

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2018
TO 31 MARCH 2018**

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

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FINANCIAL STATEMENTS**

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**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL
POSITION**

ASSETS	31.03.2016	31.12.2017	31.03.2017
I Non-current (long-term) assets	154,031	155,419	137,981
1 Property, plant and equipment	145,762	147,034	119,404
2 Intangible assets	208	211	100
3 Goodwill arising on consolidation	3,140	3,140	6,607
4 Investments in other entities	113	113	113
5 Long-term advances	65	72	9,553
6 Deferred tax assets	4,743	4,849	2,204
II Current (short-term) assets	125,884	148,468	113,550
1 Inventories	58,755	84,134	51,659
2 Biological assets	394	-	215
3 Trade receivables	23,377	23,311	27,730
4 Other receivables	1,645	5,250	1,789
5 Advances	6,663	827	3,181
6 Loans granted	913	762	733
7 Investments held for trading	5,536	3,546	2,550
8 Cash and cash equivalents	28,601	30,638	25,693
Total assets	279,915	303,887	251,531
EQUITY AND LIABILITIES	31.03.2016	31.12.2017	31.03.2017
I Equity	147,557	145,547	134,675
<i>Equity attributable to equity holders of the company</i>	146,830	141,282	133,562
1 Share capital	5,700	5,700	5,700
2 Reserve capital and other reserves	124,418	124,418	106,065
3 Revaluation reserve	(172)	(172)	(278)
4 Retained earnings/loss	12,070	(2,028)	16,712
5 Profit/loss for the year	4,814	13,364	5,363
<i>Non-controlling interests</i>	727	4,265	1,113
II Non-current liabilities	49,925	48,684	44,637
1 Loans and borrowings	27,893	25,330	24,266
2 Liabilities related to leased assets	6,561	7,446	4,766
3 Deferred tax assets	6,274	6,258	5,716
4 Retirement benefit and similar obligations	2,249	2,249	2,240
5 Long-term deferred income	6,948	6,901	7,649
6 Other liabilities	-	500	-
III Current liabilities	82,433	109,656	72,219
1 Trade payables	7,994	15,026	9,351
2 Current income tax liabilities	415	2,887	835
3 Other current liabilities	4,408	5,317	3,625
4 Loans and borrowings	64,747	81,534	55,360
5 Liabilities related to leased assets	2,637	2,587	1,678
6 Retirement benefit and similar obligations	327	327	331
7 Provisions for other liabilities and other charges	1,905	1,978	1,039
Total equity and liabilities	279,915	303,887	251,531

**INTERIM CONSOLIDATED INCOME
STATEMENT AND THE STATEMENT OF
OTHER COMPREHENSIVE INCOME**

<i>Revenue and expenses</i>		<i>01.01.2018-</i>	<i>01.01.2017-</i>
<i>Profit and loss</i>		<i>31.03.2016</i>	<i>31.03.2017</i>
I	Sales revenue		
1	Revenue from the sales of products	54,723	54,172
2	Revenue from the sales of services	465	305
3	Revenue from the sales of trade goods and materials	942	2,449
	Total sales revenue, including:	56,130	56,926
	- revenue from continuing operations	56,130	56,926
II	Cost of sales		
1	Cost of products sold	(38,589)	(37,887)
2	Cost of services sold	(138)	(111)
3	Costs of trade goods and materials sold	(535)	(1,897)
4	Profit/loss from agricultural production	(661)	(195)
	Total cost of sales, including:	(39,923)	(40,090)
	- cost from continuing operations	(39,923)	(40,090)
III	Gross profit from sales (I-II)	16,207	16,836
1	Selling and marketing expenses	(2,389)	(2,994)
2	Administrative expenses	(6,380)	(5,672)
3	Other operating income	253	157
4	Other operating expenses	(305)	(86)
IV	Operating profit (loss)	7,386	8,241
1	Finance costs	(1,052)	(1,301)
2	Finance income	71	93
3	Share of profit of an associate		
V	Profit (loss) before tax, including:	6,405	7,033
	- profit (loss) before tax from continuing operations	6,405	7,033
	Income tax expense	(1,542)	(1,476)
VI	Net profit (loss)	4,863	5,557
	- attributable to equity holders of the parent company	4,814	5,363
	- attributable to non-controlling interests	49	194
VII	Other comprehensive income	-	-
	Effects of the valuation of financial assets available-for-sale	-	-
1	Revaluation of employee benefit liabilities	-	-
2			
VIII	Total comprehensive income, including	4,863	5,557
	- attributable to equity holders of the parent company	4,814	5,363
	- attributable to non-controlling interests	49	194
	- net comprehensive income (loss) from continuing operations	4,814	5,363

