

**PRZEDSIĘBIORSTWO
PRZEMYSŁU SPOŻYWCZEGO
„PEPEES” S.A. GROUP**

CONDENSED
CONSOLIDATED
INTERIM
FINANCIAL
STATEMENTS FOR
THE PERIOD FROM
1 JANUARY 2016
TO 31 MARCH 2016

PREPARED IN COMPLIANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
IN THE VERSION APPROVED BY
THE EUROPEAN
UNION

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**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL
POSITION**

	ASSET	31.03.20	31.12.20	31.03.20
I	Fixed assets (long-term)	101	102	96
1	Tangible fixed assets	88	89	80
2	Intangible assets	123	4	81
3	Company goodwill	486	4	4
4	Investments settled according to the equity method			83
5	Investments in other entities	113	1	1
6	Loans	0		2
7	Advances	10	10	10
8	Deferred tax assets	2	2	1
I	Current assets (short-term)	88	117	74
1	Inventories	46	64	53
2	Biological assets	319	1	4
3	Trade receivables	17	18	13
4	Current income tax receivables			19
5	Other receivables	919	4	8
6	Advances	3	1	2
7	Loans	2	2	2
8	Investments held for trading	2	2	2
9	Cash and cash equivalents	13	24	9
I	Non-current assets held for sale			
	Total assets	189	220	171

	LIABILITIES	31.03.20	31.12.20	31.03.20
I	Equity	112	109	106
	<i>Equity attributable to the Company's shareholders</i>	<i>111</i>	<i>109</i>	<i>105</i>
1	Share capital	5	5	5
2	Supplementary and reserve capitals	99	99	96
3	Revaluation reserve	(39)	(39)	(37)
4	Retained earnings	4	(1)	2
5	Profit (loss) for current year	2	5	1
	<i>Non-controlling interests</i>	<i>740</i>	<i>7</i>	<i>5</i>
I	Long-term liabilities	22	23	15
1	Loans and borrowings	7	7	3
2	Lease liabilities	4	4	1
3	Deferred income tax liability	6	6	5
4	Liabilities for pensions and similar benefits			
		2	2	2
5	Long-term deferred income	2	2	2
I	Short-term liabilities	54	87	49
1	Trade liabilities	6	7	8
2	Current income tax liabilities	383	8	80
3	Other short-term liabilities	2	2	2
4	Loans and borrowings	42	73	36
5	Lease liabilities	1	1	7
6	Liabilities for pensions and similar benefits			
		240	2	2
7	Provisions for other liabilities and charges	1	1	1
	Total liabilities	189	220	171

**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	REVENUE AND COSTS	<i>For the period of 01.01.2016- 31.03.2016</i>	<i>For the period of 01.01.2015- 31.03.2015</i>
	PROFITS AND LOSSES		
I	Sales revenue		
1	Revenue from sales of products	34	28
2	Revenue from sales of services	215	190
3	Revenue from sales of goods and materials	3	1
	Total sales revenue, including:	37	30
	<i>- revenue from continued activities</i>	<i>37</i>	<i>30</i>
	<i>- revenue from discontinued activities</i>		
II	Cost of sales		
1	Costs of sold products	(24)	(21)
2	Costs of sold services	(10)	(51)
3	Cost of sales of goods and materials	(2)	(1)
4	Result on agricultural production	(48)	445
	Total cost of sales, including:	(27)	(22)
	<i>- cost from continued activities</i>	<i>(27)</i>	<i>(22)</i>
	<i>- cost from discontinued activities</i>		
III	Gross profit on sales (I-II)	9	8
1	Sales and marketing costs	(1)	(1)
2	General administration costs	(4)	(4)
3	Other operating revenue	98	380
4	Other operating costs	(84)	(10)
IV	Operating profit/loss	3	2
1	Financial costs	(52)	(41)
2	Financial revenue	226	100
3	Share in profits (loss) of affiliated companies	(12)	(17)
V	Profit (loss) before tax, including:	3	2
	<i>- profit (loss) before tax on continued activities</i>		<i>2</i>
	<i>- profit (loss) before tax on discontinued activities</i>		
	Income tax	(74)	(60)
VI	Net profit (loss):	2	1
VI	Other comprehensive income		
1	Results of valuation of available-for-sale financial assets		
2	Hedge accounting		
VI	Total comprehensive income, including:	2	1
	Net profit (loss) attributable to shareholders of the parent company	2	1
	Net profit (loss) attributable to non-controlling interests	22	(81)
VI	Net profit (loss) per share, including:	0.	0.
	<i>- net profit per share on continued activities</i>	<i>0.</i>	<i>0.</i>
	<i>- net profit per share on discontinued activities</i>		

