



PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO „PEPEES” S.A.

INTERIM CONDENSED SEPARATE
FINANCIAL STATEMENTS

FOR THE FIRST HALF OF 2016
(01.01.2016 -30.06.2016)

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN
UNION

30 August 2016

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

ASSETS	30.06.20	31.12.20	30.06.20
I Non-current (long-term) assets	101,724	102,884	102,415
1 Property, plant and equipment	77,667	78,128	76,458
2 Intangible assets	116	456	62
3 Investments in subsidiaries	3,755	3,755	3,756
4 Investments in associates	811	811	811
5 Investments in other entities	113	113	113
6 Loans granted	7,800	7,800	9,664
7 Long-term advances	10020	10,391	10,762
8 Deferred tax assets	1,442	1,430	789
I Current (short-term) assets	59,279	93,830	56,690
1 Inventories	18,984	44,192	24,552
2 Biological assets	830	172	738
3 Trade receivables	22,365	15,474	20,067
4 Other receivables	613	2,832	1,312
5 Advances	4,269	841	3,965
6 Loans granted	4,113	4,347	2,303
7 Investments held for trading	2,550	2,550	2,550
8 Cash and cash equivalents	5,555	23,422	1,203
Total assets	161,003	196,714	159,105
EQUITY AND LIABILITIES	30.06.20	31.12.20	30.06.20
I Equity	115,303	110,656	107,689
1 Share capital	5,700	5,700	5,700
2 Reserve capital and other reserves	105,347	99,430	99,430
3 Revaluation reserve	(492)	(391)	(343)
4 Retained earnings from previous years and the present year	4,748	5,917	2,902
I Non-current liabilities	21,506	22,168	18,932
1 Loans and borrowings	7,517	7916	7,980
2 Liabilities related to leased assets	3671	3942	1,037
3 Deferred tax liabilities	5,807	5,844	5,349
4 Retirement and similar benefits obligations	2,030	1,918	1,863
5 Grants	2,481	2,548	2,703
I Current liabilities	24,194	63,890	32,484
1 Trade payables	6,595	6,380	8,018
2 Current income tax liabilities	453	807	198
3 Other current liabilities	1,655	1,644	1,289
4 Loans and borrowings	13,050	52,066	20,854
5 Liabilities related to leased assets	1113	1151	895
6 Retirement and similar benefits obligations	188	157	153
7 Provisions for other liabilities and other charges	1,140	1,685	1,077
Total equity and liabilities	161,003	196,714	159,105

**INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A**

<i>Revenue and expenses</i>		<i>01.01.20</i>	<i>01.01.20</i>
<i>Profit and loss</i>		<i>16-</i>	<i>15-</i>
		<i>30.06.20</i>	<i>30.06.2015</i>
I	Sales revenue	65,272	52,269
1	Revenue from the sales of products	50,011	40,120
2	Revenue from services	209	66
3	Revenue from the sales of trade goods and materials	15,052	12,083
II	Cost of sales	(49,732)	(41,482)
1	Cost of products sold	(35,148)	(29,976)
2	Cost of services sold	(178)	(54)
3	Costs of trade goods and materials sold	(14,018)	(11,280)
4	Profit/loss from agricultural production	(388)	(172)
II	Gross profit from sales (I-II)	15,540	10,787
1	Selling and marketing expenses	(2,877)	(2,268)
2	Administrative expenses	(6,895)	(5,637)
3	Other operating income	212	885
4	Other operating expenses	(178)	(94)
IV	Operating profit (loss)	5,802	3,673
1	Finance costs	(545)	(662)
2	Finance income	673	705
V	Profit (loss) before tax	5,930	3,716
VI	Income tax expense	(1,182)	(814)
VI	Net profit (loss)	4,748	2,902
VII	Other comprehensive income	(101)	36
	Effects of the valuation of financial assets		
1	available-for-sale		-
	Revaluation of employee benefit		
2	liabilities	(101)	36
IX	Total comprehensive income	4,647	2,938
X	Net earnings (loss) per share:		
	- basic	0.05	0.03
	- diluted	0.05	0.03



INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A.

	<i>Share capital</i>	<i>Reserve capital</i>	<i>Revaluation reserve</i>	<i>Other reserves</i>	<i>Retained earnings/ losses</i>	<i>Total equity</i>
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 30.06.2015						
Distribution of profit for 2014				3,621	(3,621)	
Net profit (loss) for the period					2,902	2,902
Other comprehensive income for the year (net)			36			36
As at 30 June 2015	5,700	51,950	(343)	47,480	2,902	107,689
Changes in the period from 01.01.2015 to 31.12.2015						
Distribution of profit for 2014	-		-	3,621	(3,621)	-
Net profit for the financial year		-			5,917	5,917
Other comprehensive income for the year (net)			(12)			(12)
As at 31 December 2015	5,700	51,950	(391)	47,480	5,917	110,656
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					4,748	4,748
Other comprehensive income for the year (net)			(101)			(101)
As at 30 June 2016	5,700	51,950	(492)	53,397	4,748	115,303



