

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

**INTERIM CONDENSED SEPARATE FINANCIAL
STATEMENTS**

**FOR THE FIRST HALF OF 2017
(01.01.2017 - 30.06.2017)**

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

30 August 2017

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

<i>ASSETS</i>	<i>30.06.2017</i>	<i>31.12.2016</i>	<i>30.06.2016</i>
I Non-current (long-term) assets	114,288	109,056	101,724
1. Property, plant and equipment	83,505	82,319	77,667
2. Intangible assets	112	298	116
3. Investments in subsidiaries	9,676	9,676	3,755
4. Investments in associates	4,312	0	811
5. Investments in other entities	113	113	113
6. Loans granted	5,800	5,500	7,800
7. Long-term advances	9,362	9,649	10,020
8. Deferred tax assets	1,408	1,501	1,442
II Current (short-term) assets	68,668	101,906	59,279
1. Inventories	20,184	50,955	18,984
2. Biological assets	747	158	830
3. Trade receivables	25,779	19,897	22,365
4. Other receivables	1,489	1,246	613
5. Advances	5,163	2,376	4,269
6. Loans granted	4,340	3,076	4,113
7. Investments held for trading	2,550	2,550	2,550
8. Cash and cash equivalents	8,416	21,648	5,555
Total assets	182,956	210,962	161,003

<i>EQUITY AND LIABILITIES</i>	<i>30.06.2017</i>	<i>31.12.2016</i>	<i>30.06.2016</i>
I Equity	132,837	126,687	115,303
1. Share capital	5,700	5,700	5,700
2. Reserve capital and other reserves	121,265	105,347	105,347
3. Revaluation reserve	(328)	(278)	(492)
4. Retained earnings/loss			
5. Result for the current year	6,200	15,918	4,748
II Non-current liabilities	19,412	20,748	21,506
1. Loans and borrowings	5,951	6,939	7,517
2. Liabilities related to leased assets	3,874	4,137	3,671
3. Deferred tax liability	5,491	5,550	5,807
4. Retirement and similar benefits obligations	1,731	1,701	2,030
5. Grants	2,365	2,421	2,481
III Current liabilities	30,707	63,527	24,194
1. Trade payables	8,223	6,353	6,595
2. Current income tax liabilities	987	2,794	453
3. Other current liabilities	2,209	2,623	1,655
4. Loans and borrowings	16,836	48,674	13,050
5. Liabilities related to leased assets	1,343	1,523	1,113
6. Retirement and similar benefits obligations	259	236	188
7. Provisions for other liabilities and other charges	830	1,324	1,140
Total equity and liabilities	182,956	210,962	161,003

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

<i>Revenue and expenses</i>		<i>01.01.2017-</i>	<i>01.01.2016-</i>
<i>Profit and loss</i>		<i>30.06.2017</i>	<i>30.06.2016</i>
I	Sales revenue	80,887	65,272
1.	Revenue from the sales of products	65,968	50,011
2.	Revenue from services	196	209
3.	Revenue from the sales of trade goods and materials	14,723	15,052
II	Cost of sales	(58,610)	(49,732)
1.	Cost of products sold	(44,549)	(35,148)
2.	Cost of services sold	(172)	(178)
3.	Costs of trade goods and materials sold	(13,432)	(14,018)
4.	Profit/loss from agricultural production	(457)	(388)
III	Gross profit from sales (I-II)	22,277	15,540
1.	Selling and marketing expenses	(4,726)	(2,877)
2.	Administrative expenses	(9,001)	(6,895)
3.	Other operating income	164	212
4.	Other operating expenses	(196)	(178)
IV	Operating profit	8,518	5,802
1.	Finance costs	(1,060)	(545)
2.	Finance income	365	673
V	Profit (loss) before tax	7,823	5,930
VI	Income tax expense	(1,623)	(1,182)
VII	Net profit (loss)	6,200	4,748
VIII	Other comprehensive income	(50)	(101)
1.	Effects of the valuation of financial assets available-for-sale	-	-
2.	Revaluation of employee benefit liabilities	(50)	(101)
IX	Total comprehensive income	6,150	4,647
X	Net earnings (loss) per share	0.07	0.05
	- basic	0.07	0.05
	- diluted	0.07	0.05