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Supplementary capital	Revaluation reserve	Other reserve capital	Retained earnings	Total equity attributable to shareholders of the	Non-controlling interests	Total equity
as of 1 January 2015	4	43		43	1	92	1	94
Changes in Q1 2015						-		-
Other consolidation adjustments					(1)	(11)	7	(4)
Net profit for the period					1	1	(8)	1
as of 31 March 2015	5	52	(37)	43	4	105	5	106
Changes in 2015						-		-
Distribution of profit (loss) for 2014		(21)		3	(3)	-		-
Net profit (loss) for the period					5	5	54	5
Other comprehensive income for the financial year (net)			(1)			(12)		(1)
Other equity movements					(7)	(7)	7	-
as of 31 December 2015	5	52	(39)	47	4	109	7	109
as of 1 January 2016	5	52	(39)	47	4	109	7	109
Changes in Q1 2016								
Other consolidation adjustments					11	11		11
Net profit for the period					26	2	22	2
as of 31 March 2016	5	52	(39)	47	6	111	7	112

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Indirect method	<i>For the period of 01.01.2016- 31.03.2016</i>	<i>For the period of 01.01.2015- 31.03.2015</i>
A. Operating cash flow - indirect method		
I. Profit (loss) before tax	3	2
II. Total adjustments	17	13
1. Depreciation	2	1
2. Foreign exchange gains (losses)	(15)	(14)
3. Interest and profit sharing (dividends)	540	499
4. (Profit) loss on investment activities	18	(4)
5. Change in provisions	(70)	(42)
6. Change in stock	17	15
7. Change in biological assets	(14)	(29)
8. Change in receivables	3	3
9. Change in short-term liabilities, except loans and borrowings	(1)	(4)
10. Change in advances	(2)	(2)
11. Income tax paid	(1)	(49)
12. Change in subsidies		(92)
13. Other adjustments	23	8
III. Net operating cash flow	21	15
B. Cash flow from investment activities		
I. Receipts	66	4
1. Sale of intangible assets and tangible fixed assets	66	4
II. Expenditure	822	3
1. Purchase of intangible assets and tangible fixed assets	822	3
III. Net cash flow from investment activities (I-II)	(75)	(3)
B. Cash flow from financial activities		
I. Receipts	774	2
1. Loans and borrowings	774	2
II. Expenditure	24	15
1. Repayment of loans and borrowings	24	14
2. Interest on loans and borrowings	420	324
3. Payments under lease agreements	404	245
III. Net cash flow from financial activities (I-II), including:	(24)	(13)
D. Total net cash flow (A.III+/-B.III+/-C.III), including:	(3)	(1)
E. Cash at the beginning of the period	16	(1)
F. Cash at the end of the period (F+/- D), including:	12	(2)
- restricted cash	-	-

SELECTED FINANCIAL DATA TRANSLATED INTO EUR

IT	SELECTED FINANCIAL DATA	PLN		EUR	
		2016	2015	2016	2015
	Year	2016	2015	2016	2015
I	Total sales revenue for Q1	37 212	30 148	8 566	7 220
II	Net profit (loss) attributable to the Company's shareholders for Q1	2 684	1 704	61 6	43 2
III	Net operating cash flow for Q1	21 242	15 042	4 000	3 842
IV	Net cash flow from investment activities for Q1	(75 6)	(3 082)	(17 4)	(96 0)
V	Net cash flow from financial activities for Q1	(24 122)	(13 007)	(5 528)	(3 157)
VI	Total net cash flow for Q1	(3 527)	(1 127)	(81 2)	(27 4)
VI I	Total assets as of 31.03.2016 and 31.12.2015	189 880	220 888	44 487	51 822
VI II	Equity attributable to the Company's shareholders as of 31.03.2016 and 31.12.2015	111 809	109 136	26 195	25 610
IX	Total profit (loss) per ordinary share for Q1	0.0 2	0.0 2	0.00 6	0.00 5
X	Book value per share as of 31.03.2016 and 31.12.2015	1.1 7	1.1 5	0.2 7	0.2 7

Data presented in rows VII, VIII and X, in columns "2015" relates to the amounts as of 31.12.2015.

