

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

INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE PERIOD FROM
1 JANUARY 2017
TO 30 SEPTEMBER 2017

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

**CONTENTS OF THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
INTERIM CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME	4
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	5
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR.....	7
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	9
1. General information about the parent company	9
2. Reporting periods	9
3. The structure of the Group as at 30 September 2017	10
4. Compliance declaration and the basis for the preparation of the interim condensed consolidated financial statements	12
5. The application of standards in 2017	12
6. New accounting standards and interpretations not applied in these financial statements	12
7. Changes in applied accounting policies; correcting errors and presentations	14
8. Seasonality or cyclical nature of operations	14
9. Non-typical items having significant impact on assets, liabilities, equity and financial result	14
10. Acquisition of a subsidiary	14
11. Estimates	16
12. Acquisition and sales of property, plant and equipment	16
13. Commitments to purchase property, plant and equipment	16
14. Inventories	16
15. Biological assets.....	17
16. Trade receivables	17
17. Trade payables	17
18. Litigation settlements.....	17
19. Outstanding loans and borrowings.....	18
20. Related party transactions	19
21. Dividend.....	21
22. Changes in estimates.....	21
23. Movement on contingent liabilities and contingent assets.....	24
24. The issue, redemption and repayment of debt securities.....	24
25. Segment reporting.....	24
26. Summary of activities in the reporting period.....	28
27. Other important events in the reporting period — description of significant accomplishments or failures	29
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 ...	30
29. Shareholding structure	30
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	30
31. Information about granting, by the issuer or its subsidiary, sureties for loans and borrowings, or about granting guarantees	31
32. Factors likely, in the issuer's opinion, to influence the results generated by him in the period of at least one quarter	31
33. Other information relevant, in the issuer's opinion, to the assessment of its situation	31
34. Authorising the condensed interim financial statements.....	31

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS		30.09.2017	30.06.2017	31.12.2016	30.09.2016
I	Non-current (long-term) assets	164,005	142,517	138,339	106,192
1	Property, plant and equipment	154,757	119,859	119,315	93,264
2	Intangible assets	202	112	298	305
3	Goodwill arising on consolidation	6,607	6,607	6,607	486
4	Investments in associates	-	4,310	-	-
5	Investments in other entities	113	113	113	113
6	Long-term advances	78	9,362	9,649	9,834
7	Deferred tax assets	2,248	2,154	2,357	2,190
II	Current (short-term) assets	93,236	84,683	133,827	88,115
1	Inventories	43,489	29,300	77,283	35,907
2	Biological assets	300	747	158	276
3	Trade receivables	32,548	32,769	25,763	26,949
4	Other receivables	6,054	1,682	2,317	5,326
5	Advances	4,232	5,845	1,398	3,481
6	Loans granted	874	863	182	2,757
7	Investments held for trading	3,545	2,550	2,550	2,550
8	Cash and cash equivalents	2,194	10,927	24,176	10,869
	Total assets	257,241	227,200	272,166	194,307
EQUITY AND LIABILITIES		30.09.2017	30.06.2017	31.12.2016	30.09.2016
I	Equity	149,734	137,185	129,119	119,432
	<i>Equity attributable to equity holders of the company</i>	139,306	136,105	128,199	118,636
1	Share capital	5,700	5,700	5,700	5,700
2	Reserve capital and other reserves	124,418	124,418	106,065	106,065
3	Revaluation reserve	(328)	(328)	(278)	(492)
4	Retained earnings/loss	(1,875)	(1,877)	(888)	(2,229)
5	Profit/loss for the year	11,391	8,192	17,600	9,592
	<i>Non-controlling interests</i>	10,428	1,080	920	796
II	Non-current liabilities	40,831	41,490	42,696	23,005
1	Loans and borrowings	20,704	22,200	22,370	7,639
2	Liabilities related to leased assets	4,617	4,340	4,677	4,108
3	Deferred tax liability	5,655	5,655	5,722	5,904
4	Retirement and similar benefits obligations	2,296	2,296	2,240	2,609
5	Grants	7,060	6,999	7,687	2,745
6.	Other liabilities	499			
III	Current liabilities	66,676	48,525	100,351	51,870
1	Trade payables	29,068	10,618	11,956	27,367
2	Current income tax liabilities	1,652	1,165	3,118	1,340
3	Other current liabilities	7,451	3,358	5,088	4,691
4	Loans and borrowings	24,615	29,607	76,080	15,772
5	Liabilities related to leased assets	2,034	1,748	1,901	1,401
6	Retirement and similar benefits obligations	349	349	331	278
7	Provisions for other liabilities	1,507	1,680	1,877	1,021
	Total equity and liabilities	257,241	227,200	272,166	194,307