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

	<i>Share capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve</i>	<i>Other reserves</i>	<i>Retained earnings/loss</i>	<i>Total equity</i>
As at 1 January 2016	5,700	51,950	(391)	47,480	5,917	110,656
Changes in the period from 01.01.2016 to 30.06.2016	-	-	(101)	5,917	(1,169)	4,647
Distribution of profit for 2015				5,917	(5,917)	-
Net profit (loss) for the period					4,748	4,748
Other comprehensive income for the year (net)			(101)			(101)
As at 30.06.2016	5,700	51,950	(492)	53,397	4,748	115,303
Changes in the period from 01.01.2016 to 31.12.2016	-	-	113	5,917	10,001	16,031
Distribution of profit for 2015				5,917	(5,917)	-
Net profit (loss) for the period					15,918	15,918
Other comprehensive income for the year (net)			113			113
As at 31 December 2016	5,700	51,950	(278)	53,397	15,918	126,687
As at 1 January 2017	5,700	51,950	(278)	53,397	15,918	126,687
Distribution of profit for 2016				15,918	(15,918)	-
Net profit (loss) for the period					6,200	6,200
Other comprehensive income for the year (net)			(50)			(50)
As at 30 June 2017	5,700	51,950	(328)	69,315	6,200	132,837

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

Indirect method	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
A. Cash flows from operating activities - indirect method		
I Profit (loss) before tax	7,823	5,930
II Total adjustments	22,086	18,197
1. Depreciation/Amortisation	3,198	3,550
2. Foreign exchange (gains) losses		(1)
3. Interest and share of profit (dividend)	456	412
4. (Profit) loss on investing activities	(219)	19
5. Net increase/decrease in provisions	(441)	(402)
6. Net increase/decrease in inventories	30,771	25,208
7. Net increase/decrease in biological assets	(589)	(658)
8. Net increase/decrease in receivables	(6,125)	(5,414)
9. Net increase/decrease in current liabilities, except for loans and borrowings	1,455	226
10. Net increase/decrease in advances	(2,500)	(2,315)
11. Income tax expense	(3,385)	(1,561)
12. Net increase/decrease in grants	(56)	(67)
13. Other adjustments	(479)	(800)
III Net cash flows from operating activities	29,909	24,127
B. Cash flow from investing activities		
I Proceeds	1,728	840
1. Disposal of intangible assets and property, plant and equipment	324	66
2. Repayments of cash loans	1,404	774
II Expenses	11,343	2,720
1. Acquisition of intangible assets and property, plant and equipment	4,063	2,545
2. Purchase of shares	4,312	
2. Loans granted	2,968	175
III Net cash flows from investing activities	(9,615)	(1,880)
C. Cash flow from financing activities		
I Proceeds	608	1,549
1. Loans and borrowings	198	1,042
2. Received additional payments	410	507
II Expenses	34,138	33,805
1. Repayments of loans and borrowings	32,778	32,640
2. Interest on loans and borrowings	456	412
3. Lease payments	904	753
III Net cash flows from financing activities (I-II)	(33,530)	(32,256)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(13,236)	(10,009)
E. Balance sheet change in cash, including:	(13,232)	(17,687)
- net increase/decrease in cash due to foreign exchange differences		
- net increase/decrease in bank overdrafts		7,858
F. Cash at the beginning of period	21,652	15,563
G. Cash at the end of period (F+/-D)	8,416	5,554

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		First half of 2017	First half of 2016	First half of 2017	First half of 2016
I	Total sales revenue	80,887	65,272	19,044	14,901
II	Net profit	6,200	4,748	1,460	1,084
III	Net comprehensive income	6,150	4,647	1,448	1,061
IV	Net cash flows from operating activities	29,909	24,127	7,042	5,508
V	Net cash flows from investing activities	(9,615)	(1,880)	(2,264)	(429)
VI	Net cash flows from financing activities	(33,530)	(32,256)	(7,894)	(7,364)
VII	Total net cash flows	(13,236)	(10,009)	(3,116)	(2,285)
VIII	Total assets	182,956	210,962	43,288	47,686
IX	Equity	132,837	126,687	31,430	28,636
X	Earnings (loss) per share	0.06	0.05	0.02	0.01
XI	Book value per share	1.40	1.33	0.33	0.30

Figures presented in lines: VIII, IX and XI, in columns 'First half of 2016' are as at 31.12.2016.

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

- selected items of the statement of financial position as at 30.06.2017 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.2265;
- selected items of the statement of financial position as at 31.12.2016 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.4240;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period 01.01.2017- 30.06.2017 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2017: 1 EUR = 4.2474 PLN;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period 01.01.2016-30.06.2016 – 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 2016: 1 EUR = 4.3805 PLN.