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	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 first quarter of 2017								
Other consolidation adjustments							(1)	(1)
Net profit for the period					5,363	5,363	194	5,557
As at 31 March 2017	5,700	52,668	(278)	53,397	22,075	133,562	1,113	134,675
Changes in 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 year (net)			106			106		106
Other consolidation adjustments					(387)	(387)	(79)	(466)
As at 31 December 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 first quarter of 2018								
Taking over 100% control in a subsidiary							(3,587)	(3,587)
Other consolidation adjustments					734	734		734
Net profit for the period					4,814	4,814	49	4,863
As at 31 March 2018	5,700	55,103	(172)	69,315	16,884	146,830	727	147,557

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	01.01.2018- 31.03.2016	01.01.2017- 31.03.2017
A. Cash flows from operating activities		
I. Profit (loss) before tax	6,405	7,033
II. Total adjustments	14,095	16,748
1. Depreciation/Amortisation	3,009	2,001
2. Foreign exchange (gains) losses	(20)	(139)
3. Interest and share of profit (dividend)	909	774
4. (Profit) loss from investing activities	(2)	(20)
5. Net increase/decrease in provisions	(73)	(838)
6. Net increase/decrease in inventories	25,379	25,624
7. Net increase/decrease in biological assets	(394)	(57)
8. Net increase/decrease in receivables	3,539	(980)
9. Net increase/decrease in current liabilities, except for borrowings	(8,441)	(5,398)
10. Net increase/decrease in advances	(5,836)	(966)
11. Income tax expense	(3,920)	(3,352)
12. Net increase/decrease in grants	47	(34)
13. Net increase/decrease in accrued interest on loans and fees and commissions	(25)	
14. Other adjustments	(77)	133
III. Net cash flows from operating activities (I+/-II)	20,500	23,781
B. Cash flows from investing activities		
I. Proceeds	42	20
1. Disposal of intangible assets and property, plant and equipment	42	20
2. Repayment of loans	-	-
II. Expenses	7,290	2,514
1. Acquisition of intangible assets and property, plant and equipment	1,650	1,962
2. Acquisition of shares and interests	3,510	
3. Purchase of securities	1,990	
4. Loans granted	140	552
III. Net cash flows from investing activities (I-II)	(7,248)	(2,494)
C. Cash flows from financing activities		
I. Proceeds	11,200	3,424
1. Loans and borrowings	11,172	3,192
2. Grants	28	232
II. Expenses	26,463	23,130
1. Repayments of loans and borrowings	24,909	21,905
2. Interest on loans and borrowings	811	774
3. Lease payments	743	451
III. Net cash flows from financing activities (I-II)	(15,263)	(19,706)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(2,011)	1,581
F. Cash at the beginning of period	30,644	23,118
F. Cash at the end of period (E+/-D)	28,633	24,699
<i>including restricted cash</i>	-	-

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	SELECTED FINANCIAL FIGURES Year	PLN 000s		EUR 000s	
		2018	2017	2018	2017
I	Total sales revenue for 1 quarter	56,130	56,926	13,433	13,272
II	Net profit or loss attributable to equity holders of the Company for 1 quarter	4,814	5,363	1,152	1,250
III	Net cash flows from operating activities for 1 quarter	20,500	23,781	4,906	5,545
IV	Net cash flows from investing activities for 1 quarter	(7,248)	(2,494)	(1,735)	(581)
V	Net cash flows from financing activities for 1 quarter	(15,263)	(19,706)	(3,653)	(4,594)
VI	Total net cash flows for 1 quarter	(2,011)	1,581	(481)	369
VII	Total assets as at 31.03.2018 and 31.12.2017	279,915	303,887	66,512	72,859
VIII	Equity attributable to equity holders of the company as at 31.03.2018 and 31.12.2017	146,830	141,282	34,889	33,873
IX	Total earnings (loss) per share for 1 quarter	0.05	0.06	0.01	0.01
X	Book value per share as at 31.03.2018 and 31.12.2017	1.55	1.49	0.37	0.36

Figures presented in lines: VII, VIII and X, in columns '2017' are as of 31.12.2017.

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

- selected items of the statement of financial position as at 31.03.2018 – at the average exchange rate as at the balance sheet date: 1 EUR = 4.2085 PLN;

- - 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 - 31.03.2018 – 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 the first quarter of 2018: EUR 1 = PLN 4.1784;

- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2017 - 31.03.2017 – 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 the first quarter of 2017: EUR 1 = PLN 4.2891.

