

**QUARTERLY FINANCIAL INFORMATION
OF THE PARENT COMPANY
PEPEES S.A.**

FOR THE PERIOD FROM 01
JANUARY 2017
TO 30 SEPTEMBER 2017

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS
APPROVED BY THE EUROPEAN
COMMISSION

14 NOVEMBER 2017

**THE STATEMENT OF FINANCIAL POSITION OF
PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO PEPEES S.A.**

ASSETS		30.09.2017	30.06.2017	31.12.2016	30.09.2016
I	Non-current (long-term) assets	124,958	114,288	109,056	104,604
1	Property, plant and equipment	90,123	83,505	82,319	80,577
2	Intangible assets	201	112	298	304
3	Investments in subsidiaries	17,997	9,676	9,676	3,755
4	Investments in associates	-	4,312	-	811
5	Investments in other entities	113	113	113	113
6	Loans granted	5,800	5,800	5,500	7,800
7	Long-term advances	9,170	9,362	9,649	9,834
8	Deferred tax assets	1,554	1,408	1,501	1,410
II	Current (short-term) assets	76,232	68,668	101,906	73,490
1	Inventories	30,196	20,184	50,955	26,988
2	Biological assets	300	747	158	276
3	Trade receivables	27,447	25,779	19,897	22,773
4	Other receivables	4,756	1,489	1,246	4,786
5	Advances	5,279	5,163	2,376	2,918
6	Loans granted	3,696	4,340	3,076	4,185
7	Investments held for trading	3,545	2,550	2,550	2,550
8	Cash and cash equivalents	1,013	8,416	21,648	9,014
Total assets		201,190	182,956	210,962	178,094

EQUITY AND LIABILITIES		30.09.2017	30.06.2017	31.12.2016	30.09.2016
I	Equity	135,992	132,837	126,687	119,836
1	Share capital	5,700	5,700	5,700	5,700
2	Reserve capital and other reserves	121,265	121,265	105,347	105,347
3	Revaluation reserve	(328)	(328)	(278)	(492)
4	Retained earnings/loss from previous years and the present	9,355	6,200	15,918	9,281
II	Non-current liabilities	19,211	19,412	20,748	21,622
1	Loans and borrowings	5,478	5,951	6,939	7,639
2	Liabilities related to leased assets	4,177	3,874	4,137	3,707
3	Deferred tax liability	5,488	5,491	5,550	5,735
4	Retirement and similar benefits obligations	1,731	1,731	1,701	2,030
5	Grants	2,337	2,365	2,421	2,511
III	Current liabilities	45,987	30,707	63,527	36,636
1	Trade payables	21,881	8,223	6,353	20,456
2	Current income tax liabilities	1,511	987	2,794	1,227
3	Other current liabilities	4,823	2,229	2,623	1,977
4	Loans and borrowings	14,946	16,836	48,674	10,530
5	Liabilities related to leased assets	1,690	1,343	1,523	1,269
6	Retirement and similar benefits obligations	259	259	236	188
7	Provisions for other liabilities and other charges	877	830	1,324	989
Total equity and liabilities		201,190	182,956	210,962	178,094

**THE INCOME STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE
INCOME OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO PEPEES S.A.**

<i>Revenue and expenses</i>					
<i>Profit and loss</i>		<i>01.01.2017- 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	35,328	116,215	34,711	99,983
1	Revenue from the sales of products	32,135	98,103	32,228	82,239
2	Revenue from services	240	436	175	384
3	Revenue from the sales of trade goods and materials	2,953	17,676	2,308	17,360
II	Cost of sales	(25,054)	(83,664)	(24,702)	(74,434)
1	Cost of products sold	(21,900)	(66,449)	(22,031)	(57,179)
2	Cost of services sold	(93)	(265)	(106)	(284)
3	Costs of trade goods and materials sold	(2,559)	(15,991)	(2,017)	(16,035)
4	Profit/loss from agricultural production	(502)	(959)	(548)	(936)
III	Gross profit from sales (I-II)	10,274	32,551	10,009	25,549
1	Selling and marketing expenses	(2,291)	(7,017)	(1,908)	(4,785)
2	Administrative expenses	(4,283)	(13,284)	(3,283)	(10,178)
3	Other operating income	223	387	1,064	1,276
4	Other operating expenses	(59)	(255)	(1)	(179)
IV	Operating profit	3,864	12,382	5,881	11,683
1	Finance costs	(149)	(1,209)	(152)	(697)
2	Finance income	170	535	(9)	664
V	Profit (loss) before tax	3,885	11,708	5,720	11,650
VI	Income tax expense	(730)	(2,353)	(1,187)	(2,369)
VII	Net profit (loss)	3,155	9,355	4,533	9,281
VIII	Other comprehensive income	-	(50)	-	(101)
	Effects of the valuation of financial assets				
1	available-for-sale	-			
	Revaluation of employee benefit				
2	liabilities	-	(50)		(101)
VIII	Total comprehensive income, including	3,155	9,305	4,533	9,180
IX	Net earnings (loss) per share	0.03	0.10	0.05	0.10