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

Indirect method	1.01.20	1.01.20
	16 - 30.06.2016	15 - 30.06.2015
A. Cash flows from operating activities		
I. Profit (loss) before tax	5,930	3,716
II. Total adjustments	18,197	11,517
1. Depreciation and amortisation	3,550	3,082
2. Foreign exchange (gains) losses	(1)	10
3. Interest and share of profit (dividend)	412	(44)
4. (Profit) loss on investing activities	19	(311)
5. Net increase/decrease in provisions	(402)	(533)
6. Net increase/decrease in inventories	25,208	20,732
7. Net increase/decrease in biological assets	(658)	(612)
8. Net increase/decrease in receivables	(5,414)	(6,157)
9. Net increase/decrease in current liabilities, except for loans and borrowings	226	(487)
10. Net increase/decrease in advances	(2,315)	(3,498)
11. Net increase/decrease in grants	(67)	(164)
12. Income tax paid	(1,561)	(662)
13. Other adjustments	(800)	161
III. Net cash flows from operating activities (I+/-II)	24,127	15,233
B. Cash flows from investing activities		
I. Proceeds	840	717
1. Disposal of intangible assets and property, plant and equipment	66	321
2. Repayments of cash loans	774	396
II. Expenses	2,720	10,677
1. Acquisition of intangible assets and property, plant and equipment	2,545	10,677
2. Loans granted	175	
3. Expenditure on the acquisition of interests		
III. Net cash flows from investing activities (I-II)	(1,880)	(9,960)
C. Cash flows from financing activities		
I. Proceeds	1,549	11,721
1. Loans and borrowings	1,042	11,184
2. Proceeds from shares issued		
3. Received additional payments	507	537
II. Expenses	33,805	20,380
1. Repayments of loans and borrowings	32,640	19,656
2. Interest on loans and borrowings	412	352
3. Lease payments	753	372
III. Net cash flows from financing activities (I-II)	(32,256)	(8,659)
D. Total net cash flows (A.III+/-B.III+/-C.III)	(10,009)	(3,386)
E. Balance sheet change in cash, including:	(17,867)	126
- net increase/decrease in cash due to foreign exchange differences		10
- net increase/decrease in bank overdrafts	7,858	(3,522)
F. Cash at the beginning of period	15,563	(1,795)
G. Cash at the end of period (F+/-D)	5,554	(5,181)
<i>- including restricted cash</i>		-



SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

N	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		Half of 2016	Half of	Half of 2016	Half of
I	Total sales revenue	65,272	52,269	14,901	12,643
II	Net profit	4,748	2,995	1,084	724
III	Net comprehensive income	4,647	2,938	1,061	711
IV	Net cash flows from operating activities	24,127	15,233	5,508	3,685
V	Net cash flows from investing activities	(1,880)	(9,960)	(429)	(2,409)
VI	Net cash flows from financing activities	(32,256)	(8,659)	(7,364)	(2,095)
VI	Total net cash flows	(10,009)	(3,386)	(2,285)	(819)
VI	Total assets	161,003	196,714	36,381	46,185
IX	Equity	115,303	110,656	26,054	25,978
X	Earnings (loss) per share	0.05	0.03	0.01	0.008
XI	Book value per share	1.21	1.13	0.27	0.27

Figures presented in lines: VIII, IX and XI, in columns "Half of 2015" are as at 31.12.2015.

To translate the selected financial figures into EUR, the following exchange rates published by the National Bank of Poland (NBP) were applied:

- selected items of the statement of financial position as at 30.06.2016 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.4255;
- selected items of the statement of financial position as at 31.12.2015 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.2615;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2016 to 30.06.2016 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2016: EUR 1 = PLN 4.3805;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2015 to 30.06.2015 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2015: EUR 1 = PLN 4.1341.

EARNINGS PER SHARE

	30.06.2016	30.06.2015
Net profit	4,748	2,902
Weighted average number of shares	95,000,000	95,000,000
Basic earnings per share (in PLN per share)	0.05	0.03
Net earnings used to calculate diluted earnings per share	4,748	2,902
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	95,000,000
Diluted earnings per share (in PLN per share)	0.05	0.03
Annualised net earnings	7,763	5,915
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.08	0.06

NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

1. General information

Full business name	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A.
Registered office address	18-402 Łomża, ul. Poznańska 121
REGON [Company Stat. ID No.]	450096365
NIP [Tax ID No.]	7181005512
Registration authority	District Court in Białystok, XII Commercial Division of the National Court Register
No. in the Register	000038455
Legal status	Spółka Akcyjna [a joint stock company]
Organisational form	a single-establishment company