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

<i>Revenue and expenses Profit and loss</i>		<i>01.07.2017- 30.09.2017</i>	<i>01.01.2017- 30.09.2017</i>	<i>01.07.2016- 30.09.2016</i>	<i>01.01.2016- 30.09.2016</i>
I	Sales revenue				
1	Revenue from the sales of products	45,888	143,932	42,702	113,664
2	Revenue from the sales of services	545	1,134	215	570
3	Revenue from the sales of trade goods and	1,299	18,677	510	15,688
	Total sales revenue, including:	47,732	163,743	43,427	129,922
	- revenue from continuing operations	47,732	163,743	43,427	129,922
II	Cost of sales	-			
1	Cost of products sold	(32,730)	(102,357)	(30,938)	(82,965)
2	Cost of services sold	(161)	(510)	(46)	(120)
3	Costs of trade goods and materials sold	(1,590)	(16,631)	(123)	(14,199)
4	Profit/loss from agricultural production	(502)	(959)	(548)	(936)
	Total cost of sales, including:	(34,983)	(120,457)	(31,655)	(98,220)
	- cost from continuing operations	(34,983)	(120,457)	(31,655)	(98,220)
III	Gross profit from sales (I-II)	12,749	43,286	11,772	31,702
1	Selling and marketing expenses	(2,561)	(8,011)	(2,199)	(5,659)
2	Administrative expenses	(6,048)	(18,674)	(4,279)	(13,564)
3	Other operating income	358	845	1,088	1,329
4	Other operating expenses	(95)	(367)	(54)	(268)
IV	Operating profit (loss)	4,403	17,079	6,328	13,540
1	Finance costs	(555)	(2,702)	(295)	(1,097)
2	Finance income	34	184	(82)	415
3	Share of profit of an associate	2	-	(222)	(498)
V	Profit (loss) before tax, including:	3,884	14,561	5,729	12,360
	- profit (loss) before tax	3,884	14,561	5,729	12,360
	from continuing operations	3,884	14,561	5,729	12,360
	Income tax expense	(925)	(3,250)	(1,297)	(2,690)
VI	Net profit (loss)	2,959	11,311	4,432	9,670
	- attributable to non-controlling interests	(240)	(80)	19	78
	- attributable to the equity holders of the parent	3,199	11,391	4,413	9,592
VII	Other comprehensive income	-	(50)	-	(101)
1	Effects of the valuation of financial assets available-for-sale	-	-	-	-
2	Revaluation of employee benefit liabilities	-	(50)	-	(101)
VIII	Total comprehensive income, including	2,959	11,261	4,432	9,569
	- attributable to non-controlling interests	(240)	(80)	19	78
	- attributable to the equity holders of the parent, including:	3,199	11,341	4,413	9,491
	- net comprehensive income (loss) from continuing operations	3,199	11,341	4,413	9,491

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-controling interests	Total equity
As at 1 January 2016	5,700	52,255	(391)	47,480	4,092	109,136	718	109,854
Changes in the period from 01.01.2016 to	-	413	(101)	5,917	3,271	9,500	78	9,578
Other consolidation adjustments					9	9		9
Distribution of profit (loss) for 2015		413		5,917	(6,330)			
Net profit for the period					9,592	9,592	78	9,670
Other comprehensive income			(101)					
As at 30 September 2016	5,700	52,668	(492)	53,397	7,363	118,636	796	119,432
Changes in 2016	-							
Distribution of profit (loss) for 2015		413		5,917	(6,330)	-		-
Net profit (loss) for the period					17,600	17,600	298	17,898
Other comprehensive income for the year (net)			113			113		113
Other changes in equity					1,350	1,350	(96)	1,254
As at 31 December 2016	5,700	52,668	(278)	53,397	16,712	128,199	920	129,119
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								
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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	01.07.2017	01.01.2017	01.07.2016	01.01.2016
	- 30.09.2017	- 30.09.2017	- 30.09.2016	- 30.09.2016
A. Cash flows from operating activities				
I. Profit (loss) before tax	3,884	14,561	5,729	12,360
II. Total adjustments	5,847	39,289	10,460	39,623
1. Depreciation/Amortisation	2,335	6,700	1,649	5,458
2. Foreign exchange (gains) losses	(60)	(323)	(48)	(86)
3. Interest and share of profit (dividend)	(279)	895	241	1,053
4. (Profit) loss from investing activities	189	(129)	(958)	(939)
5. Net increase/decrease in provisions	(173)	(370)	(9)	(561)
6. Net increase/decrease in inventories	(14,189)	33,794	(11,002)	27,785
7. Net increase/decrease in biological assets	447	(142)	554	(104)
8. Net increase/decrease in receivables	(4,151)	(10,522)	(2,461)	(9,920)
9. Net increase/decrease in current liabilities, except for loans and borrowings	20,560	17,492	22,613	22,048
10. Net increase/decrease in advances	1,229	(2,931)	(209)	(2,688)
11. Income tax expense	(559)	(4,536)	(453)	(2,174)
12. Net increase/decrease in grants	61	(627)	50	(17)
13. Other adjustments	437	(12)	493	(232)
III. Net cash flows from operating activities (I+/-II)	9,731	53,850	16,189	51,983
B. Cash flows from investing activities	-	-	-	-
I. Proceeds	(125)	232	1,790	1,859
1. Disposal of intangible assets and property, plant and equipment	(125)	232	1,790	1,859
2. Repayment of loans	-	-	-	-
II. Expenses	10,999	20,466	5,011	8,318
1. Acquisition of intangible assets and property, plant and equipment	7,996	12,469	5,011	8,143
2. Purchase of shares	2,025	6,338	-	175
3. Purchase of bonds	995	995	-	-
4. Loans granted	(17)	664	-	-
III. Net cash flows from investing activities (I-II)	(11,124)	(20,234)	(3,221)	(6,459)
C. Cash flows from financing activities	-	-	-	-
I. Proceeds	15,533	20,635	9,338	13,561
1. Loans and borrowings	15,522	20,214	9,327	13,043
2. Grants	11	421	11	518
II. Expenses	25,934	79,122	18,764	65,177
1. Repayments of loans and borrowings	24,595	75,514	18,191	63,158
2. Interest on loans and borrowings	475	1,774	141	779
3. Lease payments	864	1,834	432	1,240
III. Net cash flows from financing activities (I-II)	(10,401)	(58,487)	(9,426)	(51,616)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(11,794)	(24,871)	3,542	(6,092)
F. Cash at the beginning of period	10,100	23,177	6,533	16,167
F. Cash at the end of period (F+/- D)	(1,694)	(1,694)	10,075	10,075
<i>including restricted cash</i>	-	-	-	-