EARNINGS PER SHARE

	30.06.2017	30.06.2016
Net profit	6,200	4,748
Weighted average number of shares	95,000,000	95,000,000
Basic earnings per share (in PLN per share)	0.07	0.05
Net earnings used to calculate diluted earnings per share	6,200	4,748
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	95,000,000
Diluted earnings per share (in PLN per share)	0.07	0.05
Annualised net earnings	17,370	7,763
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.18	0.08

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NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

1. General information

Full business name: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Registered office: 18-402 Łomża, ul. Poznańska 121

Identifier: Company Stat. No. [REGON]: 450096365
NIP [Tax ID No.]: 7181005512

Registration body: District Court in Białystok, XII Economic
Division of the National Court Register (KRS)

KRS Reg. No.: 000038455

Legal form: Spółka Akcyjna [a joint stock company]

Organisational form: A single-establishment company

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

Industry – food industry

Company's lifetime – indefinite

The composition of the Board of Directors as at 30.06.2017:

Mr Wojciech Faszczejewski – President
Mr Tomasz Rogala – Member

The composition of the Supervisory Board as at 30.06.2017:

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 2017 to 30 June 2017, and comparative financial figures and notes cover the period from 1 January 2016 to 30 June 2016 and, additionally, as at 31 December 2016 in the case of the statement of financial position and the statement of changes in equity.

These financial statements have been prepared assuming that the Company would remain a going concern in the foreseeable future. There are no circumstances indicating any threats to the activities of

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30 June 2017

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

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

These interim condensed separate financial statements do not comprise all the information required in the annual financial statements and they should be read together with the financial statements and the consolidated financial statements for the financial year ended on 31 December 2016.

4. The application of standards in 2017

The application of new interpretations and amendments to standards in the first half of 2017 had no impact on the Company's financial position.

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

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

- a) IFRS 9 *Financial Instruments* effective for periods beginning on or after 1 January 2018. This standard introduces an improved and simplified approach to the classification and measurement of financial assets and liabilities, and the requirements for hedge accounting and the recognition of the impairment of financial assets.
- b) 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.
- c) IFRS 15 *Revenue from Contracts with Customers* – issued on 12 April 2016 – effective for annual periods beginning on or after 1 January 2018. This standard provides a single accounting model for revenue from contracts with customers. It will replace the guidelines for the recognition of revenue included in IAS 18 *Revenue*, IAS 11 *Construction contracts* and in related *Interpretations* (IFRIC 13, IFRIC 15, IFRIC 18, SIC-31).
- d) IFRS 16 *Leases* – effective for annual periods beginning on or after 1 January 2019. This standard modifies the definition of finance and operating lease.
- e) IFRS 17 *Leases* — the standard will be effective for annual periods beginning on or after 1 January 2021.
- f) Amendments to IAS 7 effective for periods beginning on or after 1 January 2017. The amendments provide for disclosures that will make it possible to evaluate changes in liabilities arising from financing activities, resulting both from cash flows and non-cash changes; not approved by the European Commission (EC) as at 30.06.2017.

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- g) Amendments to IAS 12 effective for periods beginning on or after 1 January 2017. The amendments clarify e.g. unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes; not approved by the EC as at 30.06.2017.
- h) 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.
- i) Amendments to IFRS 2, effective for annual periods beginning on or after 1 January 2018. The amendments clarify existing provisions concerning the recognition of specific types of share-based payment transactions.
- j) Amendments to IFRS 4, effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4 provide for two acceptable approaches, i.e. the overlay approach and the deferral approach. The amended standard permits entities which conclude insurance contracts to recognise in other comprehensive income, and not in profit or loss, the impact of the differences which may arise due to the application of IFRS 9, before the new standard concerning insurance business is issued. And, in the case of entities whose activities are related mainly to insurance, the amended standard provides for a temporary exemption from the application of IFRS 9 until 2021. The entities deferring the application of IFRS 9 will apply the current IAS 39.
- k) Amendments to IAS 40 *Investment Property* effective for annual periods beginning on or after 1 January 2018. The amendments address the issue of transfers of property to, or from, investment property. The amendments clarify that such a transfer can only be made when there has been a change in use of the property. A change in use occurs if property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use.
- l) Amendments to various standards *Annual Improvements to IFRSs: 2014-2016 Cycle* — amendments resulting from annual improvements to IFRSs (IFRS 1, IFRS 12 and IAS 28) focused primarily on eliminating inconsistencies and clarifying terminology and wording (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017), and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.
- m) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, effective for annual periods beginning on or after 1 January 2018. The interpretation clarifies the exchange rate to be applied for transactions in foreign currencies that are related to the receipt of advance consideration accounted for before the entity recognises the related asset, expense or income.
- n) IFRIC 23 *Uncertainty over Income Tax Treatments* that will be effective for annual periods beginning on or after 1 January 2019.