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

Industry – food industry

Company’s lifetime – indefinite

The composition of the Board of Directors as at 30.06.2016

Wojciech Faszczeński – President of the Board of Directors

The composition of the Supervisory Board as at 30.06.2016:

- | | |
|-------------------------|-----------------|
| 1. Maciej Kaliński | – Chairman |
| 2. Piotr Marian Taracha | – Vice-Chairman |
| 3. Krzysztof Stankowski | – Secretary |
| 4. Piotr Łuniewski | – Member |
| 5. Robert Malinowski | – Member |
| 6. Agata Czerniakowska | – Member |

2. Reporting periods

These interim separate financial statements cover the period from 1 January 2016 to 30 June 2016, and comparative financial information and explanatory notes cover the period from 1 January 2015 to 30 June 2015 and additionally as at 31 December 2015 in the case of the statement of financial position and the statement of changes in equity.

These financial statements were prepared assuming that the Company would remain a going concern in the foreseeable future. There are no circumstances indicating any threats to the activities of PEPEES.

3. Statement of compliance and the basis for the preparation of these condensed interim separate financial statements

These condensed interim separate financial statements were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. When preparing these interim condensed separate financial statements, the Company adhered to the same principles and calculation methods as applied in the most recent annual financial statements.

These condensed interim separate financial statements do not comprise all the information required in the annual financial statements and they should be read together with the financial statements and the consolidated financial statements for the financial year ended on 31 December 2015.

4. The application of standards in 2016

The application of new interpretations and amendments to standards in the first half of 2016 had no impact on the Company's financial position.

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

The standards below have not been applied yet by the Company in the process of the preparation of these financial statements.

- a) IFRS 9 *Financial Instruments* effective for periods beginning on or after 1 January 2018. This standard introduces an improved and simplified approach to the classification and measurement of financial assets and liabilities, and the requirements for hedge accounting and the recognition of the impairment of financial assets.
- b) IFRS 14 *Regulatory Deferral Accounts* issued on 30 January 2014, effective for annual periods beginning on or after 1 January 2016 (not adopted by the European Commission).
- c) IFRS 15 *Revenue from Contracts with Customers* – effective for annual periods beginning on or after 1 January 2018. This standard provides a single accounting model for revenue from contracts with customers. It will replace the guidelines for the recognition of revenue included in IAS 18 *Revenue*, IAS 11 *Construction contracts* and in related *Interpretations*.
- d) IFRS 16 *Leases* – effective for annual periods beginning on or after 1 January 2019. This standard eliminates differences between finance and operating lease.
- e) Amendments to IAS 7, effective for annual periods beginning on or after 1 January 2017. The amendments provide for disclosures that will make it possible to evaluate changes in liabilities arising from financing activities, resulting both from cash flows and non-cash changes.
- f) Amendments to IAS 12 effective for periods beginning on or after 1 January 2017. The amendments clarify e.g. unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes.

- g) Amendments to IFRS 10 and IAS 28, for which the effective date has been deferred indefinitely. The amendments pertain to the sale or contribution of assets between an investor and its associate or joint venture, aiming to eliminate contradictions between the requirements of IAS 28 and IFRS 10.

The Board of Directors is currently assessing the impact of the aforementioned standards and interpretations upon the Company's reporting.

6. *Changes in accounting principles and presentations, and correcting errors*

The Company did not change its accounting policies applied previously.

7. *Seasonality or cyclical nature of operations*

The Company's core business comprises the processing of potatoes and starch production. The purchase and processing of potatoes takes place in autumn in the period of 3 months, while the sale of manufactured products lasts all year long.

8. *Non-typical items having significant impact on assets, liabilities, equity and financial result*

In the reporting period, there were no non-typical items having significant impact on assets, liabilities, equity and financial result.

9. *Estimates*

In the reporting period, the Company did not conduct impairment tests of non-current assets, since there were no indications of any such impairment.

Write-downs of receivables were updated by the amount reflecting the level of customers default risk.

Provisions for retirement benefits and jubilee benefits were updated on the basis of actuarial calculations as at 30.06.2016.

The provisions for unused annual leaves were updated on the basis of expected remunerations of employees including adds-on for the employer for annual leaves unused as at 30.06.2016.

The Company recognises deferred tax assets on the basis of the assumption that, in the future, it will generate tax profit enabling their utilisation.

The Company verifies, on an annual basis, useful lives of property, plant and equipment and intangible assets. The last update was made on 31 December 2015.

10. *Acquisition and sale of property, plant and equipment*

In the reporting period, the Company acquired property, plant and equipment for PLN 2,225 thousand. The purchases comprised mainly production plant and machinery and the modernisation of the boiler room.

The Company sold property, plant and equipment for PLN 66 thousand. The loss from the sales of property, plant and equipment amounted to PLN 19 thousand.