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	SELECTED FINANCIAL FIGURES Year	PLN 000s		EUR 000s	
		2017	2016	2017	2016
I	Total sales revenue for 3 quarters	163,743	129,922	38,468	29,739
II	Net profit or loss attributable to equity holders of the Company for 3 quarters	11,391	9,592	2,676	2,196
III	Net comprehensive income attributable to equity holders of the Company	11,341	9,491	2,664	2,172
IV	Net cash flows from operating activities for 3 quarters	53,850	51,983	12,651	11,899
V	Net cash flows from investing activities for 3 quarters	(20,234)	(6,459)	(4,754)	(1,478)
VI	Net cash flows from financing activities for 3 quarters	(58,487)	(51,616)	(13,740)	(11,815)
VII	Total net cash flows for 3 quarters	(24,871)	(6,092)	(5,843)	(1,394)
VIII	Total assets as at 30.09.2017 and 31.12.2016	257,241	272,166	59,697	61,520
IX	Equity attributable to equity holders of the Company as at 30.09.2017 and 31.12.2016	139,306	128,199	32,328	28,978
X	Total earnings (loss) per share for 3 quarters	0.12	0.10	0.03	0.02
XI	Book value per share as at 30.09.2017 and 31.12.2016	1.47	1.35	0.34	0.31

Figures presented in rows: VIII, IX and XI, in columns "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) were applied:

- selected items of the statement of financial position as at 30.09.2017 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3091;
- 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 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;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2016 to 30.09.2016 – 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: EUR 1 = PLN 4.3688.

EARNINGS PER SHARE

	30.09.2017	30.09.2016
Net earnings (loss) attributable to the shareholders of PEPEES	11,391	9,592
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.12	0.10
Net earnings (loss) attributable to the shareholders of PEPEES applied in the calculation of diluted earnings per share	11,391	9,592
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	0.10
Annualised net earnings attributable to the equity holders of PEPEES	19,399	12,198
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.20	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.]:	718-10-05-512
Registration authority	District Court in Białystok, XII Commercial Division of the National Court Register
No. in the Register	000038455
Legal status	Spółka Akcyjna [a joint stock company]
Organisational form	a single-establishment company

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

Industry – food industry

Company’s lifetime – indefinite

The composition of the Board of Directors as at 30.09.2017

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

The composition of the Supervisory Board as at 30.09.2017:

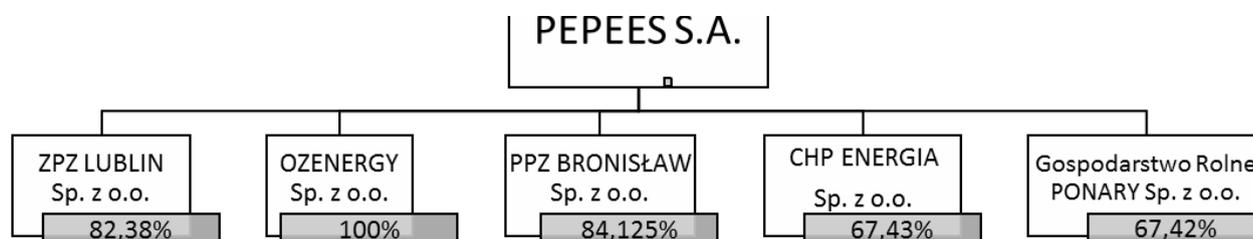
1. Maciej Kaliński – Chairman
2. Piotr Marian Taracha – Vice-Chairman
3. Krzysztof Stankowski – Secretary
4. Robert Malinowski – Member
6. Agata Czerniakowska – Member

2. Reporting periods

These interim consolidated financial statements cover the period from 1 January 2017 to 30 September 2017, and comparative financial figures and notes cover the period from 1 January 2016 to 30 September 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 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 structure of the Group as at 30 September 2017



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	District Court in Lublin, XI Economic Division of the National Court Register	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	84.125%	84.125%
OZENERGY SP. Z O.O.	Łomża	Power generation	District Court in Białystok, XII Economic Division of the National Court Register	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.	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	67.42%	67.42%

Changes in the Group

On 27.04.2017, the Company entered into a conditional sales agreement with a natural person, who is a shareholder of the Company, under which the Company has acquired a 34.9167% stake in Gospodarstwo Rolne Ponary sp. z o.o. ('Ponary'). Next, on 19.09.2017, the Company entered into the second conditional sales agreement with the same shareholder, under which the Company has acquired a 32.5% stake in Ponary. As a result of the conclusion of these two agreements, the Company holds the total of 67.4167% of the shares in 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 the company 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 and the National Agriculture Support Centre to exercise their rights of pre-emption.

Basic financial figures as at 30.09.2017 concerning related parties

	PPZ BRONISŁAW Sp. z o.o.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	Gospodarstwo Rolne PONARY Sp. z o.o.	OZENERGY Sp. z o.o.
Current assets	11,897	6,296	4,195	30	8
Non-current assets	10,661	4,328	22,128	29,920	-
Current liabilities	10,617	4,550	10,181	15	5
Non-current liabilities	4,829	3,352	18,740	499	-
Revenue	33,084	13,674	8,019	-	-
Financial result on continuing operations	3,159	197	(1,892)	-	(1)
Net financial result on discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive	3,159	197	(1,892)	-	(1)

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

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

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

5. The application of standards in 2017

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

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

The following standards have not been applied yet by the Group in the process of the preparation of these consolidated 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 annual 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 as at 30.09.2017.
- 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 European Commission as at 30.09.2017.
 - 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 and clarify issues notified to the International Financial Reporting Interpretations Committee (IFRIC).
 - 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 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

CHP Energia sp. z o.o. ('CHP'), since 01.01.2017, according to the resolution of its General Meeting of Shareholders, has prepared financial statements in accordance with IAS's, IFRS's and related interpretations published in the form of regulations of the European Commission, and with the accounting policies adopted by the Company. Previously, CHP presented work in progress in the statement of financial position. The power and heat produced from biogas are not stored, hence the value of such inventories is not determined. Biogas production is a biological and chemical process. The fermentation of ingredients lasts ca. 81 days and it is not even, as ca. 70% of biogas is produced in the first 30 days of the process. The amounts of ingredients (maize silage, fruit pomace, potato pulp and other vegetable products) used for the production of biogas are very similar in each reporting period. As a result, from 01.01.2017, work in progress in the production of power and heat has not been valued, because it does not distort the balance of assets (power and heat are not stored) and the financial result (similar quantity of raw materials in the fermentation phase). The impact of the assumptions is (-) PLN 236 thousand and has been presented in the statement of changes in equity.

