

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

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

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

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS		30.09.2018	30.06.2018	31.12.2017	30.09.2017
I	Non-current (long-term) assets	167,925	157,044	155,419	164,005
1	Property, plant and equipment	159,210	148,348	147,034	154,757
2	Intangible assets	384	216	211	202
3	Goodwill arising on consolidation	3,140	3,140	3,140	6,607
4	Investments in other entities	113	113	113	113
5	Long-term advances	263	414	72	78
6	Deferred tax assets	4,815	4,813	4,849	2,248
II	Current (short-term) assets	100,926	102,641	148,468	93,236
1	Inventories	47,342	36,849	84,134	43,489
2	Biological assets	219	2,251	-	300
3	Trade receivables	30,687	34,425	23,311	32,548
4	Other receivables	6,107	2,333	5,250	6,054
5	Advances	5,200	9,692	827	4,232
6	Loans granted	935	923	762	874
7	Investments held for trading	2,550	4,540	3,546	3,545
8	Cash and cash equivalents	7,886	11,628	30,638	2,194
Total assets		268,851	259,685	303,887	257,241

EQUITY AND LIABILITIES		30.09.2018	30.06.2018	31.12.2017	30.09.2017
I	Equity	153,339	149,531	145,547	149,734
	<i>Equity attributable to equity holders of the company</i>	<i>152,596</i>	<i>148,809</i>	<i>141,282</i>	<i>139,306</i>
1	Share capital	5,700	5,700	5,700	5,700
2	Reserve capital and other reserves	141,857	129,538	124,418	124,418
3	Revaluation reserve	(26)	(26)	(172)	(328)
4	Retained earnings/loss	(6,024)	6,110	(2,028)	(1,875)
5	Profit/loss for the year	11,089	7,487	13,364	11,391
	<i>Non-controlling interests</i>	<i>743</i>	<i>722</i>	<i>4,265</i>	<i>10,428</i>
II	Non-current liabilities	45,521	47,211	48,684	40,831
1	Loans and borrowings	25,066	25,528	25,330	20,704
2	Liabilities related to leased assets	5,565	6,418	7,446	4,617
3	Deferred tax liability	6,157	6,202	6,258	5,655
4	Retirement and similar benefits obligations	2,305	2,305	2,249	2,296
5	Grants	6,428	6,758	6,901	7,060
6	Other short-term	-	-	500	499
III	Current liabilities	69,991	62,943	109,656	66,676
1	Trade payables	25,642	15,965	15,026	29,068
2	Current tax liability	37	70	2,887	1,652
3	Other current liabilities	5,256	3,641	5,317	7,451
4	Loans and borrowings	33,334	37,562	81,534	24,615
5	Liabilities related to leased assets	2,797	2,628	2,587	2,034
6	Retirement and similar benefits obligations	288	288	327	349
7	Provisions for other liabilities	2,637	2,789	1,978	1,507
Total equity and liabilities		268,851	259,685	303,887	257,241

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

<i>Revenue and expenses Profit and loss</i>		<i>01.07.2018- 30.09.2018</i>	<i>01.01.2018- 30.09.2018</i>	<i>01.07.2017- 30.09.2017</i>	<i>01.01.2017- 30.09.2017</i>
I	Sales revenue				
1	Revenue from the sales of products	56,637	158,600	45,888	143,932
2	Revenue from the sales of services	322	908	545	1,134
3	Revenue from the sales of trade goods and materials	580	14,788	1,299	18,677
	Total sales revenue, including:	57,539	174,296	47,732	163,743
	- revenue from continuing operations	57,539	174,296	47,732	163,743
II	Cost of sales	-			
1	Cost of products sold	(40,113)	(113,762)	(32,730)	(102,357)
2	Cost of services sold	(122)	(212)	(161)	(510)
3	Costs of trade goods and materials sold	(382)	(12,448)	(1,590)	(16,631)
4	Profit/loss from agricultural production	(1,104)	(2,011)	(502)	(959)
	Total cost of sales, including:	(41,721)	(128,433)	(34,983)	(120,457)
	- cost from continuing operations	(41,721)	(128,433)	(34,983)	(120,457)
III	Gross profit from sales (I-II)	15,818	45,863	12,749	43,286
1	Selling and marketing expenses	(3,117)	(7,906)	(2,561)	(8,011)
2	Administrative expenses	(7,563)	(21,991)	(6,048)	(18,674)
3	Other operating income	301	891	358	845
4	Other operating expenses	(141)	(679)	(95)	(367)
IV	Operating profit (loss)	5,298	16,178	4,403	17,079
1	Finance costs	(647)	(2,170)	(555)	(2,702)
2	Finance income	55	582	34	184
3	Share of profit of an associate	-	-	2	-
V	Profit (loss) before tax, including:	4,706	14,590	3,884	14,561
	- profit (loss) before tax from continuing operations	4,706	14,590	3,884	14,561
	Income tax expense	(1,082)	(3,512)	(925)	(3,250)
VI	Net profit (loss)	3,624	11,078	2,959	11,311
	- attributable to equity holders of the parent company	3,602	11,089	3,199	11,391
	- attributable to non-controlling interests	22	(11)	(240)	(80)
VII	Other comprehensive income	-	146	-	(50)
1	Effects of the valuation of financial assets available-for-sale	-	-		
2	Revaluation of employee benefit liabilities	-	146		(50)
VIII	Total comprehensive income, including	3,624	11,224	2,959	11,261
	- attributable to equity holders of the parent company, including:	3,602	11,235	3,199	11,341
	- attributable to non-controlling interests	22	(11)	(240)	(80)
	- net comprehensive income (loss) from continuing operations	3,602	11,235	3,199	11,341