EARNINGS PER SHARE

	31.03.2016	31.03.2017
Net earnings (loss) attributable to the shareholders of PEPEES	4,814	5,363
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.05	0.06
Net earnings (loss) attributable to the shareholders of PEPEES applied in the calculation of diluted earnings per share	4,814	5,363
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)	0.05	0.06
Annualised net earnings attributable to the equity holders of PEPEES	12,815	13,371
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.13	0.14

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 address	18-402 Łomża, ul. Poznańska 121
REGON [Company Stat. ID No.]	450096365
NIP [Tax ID No.]:	718-10-05-512
Registration authority	District Court in Białystok, XII Commercial Division of the National Court Register
No. in the Register	000038455
Legal status	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 31.03.2018:

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 31.03.2018:

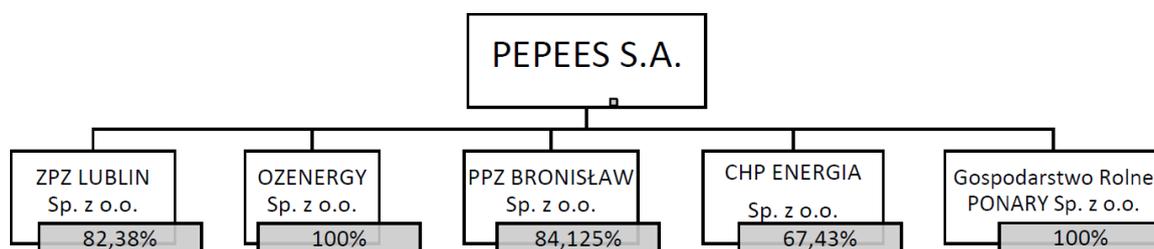
1. Mr Maciej Kaliński	– Chairman
2. Mr Piotr Marian Taracha	– Vice-Chairman
3. Mr Krzysztof Stankowski	– Secretary
4. Mr Robert Malinowski	– Member
5. Ms Agata Czerniakowska	– Member

2. Reporting periods

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

These financial statements were prepared assuming that the Group would remain 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 31 March 2018



General information about related parties

Name	Registered office	Objects	Registry court	Issuer's interest in capital	Percent age of 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 Białystok, XI Economic Division of the National Court Register (KRS)	82.38	82.38
OZENERGY Sp. z o.o.	Łomża	Power generation	District Court in Białystok, XII Economic Division of the National Court Register (KRS)	100	100
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, XIII Economic Division of the National Court Register (KRS)	84.125	84.125
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 Economic Division of the National Court Register (KRS)	67.43	67.43
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Growing of crops combined with farming of animals (mixed farming)	District Court in Białystok, XII Economic Division of the National Court Register (KRS)	100	100

All subsidiaries were consolidated with the full method.

Basic financial figures as at 31.03.2018 for related parties

	PPZ BRONISŁAW Sp. z o.o.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne PONARY Sp. z o.o.	OZENERGY Sp. z o.o.
Current assets as at 31.03.2018	21,976	9,220	2,685	74	7
Non-current assets as at 31.03.2018	11,206	4,191	21,318	21,172	-

	PPZ BRONISLAW Sp. z o.o.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne PONARY Sp. z o.o.	OZENERGY Sp. z o.o.
Current liabilities as at 31.03.2018	21,769	10,805	10,476	551	5
Non-current liabilities as at 31.03.2018	1,158	415	17,482	9,649	-
Revenue	10,322	5,557	2,099	-	-
Financial result on continuing operations	1,182	118	(492)	36	(1)
Net financial result on discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	1,182	118	(492)	36	(1)

Changes in the Group

On 27.04.2017, the Company entered into a conditional sales agreement with a natural person, who is a shareholder of the Company, under which the Company has acquired a 34.9167% stake in Gospodarstwo Rolne PONARY. At the same time, the Company entered into preliminary agreements to secure its right to acquire all other shares in PONARY. The purchase price was determined, on an arm's length basis based on the valuations of three independent appraisers, as amounting to PLN 11.7 million.

Gospodarstwo Rolne PONARY is the owner of agricultural properties located in the district of Miłakowo with the total area of 425.6547 ha. The company is a party to lease agreements for these properties. As a result, the rent paid for the lease of the properties has been included in the purchase price of the shares of PONARY.

On 19.09.2017, as a result of the implementation of the preliminary agreement, the Company entered into the second conditional sales agreement with a natural person, who is a shareholder of the Company, under which the Company acquired a 32.5% stake ('the Second Block of Shares') in Gospodarstwo Rolne PONARY.

On 04.01.2018, the Company purchased from shareholders the third block of shares of Gospodarstwo Rolne Ponary sp. z o.o. and became the sole owner of shares.