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, on the basis of two conditional sales agreements, the Issuer acquired shares in Gospodarstwo Rolne Ponary Sp. z o.o. As a result of the conclusion of these agreements, as at the balance sheet date, the Issuer holds the total of 67.4167% of shares in Ponary. This transaction resulted in an increase in equity by increasing non-controlling shares by PLN 9,590 thousand. In addition, due to the acquisition of shares in Ponary, the value of property, plant and equipment (land) increased by PLN 28,230 thousand.

Apart from the above items, in the reporting period there were no factors or events of non-typical nature with significant impact on condensed financial statements.

10. Acquisition of a subsidiary

10.1 Acquired subsidiary

Name	Place of business	Objects	Registry court	Acquisition date	Acquired shares	Payment made
Gospodarstwo Rolne PONARY sp. z o.o.	Warsaw	Growing of crops combined with farming of animals (mixed	District Court for the capital city of Warsaw, XIII Economic	19.09.2017	67.4167 %	18,156

10.2 Payments made for acquired shares and commitments to the shareholder

Advance payment due to the rent for the lease of agricultural real property located in the municipality of	9,835
Payment for the first stake (34.9167%)	4,313
Payment for the second stake (32.5%)	2,026
Commitment to the shareholder	1,983
Total	18,156

10.3 Analysis of assets and liabilities of the subsidiary as at the acquisition date

Current assets:	30
Cash and cash equivalents	17
Advances	13
Non-current assets:	29,920
Property, plant and equipment	29,920
Current liabilities:	15
Trade payables	3
Other liabilities	12
Non-current liabilities:	499
Other liabilities	499

10.4 Non-controlling interests

Non-controlling interests in Gospodarstwo Rolne Ponary Sp. z o.o. were determined as at the date of obtaining control at the value of the proportional share of non-controlling interests in the acquiree's net identifiable assets.

Net assets	29,436
Non-controlling interests	32.58%
Value of non-controlling interests	9,590

10.5 Goodwill arising on acquisition

Payment made	18,156
Identified net assets attributable to the Issuer	19,846
Goodwill	(1,690)

In IFRS 3, there is no concept of "negative goodwill". As the Issuer's share of net assets of Gospodarstwo Rolne Ponary Sp. z o.o. exceeds the cost of the acquisition of shares, the amount of (-) PLN 1,690 thousand has been recognised in the consolidated statement of financial position as at 30.09.2017 as a reduction of property, plant and equipment (land).

11. Estimates

In the reporting period, the Group 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 30.09.2017.

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 30.09.2017.

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 on 31.12.2016.

12. Acquisition and sales of property, plant and equipment

In the period of three quarters of 2017, the Group acquired property, plant and equipment for PLN 12,469 thousand. The purchases were related mainly to production plant and machinery and the upgrade of the boiler room, the heat distribution network and the discharge pipeline as well as to the purchase of land by PPZ Bronisław.

The Company sold property, plant and equipment for PLN 232 thousand.

13. Commitments to purchase property, plant and equipment

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

14. Inventories

INVENTORIES	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
a) materials	8,083	6,414	3,753
b) semi-finished products and work in	1,489	4,310	3,320
c) finished products	31,693	63,557	28,412
d) trade goods	2,333	3,184	457
Gross inventories	43,598	77,465	35,942
Write-downs	(109)	(182)	(35)
Net inventories	43,489	77,283	35,907

Inventories recognised as an expense in the reporting period amounted to PLN 117,130 thousand (3 quarters of 2016 – PLN 95,297 thousand).

The carrying amount of inventories used as security for bank loans is PLN 25,500 thousand.

In the reporting period, write-downs of inventories were increased by PLN 204 thousand. The Group also reversed write-downs decreasing the value of inventories amounting to PLN 277 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 30.09.2017 amounts to PLN 1,568 thousand.
- a registered pledge on inventories for the benefit of Powszechna Kasa Oszczędności Banku Polskiego S.A., securing loans for which the debt as at 30.09.2017 amounts to PLN 10,585 thousand.

15. Biological assets

Since March 2014, PEPEES has leased a farm that was sown with annual plants. The costs associated with the acquisition of seeds and with the cultivation as at the balance sheet date amount to PLN 1,897 thousand; the revenue from the sales of yields received until 30.09.2017 – to PLN 380 thousand; subsidies received – to PLN 421 thousand; and the fair value of inventories and biological assets less costs to sell – to ca. PLN 521 thousand. Biological assets are recognised in the financial statements at fair value.

16. Trade receivables

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
a) up to 1 month	8,309	18,623	7,827
b) over 1 month up to 3 months	20,774	4,029	13,940
c) over 3 months up to 6 months	-		852
d) over 6 months up to 1 year	644	1,020	
e) over 1 year	-		
f) past due receivables	3,684	3,080	5,269
Total (gross) trade receivables	33,411	26,752	27,888
- write-downs of trade receivables	(863)	(989)	(939)
Total (net) trade receivables	32,548	25,763	26,949

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

17. Trade payables

TRADE PAYABLES	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
- trade payables, falling due:			
- up to 12 months	29,068	11,956	27,367
- overdue more than 180 days	-	-	-

18. Litigation settlements

There are no proceedings carried out concerning commitments or debts of the Company or its Subsidiary, the value of which accounts for at least 10% of the equity of PEPEES S.A., and also

the Company or its Subsidiary is not a party to two or more proceedings concerning commitments and debts, the total value of which accounts for at least 10% of the equity of PEPEES S.A.

