



CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS OF PEPEES GROUP

for the period of 9 months ended on 30 September 2019

prepared
in Łomża on 07 November 2019

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

INDEX TO THE CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

INTRODUCTION 5

A.	SELECTED FINANCIAL FIGURES OF PEPEES GROUP	7
B.	INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF PEPEES GROUP FOR THE PERIOD OF 9 MONTHS ENDED ON 30 SEPTEMBER 2019	9
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	10
	INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME	11
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	13
	NOTES	14
1.	General information about the Parent.....	14
2.	Information about reporting periods.....	15
3.	The structure of PEPEES Group	15
4.	Authorising the interim condensed consolidated financial statements	16
5.	Significant accounting policies.....	17
6.	The application of accounting standards in 2019	17
7.	New accounting standards and interpretations not applied in these financial statements	18
8.	Non-typical items having significant impact on assets, liabilities, equity, financial performance and cash flows.....	19
9.	Changes in applied accounting policies; correcting errors and presentations	20
10.	Seasonality or cyclical nature of operations	20
11.	Estimates	20
12.	Acquisition and sale of property, plant and equipment	20
13.	Significant commitments made to purchase non-current assets	20
14.	Inventories.....	21
15.	Biological assets.....	21
16.	Trade receivables	21
17.	Trade payables	22
18.	Litigation settlements	22
19.	Outstanding loans and borrowings	22
20.	Related party transactions	24
21.	Changes in estimates	26
22.	Short-term provisions.....	28
23.	Deferred income tax	29
24.	Contingent assets and liabilities	29
25.	The issue, redemption and repayment of non-equity and equity securities	30
26.	Dividend.....	30
27.	Segment reporting	30
27.1.	Products and services	30
27.2.	Segment revenue and results	31

PEPEES GROUP

Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

27.3	Segment assets and liabilities.....	31
27.4	Other segment information	32
27.5	Revenue by products.....	32
27.6	Sales revenue by territories	33
27.7	Major customers.....	33
28.	In the case of financial instruments at fair value – information on the change of the manner (method) of its determination.....	34
29.	Changes in the classification of financial assets as a result of the change of the purpose or use of such assets	34
30.	Information on changes in the economic situation and conditions for conducting business activity that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are carried at fair value or at amortised cost	34
31.	Other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Group.....	34
32.	Important events after the reporting period.....	34
C.	QUARTERLY FINANCIAL INFORMATION OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO “PEPEES” SPÓŁKA AKCYJNA FOR THE PERIOD OF 9 MONTHS ENDED ON 30 SEPTEMBER 2019 ...	35
	STATEMENT OF FINANCIAL POSITION	36
	INCOME STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME	37
	STATEMENT OF CHANGES IN EQUITY	38
	INTERIM CONDENSED STATEMENT OF CASH FLOWS	39
	NOTES	40
	1. Accounting policies.....	40
	2. Changes in accounting policies and presentations, and correcting errors	40
	3. Contingent liabilities or contingent assets	40
	4. Related party transactions	41
	5. Sureties and guarantees	42
D.	ADDITIONAL INFORMATION	44
	1. Changes in the organisation of PEPEES Group	44
	2. Summary of activities in the reporting period	44
	3. Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholder (GMS) of the Parent as at the date of publishing these financial statements.....	44
	4. The statement of changes in the holding of the Issuer’s shares or rights to them by members of the Issuer’s Board of Directors and the Supervisory Board	45
	5. Concise description of major accomplishments or failures of PEPEES Group in the period of three quarters of 2019, and the list of the most important events pertaining to them.....	45
	6. Description of factors and events, especially of unusual nature, with material impact on the financial performance of PEPEES Group.....	45
	7. The position of the Board of Directors regarding the projected results.....	45
	8. Significant proceedings before a court, an authority competent for arbitration proceedings or a public administration authority	45
	9. Related party transactions	46
	10. Sureties and guarantees	46
	11. Other information, which, in the opinion of the Group, is material for the assessment of its staff, assets, financial standing, financial performance and their changes, and information material for the assessment of the potential satisfaction of the Group’s commitments	47
	12. Factors likely, in the Issuer’s and the Group’s opinion, to influence the results accomplished by them in	

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019*

(in PLN 000s)

	the period of at least one subsequent quarter	47
13.	Authorising the Consolidated Quarterly Financial Statements of PEPEES Group for the period of 9 months ended on 30 September 2019.....	48

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

INTRODUCTION

1. The Consolidated Quarterly Financial Statements of PEPEES Group for the period of 9 months ended on 30 September 2019 comprises:

- A. Selected financial figures of PEPEES Group.
- B. The Interim Condensed Consolidated Financial Statements of PEPEES Group for the period of 9 months ended on 30 September 2019.
- C. The Quarterly Financial Information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for the period of 9 months ended on 30 September 2019.
- D. Additional information.

2. Reporting period and comparative data:

Interim Condensed Consolidated Financial Statements

- The interim condensed consolidated financial statements of PEPEES Group cover the period of 9 months ended on 30 September 2019.
- For the data presented in the interim condensed consolidated statement of financial position, we have presented comparative financial figures as at 31 December 2018 and as at 30 September 2018.
- For the data presented in the interim condensed consolidated income statement and statement of other comprehensive income, we have presented comparative financial figures for the period from 1 January 2018 to 30 September 2018.
- For the data presented in the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, we have presented comparative financial figures for the period from 1 January 2018 to 30 September 2018.

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

Quarterly Financial Information of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna in Łomża

- The Quarterly Financial Information of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna in Łomża covers the period of 9 months ended on 30 September 2019.
- For the data presented in the statement of financial position, we have presented comparative financial figures as at 31 December 2018 and as at 30 September 2018.
- For the data presented in the income statement and in the statement of other comprehensive income, we have presented comparative financial figures for the period from 1 January 2018 to 30 September 2018.
- For the data presented in the statement of changes in equity and in the statement of cash flows, we have presented comparative financial figures for the period from 1 January 2018 to 30 September 2018.

3. Definitions of terms related to the organisation of PEPEES Group

As at 30 September 2019, PEPEES Group comprised the following companies:

- Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna with its registered office in Łomża – the Parent;
- Przedsiębiorstwo Przemysłu Ziemiaczanego “LUBLIN” Spółka z ograniczoną odpowiedzialnością with its registered office in Lublin – a subsidiary;
- Pepees Inwestycje Spółka z ograniczoną odpowiedzialnością with its registered office in Łomża (former OZENERGY) – a subsidiary;
- Przedsiębiorstwo Przemysłu Ziemiaczanego “BRONISŁAW” Spółka Akcyjna with its registered office in Bronisław – a subsidiary;
- CHP Energia Spółka z ograniczoną odpowiedzialnością with its registered office in Wojny-Wawrzyńce – a subsidiary;
- Gospodarstwo Rolne Ponary Spółka z ograniczoną odpowiedzialnością with its registered office in Łomża – a subsidiary.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

A. SELECTED FINANCIAL FIGURES OF PEPEES GROUP

No.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		2019	2018	2019	2018
I	Total sales revenue for 3 quarters	180,383	174,296	41,866	40,977
II	Net profit or loss attributable to equity holders of the Parent for 3 quarters	21,048	11,089	4,885	2,607
III	Net comprehensive income attributable to equity holders of the Parent	21,030	11,235	4,881	2,641
IV	Net cash flows from operating activities for 3 quarters	77,825	52,429	18,063	12,326
V	Net cash flows from investing activities for 3 quarters	(33,198)	(24,558)	(7,705)	(5,774)
VI	Net cash flows from financing activities for 3 quarters	(78,342)	(56,863)	(18,183)	(13,369)
VII	Total net cash flows for 3 quarters	(33,715)	(28,992)	(7,825)	(6,816)
VIII	Total assets as at 30.09.2019 and 31.12.2018	303,520	333,925	69,398	77,657
IX	Equity attributable to equity holders of the Company as at 30.09.2019 and 31.12.2018	175,499	165,399	40,127	38,465
X	Total earnings (loss) per share for 3 quarters (in PLN)	0.22	0.12	0.05	0.03
XI	Book value per share as at 30.09.2019 and 31.12.2018 (in PLN)	1.85	1.74	0.42	0.40

Figures presented in lines: VIII, IX and XI, in columns “2019” and “2018” are as at 30 September 2019 and 31 December 2018.

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

- selected items of the statement of financial position as at 30.09.2019 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3736;
- selected items of the statement of financial position as at 31.12.2018 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3000;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 1 January 2019 to 30 September 2019 – at the exchange rate being the arithmetic mean of average exchange rates announced by the NBP and applicable on the last day of each month of the three quarters of 2019: EUR 1 = PLN 4.3086;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 1 January 2018 to 30 September 2018 – at the exchange rate being the arithmetic mean of average exchange rates announced by the NBP and applicable on the last day of each month of the three quarters of 2018: EUR 1 = PLN 4.2535.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

Earnings (loss) per share

Specification	For the period of 9 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2018
Net earnings (loss) attributable to the equity holders of PEPEES S.A.	21,048	11,089
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.22	0.12
Net earnings (loss) attributable to the equity holders of PEPEES S.A. applied in the calculation of diluted earnings per share	21,030	11,235
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)	0.22	0.12
Annualised net earnings attributable to the equity holders of PEPEES S.A.	33,050	13,062
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.35	0.14

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

**B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
PEPEES GROUP FOR THE PERIOD OF 9 MONTHS ENDED ON 30
SEPTEMBER 2019**

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

presented below, comprising:

1. Interim Condensed Consolidated Statement of Financial Position
2. Interim Condensed Consolidated Income Statement and Statement of Other Comprehensive Income
3. Interim Condensed Consolidated Statement of Changes in Equity
4. Interim Condensed Consolidated Statement of Cash Flows
5. Notes

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION

No.	ASSETS	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
I.	Non-current (long-term) assets	200,399	173,688	167,925
1	Property, plant and equipment	179,899	164,885	159,210
2	Intangible assets	219	534	384
3	Rights to assets	11,105	47	263
4	Investment properties	400	-	-
5	Goodwill arising on consolidation	3,140	3,140	3,140
6	Investments in other entities	613	113	113
7	Long-term advances	150	-	-
8	Deferred tax assets	4,873	4,969	4,815
II.	Current (short-term) assets	103,121	160,237	100,926
1	Inventories	48,570	78,065	47,342
2	Biological assets	133	330	219
3	Trade receivables	31,695	27,651	30,687
4	Other receivables	5,138	6,044	6,107
5	Advances	5,375	1,964	5,200
6	Loans granted	715	941	935
7	Other financial assets	5,436	5,436	2,550
8	Cash and cash equivalents	6,059	39,806	7,886
	Total assets	303,520	333,925	268,851

