied accounting policies apart from those described in section 5.

8. Seasonality or cyclical nature of operations

The Group 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.

9. 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.

10. Estimates

In the reporting period, the Group carried out impairment tests for interests in related parties, which demonstrated that there was no 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 30.06.2018.

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

The Group 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.

11. Acquisition and sales of property, plant and equipment

In the first half of 2018, the Group acquired property, plant and equipment for PLN 7,475 thousand. The purchases comprised mainly production plant and machinery and the upgrade of the wastewater treatment plant.

The Group sold property, plant and equipment for PLN 76 thousand.

12. Commitments to purchase property, plant and equipment

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

13. Inventories

Types of inventories	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
a) materials	5,413	6,201	4,445
b) semi-finished products and work in	297	1,770	1,111
c) finished products	27,966	73,163	21,437
d) trade goods	3,555	3,433	2,546
Gross inventories	37,231	84,567	29,539
Write-downs	(382)	(433)	(239)
Net inventories	36,849	84,134	29,300

The value of inventories recognised as an expense in the reporting period amounted to PLN 85,627 thousand (the first half of 2017: PLN 83,476 thousand).

The carrying amount of inventories used as security for bank loans is PLN 22,320 thousand.

In the reporting period, the Group decreased write-downs of inventories. Write-downs as at 30.06.2018 amount to PLN 382 thousand (30.06.2017: PLN 239 thousand).

Encumbrances on inventories due to borrowed bank loans:

- 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 5,831 thousand;
- a registered pledge on inventories for the benefit of Bank Polski PKO S.A., securing loans for which the debt as at 30.06.2018 amounts to PLN 9,562 thousand.

14. Biological assets

PEPEES S.A. 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. The costs associated with the acquisition of seeds and with the cultivation as at the balance sheet date amount to PLN 1,188 thousand, received subsidies amount to PLN 281 thousand, and the fair value less costs to sell amounts to PLN 2,251 thousand. Biological assets are recognised in the financial statements at fair value.

15. Trade receivables

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
a) up to 1 month	11,677	9,392	11,056
b) over 1 month up to 3 months	9,795	7,893	7,014
c) over 3 months up to 6 months	10,603	1,246	11,361
d) over 6 months up to 1 year	-	-	-
e) over 1 year	80	-	-
f) past due receivables	3,282	5,837	4,205
Total (gross) trade receivables	35,437	24,368	33,636
- write-downs of trade receivables	(1,012)	(1,057)	(867)
Total (net) trade receivables	34,425	23,311	32,769

Past due receivables for which no write-downs are recognised are receivables from debtors with whom the Group 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.

16. Trade payables

TRADE PAYABLES	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
- trade payables, falling due:			
	15,965	15,026	10,618
- up to 12 months	15,965	15,026	10,618
- over 12 months	-	-	-

17. 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.

18. 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 Group.

19. Outstanding loans and borrowings or agreement infringements

As of the balance sheet date, the bank loans listed in the table below have been repaid when due. No loan or borrowing agreement was infringed. Intra-Group cash loans were eliminated from the consolidated financial statements.