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

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

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6. *Changes in accounting principles and presentations, and correcting errors*

The Company did not change its accounting policies applied previously.

7.

Seasonality or cyclical nature of operations

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

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

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

9. *Estimates*

In the reporting period, the Company carried out the impairment test for shares in CHP Energia, which has shown that there has been no impairment.

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

Provisions for retirement benefits and jubilee benefits have been revalued on the basis of actuarial calculations as at 30.06.2017.

Provisions for unused annual leaves have been revalued on the basis of expected remunerations of employees including adds-on for the employer for unused annual leaves unused as at 30.06.2017. The Company recognises deferred tax assets on the basis of the assumption that, in the future, it will generate tax profit enabling their utilisation. The Company verifies, on an annual basis, useful lives of property, plant and equipment and intangible assets. The last revaluation was made on 31.12.2016.

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

In the reporting period, the Company acquired property, plant and equipment for PLN 4,017 thousand. The purchases comprised mainly production plant and machinery and the upgrade of the wastewater treatment plant and of the Ethernet network.

The Company sold property, plant and equipment for PLN 304 thousand. Profit on the disposal of property, plant and equipment amounted to PLN 199 thousand.

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

The Company did not borrow any new loans to purchase property, plant and equipment. In the reporting period, there was only one instalment paid amounting to PLN 198 thousand, according to the agreement concluded in the previous period.

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12. Inventories

INVENTORIES	As at 30.06.2017	As at 31.12.2016	As at 30.06.2016
a) materials	2,443	2,577	1,823
b) semi-finished products and work in progress	1,111	4,075	3
c) finished products	14,860	41,749	16,968
d) trade goods	2,009	2,736	225
Gross inventories	20,423	51,137	19,019
Write-downs	(239)	(182)	(35)
Net inventories	20,184	50,955	18,984

The value of inventories recognised as an expense in the reporting period amounted to PLN 57,671 thousand (the first half of 2016: PLN 47,893 thousand).

In the reporting period, the Company increased write-downs of inventories.

Write-downs as at 30.06.2017 amount to PLN 239 thousand (30.06.2016: PLN 35 thousand).

The carrying amount of inventories used as security for bank loans is PLN 13,594 thousand.

Encumbrances on inventories due to borrowed bank loans:

- a registered pledge on inventories for the benefit of BGŻ BNP PARIBAS, securing a loan for which the debt as at 30.06.2017 amounts to PLN 5,625 thousand;
- a registered pledge on inventories of materials, finished products and trade goods for the benefit of Bank Zachodni WBK S.A., securing loans for which the debt as at 30.06.2017 amounts to PLN 3,750 thousand.

13. Biological assets

Since March 2014, the Company has leased a farm that was sown with annual plants; as at the balance sheet date, they are not ripe. Biological assets were recognised in the financial statements at fair value.

Plants	As at 30.06.2017	As at 31.12.2016	As at 30.06.2016
Underripe plants	747	158	830
Total	747	158	830

14. Trade receivables

TRADE RECEIVABLES	As at 30.06.2017	As at 31.12.2016	As at 30.06.2016
a) from related parties	327	199	39
- up to 12 months	327	199	39
b) from other entities	25,452	19,698	22,326
- up to 12 months	25,452	19,698	22,326
- over 12 months	-	-	-

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	000s		PLN
Total trade receivables	25,779	19,897	22,365
(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 30.06.2017	As at 31.12.2016	As at 30.06.2016
a) up to 1 month	9,870	14,428	3,724
b) over 1 month up to 3 months	2,960	2,773	6,650
c) over 3 months up to 6 months	11,233		11,284
d) over 6 months up to 1 year		938	
e) over 1 year			
f) past due receivables	1,901	2,011	944
Total (gross) trade receivables	25,964	20,150	22,602
- write-downs of trade receivables	(185)	(253)	(237)
Total (net) trade receivables	25,779	19,897	22,365

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

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

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

15. Trade payables

TRADE PAYABLES	As at 30.06.2017	As at 31.12.2016	As at 30.06.2016
a) from related parties	270	391	7
- up to 12 months	270	391	7
- over 12 months			
b) from other entities	7,953	5,962	6,588
- up to 12 months	7,953	5,962	6,588
- over 12 months			-
Total trade payables	8,223	6,353	6,595

16. Litigation settlements

As at the balance sheet date, there is an unresolved case due to the lawsuit made by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie against PEPEES S.A. to repeal or to declare the invalidity of resolutions adopted on 25.04.2017 by the Annual General Meeting of Shareholders concerning the distribution of profit and the acquisition of Treasury shares. The proceedings are at an early stage and it is difficult to predict the outcome of the proceedings and to assess the chances of winning the case and thus the financial consequences.

