



PEPEES GROUP

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

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

PEPEES GROUP

*Interim Condensed Consolidated Financial Statements
for the period of 6 months ended on 30 June 2019
(in PLN 000s)*

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

No.	ASSETS	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
I.	Non-current (long-term) assets	194,147	173,688	157,044
1	Property, plant and equipment	173,726	164,885	148,348
2	Intangible assets	227	534	216
3	Rights to assets	11,110	47	60
4	Investment properties	400		
5	Goodwill arising on consolidation	3,140	3,140	3,140
6	Investments in other entities	613	113	113
7	Long-term advances	35	-	354
8	Deferred tax assets	4,896	4,969	4,813
II.	Current (short-term) assets	116,860	160,237	102,641
1	Inventories	35,886	78,065	36,849
2	Biological assets	2,148	330	2,251
3	Trade receivables	32,908	27,651	34,425
4	Other receivables	2,803	6,044	2,333
5	Advances	7,680	1,964	9,692
6	Loans granted	895	941	923
7	Other financial assets	5,436	5,436	4,540
8	Cash and cash equivalents	29,104	39,806	11,628
	Total assets	311,007	333,925	259,685

No.	EQUITY AND LIABILITIES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
I.	Equity	172,168	166,476	149,531
	<i>Equity attributable to equity holders of the Company</i>	170,622	165,399	148,809
1	Share capital	5,700	5,700	5,700
2	Reserve capital and other reserves	152,918	141,857	129,538
3	Revaluation reserve	(44)	(26)	(26)
4	Retained earnings/loss	(4,179)	(5,223)	6,110
5	Profit/loss for the year	16,227	23,091	7,487
	<i>Non-controlling interests</i>	1,546	1,077	722
II.	Non-current liabilities	57,157	50,293	47,211
1	Loans and borrowings	27,367	30,398	25,528
2	Liabilities related to leased assets	14,822	4,775	6,418
3	Deferred tax liabilities	6,378	6,470	6,202
4	Retirement and similar benefits obligations	2,640	2,381	2,305
5	Long-term deferred income	5,950	6,269	6,758
III.	Current liabilities	81,682	117,156	62,943
1	Trade payables	11,396	13,063	15,965
2	Current income tax liabilities	2,694	1,712	70
3	Other current liabilities	17,233	4,749	3,641
4	Loans and borrowings	42,786	90,644	37,562
5	Liabilities related to leased assets	3,812	2,876	2,628
6	Retirement and similar benefits obligations	270	296	288
7	Provisions for other liabilities and other charges	3,491	3,816	2,789
	Total equity and liabilities	311,007	333,925	259,685

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INCOME STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME

No.	Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
I	Sales revenue		
1	Revenue from the sales of products	109,972	101,963
2	Revenue from the sales of services	414	586
3	Revenue from the sales of trade goods and materials	16,701	14,208
	Total sales revenue, including:	127,087	116,757
	- revenue from continuing operations	127,087	116,757
II	Cost of sales		
1	Cost of products sold	(68,053)	(73,649)
2	Cost of services sold	(202)	(90)
3	Costs of trade goods and materials sold	(12,740)	(12,066)
4	Profit/loss from agricultural production	(2,093)	(907)
	Total cost of sales, including:	(83,088)	(86,712)
	- cost from continuing operations	(83,088)	(86,712)
III	Gross profit from sales (I-II)	43,999	30,045
1	Selling and marketing expenses	(4,964)	(4,789)
2	Administrative expenses	(15,515)	(14,428)
3	Other operating income	579	590
4	Other operating expenses	(536)	(538)
IV	Operating profit (loss)	23,563	10,880
1	Finance costs	(1,904)	(1,523)
2	Finance income	258	527
V	Profit (loss) before tax, including:	21,917	9,884
	- profit (loss) before tax from continuing operations	21,917	9,884
	Income tax expense	(5,221)	(2,430)
VI	Net profit (loss)	16,696	7,454
	- attributable to the equity holders of the Parent Company	16,227	7,487
	- attributable to non-controlling interests	469	(33)
VII	Other comprehensive income	(18)	146
1	Effects of the valuation of financial assets available-for-sale	-	-
2	Revaluation of employee benefit liabilities	(18)	146
VIII	Total comprehensive income, including	16,678	7,600
	- attributable to the equity holders of the Parent Company	16,209	7,633
	- attributable to non-controlling interests	469	(33)
	- net comprehensive income (loss) from continuing operations	16,209	7,633