THE STATEMENT OF CHANGES IN EQUITY OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO PEPEES

	<i>Share capital</i>	<i>Reserve capital</i>	<i>Revalu- ation reserve</i>	<i>Other reserves</i>	<i>Retained earnings/ loss</i>	<i>Total equity</i>
As at 1 January 2016	5,700	51,950	(391)	47,480	5,917	110,656
Corrections of errors from previous years						-
As at 1 January 2016	5,700	51,950	(391)	47,480	5,917	110,656
Changes in the period from 01.01.2016 to 30.09.2016						
Distribution of profit for 2015				5,917	(5,917)	-
Net profit (loss) for the period					9,281	9,281
Other comprehensive income for the financial year (net value)			(101)			(101)
As at 30 September 2016	5,700	51,950	(492)	53,397	9,281	119,836
Changes in 2016						-
Distribution of profit for 2014	-		-	5,917	(5,917)	-
Net profit (loss) for the period		-			15,918	15,918
Other comprehensive income for the financial year (net value)			113			113
As at 31 December 2016	5,700	51,950	(278)	53,397	15,918	126,687
Changes in the period from 01.01.2017 to 30.09.2017						-
As at 1 January 2017	5,700	51,950	(278)	53,397	15,918	126,687
Distribution of profit for 2016				15,918	(15,918)	-
Net profit (loss) for the period					9,355	9,355
Other comprehensive income for the financial year (net value)			(50)			(50)
As at 30 September 2017	5,700	51,950	(328)	69,315	9,355	135,992

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

STATEMENT OF CASH FLOWS	01.07.2017- 30.09.2017	01.01.2017- 30.09.2017	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016
A. Cash flows from operating activities - indirect method				
I. Profit (loss) before tax	3,885	11,708	5,720	11,650
II. Total adjustments	1,359	23,450	3,503	21,700
1. Depreciation/Amortisation	1,646	4,844	1,455	5,005
2. Foreign exchange (gains) losses	2	2	9	8
3. Interest and share of profit (dividend)	(315)	141	96	508
4. (Profit) loss on investing activities	189	(134)	(958)	(939)
5. Net increase/decrease in provisions	47	(394)	(151)	(553)
6. Net increase/decrease in inventories	(10,013)	20,759	(8,004)	17,204
7. Net increase/decrease in biological assets	447	(142)	554	(104)
8. Net increase/decrease in receivables	(4,935)	(11,060)	(3,839)	(9,253)
9. Net increase/decrease in current liabilities, except for borrowings	14,269	15,745	14,183	14,409
10. Net increase/decrease in advances	76	(2,424)	238	(2,077)
11. Income tax expense	(355)	(3,740)	(453)	(2,014)
12. Net increase/decrease in grants	(28)	(84)	30	(37)
13. Net increase/decrease in accrued interest on loans	(28)	(28)	(66)	(258)
14. Other adjustments	357	(35)	409	(199)
III. Net cash flows from operating activities	5,244	35,158	9,223	33,350
B. Cash flows from investing activities				
I. Proceeds	898	2,609	1,890	2,730
1. Disposal of intangible assets and property, plant and equipment	(127)	197	1,790	1,856
2. Repayments of cash loans	1,025	2,412	100	874
II. Expenses	10,266	21,593	4,209	6,929
1. Acquisition of intangible assets and property, plant and equipment	7,246	11,309	4,209	6,754
2. Purchase of shares	2,025	6,338		
3. Purchase of bonds	995	995		
4. Loans granted		2,951		175
III. Net cash flows from investing activities	(9,368)	(18,984)	(2,319)	(4,199)
C. Cash flows from financing activities				
I. Proceeds	9,354	9,962	8,133	9,682
1. Loans and borrowings	9,343	9,541	8,122	9,164
2. Received additional payments	11	421	11	518
II. Expenses	16,118	50,256	11,570	45,375
1. Repayments of loans and borrowings	15,466	48,244	11,070	43,710
2. Interest on loans and borrowings	65	521	96	508
3. Lease payments	587	1,491	404	1,157
III. Net cash flows from financing activities (I-II)	(6,764)	(40,294)	(3,437)	(35,693)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(10,888)	(24,120)	3,467	(6,542)
E. Balance sheet change in cash, including:	(7,403)	(20,635)	3,459	(14,408)
- net increase/decrease in cash due to foreign exchange	2	2	8	8
- net increase/decrease in bank overdrafts	(3,487)	(3,487)		7,858
F. Cash at the beginning of period	8,416	21,648	5,554	15,563
G. Cash at the end of period (F+/-D)	(2,472)	(2,472)	9,021	9,021
- including restricted cash	-	-	-	-