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17. Corrections of errors from previous periods

In these financial statements, there were no corrections of errors from previous periods.

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

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

19. Outstanding loans and borrowings or agreement infringements

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

No.	Loan type /Agreement/	Lending bank	Contract ual loan value	Debt as at 30.06.201 7	Repayment date
1	2	3	4	5	6
1	Bank overdraft	Bank Zachodni WBK S.A.	4,000	0	31.08.2017
2	Revolving loan	Bank Zachodni WBK S.A.	10,000	1,575	31.08.2017
3	Working capital loan for the purchase of potatoes	Bank Zachodni WBK S.A.	15,000	3,750	31.08.2017
4	Bank overdraft	BGŻ BNP Paribas	4,000	0	31.08.2017
5	Revolving loan	BGŻ BNP Paribas	10,000	3,750	31.08.2017
6	Working capital loan for the purchase of potatoes	BGŻ BNP Paribas	15,000	5,625	31.08.2017
7	Subsidised investment loan	Bank Spółdzielczy S.A./Bank Polskiej Spółdzielczości S.A.	3,465	0	30.06.2017
8	Subsidised investment loan	Bank Polskiej Spółdzielczości S.A.	1,295	332	30.11.2018
9	Investment loan	BNP Paribas	9,822	6,464	25.02.2022
10	Investment loan	Bank Ochrony Środowiska S.A.	1,200	1,024	31.12.2020
11	Cash loan	BNP Paribas Lease Group Sp. z o.o.	533	267	13.06.2018
Total			74,315	22,787	

Securities

The first three loans were taken out under a single agreement called 'A Multiline Agreement.'

These loans are secured with:

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

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

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

- a contractual mortgage amounting to PLN 68,250 thousand on real properties:
 - owned by PPZ Bronisław sp. z o.o.
 - owned by ZPZ Lublin sp. z o.o.
- an assignment of rights under an insurance policy for the real properties:
 - owned by PPZ Bronisław sp. z o.o.
 - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on fixed assets:
 - owned by PEPEES S.A.
 - owned by PPZ Bronisław sp. z o.o.
 - owned by ZPZ Lublin sp. z o.o.
- an assignment of rights under an insurance policy for fixed assets
- a registered pledge on inventories:
 - owned by PEPEES S.A.
 - owned by PPZ Bronisław sp. z o.o.
 - owned by ZPZ Lublin sp. z o.o.
- an assignment of rights under an insurance policy for inventories
- general assignment of 40% of receivables:
 - owned by PEPEES S.A.
 - owned by PPZ Bronisław sp. z o.o.
 - owned by ZPZ Lublin sp. z o.o.
- an authorisation to use a bank account

Re: 7

The loan is secured with an authorisation to use a current account; a general mortgage amounting to PLN 2,000 thousand; a capped mortgage up to PLN 1,500 thousand; a registered pledge on plant and machinery purchased with the loan along with the assignment of rights under an insurance policy; a blank promissory note.

Re: 8

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

Re: 9

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

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Re: 10

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

Re: 11

The cash loan is secured with a registered pledge on a fixed asset.

20. Related parties

20.1 General information about related parties

Name	Place of business	Objects	Registry court	Issuer's interest in capital	Share in total votes
ZPZ LUBLIN sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes; fruit and vegetable processing	District Court in Lublin, XI Economic Division of the National Court Register (KRS)	82.38%	82.38%
PPZ BRONISŁAW sp. z o.o.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, XIII Economic Division of the National Court Register (KRS)	84.125%	84.125%
OZENERGY sp. z o.o.	Łomża	Power generation	District Court in Białystok, XII Economic Division of the National Court Register (KRS)	100%	100%
CHP ENERGIA sp. z o.o.	Wojny Wawrzyńce	Production of electricity and heat from gas produced in a biogas plant	District Court in Białystok, XII Economic Division of the National Court Register (KRS)	67.43%	67.43%
Gospodarstwo Rolne PONARY sp. z o.o. (an associate)	Warsaw	Growing of crops combined with farming of animals (mixed farming)	District Court for the capital city of Warsaw, XIII Economic Division of the National Court Register (KRS)	34.92%	34.92%