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/loss	Total equity attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
As at 1 January 2018	5,700	55,103	(172)	69,315	11,336	141,282	4,265	145,547
Changes in the first half of 2018	-	5,120	146	-	2,261	7,527	(3,543)	3,984
Taking over 100% control in a subsidiary	-	-	-	-	-	-	-	-
Distribution of profit (loss) for 2017	-	5,120	-	-	(5,120)	-	-	-
Net profit (loss) for the period	-	-	-	-	7,487	7,487	(33)	7,454
Other comprehensive income for the year (net)	-	-	146	-	-	146	-	146
Increase in shareholding in a subsidiary	-	-	-	-	-	-	(3,510)	(3,510)
Other consolidation adjustments	-	-	-	-	(106)	(106)	-	(106)
As at 30 June 2018	5,700	60,223	(26)	69,315	13,597	148,809	722	149,531
Changes in 2018								
Distribution of profit (loss) for 2017	-	5,120	-	12,319	(17,439)	-	-	-
Net profit (loss) for the period	-	-	-	-	23,091	23,091	323	23,414
Taking control of a new entity	-	-	-	-	-	-	(3,510)	(3,510)
Other comprehensive income for the year (net)	-	-	146	-	-	146	-	146
Other consolidation adjustments	-	-	-	-	880	880	(1)	879
As at 31 December 2018	5,700	60,223	(26)	81,634	17,868	165,399	1,077	166,476
As at 01 January 2019	5,700	60,223	(26)	81,634	17,868	165,399	1,077	166,476
Changes in the first half of 2019								
Distribution of profit for 2018, including:								
- increase in reserve capital	-	11,061	-	-	(11,061)	-	-	-
- transactions with owners (dividend)	-	-	-	-	(11,400)	(11,400)	-	(11,400)
Other comprehensive income for the year (net)	-	-	(18)	-	-	(18)	-	(18)
Other consolidation adjustments	-	-	-	-	432	432	-	432
Net profit for the period	-	-	-	-	16,209	16,209	469	16,678
As at 30 June 2019	5,700	71,284	(44)	81,634	12,048	170,622	1,546	172,168

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
A. Cash flows from operating activities		
I. Profit (loss) before tax	21,917	9,884
II. Total adjustments	34,832	28,426
1. Depreciation/Amortisation	6,182	5,564
2. Foreign exchange (gains) losses	(124)	(123)
3. Interest and share of profit (dividend)	1,133	1,453
4. (Profit) loss from investing activities	(176)	(105)
5. Net increase/decrease in provisions	(92)	811
6. Net increase/decrease in inventories	42,179	47,285
7. Net increase/decrease in biological assets	(1,818)	(2,251)
8. Net increase/decrease in receivables	(2,016)	(8,197)
9. Net increase/decrease in current liabilities, except for loans and borrowings	(583)	(737)
10. Net increase/decrease in advances	(5,751)	(8,865)
11. Income tax expense	(4,275)	(5,172)
12. Net increase/decrease in grants	(319)	(643)
13. Net increase/decrease in accrued interest on loans and fees and commissions	99	(312)
14. Other adjustments	393	(282)
III. Net cash flows from operating activities (I+/-II)	56,749	38,310
B. Cash flows from investing activities		
I. Proceeds	1,763	187
1. Disposal of intangible assets and property, plant and equipment	1,361	187
2. Repayment of loans	402	-
II. Expenses	14,853	11,254
1. Acquisition of intangible assets and property, plant and equipment	14,203	7,494
2. Acquisition of shares and interests	-	3,510
3. Purchase of securities	500	-
4. Loans granted	150	250
III. Net cash flows from investing activities (I-II)	(13,090)	(11,067)
C. Cash flows from financing activities		
I. Proceeds	6,937	11,463
1. Loans and borrowings	6,893	11,183
2. Grants	44	280
II. Expenses	61,871	60,212
1. Repayments of loans and borrowings	58,832	57,143
2. Interest on loans and borrowings	858	1,323
3. Lease payments	2,181	1,746
III. Net cash flows from financing activities (I-II)	(54,934)	(48,749)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(11,275)	(21,506)
E. Cash at the beginning of period	39,764	30,637
F. Cash at the end of period (E+/-D)	28,489	9,131
<i>including restricted cash</i>	-	-