SELECTED NOTES

1. Accounting principles

The figures and data for the financial statements for the third quarter of 2017 were prepared with the application of the same accounting principles as those applied in the most recent annual financial statements.

2. Changes in accounting policies and presentations, and correcting errors

The Company did not change accounting policies and did not correct errors from previous periods.

3. Contingent liabilities or contingent assets

a) contingent liabilities

As at the balance sheet date, there is a surety for loans issued to a related party CHP Energia Sp. z o.o. up to 14,724 thousand PLN.

There may be payables arising from non-competition agreements after termination of employment. Such agreements were concluded with members of the Board of Directors and several employees. In the case of the termination of their employment, the Company must pay damages of ca. PLN 710 thousand.

b) contingent assets

Mortgages are established on the assets of subsidiaries which secure loans granted to PEPEES Group by Bank Zachodni WBK and Powszechna Kasa Oszczędności Bank Polski S.A.

PEPEES possesses land under the right of perpetual usufruct with the value resulting from the decision on the annual fee amounting to PLN 10,822 thousand.

4. Related party transactions

The Issuer's transactions with related parties:

Transactions between "PEPEES" S.A. in Łomża and ZPZ "LUBLIN" Sp. z o.o. in Lublin

In the reporting period, the Issuer purchased potato grits and starch from the subsidiary. The total value of purchases from ZPZ LUBLIN Sp. z o.o. amounted to PLN 1,583.6 thousand. In addition, PEPEES sold to LUBLIN starch, maltodextrin and bags for PLN 141.6 thousand and leases a flakes production line — in the reporting period, the related turnover amounted to PLN 177 thousand.

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

As at the balance sheet date, there is a balance of outstanding cash loans amounting to PLN 3 million, on which ZPZ LUBLIN paid PLN 95.3 thousand of interest to the Issuer.

Transactions between PEPEES S.A. in Łomża and PPZ BRONISŁAW Sp. z o.o. in Bronisław

Transactions between PEPEES S.A. in Łomża with its subsidiary PPZ BRONISŁAW Sp. z o.o. involved the purchase of starch, potato flakes and a service from the subsidiary and the sales of potatoes and service. The total value of purchases from PPZ BRONISŁAW Sp. z o.o. amounted to PLN 4,171.4 thousand, and the total value of sales to PLN 614.7 thousand.

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

In addition, as of the balance sheet date, there is a balance of outstanding cash loans amounting to PLN 3,420 thousand, on which PPZ BRONISŁAW paid PLN 134.5 thousand of interest to the Issuer.

Transactions between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o.

Transactions between PEPEES S.A. in Łomża with a subsidiary CHP Energia Sp. z o.o. comprised the purchase from a subsidiary of dried sugar beet pulp, bio-compost and a service and the sales of potato pulp and a service. The total value of purchases from CHP Energia Sp. z o.o. amounted to PLN 464.9 thousand and the total value of sales to PLN 97.6 thousand.

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

PEPEES granted a few cash loans to CHP Energia. The total balance of cash loans (with interest) for this Company as at 30.09.2017 amounts to PLN 2,202.5 thousand.

Transactions with shareholders, and members of the management personnel and their family members in the reporting period:

The Company purchased from a shareholder 21,843 shares of Gospodarstwo Rolne Ponary sp. z o.o. for PLN 8,224.8 thousand, entitling it to exercise 67.4167% of 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 statement of financial position as 'other current liability'.

In the reporting period, there were no transactions with members of the management/supervisory personnel and their family members.

5. Sureties and guarantees

In the reporting period, PEPEES increased, by PLN 8,724 thousand, loans surety granted to a related party CHP Energia Sp. z o.o. At the balance sheet date, this surety amounts to PLN 14,724 thousand.

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	