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/loss	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
As at 1 January 2017	5,700	52,668	(278)	53,397	16,712	128,199	920	129,119
Changes in the period from 01.01.2017 to 30.09.2017	-	2,435	(50)	15,918	(7,196)	11,107	9,508	20,615
Changes in accounting policies					(236)	(236)		(236)
Other consolidation adjustments					2	2	(2)	-
Distribution of profit (loss) for 2016		2,435		15,918	(18,353)	-		-
Net profit for the period					11,391	11,391	(80)	11,311
Taking control of a new entity						-	9,590	9,590
Other comprehensive income			(50)			(50)		(50)
As at 30 September 2017	5,700	55,103	(328)	69,315	9,516	139,306	10,428	149,734
Changes in 2017	-							
Distribution of profit (loss) for 2016		2,435		15,918	(18,353)	-		-
Net profit (loss) for the period					13,364	13,364	(173)	13,191
Taking control of a new entity							3,597	3,597
Other comprehensive income for the year (net)			106			106		106
Other consolidation adjustments					(387)	(387)	(79)	(466)
As at 31 December 2017	5,700	55,103	(172)	69,315	11,336	141,282	4,265	145,547
As at 1 January 2018	5,700	55,103	(172)	69,315	11,336	141,282	4,265	145,547
Changes in the period from 01.01.2018 to 30.09.2018								
Changes in accounting policies						-		-
Other consolidation adjustments					79	79	(1)	78
Distribution of profit (loss) for 2017		5,120		12,319	(17,439)	-		-
Net profit for the period					11,089	11,089	(11)	11,078
Taking control of a new entity							(3,510)	(3,510)
Other comprehensive income			146			146		146
As at 30 September 2018	5,700	60,223	(26)	81,634	5,065	152,596	743	153,339

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	01.07.2018	01.01.2018	01.07.2017	01.01.2017
	-	-	-	-
	30.09.2018	30.09.2018	30.09.2017	30.09.2017
Indirect method				
A. Cash flows from operating activities				
I. Profit (loss) before tax	4,706	14,590	3,884	14,561
II. Total adjustments	9,413	37,839	5,847	39,289
1. Depreciation/Amortisation	3,274	8,838	2,335	6,700
2. Foreign exchange (gains) losses	(227)	(350)	(60)	(323)
3. Interest and share of profit (dividend)	389	1,842	(279)	895
4. (Profit) loss from investing activities	(1)	(106)	189	(129)
5. Net increase/decrease in provisions	(152)	659	(173)	(370)
6. Net increase/decrease in inventories	(10,493)	36,792	(14,189)	33,794
7. Net increase/decrease in biological assets	2,032	(219)	447	(142)
8. Net increase/decrease in receivables	(36)	(8,233)	(4,151)	(10,522)
9. Net increase/decrease in current liabilities, except for borrowings	11,292	10,555	20,560	17,492
10. Net increase/decrease in advances	4,100	(4,765)	1,229	(2,931)
11. Income tax expense	(1,319)	(6,491)	(559)	(4,536)
12. Net increase/decrease in grants	170	(473)	61	(627)
13. Net increase/decrease in accrued interest on loans	178	(134)	(33)	(33)
14. Other adjustments	206	(76)	470	21
III. Net cash flows from operating activities (I+/-II)	14,119	52,429	9,731	53,850
B. Cash flows from investing activities				
I. Proceeds	53	240	(125)	232
1. Disposal of intangible assets and property, plant and equipment	53	240	(125)	232
2. Repayment of loans	-	-	-	-
II. Expenses	13,544	24,798	10,999	20,466
1. Acquisition of intangible assets and property, plant and equipment	13,544	21,038	7,996	12,469
2. Purchase of shares	-	3,510	2,025	6,338
3. Purchase of bonds	-	-	995	995
4. Loans granted	-	250	(17)	664
III. Net cash flows from investing activities (I-II)	(13,491)	(24,558)	(11,124)	(20,234)
C. Cash flows from financing activities				
I. Proceeds	18,009	29,472	15,533	20,635
1. Loans and borrowings	18,009	29,192	15,522	20,214
2. Grants	-	280	11	421
II. Expenses	26,123	86,335	25,934	79,122
1. Repayments of loans and borrowings	24,819	81,962	24,595	75,514
2. Interest on loans and borrowings	519	1,842	475	1,774
3. Lease payments	785	2,531	864	1,834
III. Net cash flows from financing activities (I-II)	(8,114)	(56,863)	(10,401)	(58,487)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(7,486)	(28,992)	(11,794)	(24,871)
F. Cash at the beginning of period	9,131	30,637	10,100	23,177
F. Cash at the end of period (F+/-D)	1,645	1,645	(1,694)	(1,694)
<i>including restricted cash</i>			-	-

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	SELECTED FINANCIAL FIGURES Year	PLN 000s		EUR 000s	
		2018	2017	2018	2017
I	Total sales revenue for 3 quarters	174,296	163,743	40,977	38,468
II	Net profit or loss attributable to equity holders of the Company for 3 quarters	11,089	11,391	2,607	2,676
III	Net comprehensive income attributable to equity holders of the Company	11,235	11,341	2,641	2,664
IV	Net cash flows from operating activities for 3 quarters	52,429	53,850	12,326	12,651
V	Net cash flows from financing activities for 3 quarters	(24,558)	(20,234)	(5,774)	(4,754)
VI	Net cash flows from financing activities for 3 quarters	(56,863)	(58,487)	(13,369)	(13,740)
VII	Total net cash flows for 3 quarter	(28,992)	(24,871)	(6,816)	(5,843)
VIII	Total assets as at 30.09.2018 and 31.12.2017	268,851	303,887	62,942	72,859
IX	Equity attributable to equity holders of the company as at 30.09.2018 and 31.12.2017	152,596	141,282	35,725	33,873
X	Total earnings (loss) per share for 3 quarters	0.12	0.12	0.03	0.03
XI	Book value per share as at 30.09.2018 and 31.12.2017	1.61	1.49	0.38	0.36

Figures presented in lines: VIII, IX and XI, in columns "2017" are as at 31.12.2017.

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

- selected items of the statement of financial position as at 30.09.2018 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.2714;
- selected items of the statement of financial position as at 31.12.2017 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.1709;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2018 to 30.09.2018 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2018: EUR 1 = PLN 4.2535;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2017 to 30.09.2017 – 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: EUR 1 = PLN 4.2566.