Nevertheless, 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.

19. Outstanding loans and borrowings

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

No.	Loan type	Lending bank	Contractual loan value	Debt as at 30.09.2017	Repayment date
1.	Bank overdraft	Bank Zachodni WBK S.A.	4,000	2,763	31.08.2018
2.	Revolving loan	Bank Zachodni WBK S.A.	10,000	0	31.08.2018
3.	Working capital loan	Bank Zachodni WBK S.A.	15,000	0	31.08.2018
4.	Bank overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	724	31.08.2018
5.	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	0	31.08.2018
6.	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	16,000	9,343	31.08.2018
7.	Subsidised investment loan	Bank Polskiej Spółdzielczości S.A.	1,295	278	30.11.2018
8.	Investment loan	BGŻ BNP Paribas S.A.	9,822	6,118	25.02.2022
9.	Investment loan to upgrade the dust removal system for boilers	BOŚ	1,200	931	31.12.2020
10.	Cash loan	BGŻ BNP Paribas S.A.	533	267	13.06.2018
11.	Bank overdraft	Bank Zachodni WBK S.A.	500	0	31.08.2018
12.	Revolving loan	Bank Zachodni WBK S.A.	3,000	621	31.08.2018
13.	Working capital loan	Bank Zachodni WBK S.A.	1,500	654	31.08.2018
14.	Bank overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	500	386	31.08.2018
15.	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	3,000	102	31.08.2018
16.	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	1,500	246	31.08.2018
17.	Bank overdraft	Bank Zachodni WBK S.A.	500	380	31.08.2018
18.	Revolving loan	Bank Zachodni WBK S.A.	3,000	2,075	31.08.2018
19.	Working capital loan	Bank Zachodni WBK S.A.	8,000	914	31.08.2018

No.	Loan type	Lending bank	Contractual loan value	Debt as at 30.09.2017	Repayment date
20.	Bank overdraft	Powszechna Kasa Oszczędności Bank Polski S.A.	500	0	31.08.2018
21.	Revolving loan	Powszechna Kasa Oszczędności Bank Polski S.A.	3,000	0	31.08.2018
22.	Working capital loan for the purchase of potatoes	Powszechna Kasa Oszczędności Bank Polski S.A.	8,000	996	31.08.2018
23.	Investment loan to finance/refinance the purchase of a real property by PPZ Bronisław	Bank Zachodni WBK S.A.	800	702	30.11.2021
24.	Syndicated investment loan	Spółdzielczy Bank Rozwoju in Szepietowo and Bank Spółdzielczy in Ostrowia Mazowiecka	12,830	12,104	31.12.2023
25.	Working capital loan associated with business activities	Spółdzielczy Bank Rozwoju in Szepietowo	800	705	31.12.2019
26.	Working capital loan to finance current liabilities	Spółdzielczy Bank Rozwoju in Szepietowo	3,000	2,790	31.05.2022
27.	Bank overdraft	Spółdzielczy Bank Rozwoju in Szepietowo	1,000	0	23.02.2018
28.	Working capital loan associated with business activities	Spółdzielczy Bank Rozwoju in Szepietowo	2,500	1,402	13.09.2018
29.	A cash loan from a counterparty	CES	1,500	818	07.12.2017

20. Related party transactions

20.1 The issuer's transactions with its subsidiaries

a) Revenue from the sales of products and trade goods

Types of revenue	01.07.17 - 30.09.17	01.01.17 - 30.09.17	01.07.16 - 30.09.16	01.01.16 - 30.09.16
Revenue from the sales of products to subsidiaries	106	209	51	411
Revenue from the sales of trade goods and materials to subsidiaries	613	613	916	917
Revenue from the sales of services	71	207	75	216
Total revenue from related parties	790	1,029	1,042	1,544

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	01.07.17 - 30.09.17	01.01.17 - 30.09.17	01.07.16 - 30.09.16	01.01.16 - 30.09.16
Purchases of products from subsidiaries	2,154	6,035	1,113	3,642
Purchases of trade goods from subsidiaries	-	-	211	211
Purchases of services from subsidiaries	99	185	22	61
Total purchases from related parties	2,253	6,220	1,346	3,914

c) Other transactions

Specification	01.07.17 - 30.09.17	01.01.17 - 30.09.17	01.07.16 - 30.09.16	01.01.16 - 30.09.16
Interest on granted loans	139	354	88	269
Total	139	354	88	269

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

Settlements with subsidiaries	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
Receivables – ZPZ Lublin	-	-	84
Receivables – PPZ BRONISŁAW	644	-	963
Receivables – CHP Energia	284	199	-
Advances – CHP Energia	162	1,250	-
Advances – PPZ BRONISŁAW	463	-	-
Receivables – OZENERGY	6	6	5
Liabilities – ZPZ Lublin	(290)	(129)	-
Liabilities – PPZ BRONISŁAW	(5)	(58)	-
Liabilities – CHP Energia	(4)	-	-
Balance of settlements with related parties	1,260	1,268	1,052

e) Balance of settlements related to cash loans

Cash loans granted to subsidiaries	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
PPZ BRONISŁAW	3,420	4,673	5,200
ZPZ Lublin	3,000	3,011	3,000
CHP Energia	2,202	710	-
Balance of settlements with related parties	8,622	8,394	8,200

20.2 The issuer's transactions with shareholders

The Issuer 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, 21,843 shares in Gospodarstwo Rolne Ponary sp. z o.o. for PLN 8,224.8 thousand, entitling to 67.4167% of the votes at the General Meeting of Shareholders.