11. Commitments to purchase property, plant and equipment

To purchase property, plant and equipment, the Company took out a long-term loan with the repayment period until 31.12.2020 amounting to PLN 1,200 thousand and a cash loan with a 2-year repayment period amounting to PLN 533 thousand.

The loan is secured mainly with a mortgage up to PLN 1,800 thousand.

12. Inventories

INVENTORIES	As at 30.06.2016	As at 31.12.2015	As at 30.06.2015
a) materials	1,823	2,337	1,744
b) semi-finished products and work in	3	1,491	2,831
c) finished products	16,968	35,462	18,909
d) trade goods	225	4,937	1,106
Gross inventories	19,019	44,227	24,590
Write-downs	(35)	(35)	(38)
Net inventories	18,984	44,192	24,552

The value of inventories recognised as an expense in the reporting period amounted to PLN 47,893 thousand (first half of 2015: -PLN 39,914 thousand).

In the reporting period, the Company did not recognise write-downs of inventories and did not reverse write-downs reducing the value of inventory.

Write-downs as at 30.06.2016 amount to PLN 35 thousand (30.06.2015: PLN 38 thousand).

The carrying amount of inventories used as security for bank loans is PLN 13,594 thousand.

Encumbrances on inventories due to borrowed bank loans:

- a registered pledge on inventories for the benefit of BGŻ BNP PARIBAS, securing a loan for which the debt as at 30.06.2016 amounts to PLN 5,625 thousand;
- a registered pledge on inventories of materials, finished products and trade goods for the benefit of Bank Zachodni WBK S.A., securing loans for which the debt as at 30.06.2016 amounts to PLN 3,750 thousand.

13. Biological assets

Since March 2014, the Company has leased a farm that was sown with annual plants; as at the balance sheet date, they are not ripe. The costs associated with the acquisition of seeds and with the cultivation as at the balance sheet date amount to PLN 1,456 thousand; obtained subsidies to PLN 507 thousand; and fair value less costs to sell to ca. PLN 830 thousand. Biological assets were recognised in the financial statements at fair value.

14. Trade receivables

TRADE RECEIVABLES	As at 30.06.2016	As at 31.12.2015	As at 30.06.2015
a) from related parties	39	29	5
TRADE RECEIVABLES	As at 30.06.2016	As at 31.12.2015	As at 30.06.2015
- up to 12 months	39	29	5
b) from other entities	22,326	15,445	20,062

- up to 12 months	22,326	15,445	20,062
- over 12 months			
Total trade receivables	22,365	15,474	20,067

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 30.06.2 016	As at 31.12.2 015	As at 30.06.2 015
a) up to 1 month	3,724	6,637	3,469
b) over 1 month up to 3 months	6,650	6,582	5,431
c) over 3 months up to 6 months	11,284	1,465	10,053
d) over 6 months up to 1 year			
e) over 1 year			
f) past due receivables	944	1,650	1,336
Total (gross) trade receivables	22,602	16,334	20,289
- write-downs of trade receivables	(237)	(860)	(222)
Total (net) trade receivables	22,365	15,474	20,067

Past due receivables for which no write-downs were recognised are receivables from debtors with whom the Company has cooperated for several years now and the assessment of their economic and financial situation does not imply that they are doubtful receivables. The past due period for those receivables ranges from a few days to three months. There are no receivables overdue more than 180 days not subject to a write-down.

15. Trade payables

TRADE PAYABLES	As at 30.06.2 016	As at 31.12.2 015	As at 30.06.2 015
a) from related parties	7	902	53
- up to 12 months	7	902	53
- over 12 months			
b) from other entities	6,588	5,478	7,965
- up to 12 months	6,588	5,478	7,965
- over 12 months			
Total trade payables	6,595	6,380	8,018
- including overdue more than 180 days	-	-	-

16. Litigation

On 24 June 2016, the Company signed a court settlement agreement with GEA Process Engineering Sp. z o.o. concerning the agreement of 1 August 2014 with the value of PLN 6,415 thousand. Pursuant to the settlement, the value of the agreement was reduced to PLN 4,300.5 thousand.

17. Corrections of errors from previous periods

In these financial statements, there were no corrections of errors from previous periods.

18. Not repaid loans and borrowings

As of the balance sheet date, the bank loans listed in the table below have been repaid when due. There were no other loans.