EARNINGS PER SHARE

	30.09.2018	30.09.2017
Net earnings (loss) attributable to the shareholders of PEPEES	11,089	11,391
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.12	0.12
Net earnings (loss) attributable to the shareholders of PEPEES applied in the calculation of diluted earnings per share	11,235	11,391
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)	0.12	0.12
Annualised net earnings attributable to the equity holders of PEPEES	13,062	12,198
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.14	0.13

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the parent company

Full business name	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A.
Registered office address	18-402 Łomża, ul. Poznańska 121
REGON [Company Stat. ID No.]	450096365
NIP [Tax ID No.]	7181005512
Registration authority	District Court in Białystok, XII Commercial Division of the National Court Register
No. in the Register	000038455
Legal status	Spółka Akcyjna [a joint stock company]
Organisational form	a single-establishment company

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

Industry – food industry

Company's lifetime – indefinite

The composition of the Board of Directors as at 30.09.2018:

Wojciech Faszczewski - President of the Board of Directors
Tomasz Rogala - Member of the Board of Directors

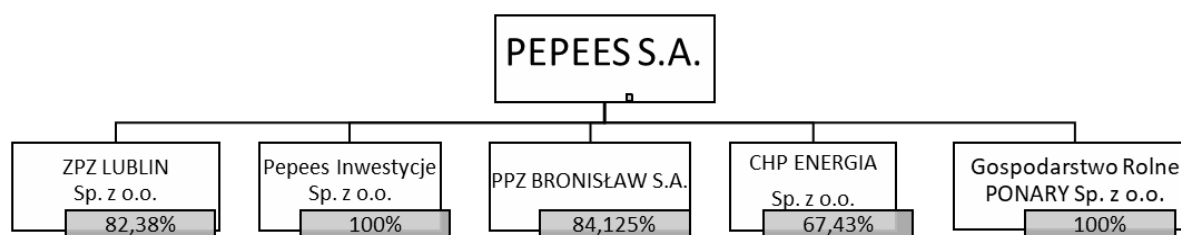
The composition of the Supervisory Board as at 30.09.2018:

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

2. Reporting periods

These interim consolidated financial statements cover the period from 1 January 2018 to 30 September 2018, and comparative financial figures and notes cover the period from 1 January 2017 to 30 September 2017 and, additionally, as at 31 December 2017 in the case of the statement of financial position and the statement of changes in equity.

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

3. The Group's structure as at 30 September 2018**General information about related parties**

Name	Place of business	Objects	Registry court	Issuer's interest in capital	Share in total votes
ZPZ LUBLIN sp. z o.o.	Lublin	Production and sales of potato syrup and dried potatoes, processing of fruit and vegetables	District Court in Lublin, XI Economic Division of the National Court Register (NCR)	82.38%	82.38%
PPZ BRONISŁAW S.A.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, XIII Economic Division of the NCR	84.125%	84.125%
Pepees Inwestycje sp. z o.o. (formerly OZENERGY Sp. z o.o.)	Łomża	Buying and selling of own real estate	District Court in Białystok, XII Economic Division of the NCR	100%	100%
CHP ENERGIA sp. z o.o.	Wojny Wawrzyńce	Production of electricity and heat from gas produced in a biogas plant	District Court in Białystok, XII Commercial Division of the NCR	67.43%	67.43%
Gospodarstwo Rolne PONARY sp. z o.o.	Warsaw	Growing of crops combined with farming of animals (mixed farming)	District Court in Białystok, XII Commercial Division of the NCR	100%	100%

Changes in the Group

On 04.01.2018, PEPEES entered into a conditional sales agreements with two natural persons, who are shareholders of the Company, under which the Company acquired a 32.6% stake in Gospodarstwo Rolne Ponary sp. z o.o. Thus, the Company has become the holder of 100% of shares in Ponary.

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

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

Basic financial figures as at 30.09.2018 for related parties

	PPZ BRONISŁAW S.A.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne PONARY Sp. z o.o.	Pepees Inwestycje Sp. z o.o.
Current assets	12,879	6,341	3,135	121	1,457
Non-current assets	20,319	5,105	20,581	21,202	-
Current liabilities	17,752	8,640	11,569	557	1,481
Non-current liabilities	4,005	404	16,977	9,092	-
Revenue	34,535	15,263	6,629	-	-
Net profit/loss from continuing operations	2,368	329	(1,366)	82	(27)
Net financial result on discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	2,368	329	(1,366)	82	(27)

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

The accounting policies applied during the preparation of the condensed interim consolidated financial statements are consistent with those applied during the preparation of the annual consolidated financial statements for the year ended 31 December 2017, with the exception of the application of the following new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2018.

The IFRSs comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC'). The IFRSs as approved by the EU do not differ significantly from the regulations approved by the International Accounting Standards Board (IASB), except for the following items awaiting the approval by the European Union.

When preparing these interim condensed financial statements, certain information and disclosures which, in accordance with the IFRSs adopted by the EU, are usually included in the full financial statements, are presented here in an abbreviated form or omitted in accordance with IAS 34. Therefore, these interim financial statements should be read together with the most recent full consolidated financial statements of the Company prepared for the year ended 31 December 2017 and published on 29 March 2018.

The Issuer has not decided to apply any standard, interpretation or amendment which has not come into force yet, on an earlier date. The Company's Board of Directors is in the process of analysing and assessing their impact on the accounting policies applied by the Issuer and future separate financial statements.

5. The application of standards in 2018

IFRS 9 – first-time adoption and accounting policies

The Group implemented IFRS 9 on 1 January 2018 and decided to apply a modified retrospective approach with effect from 1 January 2018. Also in this case, in accordance with the option allowed by the standard, the Group has decided not to restate comparative data, which means that the data presented as at 31 December 2017 and for the period of three quarters ended on 30 September 2017 have been prepared on the basis of IAS 39.

Classification and measurement

From 1 January 2018, the Group has classified financial assets into one of three categories specified in IFRS 9:

- measured at fair value through other comprehensive income;
- measured at amortised cost;
- measured at fair value through profit or loss.

The Group classifies investments in debt instruments in a given category of assets on the basis of the business model for managing groups of financial assets and the contractual cash flow characteristics of a financial asset. Upon initial recognition, the Group classifies investments in equity instruments (other than related to investments in subsidiaries and associates) that are not held for trading and are not quoted on an active market as measured at fair value through other comprehensive income.

