



POLSKA MEAT

CORPORATE GROUP

**UL. HUTNICZA 45
81-061 GDYNIA**

NIP 9581655634

**Consolidated annual report
2016**



POLSKA MEAT Spółka akcyjna
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1. MANAGEMENT LETTER

Dear Shareholders,

on behalf of the Management Board I am presenting the Annual Financial Report on the 2016 business operations conducted by the Corporate Group of POLSKA MEAT S.A.

In 2016 the Group saw a number of significant changes. In January of 2016 a transaction of purchasing 100 percent of shares in Poland Services Cold Store Sp. z o.o. by POLSKA MEAT S.A. was finalised including buildings and coldstore infrastructure. Thus the trade and logistics parts were consolidated, and vertically integrated corporate group was created. The coldstore functions as the main warehouse and logistics centre for the Company's operations. As expected, integrated management of trade and logistics facilitated optimal use of the potential of both the coldstore and the Company.

In September the Company finalised the process of entering the stock market. On September 27, 2016, the Company made its debut at the NewConnect market. The closing price on the debut day was PLN 8.99, later on the price rose sharply, reaching its peak of PLN 57.90 on Oct. 6. Since then the share price has stabilized and now fluctuates between PLN 15-16.

Throughout the year 2016, the Group continued its business activity on the current markets. The trade activity was concentrated on the current markets. Combining experience and knowledge of the domestic market with its business contacts and knowledge of sales markets enabled achieving very good financial results despite a lower sales level compared to 2015. The logistics activity recorded an increase in sales and the volume served through application of vertical integration synergy and expanding business activity on external customers. The market condition (considerable drop in commodity price) resulted in a temporary suspension of production in the second quarter of 2016.

As for 2017, the Group will continue its business activity on the current sales markets, mainly in Africa. The Company is expecting a rise in commodity price what will help to restart the production line. The Company will also seek development opportunities in other market segments, also by joint ventures with other entities of the business branch. As for logistics the Group intends to broaden the wholesale portfolio and enhance the freezing capacity of the coldstore through modernization investments.

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Sébastien Guyon

President of the Board



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2. SELECTED FINANCIAL DATA

Selected financial data	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	PLN		EURO	
Equity	12.176.146,47	9.754.003,32	2.752.293,51	2.288.866,20
Share capital	500.000,00	500.000,00	113.019,89	117.329,58
Liabilities and provisions	55.277.940,49	38.534.542,51	8.624.428,71	9.039.939,55
Total assets	72.233.581,86	48.288.545,83	16.326.243,05	11.331.349,48
Liabilities	34.859.352,53	39.969.578,21	7.879.600,48	9.379.227,55
Financial assets	1.822.135,84	2.676.634,09	411.875,19	628.096,70

Selected financial data	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	PLN		EURO	
Sales revenues	145.778.837,71	212.109.611,56	33.410.225,68	50.685.722,51
Results on sales	4.321.565,29	1.883.877,94	990.435,06	450.171,56
Depreciation	1.241.450,17	538.162,32	284.520,93	128.599,29
Operating profit	4.395.059,50	1.778.695,92	1.007.278,78	425.037,26
Gross profit	3.138.996,81	2.024.768,04	719.408,89	483.838,66
Net profit	2.422.143,15	1.315.086,82	555.117,26	314.253,21
Operating cash flow	10.137.141,33	8.548.804,35	2.323.273,97	2.042.822,68
Investment cash flow	-28.706.159,31	-6.187.405,63	-6.579.001,97	-1.478.542,73
Finance cash flow	17.714.519,73	-251.490,00	4.059.890,39	-60.096,06
Total net cash flow	-854.498,25	2.107.873,46	-195.837,61	503.697,54
Number of shares	5.000.000,00	5.000.000,00	5.000.000,00	5.000.000,00
Earnings per share	0,48	0,26	0,11	0,06

Exchange rate	2016	2015
EUR ex rate as of balance day	4.4240	4.2615
Average EUR ex rate	4.3633	4.1848



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3. MANAGEMENT REPORT

3.1. STRUCTURE OF THE POLSKA MEAT SPÓŁKA AKCYJNA CORPORATE GROUP

POLSKA MEAT Spółka akcyjna with its registered office at Hutnicza 45 in Gdynia ('the Company' or 'the Issuer') is the parent company of the POLSKA MEAT corporate group ('the Group').