No.	EQUITY AND LIABILITIES	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
I.	Equity	177,171	166,476	153,339
	<i>Equity attributable to equity holders of the Company</i>	175,499	165,399	152,596
1	Share capital	5,700	5,700	5,700
2	Reserve capital and other reserves	152,918	141,857	141,857
3	Revaluation reserve	(44)	(26)	(26)
4	Retained earnings/loss	(4,123)	(5,223)	(6,024)
5	Profit/loss for the year	21,048	23,091	11,089
	<i>Non-controlling interests</i>	1,672	1,077	743
II.	Non-current liabilities	54,819	50,293	45,521
1	Loans and borrowings	26,044	30,398	25,066
2	Liabilities related to leased assets	14,089	4,775	5,565
3	Deferred tax liabilities	6,253	6,470	6,157
4	Retirement and similar benefits obligations	2,640	2,381	2,305
5	Long-term deferred income	5,793	6,269	6,428
III.	Current liabilities	71,530	117,156	69,991
1	Trade payables	31,591	13,063	25,642
2	Current income tax liabilities	2,600	1,712	37
3	Other current liabilities	6,823	4,749	5,256
4	Loans and borrowings	22,539	90,644	33,334
5	Liabilities related to leased assets	3,946	2,876	2,797
6	Retirement and similar benefits obligations	270	296	288
7	Provisions for other liabilities and other charges	3,761	3,816	2,637
	Total equity and liabilities	303,520	333,925	268,851

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

INCOME STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME

No.	Specification	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
I	Sales revenue				
1	Revenue from the sales of products	49,446	159,418	56,637	158,600
2	Revenue from the sales of services	744	1,158	322	908
3	Revenue from the sales of trade goods and materials	3,106	19,807	580	14,788
	Total sales revenue, including:	53,296	180,383	57,539	174,296
	- revenue from continuing operations	<i>53,296</i>	<i>180,383</i>	<i>57,539</i>	<i>174,296</i>
II	Cost of sales				
1	Cost of products sold	(33,239)	(101,292)	(40,113)	(113,762)
2	Cost of services sold	(164)	(366)	(122)	(212)
3	Costs of trade goods and materials sold	(1,034)	(13,774)	(382)	(12,448)
4	Profit/loss from agricultural production	(1,291)	(3,384)	(1,104)	(2,011)
	Total cost of sales, including:	(35,728)	(118,816)	(41,721)	(128,433)
	- cost from continuing operations	<i>(35,728)</i>	<i>(118,816)</i>	<i>(41,721)</i>	<i>(128,433)</i>
III	Gross profit from sales (I-II)	17,568	61,567	15,818	45,863
1	Selling and marketing expenses	(2,850)	(7,814)	(3,117)	(7,906)
2	Administrative expenses	(8,707)	(24,222)	(7,563)	(21,991)
3	Other operating income	201	780	301	891
4	Other operating expenses	(146)	(682)	(141)	(679)
IV	Operating profit (loss)	6,066	29,629	5,298	16,178
1	Finance costs	(585)	(2,489)	(647)	(2,170)
2	Finance income	595	853	55	582
V	Profit (loss) before tax, including:	6,076	27,993	4,706	14,590
	- profit (loss) before tax from continuing operations	<i>6,076</i>	<i>27,993</i>	<i>4,706</i>	<i>14,590</i>
	Income tax expense	(1,129)	(6,350)	(1,082)	(3,512)
VI	Net profit (loss)	4,947	21,643	3,624	11,078
	- attributable to the equity holders of the Parent	4,821	21,048	3,602	11,089
	- attributable to non-controlling interests	126	595	22	(11)
VII	Other comprehensive income	-	(18)	-	146
1	Effects of the valuation of financial assets available-for-sale	-	-	-	-
2	Revaluation of employee benefit liabilities	-	(18)	-	146
VIII	Total comprehensive income, including	4,947	21,625	3,624	11,224
	- attributable to the equity holders of the Parent	4,821	21,030	3,602	11,235
	- attributable to non-controlling interests	126	595	22	(11)
	- net comprehensive income (loss) from continuing operations	<i>4,821</i>	<i>21,030</i>	<i>3,602</i>	<i>11,235</i>

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Specification	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 2018	5,700	55,103	(172)	69,315	11,336	141,282	4,265	145,547
Changes in three quarters of 2018								
Taking over 100% control in a subsidiary	-	-	-	-	-		(3,510)	(3,510)
Distribution of profit (loss) for 2017	-	5,120	-	12,319	(17,439)	-	-	-
Net profit (loss) for the period	-	-	-	-	11,089	11,089	(11)	11,078
Other comprehensive income for the year (net)	-	-	146	-	-	146	-	146
Increase in shareholding in a subsidiary	-	-	-	-	-	-	-	-
Other consolidation adjustments	-	-	-	-	79	79	(1)	78
As at 30 September 2018	5,700	60,223	(26)	81,634	5,065	152,596	743	153,339
Changes in 2018								
Distribution of profit (loss) for 2017	-	5,120	-	12,319	(17,439)	-	-	-
Net profit (loss) for the period	-	-	-	-	23,091	23,091	323	23,414
Taking control of a new entity	-	-	-	-	-		(3,510)	(3,510)
Other comprehensive income for the year (net)	-	-	146	-	-	146	-	146
Other consolidation adjustments	-	-	-	-	880	880	(1)	879
As at 31 December 2018	5,700	60,223	(26)	81,634	17,868	165,399	1,077	166,476
As at 1 January 2019	5,700	60,223	(26)	81,634	17,868	165,399	1,077	166,476
Changes in three quarters of 2019								
Distribution of profit for 2018, including:								
- increase in reserve capital	-	11,061	-	-	(11,061)	-	-	-
- transactions with owners (dividend)	-	-	-	-	(11,400)	(11,400)	-	(11,400)
Other comprehensive income for the year (net)	-	-	(18)	-	-	(18)	-	(18)
Other consolidation adjustments	-	-	-	-	488	488	-	488
Net profit for the period	-	-	-	-	21,030	21,030	595	21,625
As at 30 September 2019	5,700	71,284	(44)	81,634	16,925	175,499	1,672	177,171

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
A. Cash flows from operating activities				
I. Profit (loss) before tax	6,076	27,993	4,706	14,590
II. Total adjustments	15,000	49,832	9,413	37,839
1. Depreciation/Amortisation	3,293	9,475	3,274	8,838
2. Foreign exchange (gains) losses	329	205	(227)	(350)
3. Interest and share of profit (dividend)	95	1,228	389	1,842
4. (Profit) loss from investing activities	(2)	(178)	(1)	(106)
5. Net increase/decrease in provisions	270	178	(152)	659
6. Net increase/decrease in inventories	(12,684)	29,495	(10,493)	36,792
7. Net increase/decrease in biological assets	2,015	197	2,032	(219)
8. Net increase/decrease in receivables	(1,122)	(3,138)	(36)	(8,233)
9. Net increase/decrease in current liabilities, except for loans and borrowings	22,709	22,126	11,292	10,555
10. Net increase/decrease in advances	2,190	(3,561)	4,100	(4,765)
11. Income tax expense	(1,393)	(5,668)	(1,319)	(6,491)
12. Net increase/decrease in grants	(157)	(476)	170	(473)
13. Net increase/decrease in accrued interest on loans and fees and commissions	(104)	(5)	178	(134)
14. Other adjustments	(439)	(46)	206	(76)
III. Net cash flows from operating activities (I+/-II)	21,076	77,825	14,119	52,429
B. Cash flows from investing activities				
I. Proceeds	99	1,862	53	240
1. Disposal of intangible assets and property, plant and equipment	94	1,455	53	240
2. Repayment of loans	5	407	-	-
II. Expenses	20,207	35,060	13,544	24,798
1. Acquisition of intangible assets and property, plant and equipment	8,807	23,010	13,544	21,038
2. Acquisition of shares	-	-	-	3,510
3. Purchase of securities	-	500	-	-
4. Loans granted	-	150	-	250
5. Dividends and other payments to shareholders	11,400	11,400	-	-
III. Net cash flows from investing activities (I-II)	(20,108)	(33,198)	(13,491)	(24,558)
C. Cash flows from financing activities				
I. Proceeds	11,650	18,587	18,009	29,472
1. Loans and borrowings	11,634	18,527	18,009	29,192
2. Grants	16	60	-	280
II. Expenses	35,058	96,929	26,123	86,335
1. Repayments of loans and borrowings	33,492	92,324	24,819	81,962
2. Interest on loans and borrowings	744	1,602	519	1,842
3. Lease payments	822	3,003	785	2,531
III. Net cash flows from financing activities (I-II)	(23,408)	(78,342)	(8,114)	(56,863)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(22,440)	(33,715)	(7,486)	(28,992)
E. Cash at the beginning of period	28,489	39,764	9,131	30,637
F. Cash at the end of period (E+/-D)	6,049	6,049	1,645	1,645
<i>including restricted cash</i>	-	-	-	-

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

NOTES

1. General information about the Parent

Full business name:	Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A.
Registered office:	18-402 Łomża, ul. Poznańska 121
Identifier:	Company Stat. No. [REGON]: 450096365
NIP [Tax ID No.]:	7181005512
Registration body:	District Court in Białystok, XII Commercial Division of the National Court Register
KRS Reg. No.:	000038455
Legal form:	Spółka Akcyjna [a joint stock company]
Organisational form:	A single-establishment company
Primary objects according to the Polish	
Classification of Activities (PKD):	1062Z – manufacture of starches and starch products.
Industry:	food industry
Company's lifetime:	indefinite

The composition of the Board of Directors as at 30 September 2019:

Mr Wojciech Faszczewski	President
Mr Tomasz Krzysztof Rogala	Member of the Board of Directors

The composition of the Supervisory Board as at 30 September 2019:

Mr Maciej Kaliński	Chairman
Mr Tomasz Nowakowski	Vice-Chairman
Mr Piotr Marian Taracha	Secretary
Mr Krzysztof Stankowski	Member
Mr Robert Malinowski	Member
Ms Agata Czerniakowska	Member

The composition of the Audit Committee as at 30 September 2019:

Mr Maciej Kaliński	Chairman
Mr Piotr Marian Taracha	Vice-Chairman
Mr Krzysztof Stankowski	Member

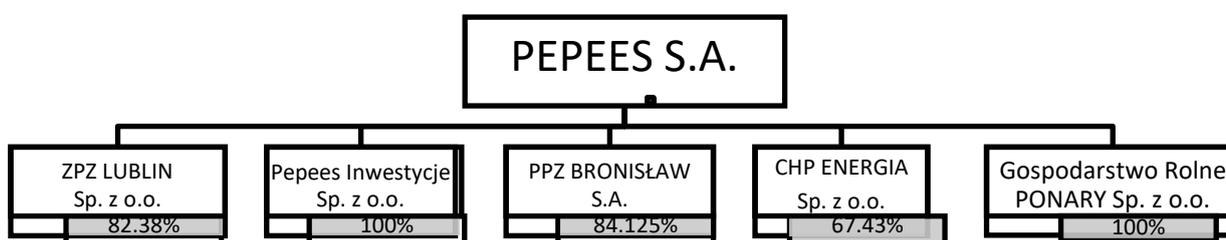
PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

2. Reporting periods

These interim consolidated financial statements cover the period from 1 January 2019 to 30 September 2019, and comparative financial figures and notes cover the period from 1 January 2018 to 30 September 2018 and, additionally, as at 31 December 2018 in the case of the statement of financial position and the statement of changes in equity.