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

No.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
	Year	2019	2018	2019	2018
I	Total sales revenue for the first half of the year	127,087	116,757	29,638	27,541
II	Net profit or loss attributable to equity holders of the Parent Company for the first half of the year	16,227	7,487	3,784	1,766
III	Net comprehensive income attributable to equity holders of the Parent Company for the first half of the year	16,209	7,633	3,780	1,800
IV	Net cash flows from operating activities for the first half of the year	56,749	38,310	13,234	9,037
V	Net cash flows from investing activities for the first half of the year	(13,090)	(11,067)	(3,053)	(2,610)
VI	Net cash flows from financing activities for the first half of the year	(54,934)	(48,749)	(12,811)	(11,499)
VII	Net cash flows for the first half of the year	(11,275)	(21,506)	(2,629)	(5,073)
VIII	Total assets as at 30.06.2019 and 31.12.2018	311,007	333,925	73,144	77,657
IX	Equity attributable to equity holders of the Parent Company as at 30.06.2019 and 31.12.2018	170,622	165,399	40,127	38,465
X	Earnings (loss) per share for the first half of the year	0.18	0.08	0.04	0.02
XI	Book value per share as at 30.06.2019 and 31.12.2018	1.80	1.74	0.42	0.40

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

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

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

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EARNINGS PER SHARE (EPS)

Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Net earnings (loss) attributable to the shareholders of PEPEES	16,227	7,487
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.17	0.08
Net earnings (loss) attributable to the shareholders of PEPEES S.A. applied in the calculation of diluted earnings per share	16,227	7,487
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)	0.17	0.08
Annualised net earnings attributable to the equity holders of PEPEES S.A.	31,831	12,659
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.34	0.13

NOTES

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 June 2019:

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

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

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

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

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

2. Reporting periods

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

3. PEPEES Group structure

3.1. The structure of PEPEES Group as at 30 June 2019



3.2. General information on related parties in PEPEES Group

In the interim condensed consolidated financial statements of PEPEES Group for the period of the first half of the year ended on 30 June 2019, apart from Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A., the following related parties were subject to consolidation:

Name	Registered office	Objects	Registry court	Issuer's percentage of capital (%)	Percentage 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 Lublin, XI Economic Division of the National Court Register (NCR)	82.38	82.38
Pepees Inwestycje (former OZENERGY Sp. z o.o.)	Łomża	Buying and selling of own real estate	District Court in Białystok, XII Economic Division of the NCR	100	100
PPZ BRONISŁAW S.A.	Bronisław	Production of starch and starch products	District Court in Bydgoszcz, XIII Economic Division of the NCR	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 NCR	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	100	100

All subsidiaries were consolidated with the full method.

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In the reporting period and until the date of this report, there were no changes in the structure of the Issuer's Group.

3.3. Basic financial figures as at 30 June 2019 for related parties

Basic financial figures as at 30 June 2019 for related parties are presented below.

Specification	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 30.06.2019	16,814	6,676	2,084	161	1,427
Non-current assets as at 30.06.2019	31,300	6,640	18,098	21,235	-
Current liabilities as at 30.06.2019	14,281	7,863	12,122	553	1,497
Non-current liabilities as at 30.06.2019	16,661	2,511	13,638	8,536	-
Sales revenue	26,123	10,571	3,664	-	-
Net profit/loss on continuing operations	3,080	359	(382)	52	(29)
Net profit/loss on discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	3,080	359	(382)	52	(29)

3.4. Basis for the preparation of the interim condensed consolidated financial statements

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

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

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

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

4. Authorising the condensed interim consolidated financial statements

These interim condensed consolidated financial statements were authorised for publication by the Board of Directors of the Parent Company on 12 September 2019.

5. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended on 31 December 2018, except for the adoption of the following new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2019:

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

The Group decided to adopt this standard.