No.	Loan type	Borrower	Lending bank	Contractual loan value	Debt as at 30.06.2018	Repayment date
1.	Overdraft facility	Pepees S.A.	Bank Zachodni WBK S.A.	4,000	1,861	31.08.2018
2.	Revolving loan	Pepees S.A.	Bank Zachodni WBK S.A.	10,000	1,750	31.08.2018
3.	Working capital loan	Pepees S.A.	Bank Zachodni WBK S.A.	16,000	4,000	31.08.2018
4.	Overdraft facility	Pepees S.A.	PKO BP S.A.	4,000	606	31.08.2018
5.	Revolving loan	Pepees S.A.	PKO BP S.A.	10,000	3,750	31.08.2018
6.	Working capital loan for the purchase of potatoes	Pepees S.A.	PKO BP S.A.	16,000	6,000	31.08.2018
7.	Subsidised investment loan	Pepees S.A.	Bank Polskiej Spółdzielczości S.A.	1,295	115	30.11.2018
8.	Investment loan	Pepees S.A.	BGŻ BNP Paribas S.A.	9,822	5,079	25.02.2022
9.	Investment loan to upgrade the dust removal system for boilers	Pepees S.A.	BOŚ	1,200	721	31.12.2020
10.	Investment loan to finance and refinance the acquisition of 100% of shares in GR Ponary Sp. z o. o.	Pepees S.A.	PKO BP S.A.	10,530	10,530	30.06.2025
11.	Overdraft facility	ZPZ Lublin	Bank Zachodni WBK S.A.	500	14	31.08.2018
12.	Revolving loan	ZPZ Lublin	Bank Zachodni WBK S.A.	3,000	1,125	31.08.2018
13.	Working capital loan	ZPZ Lublin	Bank Zachodni WBK S.A.	1,500	375	31.08.2018

No.	Loan type	Borrower	Lending bank	Contractual loan value	Debt as at 30.06.2018	Repayment date
14.	Overdraft facility	ZPZ Lublin	PKO BP S.A.	500	0	31.08.2018
15.	Revolving loan	ZPZ Lublin	PKO BP S.A.	3,000	1,125	31.08.2018
16.	Working capital loan for the purchase of potatoes	ZPZ Lublin	PKO BP S.A.	1,500	562	31.08.2018
17.	Overdraft facility	PPZ Bronisław	Bank Zachodni WBK S.A.	500	0	31.08.2018
18.	Revolving loan	PPZ Bronisław	Bank Zachodni WBK S.A.	5,000	3,125	31.08.2018
19.	Working capital loan	PPZ Bronisław	Bank Zachodni WBK S.A.	8,000	1,456	31.08.2018
20.	Overdraft facility	PPZ Bronisław	PKO BP S.A.	500	0	31.08.2018
21.	Revolving loan	PPZ Bronisław	PKO BP S.A.	3,000	1,119	31.08.2018
22.	Working capital loan for the purchase of potatoes	PPZ Bronisław	PKO BP S.A.	8,000	3,000	31.08.2018
23.	Investment loan to finance the purchase of a real property by PPZ Bronisław	PPZ Bronisław	Bank Zachodni WBK S.A.	800	553	30.11.2021
24.	Syndicated investment loan	CHP Energia	Spółdzielczy Bank Rozwoju in Szepietowo and Bank Spółdzielczy in Ostrowia Mazowiecka	12,830	11,511	31.12.2023
25.	Working capital loan associated with business activities	CHP Energia	Spółdzielczy Bank Rozwoju in Szepietowo	800	518	31.12.2019
26.	Working capital loan to finance current liabilities	CHP Energia	Spółdzielczy Bank Rozwoju in Szepietowo	3,000	2,494	31.05.2022
27.	Working capital loan associated with business activities	CHP Energia	Spółdzielczy Bank Rozwoju in Szepietowo	2,500	1,700	13.09.2018

Securities:

Re: 1, 2, 3, 11, 12, 13, 17, 18, 19

All the aforementioned working capital loans were obtained pursuant to a single agreement called 'Multi-Line Agreement'.

These loans are secured with:

- a contractual joint mortgage amounting to PLN 58,500 thousand on real properties:

- owned by PPZ Bronisław sp. z o.o.
- owned by ZPZ Lublin sp. z o.o.

- an assignment of rights under an insurance policy for the real properties:

- owned by PPZ Bronisław sp. z o.o.
- owned by ZPZ Lublin sp. z o.o.

- a registered pledge on assets belonging to PEPEES S.A.

- owned by PPZ Bronisław sp. z o.o.
- 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 sp. z o.o., ZPZ Lublin sp. z o.o.
- a blank promissory note with a promissory note agreement.

