

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

FOR THE PERIOD FROM
1 JANUARY 2015
TO 30 SEPTEMBER 2015

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

NOVEMBER 2015

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

	ASSETS	30.09.20	30.06.20	31.12.20	30.09.20
I	Non-current (long-term) assets	105	102	94	98
1	Property, plant and equipment	79	76	68	68
2	Intangible assets	55	62	76	423
3	Investments in subsidiaries	3	3	3	3
4	Investments in associates	811	811	811	637
5	Investments in other entities	113	113	113	2
6	Granted cash loans	9	9	9	11
7	Long-term advances	10	10	10	11
8	Deferred tax assets	1	789	1	768
II	Current (short-term) assets	56	56	67	45
1	Inventories	26	24	45	24
2	Biological assets	541	738	126	156
3	Trade receivables	18	20	10	13
4	Current income tax receivables				
5	Other receivables	2	1	4	2
6	Advances	3	3	838	2
7	Granted cash loans	2	2	2	266
8	Investments held for trading	2	2	2	
9	Cash and cash equivalents	939	1	1	1
II	Non-current assets held-for-sale				
	Total assets	162	159	161	144

	EQUITY AND LIABILITIES	30.09.20	30.06.20	31.12.201	30.09.20
I	Equity	108	107	104	102
1	Share capital	5	5	5	5
2	Supplementary capital and reserves	99	99	95	95
3	Revaluation reserve	(3	(3	(3	
3	Retained earnings from previous years and the present year	3	2	3	1
I	Non-current liabilities	23	18	12	12
1	Borrowings	9	7	1	1
2	Liabilities related to leased assets	3	1	662	674
3	Deferred tax liability	6	5	5	5
4	Retirement and similar benefits obligations	1	1	1	1
5	Subsidies	2	2	2	2
I	Current liabilities	29	32	44	28
1	Trade liabilities	15	8	8	19
2	Current income tax liabilities	325	198	384	3
3	Other current liabilities	1	1	1	1
4	Borrowings	9	20	32	6
5	Liabilities related to leased assets	1	895	439	409
6	Retirement and similar benefits obligations	153	153	145	135
7	Provisions for other liabilities and other charges	1	1	1	782
	Total equity and liabilities	162	159	161	144

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

	<i>Revenue and expenses Profit and loss</i>	<i>01.07.201 30.09.201 5</i>	<i>01.01.201 30.09.201 5</i>	<i>01.07.201 30.09.201 4</i>	<i>01.01.201 30.09.201 4</i>
I	Sales revenue	26	78	23	65
1	Revenue from the sale of products	24	64	21	56
2	Revenue from services	95	161	15	267
3	Revenue from the sale of trade goods and materials	1	13	1	9
I	Cost of sales	(20)	(62)	(18)	(54)
1	Cost of products sold	(18)	(48)	(17)	(45)
2	Cost of services sold	(56)	(1)	(30)	(1)
3	Costs of trade goods and materials sold	(1)	(13)	(1)	(8)
4	Profit/loss from agricultural production	(1)	(3)		
II	Gross profit from sales (I-II)	5	16	4	11
1	Selling and marketing expenses	(1)	(4)	(1)	(2)
2	Administrative expenses	(2)	(8)	(2)	(8)
3	Other operating income	(89)	796	115	873
4	Other operating expenses	(17)	(11)	(96)	(1)
I	Operating profit	1	4	576	1
1	Finance costs	(74)	(7)	(93)	(5)
2	Finance income	246	951	251	982
V	Profit (loss) before tax	1	4	734	1
V	Income tax	(4)	(1)	(2)	(5)
VI	Net profit (loss)	821	3	436	1
VII	Other comprehensive income	-	36	-	-
1	Effects of the valuation of financial assets available-for-sale			-	-
2	Revaluation of employee benefit liabilities		36	-	-
VI	Total comprehensive income, including	821	37	436	1
IX	Net earnings (loss) per share	0.0	0.04	0.0	0.01

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

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total equity</i>
As of 1 January 2014	4		43	797	93
Corrections of errors from previous years	-		-	-	-
As of 1 January 2014	4		43	797	93
Changes in the period from 01.01.2013 to					-
Distribution of profit for 2013				(79)	
Net profit (loss) for the period				1	1
As of 30 September 2014	5		43	1	102
Changes in 2014					-
Distribution of profit for 2013	-	-		(79)	-
Proceeds from shares issued	720				8
Share-issue expenses					(23)
Net profit for the financial year				3	3
Other comprehensive income for the financial year (net value)		(379)			(37)
As of 31 December 2014	5	(379)	43	3	104
Changes in the period from 01.01.2015 to					
As of 1 January 2015	5	(379)	43	3	104
Distribution of profit for 2014			3	(3)	
Net profit (loss) for the period				3	3
Other comprehensive income for the financial year (net value)		36			36
As of 30 September 2015	5	(343)	47	3	108