The Company was entered into the Register of Entrepreneurs kept by the District Court Gdańsk-Północ, VIII Industry and Commerce Department of the National Court Register on September 7, 2011 under the name of POLSKA MEAT SPÓŁKA AKCYJNA, Entry No. KRS 0000395400.

The Company was granted tax identification number NIP 9581655634.

The Issuer's core business according to the Polish Classification of Activity (PKD):

- WHOLESALE OF MEAT AND MEAT PRODUCTS (PKD 46.32.Z)

The Group consists of the following subsidiaries:

- Poland Services Cold Store Sp. z o.o. located at Gdynia („Cold Store”)
- Meat Plus SL at Barcelona, Spain (non-consolidated entity).

The Issuer distinguishes the Group's three following business segments:

- sales of the goods purchased;
- production in terms of product packaging & customizing;
- storage and freezing services (provided by the Cold Store subsidiary).

3.2. MATERIAL EVENTS AFFECTING THE ISSUER'S AND THE GROUP'S BUSINESS THAT OCCURRED IN 2016

3.2.1. OPERATING ACTIVITY

IQ of 2016 still saw a brake on export which was related to the events of the last quarter of 2015. Therefore, the Company concentrated on acquisition and purchase of goods at lower prices which were then packaged and frozen on its own. Such activities resulted in sales rising by more than 100 percent in IIQ in comparison to the previous quarter. IIIQ of 2016 saw a drop in the Company's revenues compared to IIQ. That was the result of a smaller delivery of goods to export customers which was related to an expected decrease in import duties and taxes in Benin effective as of October 2016. This was reflected in the financial result of IVQ of 2016 when the Company's revenues levelled up to those of the previous periods.



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Cold Store intensified its activities in 2016 in order to acquire external customers for its services; sales of services to external entities rose by 6 per cent in 2016 (from PLN 6,195 thousand in 2015¹ to PLN 6,547 thousand in 2016).

Damage claim was finalized in IQ of 2016 (the roof of coldstore sustained damage due to heavy winds the year before). Settlement of the said claim amounted in total to PLN 4,184 thousand (presented as other operating revenues partly in 2016 and in 2015). The compensation covered the damage claim in whole.

3.2.2. INVESTMENT ACTIVITY

On January 8, 2016, the Company's purchase of 100 percent of shares in Poland Services Cold Store Sp. z o.o. was finalised including buildings and coldstore infrastructure. This resulted in consolidation of the commercial and logistics parts in one vertically integrated corporate group. The coldstore functions as the main warehouse and logistics centre for the Company's operations. As expected, the transaction resulted in significant benefits in the area of operating expenses, and integrated management facilitated optimal use of the potential of both the coldstore and the Company.

In 2016 Cold Store modernized high storage racks to increase its storage efficiency at the total cost of PLN 84 thousand.

3.2.3. FINANCIAL ACTIVITY

On April 12 2016, Iberdigest S.L. sold the Issuer's 1,500 Series A shares of PLN 0.10 each at par. The shares were purchased by a legal entity (Dom Maklerski BDM) at the price of PLN 9.885 in total i.e. PLN 6,59 per share. Dom Maklerski BDM purchased the above-mentioned shares to make a market.

In September, the Company finalised the process of entering the stock market. On September 27, 2016, the Company made its debut at the NewConnect market. The closing price on the debut day was PLN 8.99, later on the price rose sharply, reaching its peak of PLN 57.90 on October 6, 2016.

¹ Cold Store income for 2015 is for presentation purposes only, it has not been included in consolidated financial statements since Cold Store is being consolidated since the beginning of 2016.