Ad.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.

Re: 4, 5, 6, 14, 15, 16, 20, 21, 22

All the aforementioned working capital loans were obtained pursuant to a single agreement called 'Multi-Purpose Line of Credit Agreement', which is secured with:

- a blank promissory note with a promissory note agreement issued by:
 - PEPEES S.A.
 - PPZ Bronisław S.A.
 - ZPZ Lublin Sp. z o.o.
- 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.
- 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 fixed 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
 - 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 inventories
- general assignment of 40% of receivables
 - owned by PEPEES S.A.
 - owned by PPZ Bronisław S.A.
 - owned by ZPZ Lublin Sp. z o.o.

Re: 23

The loan is secured with a contractual mortgage amounting to PLN 1,200 thousand, with Bank Zachodni WBK with its registered office in Wrocław as the creditor, and the endorsement on a bill of exchange with the bill of exchange agreement.

Re: 24

The syndicated loan is secured with the following contractual mortgages for the benefit of three creditors:

- amounting to PLN 8,288 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;
- amounting to PLN 6,761 thousand for the benefit of Bank Spółdzielczy in Brańsk;
- amounting to PLN 6,761 thousand for the benefit of Bank Spółdzielczy Branch in Andrzejów.

In addition, the syndicated loan is secured with: blank promissory notes with promissory note agreements; endorsements on bills of exchange; the statement on the submission to bank execution; the authorisation to use a current account; the assignment of receivables under an insurance policy; a registered pledge amounting to PLN 15,227 thousand on fixed assets for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo.

Re: 25

The loan is secured with a contractual mortgage of PLN 1,360 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo, a blank promissory note with a promissory note agreement, the statement on the submission to bank execution; the assignment of receivables under an insurance policy; an authorisation to use a current account.

Re: 26

The loan is secured with a contractual mortgage amounting to PLN 5,100 thousand, with Spółdzielczy Bank Rozwoju Branch in Szepietowo as the creditor; a blank promissory note with a promissory note agreement; the statement on the submission to bank execution; the authorisation to use a current account; the assignment of receivables under a contract of insurance for construction risks and under a contract of insurance for buildings and structures.

Re: 27

The loan is secured with a blank promissory note with a promissory note agreement, an endorsement on a bill of exchange granted by PEPEES S.A. and an authorisation to use a current account.

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	2018 first half	2017 first half
Revenue from the sales of products to subsidiaries	112	103
Revenue from the sales of materials to subsidiaries	-	-

Types of revenue	2018 first half	2017 first half
Revenue from the sales of services	153	136
Total revenue from related parties	265	239

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	3,881
Purchases of trade goods from subsidiaries	-	
Purchases of services from subsidiaries	204	86
Total purchases from related parties	4,051	3,967

c) Other transactions

Types	2018 first half	2017 first half
Interest on granted loans	240	215
Total	240	215

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

Settlements with subsidiaries	2018 first half	2017 first half
Receivables – ZPZ Lublin	-	47
Receivables – CHP Energia	258	210
Advances – CHP Energia	492	-
Receivables – GR Ponary	1	-
Receivables – Pepees Inwestycje	5	5
Liabilities – ZPZ Lublin	103	208
Liabilities – PPZ BRONISŁAW	8	33
Liabilities – CHP Energia	-	29
Liabilities – GR Ponary	26	-
Balance of settlements with related parties	619	(8)

e) Balance of settlements related to cash loans

Cash loans granted to subsidiaries	2018 first half	2017 first half
PPZ BRONISŁAW	4,000	3,973
ZPZ Lublin	3,000	3,000
CHP Energia	3,919	2,304
GR Ponary	550	-

Cash loans granted to subsidiaries	2018 first half	2017 first half
Pepees Inwestycje	1,460	-
Balance of settlements with related parties	12,929	9,277

All transactions with subsidiaries were eliminated from the consolidated financial statements.