Loan type /Agreement/	Lending bank	Contra- ctual loan value	Debt as at 30.06.20 16	Rep ay me nt
1	2	3	4	5
Bank overdraft	Bank Zachodni WBK S.A.	4,000	0	31.08.2016
Revolving loan	Bank Zachodni WBK S.A.	6,000	0	31.08.2016
Working capital loan for potato	Bank Zachodni WBK S.A.	15,000	3,750	31.08.2016
Bank overdraft	BGŻ BNP Paribas	4,000	0	31.08.2016
Revolving loan	BGŻ BNP Paribas	6,000	1,125	31.08.2016
Working capital loan for potato	BGŻ BNP Paribas	15,000	5,625	31.08.2016
Subsidised investment loan	Bank Spółdzielczy S.A./Bank Polskiej Spółdzielczości S.A.	3,465	642	30.06.2017
Subsidised investment loan	Bank Polskiej Spółdzielczości S.A.	1,295	534	30.11.2018
Investment loan	BNP Paribas	9,822	7,849	25.02.2022
Investment loan	Bank Ochrony Środowiska S.A.	1,200	509	31.12.2020
Cash loan	BNP Paribas Lease Group Sp. z o.o.	533	533	13.06.2018
Total		66,315	20,567	

Re: 1, 2, 3, 4, 5, 6

The first three loans were taken out under a single agreement called "A Multiline Agreement." These loans are secured with:

- a contractual joint mortgage amounting to PLN 58,500 thousand on real properties:
 - owned by PPZ Bronisław Sp. z o.o.
 - owned by ZPZ Lublin Sp. z o.o.
- an assignment of receivables under an insurance policy for the real properties:

- owned by PEPEES S.A.
 - owned by PPZ Bronisław Sp. z o.o.
 - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on fixed assets;
 - a registered pledge on inventories of trade goods amounting to 145 % of the loan amount along with the assignment of rights under an insurance policy;
 - an assignment of receivables (undisclosed assignment) up to PLN 5,750 thousand;
 - a blank promissory note with a promissory note agreement;
 - an authorisation to use a bank account.

The next three loans were granted under the so-called “Multi-Purpose Line of Credit”, which is secured with:

- a contractual joint mortgage amounting to PLN 58,500 thousand on real properties:
 - owned by PPZ Bronisław Sp. z o.o.
 - owned by ZPZ Lublin Sp. z o.o.
- an assignment of receivables under an insurance policy for the real properties:
 - owned by PEPEES S.A.
 - owned by PPZ Bronisław Sp. z o.o.
 - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on fixed assets;
- a registered pledge on inventories amounting to PLN 28,561 thousand along with the assignment of rights under an insurance policy;
- a general assignment of 40 % of receivables of the aforementioned companies;
- a blank promissory note with a promissory note agreement;
- an authorisation to use a bank account.

Re: 7

The loan is secured with an authorisation to use a current account; a general mortgage amounting to PLN 2,000 thousand; a capped mortgage up to PLN 1,500 thousand; a registered pledge on plant and machinery purchased with the loan along with the assignment of rights under an insurance policy; a blank promissory note.

Re: 8

The loan is secured with a general mortgage amounting to PLN 1,295 thousand; a capped mortgage up to PLN 880.6 thousand; transfer of ownership of plant and machinery amounting to PLN 1,295 thousand; an assignment of rights under an insurance policy; a blank promissory note; an authorisation to use bank accounts.

Re: 9

The loan is secured with a contractual joint mortgage up to PLN 14,734 thousand, the assignment of rights under an insurance policy and the statement on the submission to execution.

Re: 10

The loan is secured with a mortgage amounting to 150 % of the loan amount, i.e. PLN 1,800 thousand, established on the Company’s real properties, an authorisation to use bank accounts and a blank promissory note.

Re: 11

The cash loan is secured with a registered pledge on a fixed asset.

19. Related parties

19.1 General information about related parties

Name	Place of business	Objects	Registry court	Issuer’s interest in capital	Share in total votes
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ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes; fruit and vegetable processing	District Court in Lublin, XI Economic Division of the National Court Register (NCR)	82.38 %	82.38 %
PPZ BRONISŁAW Sp. z o.o.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, XIII Economic Division of the National Court Register (NCR)	84.125 %	84.125 %
OZENERGY SP. Z O.O.	Łomża	Power generation	District Court in Białystok, XII Economic Division of the National Court Register (NCR)	100 %	100 %
CHP ENERGIA Sp. z o.o. (an associate)	Wojny Wawr zyńce	Production of electricity and heat from gas produced in a biogas plant	District Court in Białystok, XII Economic Division of the National Court Register (NCR)	24.9 %	24.9 %

19.2 Basic financial information about related parties

	ZPZ LUBLIN Sp. z o.o.	PPZ BRONISŁAW Sp. z o.o.	OZENERGY SP. Z O.O.	CHP ENERGIA Sp. z o.o. (an
Current assets	5,558	8,949	9	2,301
Non-current assets	4,763	7,119	0	23,271
Current liabilities	4,401	7,822	5	5,831
Non-current liabilities	3,345	6,211		18,018
Revenue	7,958	16,695	0	1,660
Financial result on continuing	(133)	517	0	(1,109)
Net financial result on discontinued operations				
Other comprehensive				
Total comprehensive income	(133)	517	0	(1,109)

