



QUARTERLY FINANCIAL INFORMATION
OF THE PARENT COMPANY
PEPEES S.A.
FOR THE PERIOD
FROM 1 JANUARY 2017 TO 31 MARCH 2017

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

Łomża, 15 May 2017

PEPEES S.A.

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

ASSETS	31.03.2017	31.12.2016	31.03.2016	
I Non-current (long-term) assets	109,277	109,056	101,644	
1. Property, plant and equipment	82,646	82,319	77,416	
2. Intangible assets	100	298	122	
3. Investments in subsidiaries	9,676	9,676	3,755	
4. Investments in associates			811	
5. Investments in other entities	113	113	113	
6. Loans granted	5,800	5,500	7,800	
7. Long-term advances	9,554	9,649	10,206	
8. Deferred tax asset	1,388	1,501	1,421	
II Current (short-term) assets	87,067	101,906	69,116	
1. Inventories	34,515	50,955	33,230	
2. Biological assets	215	158	319	
3. Trade receivables	19,940	19,897	13,772	
4. Other receivables	1,011	1,246	827	
5. Advances	2,901	2,376	2,658	
6. Loans granted	5,077	3,076	4,613	
7. Investments held for trading	2,550	2,550	2,550	
8. Cash and cash equivalents	20,858	21,648	11,147	
Total assets	196,344	210,962	170,760	
	<u>EQUITY AND LIABILITIES</u>	31.03.2017	31.12.2016	31.03.2016
I Equity	130,548	126,687	113,202	
1. Share capital	5,700	5,700	5,700	
2. Reserve capital and other reserves	105,347	105,347	99,430	
3. Revaluation reserve	(278)	(278)	(391)	
4. Retained earnings/loss	15,918		5,917	
5. Profit/loss for the year	3,861	15,918	2,546	
II Non-current liabilities	20,685	20,748	21,551	
1. Loans and borrowings	6,821	6,939	7,357	
2. Liabilities related to leased assets	4,221	4,137	3,949	
3. Deferred tax liability	5,549	5,550	5,853	
4. Retirement and similar benefits obligations	1,701	1,701	1,918	
5. Grants	2,393	2,421	2,474	
III Current liabilities	45,111	63,527	36,007	
1. Trade payables	5,954	6,353	5,570	
2. Current income tax liabilities	669	2,794	309	
3. Other current liabilities	2,186	2,623	1,702	
4. Loans and borrowings	34,155	48,674	26,081	
5. Liabilities related to leased assets	1,301	1,523	985	
6. Retirement and similar benefits obligations	236	236	1,203	
7. Provisions for other liabilities and other charges	610	1,324	157	
Total equity and liabilities	196,344	210,962	170,760	

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

Revenue and expenses		
Profit and loss	01.01.2017- 31.03.2017	01.01.2018- 31.03.2016
I. Sales revenue	38,878	28,412
1. Revenue from the sales of products	36,040	25,353
2. Revenue from the sales of services	126	100
3. Revenue from the sales of trade goods and materials	2,712	2,959
II Cost of sales	(26,743)	(20,535)
1. Cost of products sold	(24,054)	(17,342)
2. Cost of services sold	(87)	(80)
3. Costs of trade goods and materials sold	(2,407)	(2,626)
4. Profit/loss from agricultural production	(195)	(487)
III Gross profit from sales (I-II)	12,135	7,877
1. Selling and marketing expenses	(2,613)	(1,443)
2. Administrative expenses	(4,069)	(3,225)
3. Other operating income	67	92
4. Other operating expenses	(71)	(64)
IV Operating profit	5,449	3,237
1. Finance costs	(774)	(381)
2. Finance income	204	320
V Profit (loss) before tax	4,879	3,176
VI Income tax expense	(1,018)	(630)
VII Net profit (loss)	3,861	2,546
VIII Other comprehensive income	-	-
1. Effects of the valuation of financial assets available-for-sale		
2. Revaluation of employee benefit liabilities		
IX Total comprehensive income, including	3,861	2,546
X Net earnings (loss) per share	0.041	0.027

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STATEMENT OF CHANGES IN EQUITY OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES"

	<i>Share capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total equity</i>
As at 1 January 2016	5,700	51,950	(391)	47,480	5,917	110,656
Changes in Q1 2016	-	-	-	-	1,546	2,546
Distribution of profit for 2015						
Net profit (loss) for the period					2,546	1,546
Other comprehensive income for the year (net)						
Other changes in equity						
As at 31 March 2016	5,700	51,950	(391)	47,480	8,463	113,101
Changes in 2016	-	-	113	5,917	10,001	16,031
Distribution of profit for 2015				5,917	(5,917)	
Net profit (loss) for the period					15,918	15,918
Other comprehensive income for the year (net)			113			113
As at 31 December 2016	5,700	51,950	(278)	53,397	15,918	116,687
As at 1 January 2017	5,700	51,950	(178)	53,397	15,918	126,687
Changes in Q1 2017						
Net profit (loss) for the period					3,861	3,861
Other comprehensive income for the year (net)						
As at 31 March 2017	5,700	51,950	(278)	53,397	19,779	130,548

STATEMENT OF CASH FLOWS OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A.