20.2 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 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.

20.3 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)

Benefits paid to the members of the Board of Directors and of the Supervisory Board	2018 first half	2017 first half
Short-term employee benefits	907	1,004
Post-employment benefits		
Other long-term benefits		
Termination benefits		
Share-based payments		
Total	907	1,004

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.

21. Dividend

The companies of the Group did not pay any dividend in the reporting period and in the comparative period. Boards of Directors of the companies did not declare or propose dividend from the distribution of profit for 2018.

22. Changes in estimates

a. Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2018 first half	2017	2017 first half
Opening balance	1,082	996	996
a) increases (due to)	73	298	15
- recognition for doubtful trade receivables	-	196	-
- recognition for interest receivable	-	47	15

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2018 first half	2017	2017 first half
- recognition for receivables in litigation	73	55	-
b) decreases (due to)	59	212	144
- reversal of provisions due to payment	44	94	33
- utilisation due to the writing-off and sale of receivables	-	58	57
- cancellations	15	60	54
Write-downs of current receivables at the end of period	1,096	1,082	867

b. Write-downs of inventories

MOVEMENT ON WRITE-DOWNS OF INVENTORIES	2018 first half	2017	2017 first half
Opening balance	433	182	182
a) increases (due to)	0	616	57
- write-downs to net realisable value	-	-	-
- impairment loss for materials	-	616	57
b) decreases (due to)	51	365	0
- utilisation	-	14	-
- reversals of write-downs	51	351	-
Write-downs of inventories at the end of the period	382	433	239

c. Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	2018 first half	2017	2017 first half
a) opening balance	2,576	2,571	2,571
- retirement benefits	468	429	429
- jubilee benefits	2,108	2,142	2,142
b) increases (due to)	135	425	179
- retirement benefits	11	85	47
- jubilee benefits	124	340	132
c) utilisation (due to)	118	304	99
- retirement benefits	0	18	12
- jubilee benefits	118	286	87
d) reversal (due to)	0	116	6
- retirement benefits	0	28	0
- jubilee benefits	0	88	6
e) closing balance	2,593	2,576	2,645
- retirement benefits	479	468	464
- jubilee benefits	2,114	2,108	2,181

d. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	2018 first half	2017	2017 first half
a) opening balance	1,978	1,877	1,877
- grants related to property, plant and equipment	625	491	491
- provisions for services performed by contractors	31	71	71
- grants related to loans	8	22	22
- fee for the use of the environment	123	165	165
- provisions for compensations for annual leaves	616	498	498
- greenhouse gas emission allowance	305	337	337
- bonuses for the Board of Directors and employees	270	284	284
- other	-	9	9
b) increases (due to)	974	1,476	1,136
- grants related to property, plant and equipment	-	211	413
- provision for used CO ₂ emission allowances	280	305	138
- fee for the use of the environment	26	123	36
- provisions for compensations for annual leaves	173	536	534
- provisions for services performed by contractors	17	31	15
- bonuses for the Board of Directors and employees	478	270	-
c) utilisation (due to)	163	1,375	1,354
- fee for the use of the environment	123	165	165
- provisions for compensations for annual leaves	-	418	421
- provision for used CO ₂ emission allowances	-	337	337
- provision for services performed by contractors	31	71	38
- grants related to property, plant and equipment	3	77	77
- grants related to loans	6	14	11
- bonuses for the Board of Directors and employees	-	284	284
- other	-	9	21
e) closing balance	2,789	1,978	1,680
- grants related to property, plant and equipment	622	625	827
- grants related to loans	2	8	11
- provision for used CO ₂ emission allowances	585	305	138
- fee for the use of the environment	26	123	36
- provisions for compensations for annual leaves	789	616	611
- bonuses for the Board of Directors and employees	748	270	-
- provision for damages	-	-	-
- provisions for services performed by contractors	17	31	48
- other	-	-	9