Whereas derivatives and investments in equity instruments quoted on an active market are measured at fair value through profit or loss. For the measurement at amortised cost, the Company classifies loans granted, trade receivables and other receivables subject to IFRS 9. Interest income on investments in debt instruments is recognised by the Company in profit or loss. Upon the disposal of investments in debt instruments, the Issuer recognises cumulative gain or loss from the measurement in profit or loss.

Measurement of financial assets at amortised cost

The Group measures financial assets at amortised cost using the effective interest rate method. Non-current receivables subject to IFRS 9 are discounted as at the balance sheet date. Trade receivables with maturities of less than 12 months are measured at the amount payable, less any expected loss allowance.

Measurement of financial liabilities at fair value through profit or loss

The Group recognises in profit or loss changes in the fair value of financial assets classified in this category of financial assets. Also, interest income and income from dividends received from equity instruments quoted on the active market are recognised in profit or loss.

Measurement of financial assets at fair value through other comprehensive income

The Group recognises gains/losses on the measurement of investments in debt instruments and in equity instruments classified by the Entity upon initial recognition in this category of assets, in other comprehensive income. Dividends from equity instruments measured at fair value through other comprehensive income are recognised by the Group as revenue in profit or loss. Interest income on investments in debt instruments is recognised by the Entity in profit or loss. Upon the disposal of investments in debt instruments, the Entity recognises cumulative gain or loss from the measurement in profit or loss.

Financial liabilities

The Group classifies financial liabilities into one of the following categories:

- measured at amortised cost;
- measured at fair value through profit or loss.

IFRS 15 – first-time adoption

The Group implemented IFRS 15 on 1 January 2018 and decided to apply the modified retrospective method, i.e. with the combined effect of the first-time adoption of the standard recognised on the date of the first application.

Therefore, the Group applied the practical expedient provided under IFRS 15 and decided not to restate comparative data. This means that the data as at 31 December 2017 and for the period of three quarters ended on 30 September 2017 have been prepared on the basis of the standards in force in these periods: IAS 18 *Revenue*, IAS 11 *Construction*

Contracts and interpretations related to the recognition of revenue before the entry into force of IFRS 15.

International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ('IFRS 15')

establishes the so-called ‘five-step model’ for recognising revenue resulting from contracts with customers. Under IFRS 15, the Group recognises revenue at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the customer.

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

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

- a) IFRS 16 *Leases* – effective for annual periods beginning on or after 1 January 2019. This standard modifies the definition of finance and operating lease.
- b) IFRS 17 *Leases* — the standard will be effective for annual periods beginning on or after 1 January 2021.
- c) Amendments to IFRS 9 *Financial Instruments – Prepayment Features with Negative Compensation*.
- d) Amendments to IAS 28 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*.
- e) Amendments to IAS 19 *Employee Benefits* – amendments to the defined benefit plan effective after 1 January 2019.
- f) Annual programme of amendments 2015-2017.
- g) IFRIC 23 *Uncertainty over Income Tax Treatments* that will be effective for annual periods beginning on or after 1 January 2019.
- h) Amendments to References to the Conceptual Framework in IFRS Standards
- i) Amendments to IFRS 3 *Business Combinations – Definition of a Business*
- j) Amendments to IAS 1 and IAS 8 — *Definition of Material*

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

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

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

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

8. Seasonality or cyclical nature of operations

The Group operates in an industry sector: ‘potatoes processing’. The purchase and processing of potatoes takes place in autumn in the period of 3 months, while the sale of manufactured products lasts all year long.

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

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

10. Estimates

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

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

Provisions for retirement benefits and jubilee benefits have been revalued on the basis of actuarial calculations as at 30.06.2018.

Provisions for unused annual leaves have been revalued on the basis of expected remunerations of employees including adds-on for the employer for unused annual leaves unused as at 30.09.2018.

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

The Group verifies, on an annual basis, useful lives of property, plant and equipment and intangible assets. The last revaluation was made as at 31.12.2017.

11. Acquisition and sales of property, plant and equipment

In the period of three quarters of 2018, the Group acquired property, plant and equipment for PLN 13,377 thousand. The purchases comprised mainly production plant and machinery and the upgrade of the wastewater treatment plant.

The Group sold property, plant and equipment for PLN 53 thousand.

12. Commitments to purchase property, plant and equipment

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

13. Inventories

INVENTORIES	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
a) materials	6,814	6,201	8,083
b) semi-finished products and work in progress	455	1,770	1,489
c) finished products	36,599	73,163	31,693
d) trade goods	3,856	3,433	2,333
Gross inventories	47,724	84,567	43,598
Write-downs	(382)	(433)	(109)
Net inventories	47,342	84,134	43,489

The value of inventories recognised as an expense in the reporting period amounted to PLN 122,293 thousand (3 quarters of 2017: PLN 117,130 thousand).

The carrying amount of inventories used as security for bank loans is PLN 18,463 thousand.

In the reporting period, the Group reversed write-downs decreasing the value of inventories amounting to PLN 51 thousand due to sales.

Encumbrances on inventories due to borrowed bank loans:

- a registered pledge on inventories of materials, finished products and trade goods for the benefit of Bank Zachodni WBK S.A., securing loans for which the debt as at 30.09.2018 amounts to PLN 428 thousand;

- a registered pledge on inventories for the benefit of Powszechna Kasa Oszczędności Bank Polski S.A., securing loans for which the debt as at 30.09.2018 amounts to PLN 12,305 thousand.

14. Biological assets

PEPEES leases two agricultural holdings (one from March 2014 and the second from March 2018), which have 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 3,466 thousand; revenue from the sales of crops received until 30.09.2018 amount to

PLN 1,169 thousand; received subsidies amount to PLN 286 thousand; and the fair value of inventories and biological assets less costs to sell amounts to ca. PLN 1,288 thousand. Biological assets are recognised in the financial statements at fair value.

15. Trade receivables

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
a) up to 1 month	12,536	9,392	8,309
b) over 1 month up to 3 months	15,198	7,893	20,774
c) over 3 months up to 6 months	930	1,246	-
d) over 6 months up to 1 year	-	-	644
e) over 1 year	12	-	-
f) past due receivables	2,957	5,837	3,684
Total (gross) trade receivables	31,633	24,368	33,411
- write-downs of trade receivables	(946)	(1,057)	(863)
Total (net) trade receivables	30,687	23,311	32,548

Past due receivables for which no write-downs are recognised are receivables from debtors with whom the Group has cooperated for several years now and the assessment of their economic and financial situation does not imply that they are doubtful receivables. The past due period for those receivables ranges from a few days to three months. There are no receivables overdue more than 180 days not subject to a write-down.