6. The adoption of accounting standards in 2019

The adoption of new interpretations and amendments to standards in the first half of 2019 had no impact on the financial standing of PEPEES Group.

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

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

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

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

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

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

So far, the Group has treated its right of perpetual usufruct of land as operating lease, recognising the payables made for this in the profit or loss of the period to which they pertained. Currently, the right of perpetual usufruct of land is classified by the Group as a lease under IFRS 16. As a result, the Group recognised lease payables at the present value of the remaining payments for the perpetual usufruct of land (for PEPEES S.A., the right will expire in 2089; for PPZ Bronisław, in 2092; and for ZPZ Lublin, in 2090), discounted using the incremental borrowing rate (6.92%) on the day of the first-time adoption.

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The lease payable (fees for perpetual usufruct of land) as at the date of the first-time adoption of IFRS 16 amounted to PLN 10,041 thousand. The asset related to the right of usufruct was recognised by the Group in the amount equal to the amount of the aforementioned liability, so the value of equity as at 1 January 2019 has not changed. The asset related to the right of usufruct is presented in the condensed consolidated statement of financial position in the 'Rights to assets' line.

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

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

Specification	As at		
	31 December 2018	Adjustment resulting from first-time adoption of IFRS 16	1 January 2019
Non-current assets, including:	173,688	11,156	184,844
- rights to assets	-	11,156	11,156
Current assets	160,237	-	160,237
Total assets	333,925	11,156	345,081
Equity and liabilities, including:			
Equity	166,476	-	166,476
Non-current liabilities, including:	50,293	10,406	60,699
- lease liabilities	4,775	10,406	15,181
Current liabilities, including:	117,156	750	117,906
- lease liabilities	2,876	750	3,626
Total equity and liabilities	333,925	11,156	345,081

Impact on the statement of comprehensive income:	01.01.2019 – 30.06.2019
- decrease in costs of taxes and charges	(375)
- increase in interest costs (discount)	362
- increase in depreciation/amortisation costs	79

Impact on the statement of cash flows:	01.01.2019 – 30.06.2019
- total lease payments	2,931

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

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

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- ✓ IAS 17 *Insurance Contracts* was published by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021. The new IFRS 17 *Insurance Contracts* will replace the current IFRS 4, which allows for a variety of practices related to the accounting for insurance contracts. IFRS 17 will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts. As at the date of these interim condensed consolidated financial statements, the new standard has not been approved by the European Union yet.
- ✓ IFRS 3 *Business Combinations*. As a result of the amendment to IFRS 3, the definition of 'a business' has been modified. The present definition is narrower and will probably result in more acquisitions being classified as acquisitions of assets. Amendments to IFRS 3 are effective for annual periods beginning on or after 1 January 2020. As at the date of these interim condensed consolidated financial statements, the new standard has not been approved by the European Union yet.
- ✓ IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Board has published a new definition of the term 'material'. The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and ensure greater consistency between standards, but they are not expected to have a significant impact on the preparation of financial statements. The amendment is effective for annual periods beginning on or after 1 January 2020. By the decision of the European Union, IFRS 14 will not be approved.
- ✓ IFRS 14 *Regulatory Deferral Accounts*. This standard permits entities which prepare financial statements in accordance with IFRS's for the first time (on or after 1 January 2016) to account for regulatory deferral account balances in accordance with its previously adopted accounting policies. To ensure greater comparability with entities that already apply IFRS's and do not disclose such balances, in accordance with the published IFRS 14, regulatory deferral account balances should be presented separately in the statement of financial position and statement of profit or loss and the statement of other comprehensive income. By the decision of the European Union, IFRS 14 will not be approved.
- ✓ Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures. The amendments address the issue of the current conflict between IFRS 10 and IAS 28. The accounting treatment depends on whether non-monetary assets sold or contributed to an associate or a joint venture constitute a 'business'. When non-monetary assets are a 'business', the investor discloses full profit or loss on the transaction. On the other hand, if assets do not meet the definition of a 'business', the investor recognises profit or loss excluding the portion constituting interests of other investors. The amendments were published on 11 September 2014. The effective date of the amended regulations has not been determined by the International Accounting Standards Board. As at the date of these interim condensed consolidated financial statements, the approval of this amendment has been postponed by the European Union.
- ✓ Amendments to references to the Conceptual Framework in IFRS Standards. Amendments to references to the Conceptual Framework in IFRS Standards will become effective as of 1 January 2020.