e. Deferred income tax

DEFERRED TAX LIABILITIES	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
The difference between the carrying amount and the tax value of property, plant and equipment	6,173	6,287	5,635
Unrealised foreign exchange differences	9	2	0
Interest due but not received	15	(36)	15
Other	5	5	5
Total deferred tax liabilities	6,202	6,258	5,655
DEFERRED TAX ASSETS	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
The difference between the carrying amount and the tax value of property, plant and equipment	2,450	2,456	444
Outstanding remunerations	120	150	97
Provision for unused annual leaves	137	100	104
Retirement and jubilee benefits	493	489	503
Unrealised foreign exchange differences	24	48	44
Write-downs of inventories	64	45	45
Write-downs of interests	565	565	
Lease payables	1,238	1,385	705
Consolidation adjustments – retained earnings	(541)	(585)	39
Provision for benefits	-	-	3
Provision for bonuses for the Board of Directors and employees	135	51	-
Provision for the used CO ₂ emission allowance	111	58	26
Tax loss	14	81	144
Other	3	6	-
Total deferred tax assets	4,813	4,849	2,154

23. 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.

24. Movement on contingent liabilities and contingent assets

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	2018 first half	2017	2017 first half
a) opening balance, including:	19,052	6,818	6,818
- liabilities related to non-competition agreements	818	818	818
- surety for a loan for CHP	18,234	6,000	6,000
b) increase (due to)	0	12,234	6,224
- liabilities related to non-competition agreements	0		
- surety for a loan for CHP	0	12,234	6,224
c) reversal (due to)	0	0	418

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	2018 first half	2017	2017 first half
- liabilities related to non-competition agreements			418
d) closing balance, including:	19,052	19,052	13,042
- liabilities related to non-competition agreements	818	818	818
- surety for a loan for CHP	18,234	18,234	12,224

25. The issue, redemption and repayment of debt and equity securities

In the reporting period, a subsidiary PPZ BRONISŁAW issued 30 series A registered bonds with the nominal value of PLN 100 thousand each; all of them were subscribed for by the parent company, i.e. PEPEES. In the consolidated financial statements, the bonds have been eliminated.

26. Segment reporting

There are three segments in PEPEES Group, i.e.: 'processing of potatoes', 'power generation' and 'growing of crops combined with farming of animals (mixed farming)'.

All assets and liabilities of CHP Energia are allocated to the 'power generation' segment. All assets and liabilities of Gospodarstwo Rolne Ponary are allocated to 'growing of crops combined with farming of animals (mixed farming)' segment, and all other assets and liabilities disclosed in the consolidated financial statements are allocated to the 'processing of potatoes' segment.

Due to the fact that in 2018 Ponary did not generate any sales revenue, the 'growing of crops combined with farming of animals (mixed farming)' segment was not separated in segments' revenue and net profit/loss. Due to the value of land owned by Ponary, the third segment has been separated in these financial statements only to present its assets and liabilities.

26.1 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 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;
- potato grits, potato flakes, potato cubes and potato dumplings; products used by the food industry.

In the 'power generation' segment, the Company produces:

- electricity from agricultural biogas;
- heat for its own needs used e.g. to dry animal feeds.

'Growing of crops combined with farming of animals (mixed farming)' segment did not generate sales revenues; it only generated revenue from a loan surety for the parent company.

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.