3. PEPEES Group structure

3.1. The structure of PEPEES Group as at 30 September 2019



3.2. General information on related parties in PEPEES Group

In the Consolidated Quarterly Financial Statements of PEPEES Group for three quarters ended on 30 September 2019, apart from Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A., the following related entities are subject to consolidation:

Name	Registered office	Objects	Registry court	Issuer's percentage of capital (%)	Percentage of 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
Pepees Inwestycje (former 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
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
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 NCR	67.43	67.43
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Growing of crops combined with farming of animals (mixed farming)	District Court in Białystok, XII Economic Division of the NCR	100	100

All subsidiaries were consolidated with the full method. In the reporting period and until the date of these financial statements, there were no changes in the structure of the Issuer's Group.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

3.3. Basic financial figures as at 30 September 2019 for related parties

Specification	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 as at 30.09.2019	13,621	7,092	3,030	184	163
Non-current assets as at 30.09.2019	35,556	6,802	17,757	21,235	-
Current liabilities as at 30.09.2019	14,688	8,362	13,252	555	8
Non-current liabilities as at 30.09.2019	16,003	2,451	13,319	8,350	-
Sales revenue	36,722	14,870	5,795	-	284
Net profit/loss on continuing operations	4,394	498	(588)	73	196
Net profit/loss on discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	4,394	498	(588)	73	196

3.4. Basis for the preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), particularly in accordance with International Accounting Standard 34 and the IFRS adopted by the EU. As at the date of authorising these financial statements for publication, having regard for the IFRS implementation process continuing in the EU and the Group's business activity, within the scope of the accounting policies adopted by the Group, there are no differences between the IFRS which have come into force and the IFRS as adopted by the EU. The IFRSs comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC').

These interim condensed consolidated financial statements have been prepared in the Polish zloty (PLN) and all values, unless otherwise specified, are provided in thousands of PLN.

These interim condensed consolidated financial statements have been prepared based on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of authorising these interim condensed consolidated financial statements, the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. does not confirm the existence of any circumstances which would indicate any threat to the Group's remaining a going concern.

These interim condensed consolidated financial statements do not comprise all the information required in the annual consolidated financial statements and they should be analysed together with the consolidated financial statements for the financial year ended on 31 December 2018.

4. Authorising the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were authorised for publication by the Board of Directors of the Parent on 7 November 2019.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

5. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended on 31 December 2018, except for the adoption of the following new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2019:

- Amendments to IFRS 16 *Leases*, effective for annual periods beginning on or after 1 January 2019.

The Group decided to adopt this standard.

6. The adoption of accounting standards in 2019

The adoption of new interpretations and amendments to standards in the period of 9 months of 2019 had no impact on the financial standing of PEPEES Group.

IFRS 16 *Leases* has been adopted, which introduces a single accounting model for lessees under which a lessee must recognise assets and liabilities under each lease with a lease term of over 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset ('right-of-use asset') and a lease liability to make lease payments ('lease liability').

Lessees are required to separately recognise the depreciation expense on the right-of-use asset and interest expense on the lease liability.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach, and standard's transition provisions permit certain reliefs. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group, applying clause C5(b) of IFRS 16, has implemented IFRS 16 without restating comparative data, therefore the figures for 2018 and 2019 are not comparable. The cumulative effect of initially applying the standard was recognised by the Company as an adjustment to the opening balance of retained earnings (due to the fact that lease assets and liabilities were estimated at the same value; as at 1 January 2019, there was no impact of the standard adoption on retained earnings).

The Group is a user under lease agreements of machines, devices and means of transport. All these leases were treated, under IAS 17, as finance leases and recognised in the statement of financial position as non-current assets and lease liabilities. The application of IFRS 16 to these leases did not affect the financial statements.

So far, the Group has treated its right of perpetual usufruct of land as operating lease, recognising the payables made for this in the profit or loss of the period to which they pertained. Currently, the right of perpetual usufruct of land is classified by the Group as a lease under IFRS 16. As a result, the Group recognised lease payables at the present value of the remaining payments for the perpetual usufruct of land (for PEPEES S.A., the right will expire in 2089; for PPZ Bronisław, in 2092; and for ZPZ Lublin, in 2090), discounted using the Company's incremental borrowing rate (6.92%) on the day of the first-time adoption. The lease payable (fees for perpetual usufruct of land) as at the date of the first-time adoption of IFRS 16 amounted to PLN 10,041 thousand.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

The asset related to the right of usufruct was recognised by the Group in the amount equal to the amount of the aforementioned liability, so the value of equity as at 1 January 2019 has not changed. The asset related to the right of usufruct is presented in the interim condensed consolidated statement of financial position in the 'Rights to assets' line.

The analysis carried out in the Group shows that the lease agreement criteria according to IFRS 16 are also met by land lease agreements, which were previously disclosed in the statement of financial position as advance payments, because the lease payment was paid in advance. Currently, the Group has reported the present value arising from these agreements as a right to assets.

The adoption of IFRS 16 had an impact on the presentation of the financial statements as presented in the table below.

Specification	As at		
	31 December 2018	Adjustment resulting from the first-time adoption of IFRS 16	1 January 2019
Non-current assets, including:	173,688	11,156	184,844
- rights to assets	-	11,156	11,156
Current assets	160,237	-	160,237
Total assets	333,925	11,156	345,081
Equity and liabilities, including:			
Equity	166,476	-	166,476
Non-current liabilities, including:	50,293	10,406	60,699
- lease liabilities	4,775	10,406	15,181
Current liabilities, including:	117,156	750	117,906
- lease liabilities	2,876	750	3,626
Total equity and liabilities	333,925	11,156	345,081

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

The following standards and interpretations have been published by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but have not come into force yet:

- ✓ IAS 17 *Insurance Contracts* was published by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021. The new IFRS 17 *Insurance Contracts* will replace the current IFRS 4, which allows for a variety of practices related to the accounting for insurance contracts. IFRS 17 will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts. As at the date of these interim condensed consolidated financial statements, the new standard has not been approved by the European Union yet.
- ✓ IFRS 3 *Business Combinations*. As a result of the amendment to IFRS 3, the definition of 'a business' has been modified. The present definition is narrower and will probably result in more acquisitions being classified as acquisitions of assets. Amendments to IFRS 3 are effective for annual periods beginning on or after 1 January 2020. As at the date of these interim condensed consolidated financial statements, the new standard has not been approved by the European Union yet.

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

- ✓ IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Board has published a new definition of the term 'material'. The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and ensure greater consistency between standards, but they are not expected to have a significant impact on the preparation of financial statements. The amendment is effective for annual periods beginning on or after 1 January 2020. By the decision of the European Union, IFRS 14 will not be approved.
- ✓ IFRS 14 *Regulatory Deferral Accounts*. This standard permits entities which prepare financial statements in accordance with IFRS's for the first time (on or after 1 January 2016) to account for regulatory deferral account balances in accordance with its previously adopted accounting policies. To ensure greater comparability with entities that already apply IFRS's and do not disclose such balances, in accordance with the published IFRS 14, regulatory deferral account balances should be presented separately in the statement of financial position and statement of profit or loss and the statement of other comprehensive income. By the decision of the European Union, IFRS 14 will not be approved.
- ✓ Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures. The amendments address the issue of the current conflict between IFRS 10 and IAS 28. The accounting treatment depends on whether non-monetary assets sold or contributed to an associate or a joint venture constitute a 'business'. When non-monetary assets are a 'business', the investor discloses full profit or loss on the transaction. On the other hand, if assets do not meet the definition of a 'business', the investor recognises profit or loss excluding the portion constituting interests of other investors. The amendments were published on 11 September 2014. The effective date of the amended regulations has not been determined by the International Accounting Standards Board. As at the date of these interim condensed consolidated financial statements, the approval of this amendment has been postponed by the European Union.
- ✓ Amendments to references to the Conceptual Framework in IFRS Standards. Amendments to references to the Conceptual Framework in IFRS Standards will become effective as of 1 January 2020.

Effective dates are dates resulting from the content of standards issued by the International Financial Reporting Council. The dates of the adoption of standards in the European Union may differ from the dates of adoption resulting from the content of standards and are announced at the time of authorising them for adoption by the European Union.

The Group is currently analysing how the adoption of the aforementioned standards and interpretations may affect the Group's financial statements and accounting policies.

8. Non-typical items having significant impact on assets, liabilities, equity, financial performance and cash flows

On 28 June 2019, the General Meeting of Shareholders adopted Resolution No. 15 on the allocation of net profit of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. for the financial year 2018 of PLN 17,442 thousand. A portion of the net profit, i.e. PLN 11,400 thousand, with the dividend of PLN 0.12 per share, was allocated to the payment of the dividend, while the rest of the net profit of PLN 6,042 thousand was allocated to the Company's reserve capital. The record date was set for 8 July 2019 and the dividend payment date for 27 September 2019.