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Source: <http://www.biznesradar.pl/notowania/POLMT>

The Issuer's stock market history

Event	Details
Stock listing market/ segment	NewConnect/Handel
ISIN	PLPOLMT00017
Ticker	PME
Date IPO	27 September 2016
Listed shares	Series A: 1,000,000 Series B: 3,000,000 Series C: 1,000,000
Company valuation on Stock Exchange debut	PLN 32,950,000.00
Value of financial instruments listed on Stock Exchange debut	PLN 32,950,000.00
Free float value on Stock Exchange debut	PLN 4,952,582.70
Share issuing price	Series A: PLN 0.10 Series B: PLN 0.10 Series C: PLN 3.00
Share par value	PLN 0.10



3.2.4. CORPORATE ACTIVITY

The Issuer's Annual General Shareholders Meeting took place on July 7, 2016. Shareholders of 3,998,440 shares accounting for 79.9688% of the share capital attended the meeting. The Shareholder Meeting passed resolutions to approve of the financial statement and the Management report on the Issuer's operations in the year 2015 and acknowledge the fulfilment of duties by the members of the Management Board and the Supervisory Board. The General Shareholder Meeting decided to allocate the Company's profit of PLN 1,315,086.82 in full to reserve capital. The General Meeting passed a resolution on appointing the Supervisory Board for the subsequent annual term consisting of the following members:

- Inácio Fernandes Pedrosa
- Sławomir Bogusław Samonek
- Sebastian Germaine Marie Ajavon
- Charlotte Martine Riel Mohamed
- Marta Serrat Creixans

The above information was made public in the EBI 11/2016 current report on July 7 2016.

On December 8, 2016 Mr Sebastian Ajavon resigned from the post of member of the Supervisory Board. On January 31, 2017 Victoria Lorenzo Muñoz was appointed a member of the Supervisory Board at the Issuer's Extraordinary General Shareholders Meeting. The Meeting was attended by the shareholders of 3,998,440 shares accounting for 79.9688% of the share capital. The information was made public in the EBI 2/2017, 3/2017 and ESPI 1/2017 current reports on January 31, 2017.

On March 16, 2017, a contract was concluded (the Contract) with the company of Doradca Auditors Sp. z o.o. with its registered site in Gdańsk whereof Doradca Auditors Sp. z o.o. shall audit the Issuer's financial statement for the 2016 financial year and the Issuer's Corporate Group consolidated financial statement for the 2016 financial year and issue its opinion on the said statements. The Contract was concluded pursuant to the resolution of the Issuer's Supervisory Board dated February 22, 2017. Doradca Auditors Sp. z o.o. with its registered site at Grunwaldzka 212 in Gdańsk is entered under the number 913 on the list of entities entitled to audit financial statements kept by the National Board of Certified Auditors. The information was made public in the EBI 6/2017 current report on March 13 2017.

3.3. GROUP'S DEVELOPMENT SCENARIO

In 2017, the Company will continue its trade activity to date (on the sales markets, mainly in Africa) and services (storage and freezing). The Company is expecting a rise in commodity prices that will enable to restart the production line.

The Company will also seek development opportunities in other market segments, also by joint ventures with other entities of the business branch.



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There are modernization investments planned for 2017 regarding the coldstore operated by Cold Store to increase efficiency of freezing of the goods intended for storing.

3.4. RESEARCH AND DEVELOPMENT EVENTS

The Group did not conduct any research and development operations in 2016.

3.5. CURRENT AND PREDICTED FINANCIAL SITUATION

The results presented in this annual statement of the Issuer and the Group differ slightly from the results presented in the Issuer's periodic statement for IVQ of 2016. This is due to the audit corrections. Moreover, by the Issuer's Management Board decision the coldstore premises (property of Poland Services Cold Store Sp. z o.o.) were presented differently in the consolidated financial statement for the 2016 financial year. Further information can be found in point 6.43 of the Group's consolidated financial statements.

The Company's sales revenue amounted to PLN 140,104 thousand in 2016 compared to PLN 212,110 thousand the year before, a 31 percent drop. The drop in sales revenue was the result of the Company's major export markets turmoil. At the same time margin on goods sold rose from the level of 5.77% to 9.64%, and operating costs dropped (from PLN 9,687 thousand in 2015 to PLN 8,463 thousand in 2016) what was reflected in the Company's net profit which nearly doubled, rising from the level of PLN 1,315 thousand to PLN 2,002 thousand.

However, the Company's liquidity ratios worsened. Current ratio dropped from 1.16 (2015) to 0.99 (2016), and cash conversion cycle stood at 13.8 days in 2016 (0,71 days in 2015). First of all, that was the result of the increase in inventory by the end of 2016 as the Company prepared itself for the next sales season.