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

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

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

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

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

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

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

For the purpose of data comparability, advances for the lease of agricultural holdings as at 31.12.2018 and 30.06.2018 have been presented in these interim condensed consolidated financial statements as rights to assets.

10. 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.

11. Estimates

In the reporting period, the Group did not conduct impairment tests for 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 30.06.2019.

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

The 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 2018.

12. Acquisition and sales of property, plant and equipment

In the first half of 2019, the Group acquired non-current assets for PLN 14,203 thousand. The purchases mainly concerned the modernisation of machinery and production devices.

The Group sold non-current assets for PLN 1,361 thousand.

13. Significant commitments made to purchase non-current assets

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

14. Inventories

INVENTORIES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
a) materials	5,621	6,166	5,413
b) semi-finished products and work in progress	157	703	297
c) finished products	28,782	67,120	27,966
d) trade goods	2,025	4,687	3,555
Gross inventories	36,585	78,676	37,231
Write-downs	(699)	(611)	(382)
Net inventories	35,886	78,065	36,849

Inventories recognised as an expense in the reporting period amounted to PLN 80,793 thousand (first half of 2018: PLN 85,627 thousand).

15. Biological assets

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

16. Trade receivables

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE:	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
a) up to 1 month	10,431	15,437	11,677
b) over 1 month up to 3 months	9,909	8,064	9,795
c) over 3 months up to 6 months	9,590	-	10,603
d) over 6 months up to 1 year	-	152	-
e) over 1 year	132	-	80
f) past due receivables	3,828	5,013	3,282
Total (gross) trade receivables	33,890	28,666	35,437
- write-downs of trade receivables	(982)	(1,015)	(1,012)
Total (net) trade receivables	32,908	27,651	34,425

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.

17. Trade payables

TRADE PAYABLES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
- trade payables, falling due:	11,396	13,063	15,965
- up to 12 months	11,396	13,063	15,965
- overdue more than 180 days	-	-	-

18. Litigation settlements

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

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

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

19. Outstanding loans and borrowings

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

Non-current and current liabilities

No.	Loan type	Borrower	Lending bank	Contractual loan amount	Outstanding loan /borrowing amount	Repayment date
1	Overdraft facility	Pepees S.A.	Santander Bank Polska S.A.	4,000	272	31.08.2019
2	Revolving loan	Pepees S.A.	Santander Bank Polska S.A.	10,000	4,500	31.08.2019
3	Working capital loan	Pepees S.A.	Santander Bank Polska S.A.	16,500	6,188	31.08.2019
4	Overdraft facility	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	383	31.08.2019
5	Revolving loan	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	3,750	31.08.2019

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No.	Loan type	Borrower	Lending bank	Contractual loan amount	Outstanding loan /borrowing amount	Repayment date
6	Working capital loan for the purchase of potatoes	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	16,500	6,187	31.08.2019
7	Investment loan for the construction of a starch drying room, an unloading node and a water treatment unit	Pepees S.A.	BGŻ BNP Paribas S.A.	9,822	3,694	25.02.2022
8	Investment loan to upgrade the dust removal system for boilers	Pepees S.A.	BOŚ S.A.	1,200	442	31.12.2020
9	Investment loan to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o. o.	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	9,151	30.06.2025
10	Overdraft facility	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	750	0	31.08.2019
11	Revolving loan	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	4,250	1,594	31.08.2019
12	Working capital loan	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	2,000	388	31.08.2019
13	Overdraft facility	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	750	0	31.08.2019
14	Revolving loan	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	4,250	1,192	31.08.2019
15	Working capital loan for the purchase of potatoes	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	2,000	633	31.08.2019
16	Overdraft facility	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	700	0	31.08.2019
17	Revolving loan	Bronisław S.A.	Santander Bank Polska S.A.	4,000	1,500	31.08.2019
18	Working capital loan	Bronisław S.A.	Santander Bank Polska S.A.	7,800	2,538	31.08.2019
19	Overdraft facility	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	700	0	31.08.2019
20	Revolving loan	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	1,496	31.08.2019
21	Working capital loan for the purchase of potatoes	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	7,800	2,537	31.08.2019
22	Investment loan taken out to upgrade the starch drying department and build the protein recovery system	Bronisław S.A.	BOŚ S.A.	8,456	8,065	31.12.2027
23	Investment loan to finance/refinance the purchase of real properties by PPZ Bronisław	Bronisław S.A.	Santander Bank Polska S.A.	800	392	30.11.2021