As a result, as at 30.09.2017, there is a payable to the shareholder of PLN 1,983 thousand disclosed in the consolidated statement of financial position as 'other current liability'.

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

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

	3 quarters of 2017	3 quarters of 2016
Short-term employee benefits	1,372	802
Post-employment benefits		120
Termination benefits	-	
Share-based payments	-	-
Total	1,372	922

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

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

21. Dividend

The companies of the Group did not pay any dividend in the reporting period and in the comparative period. Boards of Directors of the companies did not declare or propose dividend from the distribution of profit for 2017.

22. Changes in estimates

a. Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	3 quarters of 2017	2016	3 quarters of 2016
<i>Opening balance</i>	996	1,558	1,558
a) increases (due to)	50	174	131
- recognition for doubtful trade receivables	-	64	41
- recognition for interest receivable	25	49	34
- recognition for receivables in litigation	17	61	56
- recognition for other receivables	8		
b) decreases (due to)	163	736	699
- reversal of provisions due to payment	49	78	48
- utilisation due to the writing-off and sale of receivables	58		
- cancellations	56	658	651
Write-downs at the end of the period	883	996	990

b. Write-downs of inventories

MOVEMENTS ON WRITE-DOWNS OF INVENTORIES	3 quarters of 2017	2016	3 quarters of 2016
Opening balance	182	35	93
a) increases (due to)	204	147	-
- impairment loss for materials	204	147	-
b) decreases (due to)	277	0	58
- utilisation	-	-	58
- reversals of write-downs	277	-	-
Write-downs of inventories at the end of the period	109	182	35

c. Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	3 quarters of 2017	2016	3 quarters of 2016
a) opening balance	2,571	2,749	2,749
- retirement benefits	429	340	340
- jubilee benefits	2,142	2,409	2,409
b) increases (due to)	179	118	251
- retirement benefits	47	107	32
- jubilee benefits	132	11	219
c) utilisation (due to)	99	211	94
- retirement benefits	11	13	6
- jubilee benefits	88	198	88
d) reversal (due to)	6	85	19
- retirement benefits	-	5	12
- jubilee benefits	6	80	7
e) balance at the end of period	2,645	2,571	2,887
- retirement benefits	465	429	354
- jubilee benefits	2,180	2,142	2,533

d. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	3 quarters of 2017	2016	3 quarters of 2016
a) opening balance	1,877	1,722	1,722
- grants related to property, plant and equipment	491	262	262
- provisions for services performed by contractors	71	38	38
- grants related to loans	22	62	62
- fee for the use of the environment	165	126	126
- provisions for compensations for annual leaves	498	363	363
- greenhouse gas emission allowance	337	676	676
- bonuses for the Board of Directors and employees	284	195	195
- other	9	-	-

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	3 quarters of 2017	2016	3 quarters of 2016
b) increases (due to)	1,009	1,716	996
- grants related to property, plant and equipment	211	385	
- provision for used CO ₂ emission allowances	324	337	301
- fee for the use of the environment	66	164	83
- provisions for compensations for annual leaves	372	478	432
- provisions for services performed by contractors	15	59	-
- bonuses for the Board of Directors and employees	-	284	-
- provision for damages due to non-competition agreements	-	-	180
- other	21	9	-
c) utilisation (due to)	1,379	1,561	1,697
- fee for the use of the environment	165	125	125
- provisions for compensations for annual leaves	421	343	346
- provision for used CO ₂ emission allowances	337	676	676
- provision for services performed by contractors	38	26	38
- provision for damages due to non-competition agreements	-	-	120
- grants related to property, plant and equipment	99	156	147
- grants related to loans	14	40	50
- bonuses for the Board of Directors and employees	284	195	195
- other	21	-	-
e) closing balance	1,507	1,877	1,021
- grants related to property, plant and equipment	603	491	115
- grants related to loans	8	22	12
- provision for used CO ₂ emission allowances	324	337	301
- fee for the use of the environment	66	165	84
- provisions for compensations for annual leaves	449	498	449
- bonuses for the Board of Directors and employees	-	284	-
- provision for damages due to non-competition agreements	-	-	60
- provisions for services performed by contractors	48	71	-
- other	9	9	-

e. Deferred income tax

DEFERRED TAX LIABILITIES	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
The difference between the carrying amount and the tax value of property, plant and equipment	5,620	5,713	5,719
Unrealised foreign exchange differences	1	-	1
Interest due but not received	29	5	179
Other	5	4	5
Total deferred tax liabilities	5,655	5,722	5,904

DEFERRED TAX ASSETS	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
The difference between the carrying amount and the tax value of property,	444	422	456
Outstanding remunerations	121	139	90
Provision for unused annual leaves	73	79	82
Retirement and jubilee benefits	503	488	552
Unrealised foreign exchange differences	38	58	44
Write-downs of receivables	-	1	
Write-downs of inventories	21	35	7
Lease payables	853	700	688
Consolidation adjustments – retained earnings	(18)	116	7
Provision for benefits	3	4	3
Provision for bonuses for the Board of Directors and employees	-	54	8
Provision for the used CO ₂ emission allowance	62	64	57
Tax loss	148	197	196
Total	2,248	2,357	2,190

23. Movement on contingent liabilities and contingent assets

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	3 quarters of 2017	2016	3 quarters of 2016
a) opening balance, including:	6,818	6,758	7,176
- liabilities related to non-competition agreements	818	758	1,176
- surety for a loan for CHP Energia	6,000	6,000	6,000
b) increase (due to)	12,199	60	0
- liabilities related to non-competition agreements	-	60	-
- surety for a loan for CHP Energia	8,724	-	-
- an obligation to purchase the remaining shares in GR Ponary resulting from the conditional agreement	3,475		
c) utilisation (due to)	0	0	0
-	-	-	-
d) reversal	0	0	418
d) closing balance, including:	19,017	6,818	6,758
- liabilities related to non-competition agreements	818	818	758
- surety for a loan for CHP Energia	14,724	6,000	6,000
- an obligation to purchase the remaining shares in GR Ponary resulting from the conditional agreement	3,475		

24. The issue, redemption and repayment of debt securities

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

25. Segment reporting

Until October 2016, the Group had been operating in a single, main reporting segment covering the processing of potatoes to obtain starch, dried potato-based products and starch hydrolysates. It had identified a single segment in its daily records and internal reports.