20.2 Basic financial information about related parties

	ZPZ LUBLIN sp. z o.o.	PPZ BRONISŁAW sp. z o.o.	OZENERGY sp. z o.o.	CHP ENERGIA sp. z o.o.	Gospodarstwo Rolne PONARY Sp. z o.o. (an associate)
Current assets as at 30.06.2017	6,098	11,658	8	2,560	58
Non-current assets as at 30.06.2017	4,397	10,137		22,527	29,920
Current liabilities as at 30.06.2017	4,397	10,077	5	7,348	33
Non-current liabilities as at 30.06.2017	3,349	5,209		19,320	499
Revenue for the first half of 2017	9,060	24,334	-	5,936	-

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				000s	PLN
Financial result on continuing operations for the first half of 2017	224	2,556	(1)	(875)	(5)
Net financial result on discontinued operations for the first half of 2017	-	-	-	0	-
Other comprehensive income for the first half of 2017	-	-	-	0	-
Total comprehensive income for the first half of 2017	224	2,556	(1)	(875)	(5)

20.3 The issuer's transactions with its subsidiaries

a) Revenue from the sales of products and trade goods

Types of revenue	2017 first half	2016 first half
Revenue from the sales of products to subsidiaries	103	360
Revenue from the sales of materials to subsidiaries	136	1
Revenue from services		141
Total revenue from related parties	239	502

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	2017 first half	2016 first half
Purchases of products from subsidiaries	3,969	2,529
Purchases of trade goods from subsidiaries		
Purchases of services from subsidiaries	86	39
Total purchases from related parties	4,055	2,568

c) Other transactions

Types	2017 first half	2016 first half
Interest on granted loans	155	181
Total	155	181

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

Receivables from related parties	2017 first half	2016 first half
ZPZ Lublin	47	39
CHP Energia	280	
OZENERGY		

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	000s	PLN
Total receivables from related parties	327	39
	2017 first half	2016 first half
Payables to related parties		
ZPZ Lublin	208	
PPZ BRONISŁAW	33	7
CHP Energia	29	
Total payables to related parties	270	7

e) Balance of settlements of cash loans

	2017 first half	2016 first half
Cash loans granted to subsidiaries		
ZPZ Lublin	3,000	3,010
PPZ BRONISŁAW	3,973	5,200
CHP Energia	2234	3,528
Balance of settlements with related parties	9,207	11,738

20.4 The issuer's transactions with its associate

There were no transactions with the associate, i.e. Gospodarstwo Rolne PONARY sp. z o.o.

20.5 The issuer's transactions with shareholders

The Company acquired from a shareholder, who is entitled to 11.26% (32.73% together with its related party) of the total number of votes at the General Meeting of Shareholders of Pepees, 11,313 shares in Gospodarstwo Rolne Ponary sp. z o.o. for PLN 4,259.8 thousand, entitling to 34.9167% of the votes at the General Meeting of Shareholders.

20.6 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 (PLN 000s)

	2017 first half	2016 first half
Transactions with the key management personnel		
Short-term employee benefits	1,004	722
Post-employment benefits		
Other long-term benefits		
Termination benefits		
Share-based payments		
Total	1,004	722

b) transactions with key employees and members of their families

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

000s PLN

21. Changes in estimates

a. Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2017 first half	2016	2016 first half
Opening balance	260	867	867
a) increases (due to)	15	129	104
- recognition for doubtful trade receivables	0	19	19
- recognition for interest receivable	15	49	29
- recognition for receivables in litigation	0	61	56
b) decreases (due to)	90	736	683
- reversal of provisions due to payment	33	78	33
- utilisation due to the writing-off and sale of receivables	57		
- cancellations	0	658	650
Write-downs of receivables at the end of the period	185	260	288

b. Write-downs of inventories

MOVEMENT ON WRITE-DOWNS OF INVENTORIES	2017 first half	2016	2016 first half
Opening balance	182	35	35
a) increases (due to)	57	147	0
- write-downs to net realisable value			
- impairment loss for materials	57	147	
b) decreases (due to)	0	0	0
- utilisation			
- reversals of write-downs			
Write-downs of inventories at the end of the period	239	182	35

c. Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	2017 first half	2016	2016 first half
a) opening balance	1,937	2,075	2,075
- retirement benefits	216	157	157
- jubilee benefits	1,721	1,918	1,918
b) increases (due to)	152	72	237
- retirement benefits	34	72	19
- jubilee benefits	118		218
c) utilisation (due to)	98	210	94

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	000s		PLN
- retirement benefits	11	13	6
- jubilee benefits	87	197	88
d) closing balance, including:	1,990	1,937	2,218
- retirement benefits	239	216	170
- jubilee benefits	1,751	1,721	2,048