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

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. When preparing these interim condensed consolidated financial statements, the Group adhered to the same principles and calculation methods as applied in the most recent annual consolidated financial statements.

These interim condensed consolidated financial statements do not comprise all the information required in the annual consolidated financial statements and they should be read together with the consolidated financial statements for the financial year ended on 31 December 2017.

5. The application of standards in 2018

The application of new interpretations and amendments to standards in 2018 had no impact on the Group's financial position.

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

In the reporting period, the Group did not change accounting principles and did not correct errors from previous years.

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, PEPEES purchased from shareholders the third block of shares of Gospodarstwo Rolne Ponary sp. z o.o. and become the sole owner of shares in Ponary, which resulted in the change of the number of non-controlling shares.

Apart from that, there were no non-typical events having significant impact on assets, liabilities, equity and financial result.

10. Estimates

In the reporting period, the Group 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 were recognised on the basis of actuarial calculations as at 31.12.2017.

The 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 31.03.2018.

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 update was made on 31 December 2017.

11. Acquisition and sales of property, plant and equipment

In the first quarter of 2018, the Group acquired property, plant and equipment for PLN 1,650 thousand. The purchases mainly concerned the modernisation of machinery and production devices. The Group sold property, plant and equipment for PLN 42 thousand.

12. Commitments to purchase property, plant and equipment

On 12 December 2017, PEPEES entered into a loan agreement with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with its registered office in Warsaw to purchase shares in Gospodarstwo Rolne PONARY Sp. z o.o. amounting to PLN 10,530 thousand. Until the balance sheet date, the Company used up PLN 7,055 thousand and, during the first quarter of 2018, PLN 3,475 thousand.

The basic security for the loan is a pledge on shares subject to the lending and a contractual mortgage up to PLN 15,795 thousand on land property owned by Gospodarstwo Rolne PONARY.

13. Inventories

INVENTORIES	As at 31.03.2018	As at 31.12.2017	As at 31.03.2017
a) materials	5,547	6,201	5,671
b) semi-finished products and work in progress	1,065	1,770	3,556
c) finished products	48,774	73,163	39,111
d) trade goods	3,755	3,433	3,378
Gross inventories	59,141	84,567	51,716
Write-downs	(386)	(433)	(57)
Net inventories	58,755	84,134	51,659

The value of inventories recognised as an expense in the reporting period amounted to PLN 38,087 thousand (the first quarter of 2017: PLN 37,291 thousand).

The total value of inventories secures the repayment of bank loans the balance of which as at 31.03.2018 amounts to PLN 34,742 thousand.

14. Biological assets

Since March 2014, PEPEES 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 1,082 thousand, received subsidies amount to PLN 28 thousand, and the fair value of inventories and biological assets less costs to sell amounts to ca. PLN 394 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 31.03.2018	As at 31.12.2017	As at 31.03.2017
a) up to 1 month	17,751	9,392	13,269
b) over 1 month up to 3 months	4,051	7,893	11,459
c) over 3 months up to 6 months	-	1,246	85
d) over 6 months up to 1 year	-	-	224
e) over 1 year	-	-	-
f) past due receivables	2,612	5,837	3,688
Total (gross) trade receivables	24,414	24,368	28,725
- write-downs of trade receivables	(1,037)	(1,057)	(995)
Total (net) trade receivables	23,377	23,311	27,730

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 31.03.2018	As at 31.12.2017	As at 31.03.2017
- trade payables, falling due:	7,994	15,026	9,351
- up to 12 months	7,994	15,026	9,351
- overdue more than 180 days	-		-

17. Litigation settlements

There are no unresolved significant litigations as at the balance sheet date.

18. Outstanding loans and borrowings

As of the balance sheet date, the bank loans listed in the table below have been repaid when due. Intra-Group cash loans were eliminated from the consolidated financial statements.

Loan type	Lending bank	Contractual loan amount	Debt as at 31.03.2018	Repayment date
1	2	3	4	5
Overdraft facility	Bank Zachodni WBK S.A.	4,000	0	31.08.2018
Revolving loan	Bank Zachodni WBK S.A.	10,000	4,250	31.08.2018
Working capital loan	Bank Zachodni WBK S.A.	16,000	10,000	31.08.2018
Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	0	31.08.2018
Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	7,500	31.08.2018
Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	16,000	12,000	31.08.2018
Investment loan (subsidised) to upgrade plant and machinery	Bank Polskiej Spółdzielczości S.A.	1,295	167	30.11.2018
Investment loan for the construction of a starch drying room, an unloading node and a water treatment unit	BGŻ BNP Paribas S.A.	9,822	5,425	25.02.2022
Investment loan to upgrade dust removal system of coal boilers	BOŚ	1,200	791	31.12.2020