16. Trade payables

TRADE PAYABLES	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
- trade payables, falling due:			
- up to 12 months	25,642	15,026	29,068
- overdue more than 180 days	-	-	-

17. Litigation settlements

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

18. Outstanding loans and borrowings

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

No.	Loan type	Lending bank	Contra-actual loan value	Debt as at 30.09.2018	Repayment date
1.	Overdraft facility	Bank Zachodni WBK S.A.	4,000	2,537	31.08.2019
2.	Revolving loan	Bank Zachodni WBK S.A.	10,000	0	31.08.2019
3.	Working capital loan	Bank Zachodni WBK S.A.	16,000	0	31.08.2019
4.	Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	2,475	31.08.2019
5.	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	0	31.08.2019
6.	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	16,000	10,122	31.08.2019
7.	Subsidised investment loan	Bank Polskiej Spółdzielczości S.A.	1,295	57	30.11.2018
8.	Investment loan	BGŻ BNP Paribas S.A.	9,822	4,733	25.02.2022
9.	Investment loan to upgrade the dust removal system for boilers	BOŚ	1,200	652	31.12.2020
10.	Investment loan to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	10,279	30.06.2025
11.	Overdraft facility	Bank Zachodni WBK S.A.	750	175	31.08.2019
12.	Revolving loan	Bank Zachodni WBK S.A.	4,250	375	31.08.2019
13.	Working capital loan	Bank Zachodni WBK S.A.	2,000	428	31.08.2019
14.	Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	750	336	31.08.2019
15.	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	4,250	183	31.08.2019
16.	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	2,000	447	31.08.2019
17.	Overdraft facility	Bank Zachodni WBK S.A.	700	0	31.08.2019
18.	Revolving loan	Bank Zachodni WBK S.A.	4,000	2,375	31.08.2019
19.	Working capital loan	Bank Zachodni WBK S.A.	12,000	0	31.08.2019
20.	Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	700	516	31.08.2019
21.	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	646	31.08.2019
22.	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	7,800	1,736	31.08.2019
23.	Investment loan to finance/refinance the purchase of a real property by PPZ Bronisław	Bank Zachodni WBK S.A.	800	513	30.11.2021
24.	Investment loan	BOŚ	8,456	4,048	31.12.2027

No.	Loan type	Lending bank	Contractual loan value	Debt as at 30.09.2018	Repayment date
25.	Syndicated investment loan	Spółdzielczy Bank Rozwoju in Szepietowo and Bank Spółdzielczy in Ostrowia Mazowiecka	12,830	11,274	31.12.2023
26.	Working capital loan associated with business activities	Spółdzielczy Bank Rozwoju in Szepietowo	800	432	31.12.2019
27.	Working capital loan to finance current liabilities	Spółdzielczy Bank Rozwoju in Szepietowo	3,000	2,361	31.05.2022
28.	Working capital loan related to conducted business activity	Spółdzielczy Bank Rozwoju in Szepietowo	2,500	1,700	13.09.2019

19. Related party transactions

All related party transactions were an arm's length transactions.

19.1 The issuer's transactions with its subsidiaries

a) Revenue from the sales of products and trade goods

Types of revenue	01.07.18 - 30.09.18	01.01.18 - 30.09.18	01.07.17 - 30.09.17	01.01.17 - 30.09.17
Revenue from the sale of products to subsidiaries	34	146	106	209
Revenue from the sales of trade goods and materials to subsidiaries	1,872	1,872	613	613
Revenue from the sales of services	81	234	71	207
Total revenue from related parties	1,987	2,252	790	1,029

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	01.07.18 - 30.09.18	01.01.18 - 30.09.18	01.07.17 - 30.09.17	01.01.17 - 30.09.17
Purchases of products from subsidiaries	1,819	5,666	2,154	6,035
Purchases of trade goods from subsidiaries	-	-	-	-
Purchases of services from subsidiaries	77	281	99	185
Total purchases from related parties	1,896	5,947	2,253	6,220

c) Other transactions

Specification	01.07.18 - 30.09.18	01.01.18 - 30.09.18	01.07.17 - 30.09.17	01.01.17 - 30.09.17
Interest on granted loans	149	389	139	354
Total	149	389	139	354

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

Settlements with subsidiaries	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
Receivables – PPZ BRONISŁAW	1,402		644
Receivables – CHP Energia	761	196	284
Advances – CHP Energia	424	162	162
Advances – PPZ BRONISŁAW	-	-	463
Receivables – Gospodarstwo Rolne Ponary	1		
Receivables – Pepees Inwestycje	5	5	5
Liabilities – ZPZ Lublin	129	148	290
Liabilities – PPZ BRONISŁAW	-	1,979	5
Liabilities – CHP Energia	31	42	4
Liabilities – Gospodarstwo Rolne Ponary	13	-	-
Balance of settlements with related parties	2,420	(1,806)	1,259

e) Balance of settlements related to cash loans

Cash loans granted to subsidiaries	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
PPZ BRONISŁAW	3,000	2,000	3,420
ZPZ Lublin	3,000	3,000	3,000
CHP Energia	4,849	2,619	2,202
Pepees Inwestycje	1,475	-	-
Gospodarstwo Rolne Ponary	553	-	-
Balance of settlements with related parties	12,877	7,619	8,622

19.2 The issuer's transactions with shareholders

On 04.01.2018, the Company entered into a conditional sales agreements with two natural persons, who are shareholders of the Company, under which the Company acquired a 32.6% stake in Gospodarstwo Rolne Ponary sp. z o.o. Thus, the Company has become the holder of 100% of shares in Ponary.