19.3 The issuer's transactions with its subsidiaries

a) Revenue from the sale of products and trade goods

Types of revenue	2016 half year	2015 half year
Revenue from the sales of products to subsidiaries	360	87
Revenue from the sales of materials to subsidiaries	1	0
Revenue from services	141	0
Total revenue from related parties	502	87

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

b) Purchases of trade goods and services

Types of purchases	2016 half year	2015 half year
Purchases of products from subsidiaries	2,529	3,424
Purchases of trade goods from subsidiaries		1,116
Purchases of services from subsidiaries	39	26
Total purchases from related parties	2,568	4,566

c) Other transactions

Types	2016 half year	2015 half year
Interest on granted loans	181	316
Total	181	316

d) Balances of settlements as of the balance sheet date arising from sale/purchase of trade goods/services

Settlements with subsidiaries	2016 half year	2015 half year
Receivables – ZPZ Lublin	39	
Liabilities – ZPZ Lublin		45
Liabilities – PPZ BRONISŁAW	7	8
Advances for deliveries – PPZ BRONISŁAW		
Balance of settlements with related parties	32	53

e) Balance of settlements related to cash loans

Cash loans granted to subsidiaries	2016 half year	2015 half year
PPZ BRONISŁAW	5,200	5,800
ZPZ Lublin	3,010	3,000
Balance of settlements with related parties	8,210	8,800

19.4 The issuer's transactions with its associate

a) Balance of settlements related to cash loans

Cash loans granted by PEPEES	2016 half year	2015 half year
CHP Energia Sp. z.o.o.	3,528	3,167
Balance of settlements with the associate	3,528	3,167

b) Balances of settlements as of the balance sheet date arising from sale/purchase of trade goods/services

Settlements	2016 half year	2015 half year
Receivables	71	
Liabilities		
Balance of settlements	71	

c) Interest paid on granted loans

Types	2016 half year	2015 half year
Interest paid on granted loans	0	80
Total	0	80

19.5 The issuer's transactions with shareholders

In the reporting period, the Company did not enter into transactions with shareholders holding at least 20 % of votes at the General Meeting of Shareholders.

19.6 The issuer's transactions with key managing and supervisory employees

a) benefits for key managing employees (members of the Board of Directors) and members of the Supervisory Board (in PLN 000s)

	2016 half year	2015 half year
Short-term employee benefits	796	722
Post-employment benefits		
Other long-term benefits		
Termination benefits		
Share-based payments		
Total	796	722

b) transactions with key employees and members of their families

In the reporting period, the Company did not enter into any transactions with key employees and members of their families.

20. Changes in estimated values

a. Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2016 half year	2015	2015 half year
At the period beginning	867	251	251
a) increases (due to)	104	690	26
- recognition for doubtful trade receivables	19		

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2016 half year	2015	2015 half year
- recognition for interest receivable	29	690	26
- recognition for receivables in	56		
- recognition for other receivables			
b) decreases (due to)	683	74	47
- reversals of write-downs	33	69	42
- utilisation due to the writing-off and sale of receivables		2	2
- cancellations	650	3	3
Write-downs at the end of the period	288	867	230

b. Write-downs of inventories

MOVEMENT ON WRITE- DOWNS OF INVENTORIES	2016 half year	2015	2015 half year
At the period beginning	35	35	35
a) increases (due to)		3	3
- write-downs to net realisable value		3	3
b) decreases (due to)		3	
- utilisation		3	
Write-downs of inventories at the end of the period	35	35	38

c. Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	2016 half year	2015	2015 half year
a) balance at the beginning of period	2,075	2,060	2,060
- retirement benefits	157	141	141
- jubilee benefits	1918	1919	1919
b) increases (due to)	237	204	12
- retirement benefits	19	26	12
- jubilee benefits	218	178	
c) utilisation (due to)	94	189	57
- retirement benefits	6	10	
- jubilee benefits	88	179	57
d) balance at the end of the period, including:	2,218	2,075	2,015
- retirement benefits	170	157	153
- jubilee benefits	2,048	1,918	1,862

d. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS	2016 half year	2015	2015 half year
a) balance at the beginning of the period, including:	1,685	1,566	1,566
- fee for the use of the environment	126	110	110
MOVEMENT ON SHORT-TERM PROVISIONS (BY	2016 half year	2015	2015 half year
- provisions for services performed by contractors	26	22	22