Investment loan to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	10,530	30.06.2025
Cash loan	BGŻ BNP Paribas S.A.	533	267	13.06.2018
Overdraft facility	Bank Zachodni WBK S.A.	500	0	31.08.2018
Revolving loan	Bank Zachodni WBK S.A.	3,000	2,250	31.08.2018
Working capital loan	Bank Zachodni WBK S.A.	1,500	937	31.08.2018
Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	500	0	31.08.2018
Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	3,000	2,250	31.08.2018
Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	1,500	1,125	31.08.2018
Overdraft facility	Bank Zachodni WBK S.A.	500	7	31.08.2018
Revolving loan	Bank Zachodni WBK S.A.	5,000	4,250	31.08.2018
Working capital loan	Bank Zachodni WBK S.A.	8,000	4,680	31.08.2018
Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	500	0	31.08.2018
Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	3,000	2,239	31.08.2018
Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	8,000	6,000	31.08.2018
Investment loan to finance/refinance the purchase of a real property by PPZ Bronisław	Bank Zachodni WBK S.A.	800	594	30.11.2021
Syndicated investment loan	Spółdzielczy Bank Rozwoju in Szepietowo and Bank Spółdzielczy in Ostrowia Mazowiecka	12,830	11,747	31.12.2023
Working capital loan related to conducted business activity	Spółdzielczy Bank Rozwoju in Szepietowo	800	604	31.12.2019
Working capital loan to finance current liabilities	Spółdzielczy Bank Rozwoju in Szepietowo	3,000	2,627	31.05.2022
Working capital loan associated with business activities	Spółdzielczy Bank Rozwoju in Szepietowo	2,500	2,400	13.09.2018

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.

19. Related party transactions**19.1 The issuer's transactions with its subsidiaries****a) Revenue from the sales of products and trade goods**

Types of revenue	For the period from 01.01.2018 to 31.03.2018	For the period from 01.01.17 to 31.03.17
Revenue from the sales of products to subsidiaries	171	46
Revenue from the sales of trade goods and materials to subsidiaries	-	-
Revenue from the sales of services	71	71
Total revenue from related parties	242	117

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 from 01.01.18 to 31.03.18	For the period from 01.01.17 to 31.03.17
Purchases of products from subsidiaries	1,842	1,818
Purchases of trade goods from subsidiaries	-	-
Purchases of services from subsidiaries	109	28
Purchases of property, plant and equipment from subsidiaries	-	-
Total purchases from related parties	1,951	1,846

c) Other transactions

Specification	For the period from 01.01.2018 to 31.03.2018	For the period from 01.01.17 to 31.03.17
Interest on granted loans	130	111
Total	130	111

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

Settlements with subsidiaries	As at 31.03.2018	As at 31.12.2017	As at 31.03.2017
Receivables – ZPZ Lublin	7		29
Receivables – PPZ Bronisław	570		
Receivables – CHP Energia	314	196	199
Advances – CHP Energia	424	162	
Receivables – OZENERGY	5	5	5
Liabilities – ZPZ Lublin	200	148	186
Liabilities – PPZ BRONISŁAW	4	1,979	34
Liabilities – CHP Energia	206	42	8
Balance of settlements with related parties	910	(1,806)	5

e) Balance of settlements related to cash loans

1. Loans granted to subsidiaries	31.03.2018	31.12.2017	31.03.2017
PPZ BRONISŁAW	2,007	2,000	4,673
ZPZ Lublin	3,000	3,000	3,000
CHP Energia	2,697	2,619	2,471
GR Ponary	550	-	-
Balance of settlements with related parties	8,254	7,619	10,144

19.2 The issuer's transactions with shareholders

In the reporting period, PEPEES acquired the third block of shares in Gospodarstwo Rolne Ponary sp. z o.o. for PLN 3,475 thousand and became the holder of 100% of shares and of the same percentage of votes at the shareholders' meeting. The total value of purchased shares amounted to PLN 11,831 thousand.

19.3 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)**

	First quarter of 2018	First quarter of 2017
Short-term employee benefits	446	621
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	446	621

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 personnel and close members of their families.

20. 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.