As a result, the dividend was paid to shareholders in the reporting period, which has had material impact on the Issuer's assets, liabilities, equity, financial performance and cash flows.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

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

In the reporting period, the Group did not change accounting policies and did not correct errors from previous years.

In connection with the adoption of IFRS 16, the Group has changed the presentation of advances for the lease of agricultural holdings. From 01.01.2019, they have been presented in the consolidated statement of financial position as rights to assets (in previous reporting periods, advances for the lease were presented as long-term advances).

For the purpose of data comparability, long-term advances as at 31.12.2018 and 30.09.2018 have been presented in these consolidated quarterly financial statements as rights to assets.

10. 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.

11. Estimates

In the reporting period, the Group did not conduct impairment tests for non-current assets, since there were no indications of any such 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 were recognised on the basis of actuarial calculations as at 30.06.2019.

Provisions for unused annual leaves were updated on the basis of expected remunerations of employees including adds-on for the employer for annual leaves unused as at 30.09.2019.

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 update was made on 31 December 2018.

12. Acquisition and sales of property, plant and equipment

In the period of three quarters of 2019, the Group acquired property, plant and equipment for PLN 23,010 thousand. The purchases mainly concerned the modernisation of machinery and production devices.

The Group sold non-current assets for PLN 1,455 thousand.

13. Significant commitments made to purchase non-current assets

In the period of three quarters of 2019, no loan agreements to purchase non-current assets were concluded.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

14. Inventories

INVENTORIES	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
a) materials	7,618	6,166	6,814
b) semi-finished products and work in progress	377	703	455
c) finished products	37,769	67,120	36,599
d) trade goods	3,403	4,687	3,856
Gross inventories	49,167	78,676	47,724
Write-downs	(597)	(611)	(382)
Net inventories	48,570	78,065	47,342

Inventories recognised as an expense in the reporting period amounted to PLN 115,066 thousand (the third quarter of 2018: PLN 122,293 thousand).).

15. Biological assets

Since March 2014, PEPEES S.A. has leased an agricultural holding that was sown with annual plants, and, since March 2018, new land that has 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 5,238 thousand; revenue from agricultural activities to PLN 1,855 thousand; and the fair value of inventories to PLN 918 thousand and of biological assets less costs to sell to ca. PLN 133 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:	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
a) up to 1 month	16,429	15,437	12,536
b) over 1 month up to 3 months	12,196	8,064	15,198
c) over 3 months up to 6 months	-	-	930
d) over 6 months up to 1 year	156	152	-
e) over 1 year	83	-	12
f) past due receivables	3,871	5,013	2,957
Total (gross) trade receivables	32,735	28,666	31,633
- write-downs of trade receivables	(1,040)	(1,015)	(946)
Total (net) trade receivables	31,695	27,651	30,687

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.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

17. Trade payables

LIABILITIES	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
- trade payables, falling due:	31,591	13,063	25,642
- up to 12 months	31,591	13,063	25,642
- overdue more than 180 days	-		-

18. Litigation settlements

As at the balance sheet date, the following litigations remain unresolved:

- a lawsuit filed by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych w Warszawie against PEPEES S.A. to repeal or to declare the invalidity of resolutions Nos. 24-29 adopted on 28.06.2019 by the Annual General Meeting of Shareholders, including resolution No. 28, on the amendment to the Company's Articles of Association and authorising the Company's Board of Directors to increase the Company's share capital within the limits of the authorised capital, with the possibility of depriving existing shareholders by the Board of Directors of all or part of their pre-emptive rights with the consent of the Company's Supervisory Board.
- a lawsuit filed by the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A. to confirm that the Company's shareholder: EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which—according to the information available to the Company—holds 27,714,832 shares, due to the breach of the obligation to notify of the acquisition of qualifying holdings pursuant to Article 89(1)(1) of the Polish Act on public offering and the conditions for introducing financial instruments to an organised trading system, and on public companies—has lost and may not exercise its voting rights attached to 21,402,233 shares.

Within the remaining scope, 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 subsidiaries.

19. Outstanding loans and borrowings

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

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

Non-current and current liabilities

No.	Loan type	Borrower	Lending bank	Contractual loan amount	Outstanding loan /borrowing amount	Repayment date
1	Overdraft facility	Pepees S.A.	Santander Bank Polska S.A.	4,000	0	31.08.2020
2	Revolving loan	Pepees S.A.	Santander Bank Polska S.A.	10,000	0	31.08.2020
3	Working capital loan	Pepees S.A.	Santander Bank Polska S.A.	16,500	6,074	31.08.2020
4	Overdraft facility	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	0	31.08.2020
5	Revolving loan	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	0	31.08.2020
6	Working capital loan for the purchase of potatoes	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	16,500	1,018	31.08.2020
7	Investment loan for the construction of a starch drying room, an unloading node and a water treatment unit	Pepees S.A.	BNP Paribas Bank Polska S.A.,	9,822	3,347	25.02.2022
8	Investment loan to upgrade dust removal system of coal boilers	Pepees S.A.	BOŚ	1,200	349	31.12.2020
9	Investment loan to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o. o.	Pepees S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	8,650	30.06.2025
10	Overdraft facility	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	750	0	31.08.2020
11	Revolving loan	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	3,000	584	31.08.2020
12	Working capital loan for the purchase of potatoes	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	2,000	542	31.08.2020
13	Overdraft facility	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	750	0	31.08.2020
14	Revolving loan	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	3,000	389	31.08.2020
15	Working capital loan for the purchase of potatoes	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	2,000	447	31.08.2020
16	Overdraft facility	Bronisław S.A.	Santander Bank Polska S.A.	750	615	31.08.2020
17	Revolving loan	Bronisław S.A.	Santander Bank Polska S.A.	5,000	2,966	31.08.2020
18	Working capital loan	Bronisław S.A.	Santander Bank Polska S.A.	10,000	1,659	31.08.2020
19	Investment loan	Bronisław S.A.	Santander Bank Polska S.A.	800	351	30.11.2021
20	Overdraft facility	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	750	0	31.08.2020
21	Revolving loan	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	5,000	0	31.08.2020

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

No.	Loan type	Borrower	Lending bank	Contractual loan amount	Outstanding loan /borrowing amount	Repayment date
22	Working capital loan	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,000	0	31.08.2020
23	Investment loan	Bronisław S.A.	BOŚ Bank	8,456	7,751	31.12.2027
24	Syndicated investment loan	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo and Bank Spółdzielczy in Ostrowia Mazowiecka	12,830	9,643	31.12.2023
25	Working capital loan associated with conducted business activities	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	800	115	31.12.2019
26	Working capital loan to finance current liabilities	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	3,000	1,874	31.05.2022
27	Working capital loan related to conducted business activity	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	2,500	1,133	31.08.2021
28	Working capital loan associated with conducted business activities	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	300	75	15.12.2019
29	Working capital loan related to conducted business activity	CHP Energia Sp. z o.o.	Spółdzielczy Bank Rozwoju in Szepletowo	1,000	1,000	14.09.2020
Total			PLN	155,238	48,582	

In the reporting period, no terms and conditions of loan agreements were violated. All loans are repaid in accordance with the schedules included in the agreements.

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	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
Revenue from the sales of products to subsidiaries	98	855	34	146
Revenue from the sales of trade goods and materials to subsidiaries	1,816	2,067	1,872	1,872
Revenue from the sales of services	93	252	81	234
Revenue from the sales of fixed assets to subsidiaries	-	28	-	-
Total revenue from related parties	2,007	3,202	1,987	2,252

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 GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

b) Purchases of trade goods and services

Types of purchases	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
Purchases of products from subsidiaries	1,773	6,720	1,819	5,666
Purchases of trade goods from subsidiaries	14	14	-	-
Purchases of services from subsidiaries	18	158	77	281
Purchases of property, plant and equipment from subsidiaries	136	2,476	-	-
Total purchases from related parties	1,941	9,368	1,896	5,947

c) Other transactions

Specification	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
Interest on granted loans	77	278	149	389
Total	77	278	149	389

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

Settlements with subsidiaries	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
Receivables – ZPZ “LUBLIN” Sp. o.o.	-	-	-
Receivables – PPZ “BRONISLAW” S.A.	1,654	1,241	1,402
Receivables – CHP Energia Sp. o.o.	898	371	761
Advances – CHP Energia Sp. z o.o.	461	461	424
Receivables – GR Ponary Sp. z o.o.	1	1	1
Receivables – Pepees Inwestycje Sp. o.o. (OZENERGY)	6	5	5
Liabilities – ZPZ “LUBLIN” Sp. z o.o.	310	82	129
Liabilities – PPZ “BRONISLAW” S.A.	1	19	-
Liabilities – CHP Energia Sp. z o.o.	-	-	31
Liabilities – GR Ponary Sp. z o.o.	13	-	13
Balance of settlements with related parties	2,696	1,978	2,420

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

e) Balance of settlements related to cash loans

Cash loans granted to subsidiaries	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
PPZ "BRONISŁAW" Sp. z o.o.	-	-	3,000
ZPZ "LUBLIN" Sp. z o.o.	2,500	3,000	3,000
CHP Energia Sp. z o.o.	4,754	4,905	4,849
GR Ponary Sp. z o.o.	552	553	553
Pepees Inwestycje Sp. z o.o. (OZENERGY)	-	1,465	1,475
Balance of settlements with related parties	7,806	9,923	12,877

20.2 The Issuer's transactions with shareholders

In the reporting period, there were no transactions between the Parent and shareholders.

20.3 The Issuer's transactions with the key management and supervisory personnel

a) Benefits for the key management personnel (Members of the Board of Directors) and Members of the Supervisory Board

Specification	For the period of 9 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2018
Short-term employee benefits	1,918	1,326
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	1,918	1,326

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.