STATEMENT OF CASH FLOWS		01.01.2017- 31.03.2017	01.01.2016- 31.03.2016
A.	Cash flows from operating activities - indirect method		
I	Profit (loss) before tax	4,879	3,176
II	Total adjustments	13,517	12,416
1.	Depreciation/Amortisation	1,580	2,097
2.	Foreign exchange (gains) losses		3
3.	Interest and share of profit (dividend)	281	199
4.	(Profit) loss on investing activities	(20)	18
5.	Net increase/decrease in provisions	(714)	(700)
6.	Net increase/decrease in inventories	16,44	10,962
7.	Net increase/decrease in biological assets	(57)	(147)
8.	Net increase/decrease in receivables	192	3,707
9.	Net increase/decrease in current liabilities, except for loans and borrowings	(836)	(752)
10.	Net increase/decrease in prepayments and accruals	(430)	(1,891)
11.	Income tax expense	(3,030)	(1,109)
12.	Net increase/decrease in grants	(28)	
13.	Net increase/decrease in accrued interest on loans		
14.	Other adjustments	139	29
III	Net cash flows from operating activities	18,396	15,592
B.	Cash flows from investing activities		
I	Proceeds	319	161
1.	Disposal of intangible assets and property, plant and equipment	20	64
2.	Repayments of cash loans	299	97
II	Expenses	4,395	799
1.	Acquisition of intangible assets and property, plant and equipment	1,856	799
2.	Loans granted	2,539	
III	Net cash flows from investing activities	(4,076)	(638)
C.	Cash flows from financing activities		
I	Proceeds	430	-
1.	Loans and borrowings	198	
2.	Received additional payments	232	
II	Expenses	15,544	20,355
1.	Repayments of loans and borrowings	14,84	19,695
2.	Interest on loans and borrowings	281	296
3.	Lease payments	418	364
III	Net cash flows from financing activities (I-II)	(15,114)	(20,355)
D.	Total net cash flows (A.III+/-B.III+/-C.III)	(794)	(5,401)
E.	Balance sheet change in cash, including:	(790)	(12,275)
	- net increase/decrease in cash due to foreign exchange differences	(4)	3
	- net increase/decrease in bank overdrafts		6,871
F.	Cash at the beginning of period	21,652	15,563
G.	Cash at the end of period (F+/-D)	20,858	10,162
	- including restricted cash	-	-

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SELECTED NOTES

1. Accounting policies

The data for the financial statements for the first quarter of 2017 have been prepared using the same accounting policies as in the last 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 the loan issued to CHP Energia Sp. z o.o. up to PLN 6,000 thousand.

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.

Encumbrances on property, plant and equipment due to borrowed bank loans:

- contractual mortgage amounting to PLN 14,734 thousand for the benefit of BGŻ BNP PARIBAS;
- general mortgage amounting to PLN 1,596 thousand for the benefit of Bank Polskiej Spółdzielczości;
- general mortgage amounting to PLN 404 thousand for the benefit of Bank Spółdzielczy in Łomża;
- general mortgage amounting to PLN 1,295 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 1,197 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 880.6 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 303 thousand for the benefit of Bank Spółdzielczy in Łomża;
- registered pledge on plant and machinery amounting to PLN 3,465 thousand for the benefit of Bank Spółdzielczy in Łomża;
- registered pledge on property, plant and equipment amounting to PLN 9,812 thousand for the benefit of BGŻ BNP PARIBAS;
- registered pledge on property, plant and equipment amounting to PLN 5,900 thousand for the benefit of Bank Zachodni WBK;
- transfer of ownership of plant and machinery amounting to PLN 1,295 thousand for the benefit of Bank Polskiej Spółdzielczości.

b) contingent assets

Mortgages are established on the assets of subsidiaries (ZPZ Lublin and PPZ Bronisław) which secure loans granted to PEPEES Group by Bank Zachodni WBK and BGŻ BNP Paribas – security up to PLN 68,000 thousand.

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 in ZPZ "LUBLIN" Sp. z o.o. amounted to PLN 348.9 thousand. In addition, PEPEES sold to LUBLIN starch for 46.2 thousand PLN and leases a flakes production line; the rent for one month of the lease is 23.5 thousand PLN.

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 31.4 thousand of interest to the Issuer.

*Financial information of the parent company
- PEPEES S.A. for the first quarter of 2017 (PLN 000s)*

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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 the storage service from the subsidiary. The total value of purchases from PPZ BRONISŁAW Sp. z o.o. amounted to PLN 1,364.0 thousand. In addition, as at the balance sheet date, there is a balance of outstanding cash loans amounting to PLN 4,673 thousand, on which PPZ BRONISŁAW paid PLN 48,9 thousand of interest to the Issuer.

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

During the reporting period, the Issuer purchased from CHP Energia dried sugar beet pulp. The total value of purchases amounted to PLN 133.4 thousand. As at the balance sheet date, there is a balance of outstanding cash loans amounting to PLN 2,431.2 million, on which CHP Energia paid PLN 31.4 thousand of interest to the Issuer.

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

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

5. Sureties and guarantees granted

In the reporting period, PEPEES did not grant any sureties or guarantees. As at the balance sheet date, there is a surety for a loan up to PLN 6 million granted to CHP Energia.

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.

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

SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS

Date	Name and surname	Title/Function	Signature
15.05.2017	Wojciech Faszczewski	President of the Board of Directors	
15.05.2017	Tomasz Rogala	Member of the Board of Directors	