Significant financial ratios are presented in point 3.9 of this report.

The Company contracted an investment loan with mBank S.A. to purchase the shares in Poland Services Cold Store Sp. z o.o. in October 2015. The final deadline for credit repayment falls on August 31, 2023. The Company meets its payment obligations timely and according to the schedule.

We express the opinion that there are no major threats to the Company's operation continuity in 2017 and in subsequent years.

Due to the fact that the Cold Store subsidiary was subject to consolidation starting from 2016 a comparative analysis of consolidated results is not possible to be conducted (the Group's comparative data for the year 2015 is the Issuer's data only).

3.6. OWN SHARES

The Company does not hold nor has purchased own shares in the period covered in this report.



3.7. COMPANY-OWNED BRANCHES (PLANTS)

The Company and its subsidiaries do not own nor owned any branches (plants) in the period covered in this report.

3.8. FINANCIAL INSTRUMENTS

The Company has trade liabilities and receivables from related and other parties settled in foreign currencies. The Company secures exchange rate through concluding futures contracts on USD sales and EUR purchase. All futures contracts opened at the end of 2015 had been settled by the date of this report.

In July 2015, the Company concluded an IRS contract (Interest Rate Swap) with the bank mBank S.A. The contract replaced the variable interest rate that applies to loans taken by the Company with the fixed interest rate. The contract is effective since September 2015 until September 2023 and secures charging interest on payments resulting from the investment loan.

Risks related to the Company's financial instruments are deemed as low by the Company.

The Company does not maintain hedging accounting.

Cold Store does not have any financial instruments.

3.9. KEY PERFORMANCE FINANCIAL INDICATORS RELATED TO THE GROUP'S AND ISSUER'S ACTIVITY

3.9.1. STAND ALONE FIGURES

Ratio	Calculation method	2015	2016
Net profitability	$\frac{\text{Net profit}}{\text{Sales revenue}} * 100\%$	0.62%	1.43%
Return on sales	$\frac{\text{Result on sales}}{\text{Sales revenue}} * 100\%$	0.89%	2.82%
Net return on assets	$\frac{\text{Net profit}}{\text{Total assets}} * 100\%$	4.19%	4.11%
ROCE	$\frac{\text{EBIT}}{\text{Fixed capital}^2} * 100\%$	21.87%	12.15%
Current liquidity	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	1.16	0.99
Receivables turnover	$\frac{\text{Receivables}^3 \text{ (net)}}{\text{Sales revenue}} * 365$	56.99	82.39
Liabilities turnover	$\frac{\text{Liabilities}^3 \text{ (net)}}{\text{Operational costs}^4} * 365$	58.96	81.44

² Fixed capital = own capital + long-term interest charging loan

³ Supplies and services

⁴ Materials and energy + external services + other costs + costs of goods and materials sold



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Ratio	Calculation method	2015	2016
Inventory turnover	$\frac{\text{Inventory}}{\text{Costs of goods sold}} \quad *365$	2.68	12.83
Cash conversion cycle	Receivables turnover + inventory turnover - liabilities turnover	0.71	13.78

3.9.2. CONSOLIDATED FIGURES

Ratio	Calculation method	2016
Net profitability	$\frac{\text{Net profit}}{\text{Sales revenue}} \quad *100\%$	1.66%
Return on sales	$\frac{\text{Result on sales}}{\text{Sales revenue}} \quad *100\%$	2.96%
Net return on assets	$\frac{\text{Net profit}}{\text{Total assets}} \quad *100\%$	3.35%
ROCE	$\frac{\text{EBIT}}{\text{Fixed capital}^5} \quad *100\%$	13.98%
Current liquidity	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	1.05
Receivables turnover	$\frac{\text{Receivables}^6 \text{ (net)}}{\text{Sales revenue}} \quad *365$	84.88
Liabilities turnover	$\frac{\text{Liabilities}^3 \text{ (net)}}{\text{Operational costs}^7} \quad *365$	80.45
Inventory turnover	$\frac{\text{Inventory}}{\text{Costs of goods sold}} \quad *365$	12.91
Cash conversion cycle	Receivables turnover + inventory turnover - liabilities turnover	17.33

Due to the fact that the Cold Store subsidiary was subject to consolidation starting from 2016 a comparative analysis of consolidated results is not possible to be conducted (the Group's comparative data for the year 2015 is the Issuer's data only).