- provisions for compensations for annual leaves	343	239	239
- bonuses for suppliers		35	35
- bonuses for the Board of Directors and employees	195	70	70
- grants related to property, plant and equipment	257	307	307
- grants related to loans	62	98	98
- greenhouse gas emission allowance	676	685	685
b) increase (due to)	844	1,384	691
- fee for the use of the environment	44	129	51
- provisions for compensations for annual leaves	356	343	281
- provision for damages	180		
- provision for services performed by contractors	15	41	15
- bonuses for the Board of Directors and employees	40	195	
- greenhouse gas emission allowance	209	676	344
c) utilisation (due to)	1,389	1,265	1,180
- fee for the use of the environment	124	113	113
- provisions for compensations for annual leaves	271	239	212
- provisions for services performed by contractors	26	37	22
- grants related to property, plant and equipment	78	50	25
- grants related to loans	19	36	18
- bonuses for suppliers		35	35
- bonuses for the Board of Directors and employees	195	70	70
- greenhouse gas emission allowance	676	685	685
d) balance at the end of the period, including:	1,140	1,685	1,077
- fee for the use of the environment	46	126	48
- provisions for compensations for annual leaves	428	343	308
- provision for damages	180		
- bonuses for the Board of Directors and employees	40	195	
- provision for services performed by contractors	15	26	15
- grants related to property, plant and equipment	179	257	282
- grants related to loans	43	62	80
- greenhouse gas emission allowance	209	676	344

e. **Deferred income tax**

DEFERRED TAX LIABILITIES			
	30.06.2016	31.12.2015	30.06.2015
Difference between the carrying amount and the tax value of property, plant and	5,637	5,710	5,248
Unrealised foreign exchange differences	1		1
Valuation of loan	3	4	5
Interest due but not received	166	130	95
Total deferred tax liabilities	5,807	5,844	5,349

DEFERRED TAX ASSETS			
	30.06.2016	31.12.2015	30.06.2015
Outstanding obligations			
Outstanding remunerations	81	82	69
Provisions for compensations for annual	81	65	59
DEFERRED TAX ASSETS			
	30.06.2016	31.12.2015	30.06.2015

leaves

Provision for damages

Provision for bonuses for the Board of Directors

and employees	8	37	
Provision for bonuses for suppliers			
Retirement and jubilee benefits	422	394	383
Lease payables	724	657	161
Accruals and other	3	5	3
Unrealised foreign exchange differences	24	36	24
Write-downs of CO ₂ emission allowances	40	129	65
Write-downs of inventories	7	7	7
Write-downs of interests	18	18	18
Total deferred tax assets	1,442	1,430	789

21. Movement on contingent liabilities and contingent assets

MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)	2016 half year	2015	2015 half year
a) balance at the beginning of the period, including:	7,061	28,061	28,061
- liabilities related to non-competition agreements	1,061	1,061	1,061
- loan sureties to related parties	6,000	27,000	27,000
b) increase (due to)			
- liabilities related to non-competition agreements	9		
- loan sureties to related parties			
c) utilisation (due to)	180		
- liabilities related to non-competition agreements	180		
d) reversal	180	21,000	
- liabilities related to non-competition agreements	180		
- loan sureties to related parties		21,000	
e) balance at the end of the period, including:	6,710	7,061	28,061
- liabilities related to non-competition agreements	710	1,061	1,061
- loan sureties to related parties	6,000	6,000	27,000

MOVEMENT ON CONTINGENT ASSETS (BY TITLES)	2016 half year	2015	2015 half year
a) balance at the beginning of the period, including:	10,822	10,822	10,822
- value of land used under the right of perpetual usufruct	10,822	10,822	10,822
b) increase (due to)			
c) utilisation (due to)			
d) balance at the end of the period, including:	10,822	10,822	10,822
- value of land used under the right of perpetual usufruct	10,822	10,822	10,822

22. The issue, redemption and repayment of debt and equity securities

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

23. Paid or declared dividends

The Company did not pay or declare payments of dividends.

24. Segment reporting

The Company operates in a single, main reporting segment covering the processing of potatoes to obtain starch and starch hydrolysates. A single segment is identified in the Company's daily records and internal reports.

24.1. Products and services

Within the segment: "the processing of potatoes", the Company produces:

- potato starch used in households and by the food industry, pharmaceutical industry, paper industry and textile industry;
- a few varieties of glucose used by the food industry, confectionery industry and pharmaceutical industry;
- maltodextrin, which is an essential ingredient of foodstuff (ice cream, sauces, soups, fruit extracts, flavoured sprinkles), and vitamin and mineral preparations and supplements for children and athletes;
- a protein that is produced from cellular juice of potatoes through coagulation, separation and drying; it is a valuable component of compound feedingstuffs for animals and a great substitute for animal proteins;
- a wide range of starch syrups used in confectionery and baking industries.

Other types of activities:

- the generation of heat, which is produced mainly to meet own needs and a part of it is sold to plants in the vicinity;
- works and services;
- the sale of certain trade goods and materials.

The table below presents the revenue for each group of products and services.