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24	Revolving loan	Bronisław S.A.	Santander Bank Polska S.A.	2,000	2,000	31.08.2019
25	Syndicated investment loan	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo and Bank Spółdzielczy in Ostrowia Mazowiecka	12,830	9,642	31.12.2023
26	Working capital loan related to conducted business activities	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo	800	201	31.12.2019
27	Working capital loan to finance current liabilities	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo	3,000	2,007	31.05.2022
28	Working capital loan related to conducted business activities	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo	2,500	1,250	13.09.2019
29	Working capital loan related to conducted business activities	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepietowo	300	150	15.12.2019
Total			PLN	152,238	70,152	

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.

20. Related party transactions

20.1 The Issuer's transactions with its subsidiaries

a) Revenue from the sales of products and trade goods

Types of revenue	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Revenue from the sales of products to subsidiaries	757	112
Revenue from the sales of trade goods and materials to subsidiaries	251	-
Revenue from the sales of services	159	153
Revenue from the sales of fixed assets to subsidiaries	28	
Total revenue from related parties	1,195	265

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

b) Purchases of trade goods and services

Types of purchases	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Purchases of products from subsidiaries	4,947	3,847
Purchases of trade goods from subsidiaries	-	-
Purchases of services from subsidiaries	140	204
Purchases of property, plant and equipment from subsidiaries	2,340	-
Total purchases from related parties	7,427	4,051

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c) Other transactions

Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Interest on granted loans	201	240
Charges on sureties granted	247	181
Fees on sureties received	79	87
Total	527	508

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

Settlements with subsidiaries	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Receivables – PPZ “BRONISŁAW” S.A.	166	1,241	-
Receivables – CHP Energia Sp. o.o.	531	371	258
Advances – CHP Energia Sp. z o.o.	461	461	492
Receivables – GR Ponary Sp. z o.o.	1	1	1
Receivables – Pepees Inwestycje Sp. z o.o. (OZENERGY)	5	5	5
Liabilities – ZPZ “LUBLIN” Sp. z o.o.	186	82	103
Liabilities – PPZ “BRONISŁAW” S.A.	-	19	8
Liabilities – GR PONARY Sp. z o.o.	13	-	26
Balance of settlements with related parties	965	1,978	619

e) Balance of settlements related to cash loans

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

20.2 The Issuer's transactions with shareholders

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

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

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

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

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

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

21. Changes in estimates

a) Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended 31 December 2018	For the period of 6 months ended on 30 June 2018
Opening balance	1,093	1,082	1,082
a) increases (due to)	13	236	73
- recognition for doubtful trade receivables	13	135	-
- recognition for interest receivable	-	24	-
- recognition for receivables in litigation	-	77	73
b) decreases (due to)	64	225	59
- reversal of provisions due to payment	51	110	44
- utilisation due to the writing-off and sale of receivables	13	4	-
- cancellations	-	111	15
Write-downs at the end of the period, including:	1,042	1,093	1,096

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b) Write-downs of inventories

MOVEMENTS ON WRITE-DOWNS OF INVENTORIES	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended 31 December 2018	For the period of 6 months ended on 30 June 2018
Opening balance	611	433	433
a) increases (due to)	317	229	-
- write-downs to net realisable value	-	-	-
- impairment loss for materials	317	229	-
b) decreases (due to)	229	51	51
- utilisation	-	-	-
- reversals of write-downs	229	51	51
Write-downs of inventories at the end of the period	699	611	382

c) Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance	2,677	2,576	2,576
- retirement benefits	550	468	468
- jubilee benefits	2,127	2,108	2,108
b) increases (due to)	519	468	135
- retirement benefits	46	116	11
- jubilee benefits	473	352	124
c) utilisation (due to)	287	345	118
- retirement benefits	3	22	-
- jubilee benefits	284	323	118
d) reversal (due to)	-	22	-
- retirement benefits	-	12	-
- jubilee benefits	-	10	-
d) closing balance	2,910	2,677	2,593
- retirement benefits	594	550	479
- jubilee benefits	2,316	2,127	2,114

22. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance	3,816	1,978	1,978
- grants related to property, plant and equipment	622	625	625
- provisions for services performed by contractors	24	31	31
- loan subsidies	-	8	8
- fee for the use of the environment	96	123	123
- provisions for holiday pays	753	616	616
- provision for used CO ₂ emission allowances	942	305	305
- bonuses for the Board of Directors and employees	1,379	270	270
b) increases (due to)	2,158	2,192	974
- provision for used CO ₂ emission allowances	858	637	280
- fee for the use of the environment	30	96	26
- provisions for holiday pays	156	326	173
- provisions for services performed by contractors	17	24	17
- bonuses for the Board of Directors and employees	1,097	1,109	478
c) utilisation (due to)	2,483	354	163
- fee for the use of the environment	96	123	123
- provisions for holiday pays	42	189	-
- provision for used CO ₂ emission allowances	942	-	-
- provision for services performed by contractors	24	31	31
- grants related to property, plant and equipment	-	3	3
- loan subsidies	-	8	6
- bonuses for the Board of Directors and employees	1,379	-	-
e) closing balance	3,491	3,816	2,789
- grants related to property, plant and equipment	622	622	622
- loan subsidies	-	-	2
- provision for used CO ₂ emission allowances	858	942	585
- fee for the use of the environment	30	96	26
- provisions for holiday pays	867	753	789
- bonuses for the Board of Directors and employees	1,097	1,379	748
- provisions for services performed by contractors	17	24	17

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23. Deferred income tax

DEFERRED TAX LIABILITIES	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
The difference between the carrying amount and the tax value of property, plant and equipment	5,805	5,836	6,173
Investment valuation	548	548	-
Unrealised foreign exchange differences	1	2	9
Interest due but not received	20	80	15
Other	4	4	5
Total deferred tax liabilities	6,378	6,470	6,202

DEFERRED TAX ASSETS	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Outstanding remunerations	153	137	120
Provision for unused annual leaves	146	123	137
Retirement and jubilee benefits	554	508	493
Unrealised foreign exchange differences	65	62	24
Write-downs of inventories	84	78	64
Write-downs of interests	565	565	565
Lease payables	1,067	1,095	1,238
Consolidation adjustments – retained earnings	(540)	(500)	(541)
Provision for bonuses for the Board of Directors and employees	208	262	135
Retirement of CO ₂ emission allowances	163	179	111
Assets valuation	2,428	2,428	2,450
Tax loss	-	26	14
Others	3	6	3
Total	4,896	4,969	4,813

24. Contingent assets and liabilities

MOVEMENT ON CONTINGENT ASSETS (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance, including:	28,731	13,603	13,603
- value of land used under the right of perpetual usufruct	12,936	13,603	13,603
- surety of GR PONARY for investment loan	15,795	-	-
b) increases (due to)	-	26,203	15,795
- value of land used under the right of perpetual usufruct	-	10,408	
- surety of GR PONARY for investment loan	-	15,795	15,795
c) utilisation (due to)	-	-	-
d) closing balance, including:	28,731	39,806	29,398
- value of land used under the right of perpetual usufruct	12,936	24,011	13,603
- surety of GR PONARY for investment loan	15,795	15,795	15,795

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	For the period of 6 months ended on 30 June 2019	For the period of 12 months ended on 31 December 2018	For the period of 6 months ended on 30 June 2018
a) opening balance, including:	32,142	19,052	19,052
- liabilities related to non-competition agreements	1,224	818	818
- loan sureties to related parties	30,918	18,234	18,234
b) increases (due to)	222	13,090	0
- liabilities related to non-competition agreements	222	406	0
- loan sureties to related parties		12,684	0
c) closing balance, including:	32,364	32,142	19,052
- liabilities related to non-competition agreements	1,446	1,224	818
- loan sureties to related parties	30,918	30,918	18,234

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

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

26. Segment reporting

26.1. Products and services

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)'.