⁵ Fixed capital = own capital + long-term interest charging loan

⁶ Supplies and services

⁷ Materials and energy + external services + other costs + costs of goods and materials sold



3.10. KEY PERFORMANCE NON-FINANCIAL INDICATORS RELATED TO THE GROUP'S AND ISSUER'S ACTIVITY AND INFORMATION ON EMPLOYMENT AND ENVIRONMENTAL ISSUES

3.10.1. HUMAN RESOURCES

As of December 31, 2016, the POLSKA MEAT Group employed 29 persons. In single view the Company employed 13 persons at the end of 2016.

Item	Group		Company	
Employees (full-time)	28		13	
Employees (part-time)	0		0	
Other forms of employment	1		0	
Employees' average age	38		35	
Employment by education	Higher	9	Higher	4
	Secondary general	5	Secondary general	4
	Vocational	12	Vocational	4
	Primary	2	Primary	1
Employment by gender	Females	4	Females	2
	Males	24	Males	11

3.10.2. ENVIRONMENTAL PROTECTION

The Issuer and the subsidiaries the Group consists of act with due respect to the environment. Their policy includes the following:

- segregated waste collection
- energy-saving technologies.

The Company purchases trading goods only from approved suppliers. Account calls made at a potential supplier's location and their business history are a vital part of the approval process.

The Cold Store company has the HACCP system implemented and updated systematically. The coldstore is under permanent veterinary supervision and the process of container loading is under strict supervision of a government approved veterinary officer.

3.10.3. INVESTOR RELATIONS

To implement the deliberate open information policy the Issuer maintains the Polish (<http://polskameat.pl/relacje-inwestorskie/>) and English (<http://polskameat.pl/investor-relations/>) websites. Essential information on the Company, current reports, reports from previous years and periodic reports can be found there.

The Issuer intends to display annual reports in English starting with the 2016 annual report.



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3.10.4. COURT PROCEEDINGS

Within the reporting period and as of the date of this report neither the Issuer nor other companies of the Group did not participate in legal proceedings before the court, competent arbitration authority or any other public administration body.

3.10.5. OTHER EVENTS AND CIRCUMSTANCES INFLUENCING THE COMPANY'S ACTIVITY AFTER 31.12.2016.

None.

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Sébastien Guyon

President of the Board

May 23, 2017



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4. STATEMENTS OF THE BOARD

**STATEMENT OF THE POLSKA MEAT S.A. MANAGEMENT BOARD
ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT PREPARED FAIRLY AND TRULY**

regarding the period
from 01.01.2016 to 31.12.2016

Gdynia, ul. Hutnicza 45

Pursuant to § 5 item 7.1. of No. 3 Annex to Alternative Trading System Rules *Current and periodical information in the alternative trading system on the NewConnect market* the Management of POLSKA MEAT S.A. represents that, to the best of the Management's knowledge, the consolidated annual financial statement and comparatives were prepared in accordance with regulations applicable to the Issuer.

The Management of POLSKA MEAT S.A. further represents that the consolidated annual financial statement and comparatives present fairly, truly and clearly the Issuer's financial and economic position and its financial result, and that the report on the Issuer's operations presents a true picture of the Company's condition including the description of elementary threats and risks.

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Sébastien Guyon

President of the Board

May 23, 2017



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**STATEMENT OF THE POLSKA MEAT S.A. MANAGEMENT
ON THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS**

Gdynia, ul. Hutnicza 45

Pursuant to § 5 item 6.1. of No. 3 Annex to Alternative Trading System Rules *Current and periodical information in the alternative trading system on the NewConnect market* the Management of POLSKA MEAT S.A. represents that the entity entitled to audit financial statements which audited the consolidated annual financial statement for the trading year ended on December 31, 2016, was appointed in accordance with the binding laws, and that this entity and the auditors have met the standards and conditions to express independent, objective and unbiased opinion on the audit in accordance with applicable regulations of national law.

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Sébastien Guyon

President of the Board

May 23, 2017