19.3 The issuer's transactions with key managing and supervisory employees

a) benefits for key management personnel (members of the Board of Directors) and members of the Supervisory Board (in PLN 000s)

	for 3 quarters of 2018	for 3 quarters of 2017
Short-term employee benefits	1,326	1,372
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	1,326	1,372

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

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

20. Dividend

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

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

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	3 quarters of 2018	2017	3 quarters of 2017
<i>Opening balance</i>	1,082	996	996
a) increases (due to)	73	298	50
- recognition for doubtful trade receivables	0	196	0
- recognition for interest receivable	0	47	25
- recognition for receivables in litigation	73	55	17
- recognition for other receivables	0		8
b) decreases (due to)	126	212	163
- reversal of provisions due to payment	109	94	49
- utilisation due to the redemption and sale of receivables	0	58	58
- cancellations	17	60	56
Write-downs at the end of the period	1,029	1,082	883

b. Write-downs of inventories

MOVEMENTS ON WRITE-DOWNS OF INVENTORIES	3 quarters of 2018	2017	3 quarters of 2017
Opening balance	433	182	182
a) increases (due to)	0	616	204
- impairment loss for materials	-	616	204
b) decreases (due to)	51	365	277
- utilisation	-	14	-
- reversals of write-downs	51	351	277
Write-downs of inventories at the end of the period	382	433	109

c. Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	3 quarters of 2018	2017	3 quarters of 2017
a) opening balance	2,576	2,571	2,571
- retirement benefits	468	429	429
- jubilee benefits	2,108	2,142	2,142
b) increases (due to)	135	425	179
- retirement benefits	11	85	47
- jubilee benefits	124	340	132
c) utilisation (due to)	118	304	99
- retirement benefits	-	18	11
- jubilee benefits	118	286	88
d) reversal (due to)	0	116	6
- retirement benefits	-	28	-
- jubilee benefits	-	88	6
e) closing balance	2,593	2,576	2,645
- retirement benefits	479	468	465
- jubilee benefits	2,114	2,108	2,180

d. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	3 quarters of 2018	2017	3 quarters of 2017
a) opening balance	1,978	1,877	1,877
- grants related to property, plant and equipment	625	491	491
- provisions for services performed by contractors	31	71	71
- grants related to loans	8	22	22
- fee for the use of the environment	123	165	165
- provisions for compensations for annual leaves	616	498	498
- greenhouse gas emission allowance	305	337	337
- bonuses for the Board of Directors and employees	270	284	284
- other	-	9	9
b) increases (due to)	990	1,476	1,009
- grants related to property, plant and equipment	-	211	211
- provision for used CO ₂ emission allowances	280	305	324
- fee for the use of the environment	56	123	66
- provisions for compensations for annual leaves	175	536	372
- provisions for services performed by contractors	18	31	15
- bonuses for the Board of Directors and employees	461	270	-
- other	-	-	21
c) utilisation (due to)	331	1,375	1,379
- fee for the use of the environment	123	165	165
- provisions for compensations for annual leaves	167	418	421
- provision for used CO ₂ emission allowances	-	337	337
- provisions for services performed by contractors	31	71	38
- grants related to property, plant and equipment	3	77	99
- grants related to loans	7	14	14
- bonuses for the Board of Directors and employees	-	284	284
- other	-	9	21
e) closing balance	2,637	1,978	1,507

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	3 quarters of 2018	2017	3 quarters of 2017
- grants related to property, plant and equipment	622	625	603
- grants related to loans	1	8	8
- provision for used CO ₂ emission allowances	585	305	324
- fee for the use of the environment	56	123	66
- provisions for compensations for annual leaves	624	616	449
- bonuses for the Board of Directors and employees	731	270	-
- provisions for services performed by contractors	18	31	48
- other	-	-	9

e. Deferred income tax

DEFERRED TAX LIABILITIES	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
The difference between the carrying amount and the tax value of property, plant and equipment	6,069	6,287	5,620
Unrealised foreign exchange differences	39	2	1
Interest due but not received	44	(36)	29
Other	5	5	5
Total deferred tax liabilities	6,157	6,258	5,655

DEFERRED TAX ASSETS	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
Difference between the carrying amount and the tax value of property, plant and equipment	2,450	2,456	444
Outstanding remunerations	126	150	121
Provision for unused annual leaves	98	100	73
Retirement and jubilee benefits	501	489	503
Unrealised foreign exchange differences	53	48	38
Write-downs of inventories	35	45	21
Write-downs of interests	565	565	-
Lease payables	1,226	1,385	853
Consolidation adjustments – retained earnings	(536)	(585)	(18)
Provision for benefits	3	-	3
Provision for bonuses for the Board of Directors and employees	139	51	-
Provision for the used CO ₂ emission allowance	111	58	62
Tax loss	44	81	148
Other	-	6	-
Total	4,815	4,849	2,248

22. Movement on contingent liabilities and contingent assets

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	3 quarters of 2018	2017	3 quarters of 2017
a) opening balance, including:	19,052	6,818	6,818
- liabilities related to non-competition agreements	818	818	818
- surety for a loan for CHP Energia	18,234	6,000	6,000
b) increase (due to)	13,148	15,709	12,199

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	3 quarters of 2018	2017	3 quarters of 2017
- liabilities related to non-competition agreements	464	-	-
- surety for a loan for CHP Energia	12,684	12,234	8,724
- the commitment to purchase remaining shares in GR Ponary resulting from the conditional agreement	-	3,475	3,475
c) utilisation (due to)	0	3,475	0
- the commitment to purchase remaining shares in GR Ponary resulting from the conditional agreement		3,475	-
d) reversal	0	0	0
d) closing balance, including:	32,200	19,052	19,017
- liabilities related to non-competition agreements	1,282	818	818
- surety for a loan for CHP Energia	30,918	18,234	14,724
- the commitment to purchase remaining shares in GR Ponary resulting from the conditional agreement	-	-	3,475

23. The issue, redemption and repayment of debt securities

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

24. Segment reporting

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

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

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

24.1 Products and services

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

- potato starch used in households and by the food industry, pharmaceutical industry, paper industry and textile industry;
- a few varieties of glucose used by the food industry, confectionery industry and pharmaceutical industry;
- maltodextrin, which is an essential ingredient of powdered products (ice cream, sauces, soups, fruit extracts, flavoured sprinkles) and vitamin and mineral preparations and

supplements for children and athletes;

- a protein that is produced from cellular juice of potatoes through coagulation, separation and drying; it is a valuable component of compound feedingstuffs for animals and a great substitute for animal proteins;
- a wide range of starch syrups used in confectionery and baking industries;
- potato grits, potato flakes, potato cubes and potato dumplings; products used by the food industry.