21. Changes in estimates

a) Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	For the period of 9 months ended on 30 September 2019	For the period of 12 months ended on 31 December 2018	For the period of 9 months ended on 30 September 2018
Opening balance	1,093	1,082	1,082
a) increases (due to)	15	236	73
- recognition for doubtful trade receivables	15	135	-
- recognition for interest receivable	-	24	-
- recognition for receivables in litigation	-	77	73

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	For the period of 9 months ended on 30 September 2019	For the period of 12 months ended on 31 December 2018	For the period of 9 months ended on 30 September 2018
b) decreases (due to)	67	225	126
- reversal of provisions due to payment	54	110	109
- utilisation due to the writing-off and sale of receivables	13	4	-
- cancellations	-	111	17
Write-downs at the end of the period, including:	1,041	1,093	1,029

b) Write-downs of inventories

MOVEMENTS ON WRITE-DOWNS OF INVENTORIES	For the period of 9 months ended on 30 September 2019	For the period of 12 months ended on 31 December 2018	For the period of 9 months ended on 30 September 2018
Opening balance	611	433	423
a) increases (due to)	317	229	-
- write-downs to net realisable value	317	229	-
- impairment loss for materials	-	-	-
b) decreases (due to)	331	51	51
- utilisation	-	-	-
- reversals of write-downs	331	51	51
Closing balance of write-downs of inventories	597	611	382

c) Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	For the period of 9 months ended on 30 September 2019	For the period of 12 months ended on 31 December 2018	For the period of 9 months ended on 30 September 2018
a) opening balance	2,677	2,576	2,576
- retirement benefits	550	468	468
- jubilee benefits	2,127	2,108	2,108
b) increases (due to)	519	468	135
- retirement benefits	46	116	11
- jubilee benefits	473	352	124
c) utilisation (due to)	287	345	118
- retirement benefits	3	22	-
- jubilee benefits	284	323	118
d) reversal (due to)	-	22	-
- retirement benefits	-	12	-
- jubilee benefits	-	10	-
d) closing balance	2,910	2,677	2,593
- retirement benefits	594	550	479
- jubilee benefits	2,316	2,127	2,114

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

22. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	For the period of 9 months ended on 30 September 2019	For the period of 12 months ended on 31 December 2018	For the period of 9 months ended on 30 September 2018
a) opening balance	3,816	1,978	1,978
- grants related to property, plant and equipment	622	625	625
- provisions for services performed by contractors	24	31	31
- loan subsidies	-	8	8
- fee for the use of the environment	96	123	123
- provisions for holiday pays	753	616	616
- greenhouse gas emission allowance	942	305	305
- bonuses for the Board of Directors and employees	1,379	270	270
b) increases (due to)	2,704	2,192	990
- provision for used CO ₂ emission allowances	1,248	637	280
- fee for the use of the environment	55	96	56
- provisions for holiday pays	157	326	175
- provisions for services performed by contractors	18	24	18
- bonuses for the Board of Directors and employees	1,226	1,109	461
c) utilisation (due to)	2,759	354	331
- fee for the use of the environment	96	123	123
- provisions for holiday pays	318	189	167
- provision for used CO ₂ emission allowances	942	-	-
- provision for services performed by contractors	24	31	31
- grants related to property, plant and equipment	-	3	3
- loan subsidies	-	8	7
- bonuses for the Board of Directors and employees	1,379	-	-
e) closing balance	3,761	3,816	2,637
- grants related to property, plant and equipment	622	622	622
- loan subsidies	-	-	1
- provision for used CO ₂ emission allowances	1,248	942	585
- fee for the use of the environment	55	96	56
- provisions for holiday pays	592	753	624
- bonuses for the Board of Directors and employees	1,226	1,379	731
- provisions for services performed by contractors	18	24	18

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

23. Deferred income tax

DEFERRED TAX LIABILITIES	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
The difference between the carrying amount and the tax value of property, plant and equipment	5,669	5,836	6,069
Investment valuation	548	548	-
Unrealised foreign exchange differences	10	2	39
Interest payable but not received	22	80	44
Other	4	4	5
Total deferred tax liabilities	6,253	6,470	6,157

DEFERRED TAX ASSETS	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
Outstanding remunerations	163	137	126
Outstanding obligations	8	-	-
Provision for unused annual leaves	94	123	98
Retirement and jubilee benefits	552	508	501
Unrealised foreign exchange differences	25	62	53
Write-downs of inventories	65	78	35
Write-downs of interests	565	565	565
Lease payables	1,064	1,095	1,226
Consolidation adjustments – retained earnings	(564)	(500)	(536)
Provision for benefits	-	-	3
Provision for bonuses for the Board of Directors and employees	233	262	139
Retirement of CO ₂ emission allowances	237	179	111
Assets valuation	2,428	2,428	2,450
Tax loss	-	26	44
Other	3	6	-
Total	4,873	4,969	4,815

24. Contingent assets and liabilities

MOVEMENT ON CONTINGENT ASSETS (BY TITLES)	For the period of 9 months ended on 30 September 2019	For the period of 12 months ended on 31 December 2018	For the period of 9 months ended on 30 September 2018
a) opening balance, including:	28,731	13,603	13,603
- value of land used under the right of perpetual usufruct	12,936	13,603	13,603
- surety of GR PONARY for investment loan	15,795	-	-
b) increases (due to)	-	26,203	15,795
- value of land used under the right of perpetual usufruct	-	10,408	-
- surety of GR PONARY for investment loan	-	15,795	15,795
c) utilisation (due to)	-	-	-
d) closing balance, including:	28,731	39,806	29,398
- value of land used under the right of perpetual usufruct	12,936	24,011	13,603
- surety of GR PONARY for investment loan	15,795	15,795	15,795

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	For the period of 9 months ended on 30 September 2019	For the period of 12 months ended on 31 December 2018	For the period of 9 months ended on 30 September 2018
a) opening balance, including:	32,142	19,052	19,052
- liabilities related to non-competition agreements	1,224	818	818
- loan sureties to related parties	30,918	18,234	18,234
b) increases (due to)	522	13,090	13,148
- liabilities related to non-competition agreements	222	406	464
- loan sureties to related parties	300	12,684	12,684
c) closing balance, including:	32,664	32,142	32,200
- liabilities related to non-competition agreements	1,446	1,224	1,282
- loan sureties to related parties	31,218	30,918	30,918

25. The issue, redemption and repayment of non-equity and equity securities

In the reporting period, there was no issue, redemption or repayment of non-equity or equity securities.

26. Dividend

On 28 June 2019, the Annual General Meeting of Shareholders of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. adopted Resolution No. 15 on the distribution of net profit for the financial year 2018 of PLN 17,442 thousand in such a way that a portion of the profit, i.e. PLN 11,400 thousand, is allocated to the payment of the dividend of PLN 0.12 per share, while the rest of the profit of PLN 6,042 thousand is allocated to the Company's reserve capital.

The date of the establishment of the list of shareholders entitled to dividend payment (the record date) was set for 8 July 2019 and the dividend payment date for 27 September 2019. The dividend was paid when due.

27. Segment reporting

27.1. Products and services

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)'.

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;

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

- 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.

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.

27.2 Segment revenue and results

Specification	Revenue		Profit	
	For the period of 9 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2018
Processing of potatoes	175,188	168,156	30,549	16,761
- including inter-segmental	8	-	-	-
Power generation	5,795	6,140	(1,018)	(795)
- including inter-segmental	876	-	-	-
Other	284	-	-	-
Total sales revenue	180,383	174,296	29,531	15,966
Other operating income			780	891
Other operating expenses			(682)	(679)
Finance income			853	582
Finance costs			(2,489)	(2,170)
Profit (loss) before tax			27,993	14,590

Due to the fact that in 2019 GR Ponary Sp. z o.o. 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.

27.3 Segment assets and liabilities

Segment assets	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
Processing of potatoes	270,364	297,327	223,825
Power generation	13,783	17,297	23,716
Growing of crops combined with farming of animals (mixed farming)	19,373	19,301	21,310
Total segment assets	303,520	333,925	268,851

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

Segment liabilities	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
Processing of potatoes	106,777	145,858	93,013
Power generation	19,572	21,591	22,499
Growing of crops combined with farming of animals (mixed farming)	-	-	-
Total segment liabilities	126,349	167,449	115,512

All assets and liabilities of CHP Energia Sp. z o.o. are allocated to the ‘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.

Due to the value of land owned by GR Ponary Sp. z o.o., the third segment has been separated in these financial statements only to present its assets and liabilities.

27.4 Other segment information

Segment	Depreciation/Amortisation		Increase in non-current assets	
	For the period of 9 months ended on 30 September 2019 31 December 2012	For the period of 9 months ended on 30 September 2018 31 December 2012	For the period of 9 months ended on 30 September 2019 31 December 2012	For the period of 9 months ended on 30 September 2018 31 December 2012
Processing of potatoes	8,284	7,524	22,794	20,826
Power generation	1,191	1,314	216	207
Total for continuing operations	9,475	8,838	23,010	21,033

27.5 Revenue by products

Product name	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
Starch	35,216	110,334	39,021	106,358
Protein	497	5,270	2,595	7,159
Glucose	2,432	7,348	2,661	8,391
Maltodextrin	4,795	14,963	4,858	15,166
Starch syrups	1,628	4,713	1,296	4,422
Dried potato-based products (grits, flakes, cubes)	3,627	13,482	4,730	13,338
Feeds and fertilizers	283	638	344	519
Power	968	2,670	247	651
Property rights (power and heat)	672	2,067	885	2,596
Trade goods and materials	2,434	17,740	580	14,788
Services	744	1,158	322	908
Total	53,296	180,383	57,539	174,296

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

27.6 Sales revenue by territories

Specification	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
Poland, including	35,286	119,191	35,320	115,003
Starch	20,916	62,439	23,780	57,187
Protein	277	3,774	1,492	3,638
Glucose	2,177	6,729	2,439	7,657
Maltodextrin	3,941	12,002	4,202	13,229
Starch syrups	1,628	4,713	1,296	4,422
Dried potato-based products (grits, flakes, cubes)	3,537	12,648	4,601	13,169
Animal feedingstuff	283	638	344	519
Power	968	2,670	(1,464)	651
Property rights (power and heat)	672	2,067	1,103	2,596
Trade goods and materials	143	10,353	(2,794)	11,027
Services	744	1,158	321	908
EU countries - intra-Community supplies, including:	3,155	15,674	4,803	14,327
Starch	2,041	10,743	3,251	10,177
Protein	100	693	709	1,866
Maltodextrin	781	2,869	647	1,926
Glucose	143	396	66	163
Dried potato-based products (grits, flakes, cubes)	90	823	130	169
Trade goods	-	150	-	26
Other countries – export	14,855	45,518	17,416	44,966
Starch	12,259	37,152	15,337	38,994
Protein	120	803	394	1,655
Glucose	112	223	156	571
Maltodextrin	73	92	9	11
Dried potato-based products (grits, flakes, cubes)	-	11	-	-
Trade goods	2,291	7,237	1,520	3,735
Total	53,296	180,383	57,539	174,296

27.7 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:

- over 51% of maltodextrin sold to three Polish customers (28.9%, 11.3% and 11.1% respectively);
- 57% of protein sold to two Polish customers (39% and 18% respectively);
- over 13.6% of glucose sold to one Polish customer.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

**28. In the case of financial instruments at fair value
– information on the change of the manner (method) of its determination**

In the period of 9 months ended on 30 September 2019, the Group did not change the principles concerning the determination of the fair value of financial instruments. The same principles and methods of valuation were followed as for the preparation of the consolidated financial statements of the Group for the year ended on 31 December 2018.