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000s PLN

d. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	2017 first half	2016	2016 first half
a) opening balance	1,324	1,685	1,685
- grants related to property, plant and equipment	101	257	257
- provisions for services performed by contractors	23	26	26
- grants related to loans	26	62	62
- other provisions			
- fee for the use of the environment	165	126	126
- provisions for compensations for annual leaves	388	343	343
- greenhouse gas emission allowance	337	676	676
- bonuses for the Board of Directors and employees	284	195	195
- other			
b) increases (due to)	714	1,196	844
- grants (new entity)			
- provision for used CO ₂ emission allowances	138	337	209
- fee for the use of the environment	36	164	44
- provision for damages			180
- provisions for compensations for annual leaves	525	388	356
- provisions for services performed by contractors	15	23	15
- bonuses for the Board of Directors and employees		284	40
- other			
c) utilisation (due to)	1,208	1,557	1,389
- fee for the use of the environment	165	125	124
- provisions for compensations for annual leaves	388	343	271
- provision for used CO ₂ emission allowances	337	676	676
- provision for services performed by contractors	23	26	26
- grants related to property, plant and equipment		156	78
- grants related to loans	11	36	19
- provisions for bonuses for suppliers			
- bonuses for the Board of Directors and employees	284	195	195
- other	0		
e) balance at the end of period	830	1,324	1,140
- grants related to property, plant and equipment	101	101	179
- grants related to loans	15	26	43
- provision for used CO ₂ emission allowances	138	337	209
- fee for the use of the environment	36	165	46
- provision for damages	0	0	180
- provisions for compensations for annual leaves	525	388	428
- bonuses for the Board of Directors and employees	0	284	40
- provisions for services performed by contractors	15	23	15
- other			

e. Deferred income tax

DEFERRED TAX LIABILITIES	30.06.2017	31.12.2016	30.06.2016
The difference between the carrying amount and the tax value of property, plant and equipment	5,476	5,541	5,637
Unrealised foreign exchange differences		2	1
Valuation of loan		2	3

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		000s	PLN
Interest due but not received	15	5	166
Other			
Total deferred tax liabilities	5,491	5,550	5,807

DEFERRED TAX ASSETS	30.06.2017	31.12.2016	30.06.2016
Outstanding remunerations	89	127	81
Provisions for compensations for annual leaves	100	74	81
Provision for damages			34
Provision for bonuses for the Board of Directors and employees		54	8
Retirement and jubilee benefits	378	367	422
Unrealised foreign exchange differences	44	58	24
Write-downs of inventories	45	35	7
Write-downs of interests	18	18	18
Provision for used CO ₂ emission allowances	26	64	40
Lease payables	705	700	724
Other accruals	3	4	3
Total deferred tax assets	1,408	1,501	1,442

22.

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

In the reporting period, no financial instruments were reclassified.

24. Movement on contingent liabilities and contingent assets

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	2017 first half	2016	2016 first half
a) opening balance, including:	6,710	6,710	7,061
- liabilities related to non-competition agreements	710	710	1,061
- loan sureties to related parties	6,000	6,000	6,000
b) increase (due to)	6,224	0	9
- liabilities related to non-competition agreements			9
- loan sureties to related parties	6,224		
c) utilisation (due to)	0	0	180
- liabilities related to non-competition agreements			180
d) reversal	0	0	180
- liabilities related to non-competition agreements			180
- loan sureties to related parties			
e) balance at the end of the period, including:	12,934	6,710	6,710
- liabilities related to non-competition agreements	710	710	710
- loan sureties to related parties	12,224		

	000s		PLN
MOVEMENT ON CONTINGENT ASSETS (BY TITLES)	2017 first half	2016	2016 first half
a) opening balance, including:	10,822	10,822	10,822
- value of land used under the right of perpetual usufruct	10,822	10,822	10,822
b) increase (due to)			
c) utilisation (due to)			
d) closing balance, including:	10,822	10,822	10,822
- value of land used under the right of perpetual usufruct	10,822	10,822	10,822

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

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

26. Paid or declared dividends

The Company did not pay or declare payments of dividends.