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

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

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

Other types of activities:

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

24.2 Segment revenue and results

Segment	Revenue		Segment profit	
	3 quarters of 2018	3 quarters of 2017	3 quarters of 2018	3 quarters of 2017
Processing of potatoes	168,156	156,286	16,761	17,938
- including inter-segmental				
Power generation	6,140	7,457	(795)	(1,337)
- including inter-segmental				
Other operating income			891	845
Other operating expenses			(679)	(367)
Finance income			582	184
Finance costs			(2,170)	(2,702)
Share of profit (loss) of an associate			-	-
Profit (loss) before tax			14,590	14,561

24.3 Segment assets and liabilities

Segment assets	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
Processing of potatoes	223,825	257,951	233,371
Power generation	23,716	24,758	23,870
Growing of crops combined with farming of animals (mixed farming)	21,310	21,178	-
Total segment assets	268,851	303,887	257,241

Segment liabilities	As at 30.09.2018	As at 31.12.2017	As at 30.09.2017
Processing of potatoes	93,013	132,620	81,238
Power generation	22,499	25,201	26,269
Growing of crops combined with farming of animals (mixed farming)	-	519	-
Total segment liabilities	115,512	158,340	107,507

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

24.4 Other segment information

Segment	Depreciation/Amortisation		Increase in non-current assets	
	3 quarters of 2018	3 quarters of 2017	3 quarters of 2018	3 quarters of 2017
Processing of potatoes	7,524	5,366	20,826	18,614
Power generation	1,313	1,334	207	315
Total for continuing operations	8,837	6,700	21,033	18,929

24.5 Revenue by products

Product or service	01.07.18 to 30.09.18	01.01.18 to 30.09.18	01.07.17 to 30.09.17	01.01.17 to 30.09.17
Starch	39,021	106,358	27,955	90,377
Protein	2,595	7,159	1,894	7,206
Glucose	2,661	8,391	2,539	7,649
Maltodextrin	4,858	15,166	4,149	12,504
Starch syrups	1,296	4,422	1,632	4,557
Dried potato-based products (grits, flakes, cubes)	4,730	13,338	4,189	11,684
Feeds and fertilizers	344	519	179	551
Electricity	247	651	567	3,086
Heat	-	-	-	352
Property rights (electricity and heat)	885	2,596	961	3,326
Trade goods and materials	580	14,788	3,122	21,317
Services	322	908	545	1,134
Total	57,539	174,296	47,732	163,743

24.6 Sales revenue by territories:

Specification	01.07.18 to 30.09.18	01.01.18 to 30.09.18	01.07.17 to 30.09.17	01.01.17 to 30.09.17
Poland, including	35,320	115,003	30,305	109,937
Starch	23,780	57,187	13,858	46,031
Protein	1,492	3,638	1,266	5,039
Glucose	2,439	7,657	2,379	7,334
Maltodextrin	4,202	13,229	3,686	11,011
Starch syrups	1,296	4,422	1,632	4,557
Specification	01.07.18 to 30.09.18	01.01.18 to 30.09.18	01.07.17 to 30.09.17	01.01.17 to 30.09.17
Dried potato-based products (grits, flakes, cubes)	4,601	13,169	4,108	11,367
Feeds and fertilizers	344	519	179	551
Electricity	-1,464	651	567	3,086
Heat	0	0	0	352
Property rights (electricity and heat)	1,103	2,596	961	3,326
Trade goods and materials	-2,794	11,027	1,124	16,149
Services	321	908	545	1,134
EU countries - intra-Community supplies, including:	4,803	14,327	4,136	9,475
Starch	3,251	10,177	2,976	5,863
Protein	709	1866	264	1128
Maltodextrin	647	1926	457	1484
Glucose	66	163	56	91
Dried potato-based products (grits, flakes, cubes)	130	169	81	212
Trade goods	0	26	302	697
Other countries – export	17,416	44,966	13,291	44,331
Starch	15,337	38,994	11,121	38,483
Protein	394	1,655	364	1,039
Glucose	156	571	104	224
Maltodextrin	9	11	5	9
Dried potato-based products (grits, flakes, cubes)	0	0	0	105
Trade goods	1,520	3,735	1,697	4,471
Total	57,539	174,296	47,732	163,743

24.7 Major customers

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

- more than 10% of maltodextrin was sold to each of the four Polish customers;
- over 11% of glucose sold to one Polish customer;
- over 30% of protein sold to two Polish customers (19.9% and 10.6% respectively);
- 11% of protein sold to a foreign customer.

25. Summary of activities in the reporting period

During the reporting period, the Group correctly performed previously concluded contracts with suppliers and customers.

In the period January – September 2018, PEPEES Group generated sales revenue of PLN 174.3 million (in the same period in 2017, sales revenue amounted to PLN 163.7 million).

In the period of three quarters of 2018, the Group generated gross profit from sales of PLN 45.9 million, which denoted an increase by 6% as compared to the same period last year.

The balance on other activities in the period of three quarters of 2018 closed at PLN 0.21 million as compared to the result of PLN 0.48 million in the comparative period.

In turn, the result on financing activities (understood as the balance of finance income less finance costs) in the period January – September 2018 reached the level of (-) PLN 1.6 million against (-) PLN 2.5 million in the period January – September 2017.

As a consequence, gross profit after three quarters of 2018 amounted to PLN 14.59 million against PLN 14.56 million of gross profit generated in the comparative period, and net profit in the period from January to September 2018 amounted to PLN 11.08 million against PLN 11.31 million of net profit in the corresponding period of 2017.