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

In the reporting period, there were no changes in the classification of financial assets as a result of a change of their purpose or use.

30. Information on changes in the economic situation and conditions for conducting business activity that have a significant impact on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are carried at fair value or at amortised cost

In the reporting period, there was no change in the economic situation and conditions for conducting business activity affecting the fair value of financial assets and financial liabilities of the Group.

31. Other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Group

In the reporting period, all events and information affecting the assets and financial standing have been presented in these financial statements. The Group does not have any other information which may have significant impact on the assessment of the assets, financial standing and financial performance of the Group.

32. Important events after the reporting period

There were no important events after the reporting period that would have to be recognised in these interim condensed financial statements.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

C. QUARTERLY FINANCIAL INFORMATION OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO “PEPEES” SPÓŁKA AKCYJNA FOR THE PERIOD OF 9 MONTHS ENDED ON 30 SEPTEMBER 2019

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

presented below, comprising:

1. Statement of Financial Position
2. Income Statement and the Statement of Other Comprehensive Income
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Notes

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
I.	Non-current (long-term) assets	153,059	134,271	128,796
1.	Property, plant and equipment	104,533	95,368	94,850
2.	Intangible assets	216	534	384
3.	Rights to assets	16,970	8,212	8,404
4.	Investment properties	400	-	-
5.	Investments in subsidiaries	26,787	26,632	21,632
6.	Investments in other entities	613	113	113
7.	Loans granted	-	-	700
8.	Long-term advances	150	-	-
9.	Deferred tax assets	3,390	3,412	2,713
II.	Current (short-term) assets	87,844	123,505	92,534
1.	Inventories	35,660	52,180	35,432
2.	Biological assets	133	330	219
3.	Trade receivables	27,524	23,791	25,008
4.	Other receivables	3,771	3,866	4,680
5.	Advances	5,221	1,309	4,914
6.	Loans granted	6,252	8,412	13,112
7.	Other financial assets	5,530	5,436	2,823
8.	Cash and cash equivalents	3,753	28,181	6,346
	Total assets	240,903	257,776	221,330

	EQUITY AND LIABILITIES	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
I.	Equity	162,991	156,700	148,578
1.	Share capital	5,700	5,700	5,700
2.	Reserve capital and other reserves	139,626	133,584	133,584
3.	Revaluation reserve	(44)	(26)	(26)
4.	Profit/loss for the year	17,709	17,442	9,320
II.	Non-current liabilities	31,224	26,611	27,879
1.	Loans and borrowings	9,177	11,554	12,472
2.	Liabilities related to leased assets	11,658	4,601	5,321
3.	Deferred tax liability	6,115	6,350	6,038
4.	Retirement and similar benefits obligations	2,129	1,888	1,806
5.	Grants	2,145	2,218	2,242
III.	Current liabilities	46,688	74,465	44,873
1.	Trade payables	24,259	8,623	19,270
2.	Current income tax liabilities	2,541	1,362	-
3.	Other current liabilities	3,059	2,263	2,505
4.	Loans and borrowings	10,261	56,204	18,383
5.	Liabilities related to leased assets	3,368	2,670	2,540
6.	Retirement and similar benefits obligations	166	202	235
7.	Provisions for other liabilities and other charges	3,034	3,141	1,940
	Total equity and liabilities	240,903	257,776	221,330

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

**INCOME STATEMENT AND THE STATEMENT OF OTHER
COMPREHENSIVE INCOME**

No.	Specification	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
I	Sales revenue	39,795	132,778	42,822	126,068
1.	Revenue from the sales of products	36,148	113,267	39,663	110,188
2.	Revenue from the sales of services	254	491	241	514
3.	Revenue from the sales of trade goods and materials	3,393	19,020	2,918	15,366
II	Cost of sales	(27,164)	(85,588)	(30,589)	(90,838)
1.	Cost of products sold	(23,050)	(66,239)	(26,717)	(74,325)
2.	Cost of services sold	(118)	(322)	(159)	(341)
3.	Costs of trade goods and materials sold	(2,705)	(15,643)	(2,609)	(14,161)
4.	Profit/loss from agricultural production	(1,291)	(3,384)	(1,104)	(2,011)
III	Gross profit (loss) from sales (I-II)	12,631	47,190	12,233	35,230
1.	Selling and marketing expenses	(2,251)	(6,355)	(2,658)	(6,682)
2.	Administrative expenses	(6,655)	(18,261)	(5,587)	(16,433)
3.	Other operating income	53	357	162	376
4.	Other operating expenses	(129)	(333)	60	(439)
IV	Profit (loss) on operating activities	3,649	22,598	4,210	12,052
1.	Finance costs	(340)	(1,475)	(364)	(1,232)
2.	Finance income	786	1,623	289	1,232
V	Profit (loss) before tax	4,095	22,746	4,135	12,052
VI	Income tax expense	(738)	(5,037)	(902)	(2,732)
VII	Net profit (loss)	3,357	17,709	3,233	9,320
VIII	Other comprehensive income	-	(18)	-	146
1.	Effects of the valuation of financial assets available-for-sale	-	-	-	-
2.	Revaluation of employee benefit liabilities	-	(18)	-	146
IX	Total comprehensive income, including	3,357	17,691	3,233	9,466
X	Net earnings (loss) per share	0.04	0.19	0.03	0.10

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 3 months ended on 31 March 2019
(in PLN 000s)

STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/loss	Total equity
As at 1 January 2018	5,700	51,950	(172)	69,315	12,319	139,112
Changes in three quarters of 2018						
Distribution of profit for 2017	-	-	-	12,319	(12,319)	-
Net profit (loss) for the period	-	-	-	-	9,320	9,320
Other comprehensive income for the year (net)	-	-	146	-	-	146
Other changes in equity	-	-	-	-	-	-
As at 30 September 2018	5,700	51,950	(26)	81,634	9,320	148,578
Changes in 2018	-	-	146	12,319	5,123	17,588
Distribution of profit for 2017	-	-	-	12,319	(12,319)	-
Net profit (loss) for the period	-	-	-	-	17,442	17,442
Other comprehensive income for the year (net)	-	-	146	-	-	146
As at 31 December 2018	5,700	51,950	(26)	81,634	17,442	156,700
As at 1 January 2019	5,700	51,950	(26)	81,634	17,442	156,700
Distribution of profit for 2018, including:						
- increase in reserve capital	-	6,042	-	-	(6,042)	-
- transactions with owners (dividend)	-	-	-	-	(11,400)	(11,400)
Net profit (loss) for the period	-	-	-	-	17,709	17,709
Other comprehensive income for the year (net)	-	-	(18)	-	-	(18)
As at 30 September 2019	5,700	57,992	(44)	81,634	17,709	162,991

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

No.	STATEMENT OF CASH FLOWS	For the period of 3 months ended on 30 September 2019	For the period of 9 months ended on 30 September 2019	For the period of 3 months ended on 30 September 2018	For the period of 9 months ended on 30 September 2018
A.	Cash flows from operating activities - indirect method				
I	Profit (loss) before tax	4,095	22,746	4,135	12,052
II	Total adjustments	8,568	28,838	2,398	25,357
1.	Depreciation/Amortisation	2,516	7,429	2,561	6,915
2.	Foreign exchange (gains) losses	(50)	(3)	(164)	(190)
3.	Interest and share of profit (dividend)	109	396	159	785
4.	(Profit) loss from investing activities	(2)	(178)	(1)	(99)
5.	Net increase/decrease in provisions	209	98	(108)	647
6.	Net increase/decrease in inventories	(8,468)	16,520	(9,545)	20,954
7.	Net increase/decrease in biological assets	2,015	197	2,032	(219)
8.	Net increase/decrease in receivables	(3,115)	(3,638)	(1,396)	(5,805)
9.	Net increase/decrease in current liabilities, except for loans and borrowings	15,162	16,432	8,282	11,597
10.	Net increase/decrease in prepayments and accruals	-	-	-	-
11.	Net increase/decrease in advances	1,527	(4,062)	1,491	(3,060)
12.	Income tax expense	(1,015)	(4,067)	(1,114)	(5,727)
13.	Net increase/decrease in grants	(24)	(73)	(25)	(70)
14.	Net increase/decrease in accrued interest on loans and fees and commissions	(97)	(140)	121	(191)
15.	Net increase/decrease in other financial assets	-	-	-	-
16.	Other adjustments	(199)	(73)	105	(180)
III	Net cash flows from operating activities	12,663	51,584	6,533	37,409
B.	Cash flow from investing activities				
I	Proceeds	2,131	3,234	1,076	1,334
1.	Disposal of intangible assets and property, plant and equipment	93	370	1	129
2.	Repayments of cash loans	2,038	2,800	1,075	1,205
3.	Proceeds from bonds	-	64	-	-
II	Expenses	15,971	27,830	4,597	21,878
1.	Acquisition of intangible assets and property, plant and equipment	4,571	15,780	4,597	9,918
2.	Acquisition of shares	-	-	-	3,510
3.	Purchase of securities	-	500	-	3,000
4.	Purchase of property rights	-	-	-	-
5.	Loans granted	-	150	-	5,450
6.	Dividends and other payments to shareholders	11,400	11,400	-	-
III	Net cash flows from investing activities	(13,840)	(24,596)	(3,521)	(20,544)
C.	Cash flow from financing activities				
I	Proceeds	7,108	7,152	10,123	13,878
1.	Loans and borrowings	7,092	7,092	10,123	13,598
2.	Received additional payments	16	60	-	280
II	Expenses	22,589	58,536	16,788	54,188
1.	Repayments of loans and borrowings	21,566	55,377	15,958	51,316
2.	Interest on loans and borrowings	212	764	159	785
3.	Lease payments	811	2,395	671	2,087
III	Net cash flows from financing activities (I-II)	(15,481)	(51,384)	(6,665)	(40,310)
D.	Total net cash flows (A.III+/-B.III+/-C.III)	(16,658)	(24,396)	(3,653)	(23,445)
F.	Opening balance of cash	20,401	28,139	4,797	24,589
G.	Closing balance of cash (F+/-D)	3,743	3,743	1,144	1,144
	- including restricted cash	-	-	-	-

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

NOTES

1. Accounting policies

The figures for the Quarterly Financial Information for the period of 9 months ended on 30 September 2019 have been prepared with the application of the same accounting policies as those applied in the most recent annual financial statements.