The following rates of exchange announced by the National Bank of Poland were used for the translation of selected financial data into EUR:

- selected items of the Statement of Financial Position as of 31.03.2016 according to the average rate of exchange as of the balance-sheet date 1 EUR= PLN 4.2684,
- selected items of the Statement of Financial Position as of 31.12.2015 according to the average rate of exchange as of the balance-sheet date 1 EUR= PLN 4.2615,
- selected items of the Statement of Comprehensive Income and the Statement of Cash Flows for the period from 01.01.2016 to 31.03.2016 according to the rate of exchange constituting the arithmetic mean of average rates of exchange announced by the National Bank of Poland as of the last day of each month of 2016 - 1 EUR= PLN 4.3559,
- selected items of the Statement of Comprehensive Income and the Statement of Cash Flows for the period from 01.01.2015 to 31.03.2015 according to the rate of exchange constituting the arithmetic mean of average rates of exchange announced by the National Bank of Poland as of the last day of each month of 2015 - 1 EUR= PLN 4.1489.

PROFIT PER SHARE

	31.03.2016	31.03.2015
Net profit (loss) attributable to shareholders of PEPEES	2 662	1 794
Weighted average number of shares	95 000 000	95 000 000
Basic net profit (loss) per share (expressed in PLN per share)	0.03	0.0 2
Net profit (loss) attributable to shareholders of PEPEES, applied at the time of determination of diluted profit per share	2 662	1 794
Weighted average number of ordinary shares for the purpose of diluted profit per share	95 000 000	95 000 000
Diluted net profit (loss) per share (expressed in PLN per share)	0.03	0.0 2
Annualised net profit attributable to shareholders of PEPEES	6 156	4 640
Weighted average number of shares	95 000 000	95 000 000
Annualised net profit per share (expressed in PLN per share)	0.06	0.0 5

ADDITIONAL INFORMATION TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information on the parent company

Full name	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A.
Address of the registered office	18-402 Łomża, ul. Poznańska 121
Identity code	REGON (Statistical Number): 450096365
NIP (Tax Identification Number)	718-10-05-512
Registration authority	District Court in Białystok, 12 th Economic Division of the National Court Register
Number of entry into the register	000038455
Legal form	joint-stock company
Organisational form	One-plant enterprise

Basic objects according to the Polish Classification of Activities (PKD) - 1062Z Manufacture of starches and starch products.

Industry - food industry

Duration - indefinite

Composition of the Management Board as of 31.03.2016

Wojciech Faszczewski - President of the Management Board

Krzysztof Homenda - Member of the Management Board, CFO

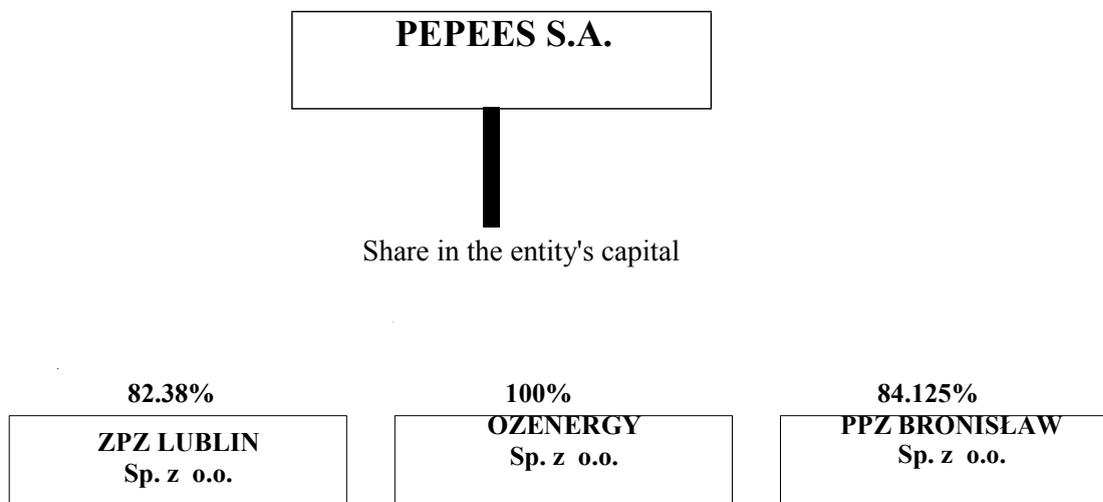
Composition of the Supervisory Board as of 31.03.2016

1. Maciej Kaliński - Chairman of the Supervisory Board
2. Piotr Marian Taracha - Vice-Chairman of the Supervisory Board
3. Krzysztof Stankowski - Secretary of the Supervisory Board
4. Piotr Łuniewski - Member of the Supervisory Board
5. Robert Malinowski - Member of the Supervisory Board

2. Information on reporting periods

The presented consolidated interim financial statements cover the period from 1 January 2016 to 31 March 2016, while comparative financial data and explanatory notes cover the period from 1 January 2015 to 31 March 2015 and, additionally, as of 31 December 2015 in the case of the Statement of Financial Position and the Statement of Changes in Equity. The financial statements have been drawn up with the assumption of continuation of the economic activity by the group in the foreseeable future. There are no circumstances that would indicate any threat to the activity conducted by the PEPEES Group.