26.2 Segment revenue and results

Segment	Revenue		Segment profit	
	First half of 2018	First half of 2017	First half of 2018	First half of 2017
Processing of potatoes	112,410	110,476	11,554	12,960
- including inter-segmental	5			
Power generation	4,700	5,936	(726)	(499)
- including inter-segmental	348	401		
Other operating income			590	487
Other operating expenses			(538)	(272)
Finance income			527	150
Finance costs			(1,523)	(2,147)
Share of profit (loss) of an associate				(2)
Profit (loss) before tax			9,884	10,677

26.3 Segment assets and liabilities

Segment assets	As at 30.06.2018	As at 31.12.2017
Processing of potatoes	215,425	257,951
Power generation	22,988	24,758
Growing of crops combined with farming of animals (mixed farming)	21,272	21,178
Total segment assets	259,685	303,887

Segment liabilities	As at 30.06.2018	As at 31.12.2017
Processing of potatoes	86,981	132,620
Power generation	23,170	25,201
Growing of crops combined with farming of animals (mixed farming)	3	519
Total segment liabilities	110,154	158,340

All assets and liabilities of CHP Energia sp. z o.o. are allocated to 'power generation' segment; all assets and liabilities of Gospodarstwo Rolne PONARY Sp. z o.o. are allocated to 'growing of crops combined with farming of animals (mixed farming)' segment, and all other assets and liabilities disclosed in the consolidated financial statements are allocated to the 'processing of potatoes' segment.

26.4 Other segment information

Segment	Depreciation/Amortisation		Increase in non-current assets	
	First half of 2018	First half of 2017	First half of 2018	First half of 2017
Processing of potatoes	4,687	3,480	7,312	8,644
Power generation	877	885	182	142
Total for continuing operations	5,564	4,365	7,494	8,786

26.5 Revenue by products

Sales revenues	2018	2017
Product or service name	first half	first half
Starch	63,990	62,422
Protein	4,564	5,312
Glucose	5,730	5,110
Maltodextrin	10,308	8,355
Starch syrups	3,126	2,925
Dried potato-based products (grits, flakes, cubes)	8,608	7,495
Feeds and fertilizers	175	372
Electricity	2,115	2,519
Heat	0	352
Property rights (electricity and heat)	1,493	2,365
Trade goods and materials	16,062	18,195
Services	586	589
Total	116,757	116,011

26.6 Sales revenue by territories:

Specification	2018 first half	2017 first half
Poland, including	79,683	79,632
Starch	33,407	32,173
Protein	2,146	3,773
Glucose	5,218	4,955
Maltodextrin	9,027	7,325
Starch syrups	3,126	2,925
Dried potato-based products (grits, flakes, cubes)	8,568	7,259
Feeds and fertilizers	175	372
Electricity	2,115	2,519
Heat	-	352
Property rights (electricity and heat)	1,493	2,365
Trade goods and materials	13,821	15,025
Services	587	589
EU countries - intra-Community supplies, including:	9,524	5,339
Starch	6,926	2,887
Protein	1,157	864
Maltodextrin	1,279	1027
Glucose	97	35
Dried potato-based products (grits, flakes, cubes)	39	131
Trade goods	26	395
Other countries – export	27,550	31,040
Starch	23,657	27,362
Protein	1,261	675
Glucose	415	120
Maltodextrin	2	4
Dried potato-based products (grits, flakes, cubes)	-	105
Trade goods	2,215	2774
Total	116,757	116,011

26.7 Major customers

The Group does not have any customer for whom sales revenue would exceed 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.

27. Other significant events in the reporting period.

- 1) On 04.01.2018, PEPEES 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 of PEPEES approved of the financial statements for 2017 and adopted the resolution on the allocation of the profit for 2017 to reserves in order to make investments.
- 3) On 04.07.2018, PEPEES 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 decision of the Court of 29 June 2018 on securing the Plaintiff's claim by suspending the performance of the challenged resolutions.

28. Events after the reporting 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 Przedsiębiorstwo 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.

29. 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 Group.

30. 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.

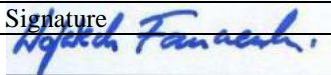

31. Interests in other entities, related to entities becoming or ceasing to be investment entities

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

32. Authorising the condensed interim consolidated financial statements

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

SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY

Date	Name	Title/Function	Signature
14.09.2018	Wojciech Faszczeniowski	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	