27. Segment reporting

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

26.1. Products and services

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

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

Other types of activities:

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

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

Product or service	Sales revenue	
	First half of 2017	First half of 2016
Starch	46,377	32,194
Glucose	4,809	4,428

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	000s	PLN
Maltodextrin	8,355	7,016
Protein	5,312	3,773
Starch syrups	462	354
Food starch	0	202
Hydrol	301	287
Heat	352	1757
Trade goods and materials	14,723	15,052
Services	196	209
Total	80,887	65,272

26.2 Sales revenue by territories:

Specification	First half of 2017	First half of 2016
Poland, including	50,388	43,523
Starch	21,772	14,160
Glucose	4,654	4,396
Maltodextrin	7,325	6,206
Protein	3,773	1,889
Starch syrups	462	354
Food starch	0	202
Hydrol	301	287
Heat	352	1,757
Trade goods and materials	11,553	14,063
Services	196	209
EU countries - intra-Community supplies, including:	5,101	4,936
Starch	2,780	3,969
Maltodextrin	1,027	809
Glucose	35	32
Protein	864	26
Trade goods	395	100
Other countries – export, including:	25,398	16,813
Starch	21,825	14,065
Protein	675	1,858
Maltodextrin	4	1
Glucose	120	
Trade goods	2,774	889
Total	80,887	65,272

26.3 Major customers

The Company does not have any customer for whom sales revenue exceeded 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 10% of starch sold to one foreign customer;
- 30% of protein sold to two Polish customers (18.4% and 11.6% respectively);

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- over 44% of maltodextrin sold to three Polish customers (17.5%, 14.4% and 12.8% respectively);
- over 15% of glucose sold to one Polish customer.

28. Other significant events in the reporting period

- 1) On 25.04.2017, the General Meeting of Shareholders approved of the financial statements for 2016 and adopted the resolution on the allocation of the profit for 2016 to capital reserves in order to make investments.
- 2) On 25.04.2017, the General Meeting of Shareholders authorised the Board of Directors to acquire Treasury shares representing not more than 20% of the Company's share capital.
- 3) 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 acquired a 34.9167% stake ('Stake') in Gospodarstwo Rolne Ponary sp. z o.o. ('Ponary'). At the same time, the Company entered into agreements to secure its right to acquire all other shares in Ponary. The Company intends to exercise this right and acquire the remaining shares of Ponary gradually when it has free funds available. The acquisition of the remaining shares of Ponary will each time depend on the failure of the Polish Agricultural Property Agency to exercise its right of pre-emption.
- 4) On 21.06.2017, another annex was signed to the multi-purpose credit line agreement concluded between the Issuer and its subsidiaries, i.e. Zakłady Przemysłu Ziemniaczanego 'Lublin' Sp. z o.o. ('Lublin') and Przedsiębiorstwo Przemysłu Ziemniaczanego Bronisław Sp. z o.o. ('Bronisław'), and Bank BGŻ BNP Paribas S.A. ('Annex'). The Annex changed, in particular, the amounts of limits available for the revolving and non-revolving loan, as a result of which, at present the total credit limit granted to the Issuer and its subsidiaries amounts to PLN 37 million.
- 5) On 30.06.2017, the Company was notified by Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych about the reduction of its share in the total number of votes in the Company below 5%.

6) Significant events after the end of the interim period

On 10.08.2017, an annex was signed to the multi-line agreement dated 07.10.2014 concluded with Bank Zachodni WBK S.A. Under the annex, the credit limit granted to PEPEES S.A. and its subsidiaries was increased to PLN 46.5 million and the repayment date was extended until 31.08.2018.

On 10.08.2017, the Group also signed a multi-purpose credit line agreement with Powszechna Kasa Oszczędności Bank Polski S.A. Under the agreement, the Bank granted to the Issuer and its subsidiaries a multi-purpose credit limit up to the total amount of PLN 46.5 million. The limit will be valid until 31.08.2018.

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

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

30. Fair values of financial instruments

The shares of 'Warszawski Rolno-Spożywczy Rynek Hurtowy' were classified as investments held for trading and measured at fair value using the discounted cash flow (DCF) model. Fair value measurement was classified at level 3 of the fair value hierarchy pursuant to IFRS 13.


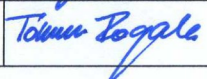
31. Interests in other entities, related to entities becoming or ceasing to be investment entities

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

32. Authorising the condensed interim separate financial statements

These condensed interim separate financial statements were authorised by the Board of Directors on 30.08.2017. These condensed interim separate financial statements are published together with the condensed interim consolidated financial statements, which were authorised for publication on 30.08.2017.

PODPISY CZŁONKÓW ZARZĄDU

Data	Imię i Nazwisko	Stanowisko/Funkcja	Podpis
30.08.2017	Wojciech Faszczewski	Prezes Zarządu	
30.08.2017	Tomasz Rogala	Członek Zarządu	

PODPIS OSOBY, KTÓRA SPORZĄDZIŁA SPRAWOZDANIE

Data	Imię i Nazwisko	Stanowisko/Funkcja	Podpis
30.08.2017	Wiesława Załuska	Główna księgowa	