An increased interest in CHP Energia sp. z o.o., whose main revenue-generating activities comprise the generation of electricity from agricultural biogas, has resulted in the separation of an additional segment. Currently, the Group presents two operating segments which are subject to a detailed assessment by the management authorities, i.e. 'processing of potatoes' and 'power generation'.

25.1 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.

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.

25.2 Segment revenue and results

Segment	Revenue		Segment profit	
	3 quarters of 2017	3 quarters of 2016	3 quarters of 2017	3 quarters of 2016
Processing of potatoes	156,286	129,922	17,938	12,479
- including inter- segmental				
Power generation	7,457	-	(1,337)	
- including inter-segmental				
Other operating income			845	1,329
Other operating expenses			(367)	(268)
Segment	3 quarters of 2017	3 quarters of 2016	3 quarters of 2017	3 quarters of 2016
Finance income			184	415
Finance costs			(2,702)	(1,097)
Share of profit (loss) of an associate			-	(498)
Profit (loss) before tax			14,561	12,360

25.3 Segment assets and liabilities

Segment assets	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
Processing of potatoes	233,371	243,806	194,307
Power generation	23,870	28,360	-
Total segment assets	257,241	272,166	194,307

Segment liabilities	As at 30.09.2017	As at 31.12.2016	As at 30.09.2016
Processing of potatoes	81,238	114,217	74,875
Power generation	26,269	28,830	-
Total segment liabilities	107,507	143,047	74,875

All assets and liabilities of CHP Energia sp. z o.o. are allocated to the 'power generation' segment, and all other assets and liabilities disclosed in the consolidated financial statements are allocated to the 'processing of potatoes' segment.

25.4 Other segment information

Segment	Depreciation/Amortisatio		Increase in non-current assets	
	3 quarters of 2017	3 quarters of 2016	3 quarters of 2017	3 quarters of 2016
Processing of potatoes	5,366	5,458	18,614	8,318
Power generation	1,334	-	315	-
Total for continuing operations	6,700	5,458	18,929	8,318

25.5 Revenue by products

Product or service	01.07.17 - 30.09.17	01.01.17 - 30.09.17	01.07.16 - 30.09.16	01.01.16 - 30.09.16
Starch	27,955	90,377	27,940	72,477
Protein	1,894	7,206	1,737	5,510
Glucose	2,539	7,649	2,030	6,745
Maltodextrin	4,149	12,504	4,166	11,182
Starch syrups	1,632	4,557	1,547	4,322
Dried potato-based products (grits, flakes,	4,189	11,684	4,294	10,683
Feeds and fertilizers	179	551	-	-
Electricity	567	3,086	-	-
Heat	-	352	988	2,745
Property rights (electricity and heat)	961	3,326	-	-
Trade goods and materials	3,122	21,317	509	15,687
Services	545	1,134	216	571
Total	47,732	163,743	43,427	129,922

25.6 Sales revenue by territories:

Specification	01.07.17 - 30.09.17	01.01.17 - 30.09.17	01.07.16 - 30.09.16	01.01.16 - 30.09.16
Poland, including	30,305	109,937	25,804	87,941
Starch	13,858	46,031	11,959	36,036
Protein	1,266	5,039	918	2,807
Glucose	2,379	7,334	1,870	6,553
Maltodextrin	3,686	11,011	3,821	10,027
Starch syrups	1,632	4,557	1,547	4,322
Dried potato-based products (grits, flakes, cubes)	4,108	11,367	4,081	10,287
Feeds and fertilizers	179	551		
Electricity	567	3,086		
Heat	0	352	988	2,745
Property rights (electricity and heat)	961	3,326		
Trade goods and materials	1,124	16,149	404	14,593
Services	545	1,134	216	571
EU countries - intra-Community supplies, including:	4,136	9,475	3,727	9,398
Starch	2,976	5,863	2,783	7,384
Protein	264	1,128	371	397
Maltodextrin	457	1,484	345	1,154
Glucose	56	91		32
Dried potato-based products (grits, flakes, cubes)	81	212	124	227
Trade goods	302	697	104	204

Specification	01.07.17 - 30.09.17	01.01.17 - 30.09.17	01.07.16 - 30.09.16	01.01.16 - 30.09.16
Other countries – export	13,291	44,331	13,896	32,583
Starch	11,121	38,483	13,198	29,057
Protein	364	1,039	448	2,306
Glucose	104	224	160	160
Maltodextrin	5	9		1
Dried potato-based products (grits, flakes,	0	105	89	169
Trade goods	1,697	4,471	1	890
Total	47,732	163,743	43,427	129,922

25.7 Major customers

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

- more than 10% of maltodextrin was sold to each of the four Polish customers;
- over 15% of glucose sold to one Polish customer;
- over 35% of protein sold to three Polish customers (13.6%, 11.8% and 10.3% respectively);
- 13% of protein sold to a foreign customer.

26. Summary of activities in the reporting period

From January to September 2017, PEPEES Group generated sales revenue of PLN 163.7 million, which denoted an increase by 26% as compared to the corresponding period in the previous year. The increase in sales revenue resulted from the recognition, in consolidated financial statements, of sales revenue of CHP Energia, which, in the same period of the previous year, was an associate and, therefore, was not subject to consolidation.

