



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

FOR THE PERIOD FROM 1 JANUARY 2016
TO 30 SEPTEMBER 2016

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

14 NOVEMBER 2016



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

ASSETS		30.09.2016	30.06.20	31.12.20	30.09.20
I	Non-current (long-term) assets	104,604	101,724	102,884	105,513
1	Property, plant and equipment	80,577	77,667	78,128	79,115
2	Intangible assets	304	116	456	55
3	Investments in subsidiaries	3,755	3,755	3,755	3,756
4	Investments in associates	811	811	811	811
5	Investments in other entities	113	113	113	113
6	Loans granted	7,800	7800	7,800	9,664
7	Long-term advances	9,834	10020	10,391	10,577
8	Deferred tax assets	1,410	1,442	1,430	1,422
I	Current (short-term) assets	73,490	59,279	93,830	56,666
1	Inventories	26,988	18,984	44,192	26,243
2	Biological assets	276	830	172	541
3	Trade receivables	22,773	22,365	15,474	18,164
4	Other receivables	4,786	613	2,832	2,472
5	Advances	2,918	4,269	841	3,348
6	Loans granted	4,185	4,113	4,347	2,409
7	Investments held for trading	2,550	2,550	2,550	2,550
8	Cash and cash equivalents	9,014	5,555	23,422	939
Total assets		178,094	161,003	196,714	162,179

EQUITY AND LIABILITIES		30.09.20	30.06.20	31.12.201	30.09.2
I	Equity	119,836	115,303	110,656	108,510
1	Share capital	5,700	5,700	5,700	5,700
2	Reserve capital and other reserves	105,347	105,347	99,430	99,430
3	Revaluation reserve	(492)	(492)	(391)	(343)
3	Retained earnings from previous years and the present	9,281	4,748	5,917	3,723
I	Non-current liabilities	21,622	21,506	22,168	23,796
1	Loans and borrowings	7,639	7,517	7916	9,445
2	Liabilities related to leased assets	3,707	3671	3942	3,733
3	Deferred tax liability	5,735	5,807	5,844	6,143
4	Retirement and similar benefits obligations	2,030	2,030	1,918	1,863
5	Grants	2,511	2,481	2,548	2,612
I	Current liabilities	36,636	24,194	63,890	29,873
1	Trade payables	20,456	6,595	6,380	15,716
2	Current income tax liabilities	1,227	453	807	325
3	Other current liabilities	1,977	1,655	1,644	1,631
4	Loans and borrowings	10,530	13,050	52,066	9,520
5	Liabilities related to leased assets	1,269	1113	1151	1,285
6	Retirement and similar benefits obligations	188	188	157	153
7	Provisions for other liabilities and other charges	989	1,140	1,685	1,243
Total equity and liabilities		178,094	161,003	196 714	162,179

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

Revenue and expenses Profit and loss		01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.201 5- 30.09.201
I	Sales revenue	34,711	99,983	26,460	78,729
1	Revenue from the sales of products	32,228	82,239	24,474	64,594
2	Revenue from services	175	384	95	161
3	Revenue from the sales of trade goods and materials	2,308	17,360	1,891	13,974
I	Cost of sales	(24,702)	(74,434)	(20,595)	(62,077)
1	Cost of products sold	(22,031)	(57,179)	(18,653)	(48,629)
2	Cost of services sold	(106)	(284)	(56)	(110)
3	Costs of trade goods and materials sold	(2,017)	(16,035)	(1,725)	(13,005)
4	Profit/loss from agricultural production	(548)	(936)	(161)	(333)
II	Gross profit from sales (I-II)	10,009	25,549	5,865	16,652
1	Selling and marketing expenses	(1,908)	(4,785)	(1,737)	(4,005)
2	Administrative expenses	(3,283)	(10,178)	(2,919)	(8,556)
3	Other operating income	1,064	1,276	(89)	796
4	Other operating expenses	(1)	(179)	(17)	(1110)
I	Operating profit	5,881	11,683	1,103	4,776
1	Finance costs	(152)	(697)	(74)	(736)
2	Finance income	(9)	664	246	951
V	Profit (loss) before tax	5,720	11,650	1,275	4,991
V	Income tax expense	(1,187)	(2,369)	(454)	(1,268)
V	Net profit (loss)	4,533	9,281	821	3,723
VII	Other comprehensive income	-	(101)	-	36
	Effects of the valuation of financial assets available-for-sale				
1					
2	Revaluation of employee benefit liabilities		(101)		36
VI	Total comprehensive income, including	4,533	9,180	821	3759
	Net earnings (loss) per share	0.05	0.10	0.009	0.04



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

	<i>Share capital</i>	<i>Reser ve capita l</i>	<i>Revalu- ation reserve</i>	<i>Other reserve s</i>	<i>Retaine d earning s/ /</i>	<i>Tot al equ ity</i>
As at 1 January 2015	5,700	51,950	(379)	43,859	3,621	104,751
Corrections of errors from previous years	-	-		-	-	-
As at 1 January 2015	5,700	51,950	(379)	43,859	3,621	104,751
Changes in the period from 01.01.2015 to						-
Distribution of profit for 2014				3,621	(3,621)	
Net profit (loss) for the period					3,723	3,723
Other comprehensive income for the year (net value)			36			36
As at 30 September 2015	5,700	51,950	(343)	47,480	3,723	108,510
Changes in 2015						-
Distribution of profit for 2014	-		-	3,621	(3,621)	-
Net profit (loss) for the period		-			5,917	5,917
Other comprehensive income for the financial year (net value)			(12)			(12)
As at 31 December 2015	5,700	51,950	(391)	47,480	5,917	110,656
Changes in the period from 01.01.2016 to						
As at 1 January 2016	5,700	51,950	(391)	47,480	5,917	110,656
Distribution of profit for 2015				5,917	(5,917)	
Net profit (loss) for the period					9,281	9,281
Other comprehensive income for the financial year (net value)			(101)			(101)
As at 30 September 2016	5,700	51,950	(492)	53,397	9,281	119,836