21. Changes in estimates**a. Write-downs of receivables**

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	First quarter of 2018	2017	First quarter of 2017
Opening balance	1,082	996	996
a) increases (due to)	4	298	10
- recognition for doubtful trade receivables	2	196	0

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	First quarter of 2018	2017	First quarter of 2017
- recognition for interest receivable	0	47	10
- recognition for receivables in litigation	2	55	0
b) decreases (due to)	24	212	11
- reversal of provisions due to payment	12	94	7
- utilisation due to the writing-off and sale of receivables	0	58	0
- cancellations	12	60	4
Write-downs at the end of the period, including:	1,062	1,082	995

b. Write-downs of inventories

CHANGE IN WRITE-DOWNS OF RECEIVABLES	First quarter of 2018	2017	First quarter of 2017
Opening balance	433	182	182
a) increases (due to)	0	616	0
- write-downs to net realisable value	0	616	
- impairment loss for materials	0	0	
b) decreases (due to)	47	365	125
- utilisation	0	14	125
- reversals of write-downs	47	351	
Write-downs of inventories as at period end	386	433	57

c. Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	First quarter of 2018	2017	First quarter of 2017
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)	0	425	0
- retirement benefits	0	85	
- jubilee benefits	0	340	
c) utilisation (due to)	0	304	0
- retirement benefits	0	18	
- jubilee benefits	0	286	
d) reversal (due to)	0	116	0
- retirement benefits	0	28	
- jubilee benefits	0	88	
e) balance at the end of period	2,576	2,576	2,571
- retirement benefits	468	468	429
- jubilee benefits	2,108	2,108	2,142

d. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	First quarter of 2018	2017	First quarter of 2017
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
- other provisions	-	9	9
- 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
b) increases (due to)	41	1,476	381
- grants (new entity)	-	211	-
- provision for used CO ₂ emission allowances	-	305	-
- fee for the use of the environment	-	123	23
- provisions for compensations for annual leaves	41	536	358
- provisions for services performed by contractors	-	31	-
- bonuses for the Board of Directors and employees	-	270	-
c) utilisation (due to)	114	1,366	1,210
- fee for the use of the environment	108	165	165
- provisions for compensations for annual leaves	-	418	353
- provision for used CO ₂ emission allowances	-	337	337
- provision for services performed by contractors	-	71	71
- grants related to property, plant and equipment	3	77	-
- grants related to loans	3	14	-
- provisions for bonuses for suppliers	-	-	-
- bonuses for the Board of Directors and employees	-	284	284
- other	-	9	-
e) closing balance	1,905	1,978	1,039
- grants related to property, plant and equipment	622	625	491
- grants related to loans	5	8	22
- provision for used CO ₂ emission allowances	305	305	-
- fee for the use of the environment	15	123	23
- provisions for compensations for annual leaves	657	616	503
- bonuses for the Board of Directors and employees	270	270	-
- provisions for services performed by contractors	31	31	-

e. Deferred income tax

DEFERRED TAX LIABILITIES	As at 31.03.2018	As at 31.12.2017	As at 31.03.2017
The difference between the carrying amount and the tax value of property, plant and equipment	6,260	6,287	5,704
Unrealised foreign exchange differences	-	2	2
Interest due but not received	9	(36)	5
Other	5	5	5
Total deferred tax liabilities	6,274	6,258	5,716

DEFERRED TAX ASSETS	As at 31.03.2018	As at 31.12.2017	As at 31.03.2017
The difference between the carrying amount and the tax value of property, plant and equipment	-	-	422
Outstanding remunerations	113	150	160
Provision for unused annual leaves	108	100	96
Retirement and jubilee benefits	489	489	489
Unrealised foreign exchange differences	56	48	86
Write-downs of receivables	-	-	-
Write-downs of inventories	36	45	11
Write-downs of interests	565	565	-
Lease payables	1,305	1,385	668
Consolidation adjustments – retained earnings	(556)	(585)	80
Provision for benefits	6	-	-
Provision for bonuses for the Board of Directors and employees	51	51	-
Retirement of CO ₂ emission allowances	58	58	-
Assets valuation	2,052	2,456	-
Tax loss	460	81	192
Other	-	6	-
Total	4,743	4,849	2,204

22. Contingent assets and liabilities

CONTINGENT ASSETS	First quarter of 2018	2017	First quarter of 2017
Value of land used under the right of perpetual usufruct	13,603	13,603	13,603

CONTINGENT LIABILITIES	First quarter of 2018	First quarter of 2017	First quarter of 2017
Mortgages on the assets of companies	180,975	180,975	135,029
Pledge on assets	114,512	114,512	102,663
Loan surety	18,234	18,234	6,000
Assignment of receivables under an insurance policy	254,630	254,630	210,318
Possible damages related to non-competition agreements	818	818	1,205
Disputed obligations	-	-	-

23. The issue, redemption and repayment of debt securities

No issue, redemption or repayment of debt securities had place in the reporting period.

24. Segment reporting

24.1 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.