Due to a lower growth rate for the costs of products sold (as compared to the growth rate for the revenue from the sales of products), in three quarters of 2017, the Group generated gross profit from sales of PLN 43.3 million, which denoted an increase by 36.5% as compared to the same period in the previous year.

Selling and marketing expenses and administrative expenses in the period from January to September 2017 grew by 41.6% and 37.7% respectively relative to the comparative period, which also resulted from the recognition, in consolidated financial statements, of the costs of CHP Energia.

The balance on other activities in the first three quarters of 2017 closed at PLN 0.48 million as compared to the result of PLN 1.06 million in the comparative period.

In turn, the result on financing activities, understood as the balance of finance income less finance costs in the period from January to September 2017, was definitely lower than the corresponding item in the comparative period — (-) PLN 2.5 million in 2017 against (-) PLN 0.68 million in the period from January to September 2016.

As a consequence, gross profit after the first three quarters of 2017 amounted to PLN 14.56 million against PLN 12.36 million of gross profit generated in the comparative period, and net profit in the period from January to September 2017 amounted to PLN 11.31 million against PLN 9.67 million of net profit in the corresponding period of 2016.

27. Other important events in the reporting period — description of significant accomplishments or failures

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, PEPEES 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, PEPEES S.A. 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. and Przedsiębiorstwo Przemysłu Ziemniaczanego Bronisław Sp. z o.o., 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 10.08.2017, another annex was signed to the multi-line agreement concluded between the Issuer and its subsidiaries, i.e. Zakłady Przemysłu Ziemniaczanego Lublin Sp. z o.o. and Przedsiębiorstwo Przemysłu Ziemniaczanego Bronisław Sp. z o.o., and Bank Zachodni WBK S.A. based in Wrocław ('Annex'). Pursuant to the Annex to the multi-line agreement, the credit limit granted to the Issuer and its subsidiaries was increased to PLN 46.5 million.
6. On 10.08.2017, a multi-purpose credit limit agreement ('Agreement') was concluded between the Issuer and its subsidiaries, i.e. Zakłady Przemysłu Ziemniaczanego Lublin Sp. z o.o. and Przedsiębiorstwo Przemysłu Ziemniaczanego Bronisław Sp. z o.o., and Powszechna Kasa Oszczędności Bank Polski S.A. ('Bank'). Under the agreement, the Bank granted to the Issuer and its aforementioned subsidiaries a multi-purpose credit limit up to the total amount of PLN 46.5 million.
7. On 14.09. 2017, PEPEES S.A. was notified by Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych about the increase in this Fund's share in the total number of votes in the company above 10%. As at the date of the publication of these financial statements, Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych exceeded the threshold of 15% of total number of votes.
8. On 19.09.2017, PEPEES entered into a conditional sales agreement with a natural person, who is a shareholder of the Company, under which the Company acquired a 32.5% stake ('Stake II') in Gospodarstwo Rolne Ponary sp. z o.o.

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 2017.

29. Shareholding structure

The Company's share capital as at 30 September 2017 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.

As at the date of the publication of this interim report, i.e. 14 November 2017, the shareholding structure of the Company was as follows:

SHAREHOLDERS	As at 14 November 2017		As at 15 May 2017	
	No. of shares/votes	Share in the share capital/total number of votes at GMS	No. of shares/votes	Share in the share capital/total number of votes at GMS
		[%]		[%]
Maksymilian Maciej Skotnicki*	20,395,465	21.47%	20,395,465	21.47%
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych**	18,198,716	19.16%	5,271,499	5.55%
Mr Michał Skotnicki*	10,700,011	11.26%	10,700,011	11.26%
Mr Newth Jonathan Reginald	7,995,200	8.42%	7,995,200	8.42%
Mr Borkowski Krzysztof (indirectly, including Mazowiecka Korporacja Finansowa Sp z.o.o.)	7,923,409	8.34%	7,923,409	8.34%
Richie Holding Ltd.	6,133,100	6.46%	6,133,100	6.46%
Others	18,256,756	19.22%	36,581,316	38.51%
Total	95,000,000	100.00%	95,000,000	100.00%

* Mr Maksymilian Maciej Skotnicki and Mr Michał Skotnicki are persons referred to in Article 87 Clause 4 item 1 of the Act on Public Offering [...] and, thus, together they hold the total of 31,095,476 shares/votes representing 32.732% of the share capital of/the total number of votes in the Company.

** The information on shareholding changes in the period from the date of the publication of the previous quarterly financial statements was communicated in current reports Nos. 16/2017, 21/2017, 23/2017 and 24/2017.

*** Including Mazowiecka Korporacja Finansowa, which held 5,397,343 shares/votes representing 5.68% of the share capital of/the total number of votes.

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 2017 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 quarterly financial statements, 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, the surety granted by the Issuer to a related party CHP Energia increased from PLN 6,000 thousand to PLN 14,724 thousand.

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 2017 and in the quarterly financial information for the same period respectively, the Issuer's Board of Directors does not identify any other information which, in the Issuer's opinion, are relevant to the assessment of the Issuer's personnel, assets, financial situation, financial result and their changes, and any information relevant to the assessment of its capacity to meet its obligations.

34. Authorising the condensed interim financial statements

These condensed consolidated financial statements were approved by the Board of Directors of the Parent Company on 14 November 2017.

SIGNATURES OF THE MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Position/Function	Signature
14.11.2017	Wojciech Faszczewski	President of the Board of Directors	
14.11.2017	Tomasz Rogala	Member of the Board of Directors	

SIGNATURE OF THE PERSON PREPARING THE FINANCIAL STATEMENTS

Date	Name	Position/Function	Signature
14.11.2017	Wiesława Załuska	Chief Accountant	

CORPORATE GROUP

PEPEES[®] S.A.

PEPEES S.A. Condensed interim consolidated financial statements as at 30 September 2017

PLN 000s