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

STATEMENT OF CASH FLOWS	01.07.201 6- 30.09.2016	01.01.201 6- 30.09.2016	01.07.201 5- 30.09.2015	01.01.201 5- 30.09.201
A. Cash flows from operating activities				
- indirect method				
I. Profit (loss) before tax	5,720	11,650	1,275	4,991
II. Total adjustments	3,503	21,700	12,028	23,545
1. Depreciation and amortisation	1,455	5,005	1,249	4,331
2. Foreign exchange (gains) losses	9	8	(1)	9
3. Interest and share of profit (dividend)	96	508	(16)	(60)
4. (Profit) loss on investing activities	(958)	(939)	188	(123)
5. Net increase/decrease in provisions	(151)	(553)	166	(367)
6. Net increase/decrease in inventories	(8,004)	17,204	(1,218)	19,514
7. Net increase/decrease in biological assets	554	(104)	(276)	(888)
8. Net increase/decrease in receivables	(3,839)	(9,253)	743	(5,414)
9. Net increase/decrease in current liabilities, except for loans and borrowings	14,183	14,409	11,115	10,628
10. Net increase/decrease in advances	238	(2,077)	802	(2,696)
11. Income tax paid	(453)	(2,014)	(159)	(821)
12. Net increase/decrease in grants	30	(37)	(91)	(255)
13. Net increase/decrease in accrued interest on loans	(66)	(258)	(106)	(368)
14. Other adjustments	409	(199)	(368)	55
III. Net cash flows from operating activities	9,223	33,350	13,303	28,536
B. Cash flows from investing activities				
I. Proceeds	1,890	2,730	161	878
1. Disposal of intangible assets and property, plant and equipment	1,790	1,856		321
2. Repayments of cash loans	100	874	161	557
II. Expenses	4,209	6,929	3,587	14,264
1. Acquisition of intangible assets and property, plant and equipment	4,209	6,754	3,587	14,264
2. Loans granted		175		
III. Net cash flows from investing activities	(2,319)	(4,199)	(3,426)	(13,386)
C. Cash flows from financing activities				
I. Proceeds	8,133	9,682	8,325	20,046
1. Loans and borrowings	8,122	9,164	8,305	19,489
2. Received additional payments	11	518	20	557
II. Expenses	11,570	45,375	13,461	33,841
1. Repayments of loans and borrowings	11,070	43,710	13,194	32,850
2. Interest on loans and borrowings	96	508	145	497
3. Lease payments	404	1,157	122	494
III. Net cash flows from financing activities (I-II)	(3,437)	(35,693)	(5,136)	(13,795)
D. Total net cash flows (A.III+/-B.III+/-C.III)	3,467	(6,542)	4,741	1,355
E. Balance sheet change in cash, including:	3,459	(14,408)	(264)	(138)
- net increase/decrease in cash due to foreign exchange	8	8	(1)	9
- net increase/decrease in bank overdrafts		7,858	5,006	1,484
F. Cash at the beginning of period	5,554	15,563	(5,181)	(1,795)
G. Cash at the end of period (F+/-D)	9,021	9,021	(440)	(440)
- including restricted cash	-	-	-	-



SELECTED NOTES

1. Accounting principles

The figures and data for the financial statements for the third quarter of 2016 were prepared with the application of the same accounting principles as those applied in the most recent annual financial statements.

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

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

3. Contingent liabilities or contingent assets

a) contingent liabilities

As at the balance sheet date, there is a surety for the loan issued to the associate CHP Energia Sp. z o.o. up to PLN 6,000 thousand.

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

b) contingent assets

Mortgages are established on the assets of subsidiaries which secure loans granted to PEPEES Group by Bank Zachodni WBK and BGŻ BNP Paribas.

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

4. Related party transactions

The Issuer's transactions with related parties:

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

In the reporting period, the Issuer purchased potato grits and starch from the subsidiary. The total value of purchases from ZPZ "LUBLIN" Sp. z o.o. amounted to PLN 642.5 thousand. In addition, PEPEES sold to LUBLIN starch and food starch for PLN 268.8 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 3 million, on which ZPZ "LUBLIN" paid PLN 95.7 thousand of interest to the Issuer.

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

Transactions between "PEPEES" S.A. in Łomża with its subsidiary PPZ BRONISŁAW Sp. z o.o. involved the purchase of starch, potato flakes and a service from the subsidiary and the sales of potatoes and starch. The total value of purchases from PPZ BRONISŁAW Sp. z o.o. amounted to PLN 3,687.8 thousand, and the total value of sales to PLN 1,060.8 thousand.

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

In addition, as at the balance sheet date, there is a balance of outstanding cash loans amounting to PLN 5,200 thousand, on which PPZ BRONISŁAW paid PLN 172.7 thousand of interest to the Issuer.



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

In previous periods, PEPEES granted a cash loan to CHP Energia. The total balance of the cash loan (with interest) for this Company as at 30.09.2016 amounts to PLN 3,605 thousand.

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

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

5. Sureties and guarantees

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

SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Title/Function	Signature
2016-11-14	Wojciech Faszczewski	President of the Board of Directors	