

Letter from the President of the Board of Directors of PEPEES S.A.

Dear Stakeholders,

On behalf of the Board of Directors of “PEPEES” S.A., I have the pleasure to present to you the Annual Report of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna for 2015, summarising the Company's activities in the last year.

In 2015, Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” Spółka Akcyjna continued the implementation of the Company's development objectives contained in “PEPEES Group Strategy for 2013-2018”.

In the past year, the Company faced an unpredictable challenge, i.e. a drought, which particularly affected the eastern regions of Poland. Nevertheless, owing to a consistent policy of expansion of cooperation with farmers, the volume of starch production was maintained. In 2015, the Company continued its resource base expansion programme to ensure supplies of high-quality potatoes. The Company is committed to maintaining the upward trend in terms of the volume of purchased commodities in the longer term, and is not focused on an impressive, but only a short-term soar in one year. I believe that the measures taken by us will bring about positive results in the form of an increase in the volume of contracts and purchases of potatoes in the coming years.

Pursuant to the Company's strategy, in 2015 it will continue its efforts to grow sales abroad. Marketing campaigns on foreign markets were intensified, e.g. through participation in trade fairs and trade missions. As a result, we won new foreign markets for our products and we expanded the base of customers on our present foreign markets. Such measures produced tangible results, i.e. the revenue from sales abroad increased in 2015 by 55 % as compared to 2014, and doubled as compared to 2013. At the same time, the share of sales revenue from foreign markets in total revenue increased from 15 % in 2013 to 27 % last year. Our goal is to maintain this trend over the next few years. We also recorded positive results in terms of sales revenue on the Polish market, where the increase was more than 8 % as compared to the previous year's figures. Total sales revenue amounted to nearly PLN 108 million and was higher by 17.6 % than in the previous year. Net profit of PLN 5.9 million is higher by over 82 % than in 2014.

In 2015, the Company started the implementation of its largest investment programme in years. This is focused on an increase in potato starch production capacity; preparations for investments to grow the production of potato protein; research and development works on new innovative products; reduction of energy costs; necessary fine-tuning of the business to the changing regulatory environment.

Given the aforementioned positive information, I believe that the Company worked hard and was successful in 2015. I am also convinced that continued and new measures and projects offer good

prospects for the further development of the Company and for the increase in its shareholder value, as well as job security and career development opportunities for the Company's Employees.

To sum up the previous year, on behalf of the Company's Board of Directors, I would like to thank all our Customers and Suppliers for their cooperation; our Employees for their commitment and contribution; the Supervisory Board for their expertise and support for our business; and our Shareholders for their trust.

Yours faithfully,

Wojciech Faszczeński

President of the Board of Directors

Łomża, March 2016