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

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not change the accounting policies and did not correct errors from previous periods.

In connection with the adoption of IFRS 16, the Company has changed the presentation of advances for the lease of agricultural holdings. From 01.01.2019, they have been presented in the statement of financial position as rights to assets (in previous reporting periods, advances for the lease were presented as long-term advances).

For the purpose of data comparability, long-term advances as at 31.12.2018 and 30.09.2018 have been presented in this Quarterly Financial Information as rights to assets.

3. Contingent liabilities or contingent assets

a) Contingent assets

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. holds, pursuant to the right of perpetual usufruct, 493,591 m² of land; its value as at 31.12.2018 resulting from the decision on the annual fee for 2019 amounts to PLN 20,290 thousand (31.12.2017: PLN 10,822 thousand). The Company filed four appeals against the decisions of the Mayor of Łomża received on 31.12.2018 on the increase in amounts of annual fees for land used under the right to perpetual usufruct. At the hearing of 27.02.2019, the Local Government Board of Appeals dismissed all four appeals, indicating in the justification that it did not find any grounds for repealing the Mayor's decision.

The Company pays the annual fee of 3% of the land value. The fee for 2019 will amount to PLN 602 thousand. The fee for 2018 amounted to PLN 327 thousand, while in the previous year it was PLN 325 thousand.

"PEPEES" S.A. received from its related party GR Ponary Sp. z o.o. a surety of PLN 15,795 thousand, which is the security for an investment loan granted by PKO Bank Polski S.A. to finance and refinance the acquisition of 100% of shares in Gospodarstwo Rolne Ponary Sp. z o.o.

b) Contingent liabilities

In previous periods, the Company granted its surety for the loan granted by SBR Bank to the related party CHP Energia Sp. z o.o. up to PLN 18,234 thousand. In addition, the Company granted its surety for the loan granted by BOŚ S.A. to the related party PPZ "BRONISŁAW" S.A. up to PLN 12,684 thousand.

"PEPEES" S.A. receives subsidies to the interest rates of investment loans. In the case of the failure to satisfy the terms of loan agreements, e.g.

- the failure to pay repayment instalments and interest by the dates set in agreements;
- the failure to complete investment projects as planned;
- using the loan contrary to its intended purpose;

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

the subsidies must be returned. The Company will meet the aforementioned conditions, as the investment projects have already been completed as planned; the loans have been used for their intended purpose; and the instalments and interest are paid by the Company as scheduled.

There may be payables arising from non-competition agreements after termination of employment. Such agreements have been 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 1,155 thousand.

4. Related party transactions**a) Transactions between “PEPEES” S.A. in Łomża and ZPZ “LUBLIN” Sp. z o.o. in Lublin**

In the reporting period, the Issuer purchased from the subsidiary starch and potato grits for the production of syrups. The total value of purchases from ZPZ “LUBLIN” Sp. z o.o. amounted to PLN 1,668 thousand. “PEPEES” S.A. sold to ZPZ “LUBLIN” Sp. z o.o. starch and maltodextrin for PLN 121 thousand and leases a flakes production line; the rent for one month of the lease is PLN 23.5 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 2.5 million, on which ZPZ “LUBLIN” Sp. z o.o. paid PLN 94 thousand of interest to the Issuer.

b) Transactions between “PEPEES” S.A. in Łomża and PPZ “BRONISŁAW” S.A.

In the reporting period, the Parent purchased from its subsidiary PPZ “BRONISŁAW” S.A. potato starch for PLN 4,919 thousand and a storage service and warehouse lease for PLN 21 thousand. And, in the period of three quarters of 2019, the Issuer sold to the related party potatoes for processing for PLN 1,494 thousand, potato starch for PLN 734 thousand, provided vehicle rental and storage services for PLN 13 thousand and sold a fixed asset for PLN 28 thousand. In the period of 9 months of 2019, the subsidiary paid to the Parent interest and fees on sureties of PLN 95 thousand.

As at the balance sheet date, there is a balance of receivables of PLN 1,665 thousand and of liabilities of PLN 1 thousand.

c) Transactions between “PEPEES” S.A. in Łomża and CHP Energia Sp. z o.o.

In the three quarters of 2019, “PEPEES” S.A. purchased from CHP Energia Sp. z o.o.: bio-compost, the beet pulp and post-substrate storage service, the by-product and wastewater collection service and the yard rental service. In addition, it purchased fixed assets. The total value of purchases amounted to PLN 2,760 thousand.

PEPEES S.A. in the analysed period sold to an associated company potato pulp, pressed beet pulp for PLN 573 thousand and lease, rental and bookkeeping services for PLN 20 thousand.

As at the balance sheet date, there is a balance of outstanding loans of PLN 4,754 thousand, of trade receivables of PLN 898 thousand, of receivables due to fees for sureties of PLN 863 thousand and of receivables due to an advance of PLN 461 thousand and of liabilities of PLN 9 thousand.

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

d) Transactions between “PEPEES” S.A. in Łomża and Gospodarstwo Rolne Ponary Sp. z o.o.

“PEPEES” S.A. sold to its subsidiary GR Ponary Sp. z o.o. services for PLN 8 thousand. And, in previous periods, GR Ponary Sp. z o.o. granted to the Parent a loan surety, for which, in the period of three quarters of 2019, fees of PLN 118 thousand were charged. In addition, GR Ponary paid interest to the Issuer of PLN 14 thousand on the loan granted. The amount of the outstanding loan as at the balance sheet date was PLN 552 thousand and of trade receivables was PLN 1 thousand, and of liabilities was PLN 13 thousand.

e) Transactions between “PEPEES” S.A. in Łomża and Pepees Inwestycje Sp. z o.o.

In the reporting period, “PEPEES” S.A. charged interest to Pepees Inwestycje of PLN 35 thousand on the granted loan.

The balance of receivables was PLN 6 thousand.

5. Sureties and guarantees

In the reporting period, PEPEES S.A. issued one endorsement of 03.01.2019 to SBR in Szepietowo to repay a working capital loan of PLN 300 thousand granted to the subsidiary CHP Energia Sp. z o.o. The endorsement was issued until 15.12.2019.

In addition, as at the balance sheet date, the sureties granted and received in previous reporting periods remain valid.

Sureties granted by the Parent, i.e. PEPEES S.A. as at 30.09.2019:

The agreement of 9 June 2014 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the investment loan taken out by CHP Energia Sp. z o.o. The value of the investment loan taken by CHP Energia Sp. z o.o. amounts to PLN 12,830 thousand. Security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 12,224 thousand for the period until 25.05.2024.

The agreement of 14 September 2017 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the working capital loan taken out by CHP Energia Sp. z o.o. The value of the working capital loan taken by CHP Energia Sp. z o.o. amounts to PLN 3,000 thousand. The security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 2,800 thousand. (the amount of debt as at the endorsement day).

The agreement of 14 September 2017 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the working capital loan taken out by CHP Energia Sp. z o.o. The value of the working capital loan taken by CHP Energia Sp. z o.o. amounts to PLN 800 thousand. The security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 710 thousand (the amount of debt as at the endorsement day).

The agreement of 14 September 2017 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the working capital loan taken out by CHP Energia Sp. z o.o. The value of the working capital loan taken by CHP Energia Sp. z o.o. amounts to PLN 2,500 thousand. The security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 2,500 thousand.

The agreement of 30 July 2018 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and PPZ “BRONISŁAW” S.A. Pursuant to the agreement, PEPEES S.A. provides security for the Investment Loan from Foreign Credit Lines taken out by PPZ “BRONISŁAW” S.A.

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

The value of the investment loan taken out by PPZ "BRONISŁAW" S.A. amounts to PLN 8,456 thousand. The security granted by PEPEES S.A. is in the form of the statement on the submission to execution certified by a notary public up to PLN 12,684 thousand.

Sureties granted to the Parent, i.e. PEPEES S.A. as at 30.09.2019:

Short-term loans are secured with e.g. mortgages on the assets of the subsidiaries: ZPZ "LUBLIN" Sp. z o.o. and PPZ "BRONISŁAW" S.A.

The investment loan for the purchase of shares in Gospodarstwo Rolne PONARY is secured by a mortgage of PLN 15.8 million established on land properties of PONARY.

A compensation has been set for granted and received sureties, which is calculated on a monthly basis in accordance with the concluded agreements specifying the terms of such sureties.

In the reporting period and until the date of these financial statements, the companies of PEPEES Group have not granted any material loans, sureties or guarantees.

The total value of sureties or guarantees as at 30.09.2019 granted by PEPEES S.A. to entities from PEPEES Group amounts to PLN 31 million.

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

D. ADDITIONAL INFORMATION

1. Changes in the organisation of PEPEES Group

In the reporting period, there were no changes in the organisation of PEPEES Group.

2. Summary of activities in the reporting period

In the period of three quarters of 2019, PEPEES Group generated sales revenue of PLN 180,383 thousand as compared to the same period in the previous year – PLN 174,296 thousand, which denotes a 3.5% increase.

Lower growth rate of the cost of sales as compared to the previous year by 7.5% against an increase in the sales revenue growth rate resulted in the achievement of a satisfactory gross profit on sales of PLN 61,567 thousand, which means an increase by 34.2% as compared to the same period in the previous year.

Selling and marketing expenses in the period of three quarters of 2019 decreased by 1.2% as compared to the comparative period and general administrative expenses increased by 10.1%.

The balance of other operating activities in the period of 9 months of 2019 closed at plus PLN 98 thousand against plus PLN 212 thousand in the comparative period.

In turn, in the period from January to September 2019, the result on financing activities (understood as the balance of finance income less finance costs) deteriorated as compared to the corresponding item in the comparative period.

As a result of the above, gross profit after the period of three quarters of 2019 amounted to PLN 27,993 thousand against PLN 14,590 thousand of gross profit generated in the comparative period and the net profit in the period from January to September 2019 amounted to PLN 21,643 thousand against PLN 11,078 thousand of net profit in the corresponding period of 2018, i.e. it increased by 95.4%.

3. Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholder (GMS) of the Parent as at the date of publishing these financial statements

SHAREHOLDING	Number of shares	Percentage of share capital %	Number of votes	Percentage of total number of votes at GMS %
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27,714,832	29.17%	6,312,599	6.64%
Mr Michał Skotnicki**	21,399,174	22.53%	21,399,174	22.53%
Mr Maksymilian Maciej Skotnicki**	20,703,282	21.79%	20,703,282	21.79%
Mr Newth Jonathan Reginald	7,995,200	8.42%	7,995,200	8.42%
Richie Holding Ltd.	6,133,100	6.46%	6,133,100	6.46%
Others	11,054,412	11.63%	11,054,412	11.63%

* Due to the breach of the obligation to notify of the acquisition of qualifying holdings resulting from Polish Act of 29 July 2005 on public offering and the conditions for introducing financial instruments to an organised trading system, and on public companies, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (“Epsilon FIZ AN”), which, according to the information available to the Company, holds 27,714,832 shares of the Company, has lost and may not exercise its voting rights attached to 21,402,233 shares. Therefore, the Company’s Board of Directors filed a lawsuit with the Regional Court in Białystok to assert the facts. Epsilon FIZ AN takes a different position and maintains that it has the right to vote from 27,714,832 shares accounting for 29.17% of the total number of votes at the General Meeting of Shareholders. The Chairman of the Polish Financial Supervision Authority entered the case presenting their position on 24 July 2019. The Board of Directors is awaiting the final and valid court decision. The Company informed about the issue in current reports Nos. 13/2019, 14–23/2019 and 30/2019.

** Mr Maksymilian Maciej Skotnicki and Mr Michał Skotnicki are persons referred to in Article 87(4)(1) of the Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

to organised trading, and on public companies, and, thus, together they hold the total of 42,102,456 shares/votes representing 44.32% of the share capital of/the total number of votes in the Company.

The Company has not received any information about any shareholding changes in the period from the date of the publication of the previous financial statements, i.e. 13 September 2019, to the date of the publication of these financial statements.

4. The statement of changes in the holding of the Issuer's shares or rights to them by members of the Issuer's Board of Directors and the Supervisory Board

Mr Wojciech Faszczewski, President of the Board of Directors, holds 701,000 shares of the Company. The person referred to above does not have rights to the Company's shares.

Mr Tomasz Rogala and members of the Supervisory Board do not hold any shares of the Company or any rights to them.

From the date of the publication of the previous interim financial statements, i.e. from 13 September 2019, until the date of the publication of these financial statements, managing and supervisory personnel have not made transactions related to the Company's shares or rights to them.

5. Concise description of major accomplishments or failures of PEPEES Group in the period of three quarters of 2019, and the list of the most important events pertaining to them

During the period of three quarters of 2019, there were no major accomplishments or failures in PEPEES Group, subject to these financial statements.

6. Description of factors and events, especially of unusual nature, with material impact on the financial performance of PEPEES Group

During the period of nine months ended on 30 September 2019, there was dividend payment in PEPEES Group affecting the amount of equity and the cash flows.

7. The position of the Board of Directors regarding the projected results

The Parent's Board of Directors did not publish any separate or consolidated forecasts for 2019.

8. Significant proceedings before a court, an authority competent for arbitration proceedings or a public administration authority

On 25.06.2019, the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. filed a lawsuit to the court to confirm that the Company's shareholder: EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Epsilon FIZ AN"), which—according to the information available to the Company—holds 27,714,832 shares, due to the breach of the obligation to notify of the acquisition of qualifying holdings pursuant to Article 89(1)(1) of the Polish Act on public offering and the conditions for introducing financial instruments to an organised trading system, and on public companies—has lost and may not exercise its voting rights attached to 21,402,233 shares. Epsilon FIZ AN takes a different stand and maintains that it has the right to vote from 27,714,832 shares accounting for 29.17% of the total number of votes at the General Meeting of Shareholders. The Chairman of the Polish Financial Supervision Authority entered the case presenting their position on 24 July 2019. The Board of Directors is awaiting the final and valid court decision. The Company informed about the issue in current reports Nos. 13/2019, 14–23/2019 and 30/2019.

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

As at the date of these financial statements, there is an unresolved legal action brought by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its registered office in Warsaw against PEPEES S.A. to repeal or to declare the invalidity of resolutions Nos. 24–29 adopted on 28.06.2019 by the Annual General Meeting of Shareholders, including resolution No. 28, on the amendment to the Company's Articles of Association and authorising the Company's Board of Directors to increase the Company's share capital within the limits of the authorised capital, with the possibility of depriving existing shareholders by the Board of Directors of all or part of their pre-emptive rights with the consent of the Company's Supervisory Board.

Within the remaining scope, 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 subsidiaries.

9. Related party transactions

In the period covered by the financial statements, the Parent, i.e. Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., made with related parties transactions of typical nature resulting from current operating activities conducted by PEPEES S.A. and its subsidiaries. The transactions were made on an arm's length basis.

Cooperation between enterprises forming the Group is aimed at increasing the level of the use of resources available to entities participating in the transaction and reducing the risk related to the conducted activities.

The allocation of risk and the division of functions between the Group enterprises make it possible to reduce operating costs and use financial resources effectively. Granting sureties for payment obligations and ensuring securities for their payment in related parties make it possible to perform contracts faster, which may contribute to a more efficient management of entities forming PEPEES Group.

10. Sureties and guarantees

In the reporting period, PEPEES S.A. issued one endorsement of 03.01.2019 to SBR in Szepietowo to repay a working capital loan of PLN 300 thousand granted to the subsidiary CHP Energia Sp. z o.o. The endorsement was issued until 15.12.2019.

In addition, as at the balance sheet date, the sureties granted and received in previous reporting periods remain valid.

Sureties granted by the Parent, i.e. PEPEES S.A. as at 30.09.2019:

The agreement of 9 June 2014 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the investment loan taken out by CHP Energia Sp. z o.o. The value of the investment loan taken by CHP Energia Sp. z o.o. amounts to PLN 12,830 thousand. Security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 12,224 thousand for the period until 25.05.2024.

The agreement of 14 September 2017 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the working capital loan taken out by CHP Energia Sp. z o.o. The value of the working capital loan taken by CHP Energia Sp. z o.o. amounts to PLN 3,000 thousand. The security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 2,800 thousand (the amount of debt as at the endorsement day).

PEPEES GROUP

*Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)*

The agreement of 14 September 2017 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the working capital loan taken out by CHP Energia Sp. z o.o. The value of the working capital loan taken by CHP Energia Sp. z o.o. amounts to PLN 800 thousand. The security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 710 thousand (the amount of debt as at the endorsement day).

The agreement of 14 September 2017 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and CHP Energia Sp. z o.o. Pursuant to the agreement, PEPEES S.A. grants the security for the repayment of the working capital loan taken out by CHP Energia Sp. z o.o. The value of the working capital loan taken by CHP Energia Sp. z o.o. amounts to PLN 2,500 thousand. The security granted by PEPEES S.A. is in the form of an endorsement up to the amount of PLN 2,500 thousand.

The agreement of 30 July 2018 concerning the conditions of granting a security for a loan repayment concluded between PEPEES S.A. in Łomża and PPZ "BRONISŁAW" S.A. Pursuant to the agreement, PEPEES S.A. provides security for the Investment Loan from Foreign Credit Lines taken out by PPZ "BRONISŁAW" S.A. The value of the investment loan taken out by PPZ Bronisław S.A. amounts to PLN 8,456 thousand. The security granted by PEPEES S.A. is in the form of the statement on the submission to execution certified by a notary public up to PLN 12,684 thousand.

Sureties granted to the Parent, i.e. PEPEES S.A. as at 30.09.2019:

Short-term loans are secured with e.g. mortgages on the assets of the subsidiaries: ZPZ "LUBLIN" Sp. z o.o. and PPZ "BRONISŁAW" S.A.

The investment loan for the purchase of shares from Gospodarstwo Rolne PONARY is secured by a mortgage of PLN 15.8 million established on land properties of PONARY.

A compensation has been set for granted and received sureties, which is calculated on a monthly basis in accordance with the concluded agreements specifying the terms of such sureties.

In the reporting period and until the date of these financial statements, the companies of PEPEES Group have not granted any material loans, sureties or guarantees.

The total value of sureties or guarantees as at 30.09.2019 granted by PEPEES S.A. to entities from PEPEES Group amounts to PLN 31 million.

11. Other information, which, in the opinion of the Group, is material for the assessment of its staff, assets, financial standing, financial performance and their changes, and information material for the assessment of the potential satisfaction of the Group's commitments

In the period of three quarters of 2019, there were no events other than those described in these financial statements, which could be material for the assessment of the staff, assets, financial standing, financial performance and their changes, and material for the assessment of the potential satisfaction of commitments by PEPEES Group.

12. Factors likely, in the Issuer's and the Group's opinion, to influence the results accomplished by them in the period of at least one subsequent quarter

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

- purchase volume for potatoes, which are the basic raw material for production;
- the price of starch on the Polish and global markets;
- exchange rates – the Group is an exporter;

PEPEES GROUP
Consolidated Quarterly Financial Statements
for the period of 9 months ended on 30 September 2019
(in PLN 000s)

- basic interest rates – the Group has loans bearing interest rate based on WIBOR.

In the next quarter of 2019, PEPEES Group will perform concluded agreements and conduct operations being the basis of its functioning, including production, trade and service provision activities.

13. Authorising the Consolidated Quarterly Financial Statements of PEPEES Group for the period of 9 months ended on 30 September 2019

These Consolidated Financial Statements of PEPEES Group for the period of 9 months ended on 30 September 2019 were authorised for publication by the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna in Łomża on 7 November 2019.

SIGNATURES OF THE MEMBERS OF THE PARENT’S BOARD OF DIRECTORS

President of the Board of Directors – Wojciech Faszczewski



Signed by:
Wojciech Faszczewski
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.
Date: 2019-11-07 12:53

Member of the Board of Directors – Tomasz Krzysztof Rogala



Signed by:
Tomasz Krzysztof Rogala
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.
Date: 2019-11-07 11:55

SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Chief Accountant – Wiesława Załuska



Signed by:
Wiesława Załuska
Przedsiębiorstwo
Przemysłu Spożywczego
PEPEES S.A.
Date: 2019-11-07 11:07