24.2 Segment revenue and results

Segment	Revenue		Segment profit	
	First quarter of 2018	First quarter of 2017	First quarter of 2018	First quarter of 2017
Processing of potatoes - including inter-segmental	54,235	54,210	7,719	8,306
Power generation - including inter-segmental	1,898	2,716 133	(281)	(136)
Other operating income			253	157
Other operating expenses			(305)	(86)
Finance income			71	93
Finance costs			(1,052)	(1,301)
Share of profit (loss) of an associate				
Profit (loss) before tax	56,133	57,059	6,405	7,033

24.3 Segment assets and liabilities

Segment assets	As at 31.03.2018	As at 31.03.2017
Processing of potatoes	241,702	224,154
Power generation	19,019	27,377
Growing of crops combined with farming of animals (mixed farming)	19,194	-
Total segment assets	279,915	251,531

Segment liabilities	As at 31.03.2018	As at 31.03.2017
Processing of potatoes	108,362	88,696
Power generation	23,996	28,160
Growing of crops combined with farming of animals (mixed farming)	-	-
Total segment liabilities	132,358	116,856

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 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.

24.4 Other segment information

Segment	Depreciation/Amortisation		Increase in non-current assets	
	First quarter of 2018	First quarter of 2017	First quarter of 2018	First quarter of 2017
Processing of potatoes	2,570	1,717	1,647	1,892
Power generation	439	284	3	
Total for continuing operations	3,009	2,001	1,650	1,892

24.5 Revenue by products

Product name	First quarter of 2018	First quarter of 2017
Starch	35,225	36,769
Protein	4,392	3,395
Glucose	2,354	2,559
Maltodextrin	5,115	4,135
Starch syrups	1,610	1,279
Dried potato-based products (grits, flakes, cube)	4,867	4,056

Product name	First quarter of 2018	First quarter of 2017
Feeds and fertilizers	122	358
Electricity	-	207
Heat	1,037	352
Property rights (electricity and heat)	-	1,062
Trade goods and materials	943	2,449
Services	465	305
Total	56,130	56,926

24.6 Sales revenue by territories:

Specification	First quarter of 2018	First quarter of 2017
Poland, including	35,815	35,619
Starch	19,553	19,197
Protein	1,973	2,086
Glucose	2,217	2,478
Maltodextrin	4,359	3,724
Starch syrups	1,610	1,279
Dried potato-based products (grits, flakes, cubes)	4,861	3,934
Animal feedingstuff	122	358
Electricity	1,037	207
Heat	-	352
Property rights (electricity and heat)	-	1,062
Trade goods and materials	382	637
Services	465	305
EU countries - intra-Community supplies, including:	5,937	2,582
Starch	3,975	1,383
Protein	1,158	744
Maltodextrin	756	411
Glucose	26	10
Dried potato-based products (grits, flakes, cube)	6	17
Trade goods	16	17
Other countries – export	14,378	18,725
Starch	11,697	16,189
Protein	1,261	565
Glucose	111	71
Maltodextrin	-	-
Dried potato-based products (grits, flakes, cube)	-	105
Trade goods	1,309	1,795
Total	56,130	56,926

24.7 Major customers

The Group does not have any customer for whom sales revenue would exceed 10% of total revenue.

25. Summary of activities in the reporting period

In the period January – March 2018, PEPEES Group generated sales of PLN 56.1 million (in the same period of the previous year – PLN 56.9 million).

Higher growth rate for the costs of sold products (as compared to the growth rate of the revenue from the sales of products) contributed to a slightly lower gross profit on sales as compared to the corresponding period in the previous year (2018: PLN 16.2 million, 2017: PLN 16.8 million).

Selling and marketing expenses in the period January – March 2018 decreased by 20% as compared to the comparative period and general administrative expenses increased by 12.5%.

The balance on other activities in the first quarter of 2018 closed at minus PLN 0.05 million as compared to the result of PLN 0.07 million in the comparative period.

In turn, the result on financing activities, understood as the balance of finance income less finance costs in the period from January to March 2018 was higher than the corresponding item in the comparative period — (-) PLN 0.98 million in 2018 against (-) PLN 1.2 million in the period from January to March 2017.

As a consequence, gross profit after the first quarter of 2018 amounted to PLN 6.4 million against PLN 7.03 million of gross profit generated in the comparative period, and net profit in the period from January to March 2018 amounted to PLN 4.86 million against PLN 5.56 million of net profit in the corresponding period of 2017.

26. The Board of Directors' position on the possibility of accomplishing previously published forecasts for the year in the context of the results presented in the quarterly report against forecast results.

The Company's Board of Directors did not publish any separate or consolidated forecasts for 2018.

27. Shareholding structure

The table below presents the shareholding structure as at the date of the publication of the previous interim report, i.e. as at 29 March 2018.