3. Structure of the Group as of 31 March 2016



The composition of the Group was not changed in the reporting period. The duration of all entities of the Group is unlimited.

General information on related parties

Name	Place of conducting activity	Objects	Registry Court	Issuer's share in capital in %	Share in the total number of votes %
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dehydrated potatoes, processing fruit and vegetable	District Court in Lublin, 11th Economic Division of the National Court Register	82.38	82.38
PPZ BRONISŁAW Sp. z o.o.	Bronisław	Production of starch and starch products	District Court in Bydgoszcz, 13th Economic Division of	84.125	84.125
OZENERGY SP. Z O.O.	Łomża	Production of electric energy	District Court in Białystok, 12th Economic Division of the National Court Register	100	100
CHP ENERGIA Sp. z o.o. (affiliated company)	Wojny Wawrzyńce	Production of electric and thermal energy from gas from biogas plant	District Court in Białystok, 12th Economic Division of the National Court Register	24.9	24.9

Basic financial information on related parties for Q1 2016

	ZPZ LUBLIN Sp. z o.o.	PPZ BRONISŁA W Sp. z o.o.	OZENERGY SP. Z O.O.	CHP ENERGIA Sp. z o.o. (affiliated)
Current assets as of 31.03.2016	7	14	9	2
Fixed assets as of 31.03.2016	4	6	-	23
Short-term liabilities as of 31.03.2016	6	12	5	5
Long-term liabilities as of 31.03.2016	3	6	-	18
Revenue	3	7	-	-
Financial result on continued activities	(16	313	-	(48
Financial result on discontinued activities	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive	(16	313	-	(48

4. Declaration on compliance and basis for preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting. In the condensed consolidated interim financial statements the same principles and calculation methods were complied with and followed as in the last consolidated annual financial statements.

The condensed consolidated interim financial statements do not include all information required for consolidated annual financial statements and have to be analysed jointly with the consolidated financial statements for the financial year ended on 31 December 2015.

5. Application of standards in 2016

The application of new interpretations and amendments to standards in 2016 did not affect the Group's financial position.

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

The Group did not apply the following standards at the time of the preparation of these consolidated financial statements.

- a) IFRS 9 - Financial Instruments, applicable with regard to periods commencing from 1 January 2018 or after this date. This standard introduced an improved and simplified approach to classification and valuation of financial assets and liabilities and requirements related to hedge accounting and recognition of impairment of financial assets.

- b) IFRS 15 - Revenue from Contracts with Customers, applicable with regard to annual periods commencing from 1 January 2017 or after this date. This standard defines a uniform model of settlement of revenue from agreements with clients. It will replace the guidelines related to recognition of revenue, contained in IAS 18 Revenue, IAS 11 Construction Contracts and the guidelines contained in Interpretations connected with them.
- c) IFRS 16 - Leases, applicable with regard to annual periods commencing from 1 January 2019 or after this date. The standard eliminates the distinction between financial and operational leases. All agreements meeting the definition of lease will be recognised, as a rule, as the present financial lease.
- d) The amendments to IFRS 10 and IAS 28, related to sale or contribution of assets between an investor and its associate or joint undertaking and aimed to eliminate conflicts between the requirements of IAS 28 and IFRS 10. (the effective date of these amendments has been postponed until the completion of research works connected with the equity method)
- e) Amendments to IAS 7 - applicable to annual periods commencing from 1 January 2017 or after this date. Initiative related to changes in the scope of disclosures.
- f) Amendments to IAS 12 - applicable to annual periods commencing from 1 January 2017 or after this date. Elaboration on the manner of settlement of deferred tax assets regarding unrealised losses.

At present the Management Board is evaluating the influence of the afore-mentioned standards and interpretations on the Group's reporting.

7. Changes of the applied accounting principles, correction of errors and presentation

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

8. Notes on seasonal and cyclical nature of operations

The Group operates in the potato processing sector. Potatoes are purchased and processed in autumn, in the period of 3 months, and produced products are sold all year long.

9. **Untypical items that significantly affect assets, liabilities, equity and financial result**

In the reporting period there occurred no untypical events that would considerably affect the items of the balance sheet and the Group's result.

10. **Estimated values**

In the reporting period the Group did not carry out impairment tests regarding fixed assets, since there were no premises indicating impairment of fixed assets. The value of write-downs of inventories was not changed because of a lack of premises indicating impairment.