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

STATEMENT OF CASH FLOWS	01.07.201 30.09.201	01.01.201 30.09.201	01.07.201 30.09.201	01.01.201 30.09.201
A. Cash flows from operating activities - indirect method				
I. Profit (loss) before tax	1	4	734	1
II. Total adjustments	12	23	3	6
1. Depreciation and amortisation	1	4	1	4
2. Foreign exchange (gains) losses	(1)	9	(5)	(9)
3. Interest and share of profit (dividends)	(1)	(6)	(9)	(10)
4. (Profit) loss on investing activities	188	(12)	-	(47)
5. Net increase/decrease in provisions	166	(36)	(2)	(5)
6. Net increase/decrease in inventories	(1)	19	(8)	5
7. Net increase/decrease in biological assets	(27)	(88)	168	(15)
8. Net increase/decrease in receivables	743	(5)	(1)	(4)
9. Net increase/decrease in current liabilities, except for borrowings	11	10	13 760	17
10. Net increase/decrease in advances	802	(2)	(1)	(13)
11. Income tax paid	(15)	(82)	(9)	(47)
12. Net increase/decrease in subsidies	(9)	(25)	(10)	(30)
13. Net increase/decrease in accrued interest on loans	(10)	(36)	(10)	(10)
14. Other adjustments	(36)	55	31	(78)
III. Net cash flows from operating activities (I+/- II)	13	28	4	8
	202	526	717	202
B. Cash flows from investing activities				
I. Proceeds	161	878	133	2
1. Disposal of intangible assets and property, plant and equipment		321	-	1
2. Repayments of cash loans	161	557	133	974
II. Expenses	3	14	3	10
1. Acquisition of intangible assets and property, plant and equipment	3	14	3	7
2. Granted cash loans				500
3. Expenditure on the acquisition of interests				2
III. Net cash flows from investing activities	(3)	(13)	(3)	(8)
C. Cash flows from financing activities				
I. Proceeds	8	20	1	9
1. Borrowings	8	19	1	1
2. Proceeds from shares issued			(1)	8
3. Received additional payments	20	557		
II. Expenses	13	33	5	26
1. Repayments of borrowings	13	32	5	25
2. Interest on borrowings	145	497	42	369
3. Payments under lease contracts	122	494	136	402
III. Net cash flows from financing activities (I-II)	(5)	(13)	(4)	(16)
D. Total net cash flows (A.III+/-B.III+/-C.III)	4	1	(3)	(16)
E. Balance sheet change in cash, including:	(26)	(13)	(2)	(13)
- net increase/decrease in cash due to foreign exchange	(1)	9	(5)	(9)
- net increase/decrease in overdrafts	5	1	(1)	(3)
F. Cash at the beginning of the period	(5)	(1)	1	14
G. Cash at the end of the period ((F+/- D)	(44)	(44)	(2)	(2)
- including restricted cash	-	-	-	-

SELECTED NOTES

1. Accounting principles

The figures and data for the financial statements for the third quarter of 2015 were prepared with the application of the same accounting principles as those applied in the most recent annual financial statements.

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

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

3. Contingent liabilities or contingent assets

a) contingent liabilities

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

There may be liabilities 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 is obliged to pay damages of ca. 1,061 thousand PLN.

b) contingent assets

Mortgages are established on the assets of subsidiaries which secure loans granted to PEPEES Corporate 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 establishing the annual fee amounting to 10,822 thousand PLN.

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 1412.5 thousand PLN. In addition, PEPEES sold to LUBLIN starch for 102 thousand PLN and leases a flakes production line; the rent for one month of the lease is 23.5 thousand PLN.

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

As of the balance sheet date, there is a balance of outstanding cash loans amounting to 3 million PLN, on which ZPZ „LUBLIN” paid 162.7 thousand PLN 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 a subsidiary PPZ BRONISŁAW Sp. z o.o. involved the purchase of starch and potato flakes from the subsidiary and the sale of potatoes. The total value of purchases from PPZ BRONISŁAW Sp. z o.o. amounted to 4,723 thousand PLN, and the total value of sale to 484 thousand PLN.

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

In addition, as of the balance sheet date, there is a balance of outstanding cash loans amounting to 5,800 thousand PLN, on which PPZ BRONISŁAW paid 314.5 thousand PLN 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 of 30.09.2015 amounts to 3,172.6 thousand PLN.

Transactions with shareholders, and managing persons and their family members during the reporting period:

In the reporting period, there were no transactions with shareholders, managing or supervising persons and their family members.

5. Sureties and guarantees

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

SIGNATURES OF ALL MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Position/Function	Signature
13.11.2015	Wojciech Faszczeński	President of the Board of Directors	[illegible]
13.11.2015	Krzysztof Homenda	Member of the Board of Directors/CFO	[illegible]