26. Other events in the reporting period

1. On 04.01.2018, PEPEES entered into a conditional sales agreements with two natural persons, who are shareholders of the Company, under which the Company acquired a 32.6% stake in Gospodarstwo Rolne Ponary sp. z o.o. Thus, the Company has become the holder of 100% of shares in Ponary.
2. On 11.05.2018, the General Meeting of Shareholders of PEPEES approved of the financial statements for 2017 and adopted the resolution on the allocation of the profit for 2017 to reserves in order to make investments.
3. On 04.07.2018, PEPEES received from the District Court, Economic Court in Białystok, VII Commercial Division, a copy of the lawsuit filed by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie against the Company to annul resolutions adopted on 11 May 2018 by the Company's Annual General Meeting of Shareholders regarding the appointment of members of the Supervisory Board and the annulment of the resolution regarding the allocation of the Company's net profit for the financial year 2017. Together with the copy of the lawsuit, the Company received a copy of the Court's decision of 29 June 2018 on securing the plaintiff's claim by suspending the performance of the challenged resolutions.
4. On 25.07.2018, the Company received a notification that Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych increased the Company's stake to 24.57% of the share capital and of the total number of votes at the General Meeting of Shareholders.
5. On 30.07.2018, PEPEES guaranteed, up to PLN 12,684 thousand, an investment loan from funds from foreign lines of credit granted to a subsidiary Przedsiębiorstwo Przemysłu Ziemniaczanego Bronisław S.A. in the amount of PLN 8,456 thousand. The final loan repayment date has been scheduled for 31 December 2027.
6. On 03.08.2018, an annex was signed to the multi-line agreement dated 07.10.2014 concluded with Bank Zachodni WBK S.A. Under the annex, the credit limit granted to PEPEES S.A. and its subsidiaries was increased to PLN 52 million and the repayment date was extended until 31.08.2019.

7. Also on 03.08.2018, an annex was signed to the multi-purpose credit line agreement concluded with Powszechna Kasa Oszczędności Bank Polski S.A. Under the annex, the credit limit granted to PEPEES S.A. and its subsidiaries was increased to PLN 52 million and the repayment date was extended until 31.08.2019.
8. At the hearing on 10.08.2018, the Court dismissed the request of Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych to prohibit any factual or legal acts aimed at transferring the Company's profit for 2017 to reserves – investment fund within the scope covered by Resolution No. 12. And, within the remaining scope, i.e. regarding the suspension of the registration proceedings by the District Court in Białystok, XII Economic Division of the National Court Register regarding the entry in the Register on the basis of resolutions Nos. 25 and 29, the Company's claim has been dismissed. The decision of the Court is final and binding.
9. On 26.10.2018, the Court issued its decision to annul resolutions Nos. 25 and 29 of the Annual General Meeting of Shareholders of 11 May 2018 regarding the appointment of members of the Supervisory Board. Within the remaining scope (i.e. the request to repeal resolution No. 12 concerning the allocation of the Company's net profit for the financial year 2017), the lawsuit was dismissed. The Court's decision is not legally valid.
10. On 31.10.2018, the Appeal Court dismissed the appeal of EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie against the judgement of the District Court dismissing the lawsuit to repeal or annul the following resolutions adopted on 25 April 2017 by the Annual General Meeting of Shareholders of the Company:
 - Resolution No. 24 on authorising the Board of Directors to acquire the Company's Treasury shares;
 - Resolution No. 25 on the establishment of reserves for the acquisition of Treasury shares;
 - Resolution No. 26 on the development of the list of persons eligible to participate in the incentive and bonus scheme;
 - Resolution No. 27 on the Company's financing of the acquisition of the Company's Treasury shares;
 - Resolution No. 28 on the establishment of reserves for the financing by the Company of the acquisition of Treasury shares.

The decision of the Court is final and binding.

27. Information about proceedings before a court, a competent arbitration authority or a public administration body

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 subsidiary.

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

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

29. Shareholding structure

The Company's share capital as at 30 September 2018 and as at the date of this report was PLN 5,700 thousand and was divided into 95,000 thousand ordinary bearer shares with the nominal value PLN 0.06 each.

In the period from the date of the publication of the previous interim report, there have been no changes in the structure of significant shareholders.

As at the date of the publication of this interim report, i.e. 16 November 2018, the shareholding structure of the Company was as follows:

SHAREHOLDERS	No. of shares/votes	Percentage of share capital/ total number of votes at GMS
	[pcs.]	[%]
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	23,345,498	24.57%
Mr Michał Skotnicki*	21,325,780	22.45%
Maksymilian Maciej Skotnicki*	20,703,282	21.79%
Mr Newth Jonathan Reginald	7,995,200	8.42%
Richie Holding Ltd.	6,133,100	6.46%
Others	15,497,140	16.31%
Total	95,000,000	100.00%

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

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

From among the management and supervisory personnel of PEPEES S.A. in Łomża, as at 30 September 2018 and the date of the publication of these financial statements, the shares of the Company were held by the President of the Board of Directors of PEPEES S.A. – 701,000 shares with the nominal value of PLN 0.06 each, i.e. with the total value of PLN 42,060.

The management and supervisory personnel do not have rights to the Company's shares.

In the period from the date of the publication of the previous interim report, there have been no changes in the holding of shares and rights to shares as regards the management and supervisory personnel.

None of the members of the management and supervisory personnel hold shares in the Group's subsidiaries.

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

In the reporting period, PEPEES guaranteed, up to PLN 12,684 thousand, an investment loan from funds from foreign lines of credit granted to a subsidiary Przedsiębiorstwo Przemysłu Ziemniaczanego Bronisław S.A. in the amount of PLN 8,456 thousand. The final loan repayment date has been scheduled for 31 December 2027.

The total value of existing sureties or guarantees granted by:

- companies from PEPEES Group to third-party entities amounts to PLN 0 million;
- PEPEES to entities from PEPEES Group amounts to PLN 31.2 million.

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

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

- the price of starch on the Polish and global markets;
- exchange rates – the Group is an exporter;
- basic interest rates – the Group has loans bearing interest rate based on WIBOR.

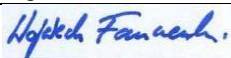

33. Other information relevant, in the issuer's opinion, to the assessment of its situation

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

34. Authorising the condensed interim financial statements

These condensed consolidated financial statements were approved by the Board of Directors of the Parent Company on 16 November 2018.

SIGNATURES OF MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Title/Function	Signature
16.11.2018	Wojciech Faszczewski	President of the Board of Directors	
16.11.2018	Tomasz Rogala	Member of the Board of Directors	

SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Date	Name	Title/Function	Signature
16.11.2018	Wiesława Załuska	Chief Accountant	