Write-downs of receivables were updated in the amount taking into account risk of non-payment by recipients.

Provisions for pensions and jubilee awards were updated on the basis of the actuarial calculations as of 31.12.2015.

Provisions for unused annual leaves were updated on the basis of the amount of the predicted salaries with any surcharges payable by the employer for annual leaves not taken as of 31.03.2016.

The Group recognises deferred tax assets with an assumption that in the future a tax profit allowing to use them will be generated. The Group verifies, on an annual basis, the economic lifetimes adopted for fixed assets and intangible assets. The last such update took place as of 31 December 2015.

11. **Purchase and sale of tangible fixed assets**

In Q1 2016 the Group purchased tangible fixed assets for the amount of PLN 502,000. Expenditure was incurred in particular on purchase of machines and equipment. Revenue from sale of fixed assets reached PLN 66,000 and related in particular to passenger cars.

12. **Undertakings made to purchase tangible fixed assets**

In the reporting period the Group did not contract any new liabilities with regard to purchase of tangible fixed assets.

13. **Inventories**

INVENTORIES	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
a) materials	3	2	2
b) semi-finished products and work in progress	524	1	3
c) finished products	40	55	44
d) goods	1	4	2
Gross value of inventories	46	64	53
Write-downs	(35)	(93)	(35)
Net value of inventories	46	64	53

The value of inventories recognised as cost in the reporting period reached PLN 26,107 thousand (Q1 2015 - PLN 21,863 thousand).

The whole value of inventories constitutes security of repayment of bank loans, whose balance reaches PLN 33,168 thousand as of 31.03.2016.

In the reporting period no new write-downs of inventories were made.

Encumbrances on inventories under the contracted bank loans:

- a registered pledge on material stocks, finished products and goods, for the benefit of Bank Zachodni WBK S.A, as security of loans. The debt under these loans reaches PLN 15,625 thousand as of 31.03.2016,
- a registered pledge on stock for the benefit of BGŻ BNP PARIBAS, as security of loans. The debt under these loans reaches PLN 17,593 thousand as of 31.03.2016.

14. Trade receivables

TRADE RECEIVABLES (GROSS) - FALLING DUE:	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
a) up to 1 month	7	8	6
b) more than 1 month to 3 months	8	7	5
b) more than 3 months to 6 months	25	1	25
d) from 6 months to 1 year	108	36	121
e) more than 1 year	-	-	-
f) receivables past due	3	2	2
Total trade receivables (gross)	19	19	14
- write-downs of trade receivables	(1)	(1)	(92)
Total trade receivables (net)	17	18	13

Receivables past due, for which no write-downs were made, are receivables from debtors with which the Group has been cooperating for a few years. As it stems from the evaluation of their economic and financial situation, they are not doubtful receivables. These receivables are overdue from a few days to three months. There are no receivables past due more than 180 days that are not covered by a write-down.

15. Trade liabilities

LIABILITIES	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
- trade liabilities, falling due:			
- within 12 months	6	7	8
- liabilities past due more than 180 days	-	-	-

16. Settlements as a result of court cases

As of the balance-sheet date there are the following, unsettled disputes:

Case brought by PPZ BRONISŁAW against Przedsiębiorstwo Przemysłowe Sp. z o.o. in Rzadkwin regarding determination of the content of the land and mortgage register with the factual legal status.

17. Unpaid loans and borrowings

As of the balance-sheet date the Company has bank loans listed in the below table. They are repaid on time. Loans taken and given among Group companies are excluded from the consolidated financial statements.