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;

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- 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.

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.

26.2 Segment revenue and results

Specification	Revenue		Profit	
	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Processing of potatoes	123,871	112,410	24,454	11,554
- including inter-segmental	5	5		-
Power generation	3,664	4,700	(934)	(726)
- including inter-segmental	443	348		-
Total sales revenue	127,087	116,757	23,520	10,828
Other operating income			579	590
Other operating expenses			(536)	(538)
Finance income			258	527
Finance costs			(1,904)	(1,523)
Profit (loss) before tax			21,917	9,884

Due to the fact that in 2019 GR Ponary Sp. z o.o. 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.

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26.3 Segment assets and liabilities

Segment assets	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Processing of potatoes	277,808	297,327	217,471
Power generation	13,849	17,297	22,988
Growing of crops combined with farming of animals (mixed farming)	19,350	19,301	19,226
Total segment assets	311,007	333,925	259,685

Segment liabilities	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Processing of potatoes	119,533	145,858	86,981
Power generation	19,306	21,591	23,170
Growing of crops combined with farming of animals (mixed farming)	-	-	3
Total segment liabilities	138,839	167,449	110,154

All assets and liabilities of CHP Energia Sp. z o.o. are allocated to the '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.

Due to the value of land owned by GR Ponary Sp. z o.o., the third segment has been separated in these financial statements only to present its assets and liabilities.

26.4 Other segment information

Segment	Depreciation/Amortisation		Increase in non-current assets	
	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Processing of potatoes	5,361	4,687	14,016	7,312
Power generation	821	877	187	182
Total for continuing operations	6,182	5,564	14,203	7,494

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26.5 Revenue by products

Product name	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Starch	75,118	63,990
Protein	4,773	4,564
Glucose	4,916	5,730
Maltodextrin	10,168	10,308
Starch syrups	3,085	3,126
Dried potato-based products (grits, flakes, cubes)	9,855	8,608
Feeds and fertilizers	355	175
Electricity	1,702	2,115
Property rights (electricity and heat)	1,395	1,493
Trade goods and materials	15,306	16,062
Services	414	586
Total	127,087	116,757

26.6 Sales revenue by territories

Specification	For the period of 6 months ended on 30 June 2019	For the period of 6 months ended on 30 June 2018
Poland, including	83,905	79,683
Starch	41,523	33,407
Protein	3,497	2,146
Glucose	4,552	5,218
Maltodextrin	8,061	9,027
Starch syrups	3,085	3,126
Dried potato-based products (grits, flakes, cubes)	9,111	8,568
Feeds and fertilizers	355	175
Electricity	1,702	2,115
Property rights (electricity and heat)	1,395	1,493
Trade goods and materials	10,210	13,821
Services	414	587
EU countries - intra-Community supplies, including:	12,519	9,524
Starch	8,702	6,926
Protein	593	1,157
Maltodextrin	2,088	1,279
Glucose	253	97
Dried potato-based products (grits, flakes, cubes)	733	39
Trade goods	150	26
Other countries – export	30,663	27,550
Starch	24,893	23,657
Protein	683	1,261
Glucose	111	415
Maltodextrin	19	2
Dried potato-based products (grits, flakes, cubes)	11	-
Trade goods	4,946	2,215
Total	127,087	116,757

26.7 Major customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32. Important events after the reporting period

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

On 5 August 2019, the Group also signed an annex to the multi-purpose credit line agreement with Powszechna Kasa Oszczędności Bank Polski S.A. Under the annex, the credit limit granted to PEPEES S.A. and its subsidiaries was increased to PLN 55.5 million and the repayment date was extended until 31.08.2020.

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

33. Authorising the condensed interim consolidated financial statements

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

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

Board President – Wojciech Faszczewski



Signed by:

Wojciech Faszczewski
Przedsiębiorstwo Przemysłu
Spożywczego PEPEES S.A.

Date: 2019-09-12 16:31

Board Member – Tomasz Rogala



Signed by:


Tomasz Krzysztof Rogala
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.

Date: 2019-09-12 07:44

SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Chief Accountant – Wiesława Załuska

Signed by:

 Wiesława Załuska
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.

Date: 2019-09-12

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