Product or service	Sales revenue	
	Half of 2016	Half of 2015
Starch	32,194	25,454
Glucose	4,428	3,343
Maltodextrin	7,016	6,329
Protein	3,773	2,591
Starch syrups	354	571
Food starch	202	
Hydrol	287	53
Heat	1,757	1,778
Trade goods and materials	15,052	12,083
Services	209	66
Total	65,272	52,268

24.2 Sales revenue by territories:

Specification	Half of 2016	Half of 2015
Poland, including	43,523	40,257
Starch	14,160	16,630
Glucose	4,396	3,333
Maltodextrin	6,206	5,797

Protein	1,889	448
Starch syrups	354	571
Food starch	202	
Hydrol	287	53
Heat	1,757	1,778
Trade goods and materials	14,063	11,581
Services	209	66
EU countries - intra-Community supplies, including:	4,936	4,235
Starch	3,969	2,568
Maltodextrin	809	522
Glucose	32	3
Protein	26	1,124
Trade goods	100	18
Other countries – export, including:	16,813	7,776
Starch	14,065	6,256
Protein	1,858	1,019
Maltodextrin	1	10
Glucose		7
Trade goods	889	484
Total	65,272	52,268

24.3 Major customers

The Company does not have any customer for whom sales revenue exceeded 10 % of total revenue. However, for specific products, there are customers whose share represents over 10 % in the sale of a given product. And so:

- over 30 % of protein was sold to three foreign customers;
- 10 up to 20 % of maltodextrin was sold to each of three Polish customers;
- over 14 % of glucose was sold to one Polish customer.

25. Other significant events in the reporting period

- 1) On 9 March 2016, TRADO S.A. sold all shares of PEPEES held by it, i.e. 8,600,000 shares, to Mr Michał Skotnicki. Following this transaction, Mr Michał Skotnicki and Mr Maksymilian Skotnicki (family members) hold jointly 28,132,088 shares, which account for 29.613 % of the share capital and give them the right to 28,132,088 votes at the General Meeting of the Shareholders, which account for 29.613 % of the total number of votes at the General Meeting of the Shareholders.
- 2) On 7 April 2016, the Supervisory Board of “PEPEES” S.A. appointed the Board of Directors of “PEPEES” S.A. for the next term of office with the same members: Wojciech Faszczewski – President of the Board of Directors, Krzysztof Homenda – Member of the Board of Directors, Chief Financial Officer.
- 3) On 19 May 2016, the General Meeting of Shareholders approved of the financial statements for

2015 and adopted the resolution on the allocation of the profit for 2015 to capital reserves in order to make investments.

- 4) On 19 May 2016, the Annual General Meeting of Shareholders appointed Ms Agata Czerniakowska as a member of the Supervisory Board.
- 5) As of 1 June 2016, Mr Krzysztof Homenda resigned from his membership of the Board of Directors.

26. Significant events after the end of the interim period

- The Energy Regulatory Office (URE) selected the bid made by the Company in the tender concerning the selection of projects to improve energy efficiency. Therefore, the Issuer was granted PMEF energy efficiency certificates, the so-called 'white certificates'.
- On 29 August 2016, the Group signed an annex to the multi-purpose credit line agreement dated 19 August 2015 concluded with Bank BGŻ BNP Paribas S.A. and an annex to the multi-line agreement dated 7 October 2014 concluded with Bank Zachodni WBK S.A. Pursuant to the Annex to the Multi-Purpose Agreement, the credit limit granted to PEPEES and its subsidiaries was increased to PLN 45 million and the period of the availability of the loans was extended until 31 August 2017. And, pursuant to the Annex to the Multi-Line Agreement, the credit limit granted to PEPEES and its subsidiaries was increased to PLN 45.5 million and the repayment period was extended until 31.08.2017.

27. Effects of changes in the structure of the business entity, including those resulting from business combinations, acquisition or sale of the Corporate Group entities, long-term investments, division, restructuring and discontinuation of operations

During the reporting period, there were no changes in the structure of the entity.

28. Fair values of financial instruments

The shares of „Warszawski Rolno-Spożywczy Rynek Hurtowy” were classified as investments held for trading and measured at fair value using the discounted cash flow (DCF) model. Fair value measurement was classified at level 3 of the fair value hierarchy pursuant to IFRS 13.


29. Interests in other entities, related to entities becoming or ceasing to be investment entities

PEPEES has not been and is not an investment entity pursuant to par. 27 of IFRS 10.

30. Authorising the condensed interim separate financial statements

These condensed interim separate financial statements were authorised by the Board of Directors on 30 August 2016. These condensed interim separate financial statements are published together with the condensed interim consolidated financial statements, which were authorised for publication on 30 August 2016.

SIGNATURES OF THE MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Title/Function	Signature
30.08.2016	Wojciech Faszczeński	President of the Board of Directors	

SIGNATURE OF THE PERSON PREPARING THE FINANCIAL STATEMENTS

Date	Name	Title/Function	Signature
30.08.2016	Wiesława Załuska	Chief Accountant	