Type of loan	Lender	Amount of the loan provided for in the agreement	Debt as of 31.03.2016	Maturity date
1	2	3	4	5
Overdraft	Bank Zachodni WBK S.A.	4,0 00	988	31.08.2016
Revolving Credit	Bank Zachodni WBK S.A.	6,0 00	0	31.08.2016
Working capital	Bank Zachodni WBK	15,0	9.3	31.08.2016
Overdraft	BGŻ BNP Paribas S.A.	4,0 00	0	31.08.2016
Revolving Credit	BGŻ BNP Paribas S.A.	6,0 00	2.2 50	31.08.2016
Working capital facility for	BGŻ BNP Paribas S.A.	15,0 00	11.2 50	31.08.2016
Preferential investment credit	Bank Spółdzielczy S.A./Bank Polskiej Spółdzielczości S.A.	3,4 65	825	30.06.2017
Preferential investment credit	Bank Polskiej Spółdzielczości S.A.	1,2 95	647	30.11.2018
Investment loan	BGŻ BNP Paribas S.A.	9,8 23	8.1 96	31.08.2016
Overdraft	Bank Zachodni WBK S.A.	500	0	31.08.2016
Revolving credit	Bank Zachodni WBK S.A.	1000	750	31.08.2016
Working capital	Bank Zachodni WBK	7,5	4.6	31.08.2016
Overdraft	BGŻ BNP Paribas S.A.	500	0	31.08.2016
Revolving credit	BGŻ BNP Paribas S.A.	1,0 00	320	31.08.2016
Working capital facility for	BGŻ BNP Paribas S.A.	7,5 00	4.9 32	31.08.2016
Overdraft	Bank Zachodni WBK S.A.	500	212	31.08.2016
Revolving credit	Bank Zachodni WBK S.A.	2,0 00	1.5 00	31.08.2016
Working capital	Bank Zachodni WBK	2,5	1	31.08.2016
Overdraft	BGŻ BNP Paribas S.A.	500	0	31.08.2016

Revolving credit	BGŻ BNP Paribas S.A.	2.000	1.500	31.08.2016
Working capital facility for	BGŻ BNP Paribas S.A.	2.500	1.361	31.08.2016

18. Transactions with related parties

18.1 The Issuer's transactions with subsidiaries

a) Revenue from sales of products and services

Types of revenue	For the period from 01.01.16 to	For the period from 01.01.15 to
Revenue from sales of products to subsidiaries	170	23
Revenue from sales of goods to subsidiaries		
Revenue from sales of services	71	
Total revenue from related entities	241	23

The sale price is established with the use of the cost-plus method or on the basis of price lists applicable to non-related entities.

b) Purchase of goods and services

Types of purchasing	For the period from 01.01.2016 to	For the period from 01.01.2015 to
Purchase of products from subsidiaries	1	1
Purchase of goods and materials from subsidiaries		628
Purchase of services from subsidiaries	39	
Purchase of fixed assets from subsidiaries		
Total purchase from related entities	1	1

c) Other transactions

Specification	For the period from 01.01.2016 to	For the period from 01.01.2015 to
Interest on loans granted	93	157
Total	93	157

d) Settlement balances of sale/purchase of goods/services as of the balance-sheet date

Settlements with subsidiaries	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
Receivables - ZPZ Lublin	73	29	
Receivables (advances) - PPZ BRONISŁAW			930

Receivables - OZENERGY	5	5	
Liabilities - ZPZ Lublin			267
Liabilities - PPZ BRONISŁAW	800	902	
Settlement balances with related entities	722	868	(66)

e) Settlement balance of loans

Loans given to subsidiaries	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
PPZ BRONISŁAW	5	5	5
ZPZ Lublin	3	3	3
Settlement balances with related entities	8	8	8

18.2 The Issuer's transactions with an affiliated company

a) Settlement balance of loans

Loans granted by PEPEES	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
CHP Energia Sp. z.o.o.	3	3	2
Settlement balances with an affiliated company	3	3	2

b) Interest on loans granted

Types	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
Interest on loans granted and sureties	91	523	79
Total	91	523	79

18.3 The Issuer's transactions with shareholders

In the reporting period the Group did not conclude any transactions with shareholders holding at least 20% of votes at the General Meeting.

18.4 The Issuer's transactions with key managerial and supervisory staff

a) benefits for key managerial staff (Members of the Management Board) and Members of the Supervisory Board (in thousand PLN)

	Q1 2016	Q1 2015
Short-term employee benefits	418	417
Benefits after the employment period		
Other long-term benefits		
Benefits for termination of the employment relationship		
Share-based payment		
Total	418	417

b) transactions with members of the key staff and their family members

In the reporting period the Company did not conclude any transactions with members of the key staff or members of their families.

19. Information on dividends

Group companies did not pay any dividends in the reporting or comparative period. Management Boards of the companies did not declare or propose dividends from distribution of profits for 2016.