SHAREHOLDERS	Number of shares	Percentage of share capital %	Number of votes	Percentage of total number of votes at GMS %
Mr Maksymilian Maciej Skotnicki*	20,703,282	21.79	20,703,282	21.79
Mr Michał Skotnicki*	21,325,780	22.45	21,325,780	22.45
Mr Newth Jonathan Reginald	7,995,200	8.42	7,995,200	8.42
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	21,444,561	22.57	21,444,561	22.57
Richie Holding Ltd	6,133,100	6.46	6,133,100	6.46
Others	17,398,077	18.31	17,398,077	18.31
Total	95,000,000	100.00	95,000,000	100.00

** Mr Maksymilian Maciej Skotnicki and Mr Michał Skotnicki are persons referred to in Article 87 Clause 4 item 1 of the Act on Public Offering [...] and, thus, together they hold the total of 42,029,062 shares/votes representing 44.24% of the share capital of the total number of votes in the Company.*

The table below presents the shareholding structure of the Company as at the date of the publication of these interim financial statements.

SHAREHOLDERS	Number of shares	Percentage of share capital %	Number of votes	Percentage of total number of votes at GMS %
Maksymilian Maciej Skotnicki	20,703,282	21.79	20,703,282	21.79
Michał Skotnicki	21,325,780	22.45	21,325,780	22.45
Mr Newth Jonathan Reginald	7,995,200	8.42	7,995,200	8.42
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	22,908,318	24.11	22,908,318	24.11
Richie Holding Ltd	6,133,100	6.46	6,133,100	6.46
Others	15,934,320	16.77	15,934,320	16.77
Total	95,000,000	100.00	95,000,000	100.00

** The information about the number of shares held has been taken from the notification at the GMS on 11 May 2018.*

28. The statement of changes in the ownership of the issuer's shares or rights to them by persons managing and supervising the issuer, according to the information held by the issuer in the period from the publication date of the previous quarterly report.

Mr Wojciech Faszczewski, President of the Board of Directors, holds 701,000 shares of the Company. The person referred to above does not have rights to the Company's shares.

Supervising personnel do not hold any shares of the Company or any rights to them.

From the date of the publication of the previous interim financial statements, i.e. from 29 March 2018, until the date of the publication of these financial statements, managing and supervisory personnel have not made transactions related to the Company's shares or rights to them.

29. Information about granting, by the issuer or its subsidiary, sureties for loans and borrowings, or about granting guarantees.

In the reporting period and until the date of these financial statements, the companies of PEPEES Group have not granted any sureties or guarantees.

30. Factors likely, in the issuer's opinion, to influence the results generated by him in the period of at least one quarter.

In the next quarter, the following factors will exert significant impact upon results:

- the price of starch on the Polish and global markets;

- exchange rates – the Group is an exporter;
- basic interest rates – the Group has loans bearing interest rate based on WIBOR.

31. Other information relevant, in the issuer's opinion, to the assessment of its situation

Apart from the information presented in the condensed consolidated financial statements for the first quarter of 2018 and in the quarterly financial information for the same period respectively, the Issuer's Board of Directors does not identify any other information which, in the Issuer's opinion, are relevant to the assessment of the Issuer's personnel, assets, financial situation, financial result and their changes, and any information relevant to the assessment of its capacity to meet its obligations.

32. Important events after the reporting period

- On 10 April 2018, the managing persons in the Company, i.e. Mr Wojciech Faszczewski and Mr Tomasz Rogala, resigned from their positions of the President and of a Member of the Company's Board of Directors respectively, without stating any reasons for their resignations. Also on 10 April, the Supervisory Board of the Company, acting pursuant to art. 11.2 of the Company's Articles of Association and art. 369 § 1 of the Polish Commercial Code, appointed Mr Wojciech Faszczewski as the President of the Board of Directors of the Company and Mr Tomasz Rogala as a Member of the Board of Directors of the Company. Both gentlemen were appointed for the next term of office starting on 10 April 2018.
- On 24 April 2018, the Extraordinary General Meeting of Shareholders of PEPEES approved of the new by-laws of the Company's General Meeting of Shareholders.
- On 11 May 2018, the General Meeting of Shareholders of PEPEES approved of the financial statements for 2017 and the distribution of profit for 2017.

33. Authorising the condensed interim financial statements

These condensed consolidated financial statements were approved by the Board of Directors of the Parent Company on 15 May 2018.

SIGNATURES OF MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Title/Function	Signature
15.05.2018	Wojciech Faszczewski	President of the Board of Directors	
15.05.2018	Tomasz Rogala	Member of the Board of Directors	

SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Date	Name	Title/Function	Signature
15.05.2018	Wiesława Załuska	Chief Accountant	