20. Changes in estimates**a. Write-downs of receivables.**

CHANGE IN WRITE-DOWNS OF SHORT-TERM RECEIVABLES	Q1 2016	2015	Q1 2015
Opening balance	1	963	963
a) increases (on account of)	19	692	13
- doubtful trade receivables		2	-
- due interest	19	690	13
b) decreases (on account of)	19	97	51
- liquidation of provisions for payment	12	92	48
- use for waiver and sale of receivables	7	2	
- annulment		3	3
Amount of write-downs of short-time receivables as of the end of the period	1	1	9

b. Write-downs of inventories

CHANGE IN WRITE-DOWNS OF INVENTORIES	Q1 2015	2015	Q1 2015
Opening balance	93	35	35
a) increases (on account of)		58	
- write-down to net realisable value		58	
- impairment loss of materials			
b) decreases (on account of)	58		
- use	58		
- reversal of write-downs			
Amount of write-downs of inventories as of the end of the period	35	93	35

c. Liabilities for pensions and similar benefits

CHANGE IN LIABILITIES FOR PENSIONS AND SIMILAR BENEFITS (ACCORDING TO TITLES)	Q1 2016	2015	Q1 2015
a) opening balance	2	2	2
- retirement severance pays	340	325	325
- jubilee awards	2	2	2
b) increases (on account of)		239	
- retirement severance pays		42	
- jubilee awards		197	
c) use (on account of)		269	
- retirement severance pays		10	
- jubilee awards		259	
d) liquidation (on account of)		42	
- retirement severance pays		17	
- jubilee awards		25	
d) closing balance	2	2	2
- retirement severance pays	340	340	325
- jubilee awards			
	2	2	

d. Short-term provisions

CHANGE IN SHORT-TERM PROVISIONS (ACCORDING TO TITLES)	Q1 2016	2015	Q1 2015
a) opening balance	1	1	1
- subsidies for tangible fixed assets	262	313	313
- provisions for performances by contracting parties	38	32	32
- subsidised loans	62	98	98
- provisions for bonuses for suppliers		35	35
- environmental fee	126	110	110
- provisions for pay for annual leave	363	268	268
- right to emit gases	676	685	685
- bonuses for the Management Board and employees	195	70	70
b) increases (on account of)	399	1	323
- provision for the exercise of the right to emit CO2	144	676	
- environmental fee	26	129	26
- pay for annual leave	229	343	297
- provisions for performances by contracting parties		45	
- bonus for the Management Board and employees		195	
c) use (on account of)	110	1	654
- environmental fee	125	113	110
- provisions for pay for annual leave	183	252	231
- provision for the exercise of the right to emit CO2	676	685	172
- provision for performances by contracting parties	38	37	27
- subsidies for tangible fixed assets	5	50	

- subsidised loans	9	36	9
- provisions for bonuses for suppliers		35	35
- bonuses for the Management Board and employees	70	70	70
- other			
e) closing balance	1	1	128
- subsidies for tangible fixed assets	257	262	313
- subsidised loans	53	62	89
provision for the exercise of the right to emit CO2	144	676	513
- environmental fee	27	126	26
- provisions for pay for annual leave	409	363	334
- bonuses for the Management Board and employees	125	195	
- provisions for performances by contracting parties		38	5
- other			

e. Deferred income tax

DEFERRED TAX LIABILITIES	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
Difference between the balance-sheet value and the tax value of tangible fixed assets	5	5	5
Unrealised foreign exchange differences	1		
Interest due but not received	146	130	46
Other	6	7	8
Total deferred tax liabilities	6	6	5

DEFERRED TAX ASSETS	as of 31.03.2016	as of 31.12.2015	as of 31.03.2015
Difference between the balance-sheet value and the tax value of tangible fixed assets	463	463	477
Unpaid salaries	80	91	73
Unpaid liabilities			165
Provision for unused annual leaves	72	68	60
Pensions and jubilee awards	525	523	536
Unrealised foreign exchange differences	38	36	17
Write-downs of receivables		9	9
Write-downs of inventories	7	18	7
Lease liabilities	769	657	73
Consolidation adjustments - retained earnings	68	93	47
Provision for benefits		5	
Provision for bonuses for the Management Board and employees	24	37	
Amortisation of rights to emit CO2	28	129	97
Tax loss	196	196	169
Total deferred tax assets	2	2	1

21. Change in conditional liabilities

CHANGE IN CONDITIONAL LIABILITIES (ACCORDING TO TITLES)	Q1 2016	2015	Q1 2015
a) opening balance	7	1	1
- liabilities under non-competition agreements	1	1	1
- surety of a loan	6		
b) increase (on account of)		60	
- surety of a loan		60	
c) use (on account of)		76	
- liabilities under non-competition agreements		76	
d) termination		144	
- liabilities under non-competition agreements		144	
d) closing balance, including:	7	7	1
- liabilities under non-competition agreements	1	1	1
- surety of a loan	6	6	-

22. Issue, redemption and repayment of debt securities.

In the reporting period no debt securities were issued, redeemed or repaid.

23. Reporting according to the segments of activities

The Group operates in one, main reporting segment that includes processing potatoes into starch, dehydrated potatoes and starch hydrolysates. One segment is identified in daily records and internal reports.

23.1 Information on products and services

The "potato processing" segment includes processing of:

- potato starch, used in households and in the food, pharmaceutical, paper and textile industries,
- several assortments of glucose, used in the food, confectionery and pharmaceutical industries,
- maltodextrine, which is a significant ingredient of powdered products (ice-cream, sauces, soups, fruit extracts, flavour seeds), nutrition products and vitamin and mineral formulas for children and sportspeople.
- protein, received from the potato cell fluid by means of coagulation, dehydration and drying; it is a precious component of fodder mixtures for animals and a perfect substitute of animal proteins.
- a wide range of starch syrups, used in the confectionery and bakery industries,
 - potato grits, potato flakes, potato cubes, potato dumplings; products used by the food industry.

Other types of activity:

- production of thermal energy, produced in particular for the company's own needs and a part of it is resold to neighbouring plants,
- works and services.
- sale of some goods and materials.

The table below presents revenue generated from each group of products and services, obtained from external clients.

Name of product or service	Sales revenue	
	Q1 2016	Q1 2015
Starch		
Protein	20	17
Glucose	2	2
Maltodextrine	1	1
Starch syrups	3	3
Starch	1	1
Dehydrated potatoes (grits, flakes, cubes)	3	2
Thermal energy	868	856
Goods and materials	3	1
Services	181	190
Total	37	30

23.2 Sales revenue according to the territorial structure:

Geographical segments	Q1 2016	Q1 2015
Poland, including:	25	22
Starch	11	11
Protein	1	448
Glucose	1	1
Maltodextrine	3	2
Starch syrups	1	1
Dehydrated potatoes (grits, flakes, cubes)	3	2
Thermal energy	868	856
Goods and materials	2	1
Services	181	190
Member States of the EU - intra-Community supply of	2	2
Starch	2	1
Protein	25	1
Maltodextrine	397	222
Glucose	22	
Dehydrated potatoes (grits, flakes, cubes)	44	39
Goods	78	11
Other countries - export	8	5
Starch	6	4
Protein	1	1
Glucose		7
Maltodextrine		8
Goods	889	197
Total	37	30

23.3 Information on the main clients

The Group does not have a client to which it would sell more than 10% of its total revenue. In the group of particular products, whose share constitutes more than 10% in the sale of a given product.

- ca. 60% of maltodextrine was sold to four domestic contracting parties, from which each purchased ca 15%.
- ca. 16% of glucose was sold to one domestic contracting party
 - ca. 30% of proteins were sold to one foreign contracting party.

24. Other significant events in the reporting period.

On 9 March 2016 Mr Michał Skotnicki purchased from TRADO-GPT Invest Sp. z o.o. Sp.k. with its registered office in Warsaw 8,600,000 shares of the Company over the counter.

After the purchase of the afore-mentioned shares Mr Michał Skotnicki and Mr Maksymilian Skotnicki (family members) jointly hold 28,132,088 shares, constituting 29.613% of the share capital and entitling to 28,132,088 votes at the General Meeting, which constitutes 29.613% of the total number of votes at the General Meeting.

25. Events after the balance sheet date

On 7 April 2016 the Supervisory Board of "PEPEES" S.A. appointed for another term the Management Board of "PEPEES" S.A. in unaltered composition, i.e. Wojciech Faszczewski - President of the Management Board, Krzysztof Homenda - Member of the Management Board, CFO.

26. Effects of changes in the structure of the economic entity, including mergers of economic entities, acquisitions or divestments of entities from the group, long-term investments, division, restructuring and discontinuation of operations.

There were no changes in the Group's structure in the reporting period.

27. Information on the fair value of financial instruments

Shares of the company „Warszawski Rolno-Spożywczy Rynek Hurtowy" have been qualified as investments held for trading and valued at the fair value with the use of the discounted cash flow method. The measurement of the fair value was classified on the third level in the hierarchy of fair value of IFRS 13.

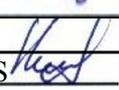
28. Information on shares in other entities, regarding entities that attempt to or cease to be investment entities

PEPEES has never been an investment entity according to Section 27 of IFRS 10.

29. Approval of the condensed interim financial statements

These condensed consolidated financial statements were approved by the Management Board of the Parent Company on 13 May 2016.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

Date	Name and surname	Position / Function	Signature
13.05.2016	Wojciech Faszczeński	President of the Management Board	
13.05.2016	Krzysztof Homenda	Member of the Management	

SIGNATURE OF THE PERSON PREPARING THE STATEMENTS

Date	Name and surname	Position / Function	Signature
13.05.2016	Wiesława Załuska	Chief Accountant	