



**THE CORPORATE GROUP OF  
PRZEDSIĘBIORSTWO PRZEMYSŁU  
SPOŻYWCZEGO „PEPEES” S.A.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2016  
TO 30 SEPTEMBER 2016**

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

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## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b>		<b>30.09.16</b>	<b>30.06.16</b>	<b>31.12.15</b>	<b>30.09.15</b>
<b>I</b>	<b>Non-current (long-term) assets</b>	<b>106,192</b>	<b>101,711</b>	<b>102,971</b>	<b>105,507</b>
1	Property, plant and equipment	93,264	88,757	89,196	89,838
2	Intangible assets	305	117	460	61
3	Goodwill arising on consolidation	486	486	486	486
4	Equity-accounted investments				
5	Investments in other entities	113	113	113	113
6	Granted loans				2,036
7	Long-term advances	9,834	10,020	10,391	10,577
8	Deferred tax assets	2,190	2,218	2,325	2,396
<b>II</b>	<b>Current (short-term) assets</b>	<b>88,115</b>	<b>72,522</b>	<b>117,917</b>	<b>68,749</b>
1	Inventories	35,907	25,324	64,111	34,246
2	Biological assets	276	830	172	541
3	Trade receivables	26,949	28,425	18,118	22,648
4	Other receivables	5,326	647	4,237	3,374
5	Advances	3,481	4,838	1,085	3,565
6	Loans granted	2,757	2,907	2,806	609
7	Investments held for trading	2,550	2,550	2,550	2,550
8	Cash and cash equivalents	10,869	7,001	24,838	1,216
<b>Total assets</b>		<b>194,307</b>	<b>174,233</b>	<b>220,888</b>	<b>174,256</b>
<b>EQUITY AND LIABILITIES</b>		<b>30.09.16</b>	<b>30.06.16</b>	<b>31.12.15</b>	<b>30.09.15</b>
<b>I</b>	<b>Equity</b>	<b>119,432</b>	<b>115,000</b>	<b>109,854</b>	<b>107,213</b>
	<i>Equity attributable to equity holders of the</i>	<i>118,636</i>	<i>114,223</i>	<i>109,136</i>	<i>106,578</i>
1	Share capital	5,700	5,700	5,700	5,700
2	Reserve capital and other reserves	106,065	106,065	99,735	99,950
3	Revaluation reserve	(492)	(492)	(391)	(343)
4	Retained earnings/loss	(2,229)	(2,229)	(1,196)	(1,411)
5	Profit/loss for the year	9,592	5,179	5,288	2,682
	<i>Non-controlling interests</i>	<i>796</i>	<i>777</i>	<i>718</i>	<i>635</i>
<b>II</b>	<b>Non-current liabilities</b>	<b>23,005</b>	<b>22,862</b>	<b>23,417</b>	<b>24,985</b>
1	Loans and borrowings	7,639	7,517	7,916	9,445
2	Liabilities related to leased assets	4,108	4,106	4,246	3,945
3	Deferred tax liability	5,904	5,974	6,018	6,315
4	Retirement and similar benefits obligations	2,609	2,609	2,509	2,484
5	Grants	2,745	2,656	2,728	2,796
<b>III</b>	<b>Current liabilities</b>	<b>51,870</b>	<b>36,371</b>	<b>87,617</b>	<b>42,058</b>
1	Trade payables	27,367	7,434	7,511	20,551
2	Current income tax liabilities	1,340	453	869	325
3	Other current liabilities	4,691	2,292	2,918	2,680
4	Loans and borrowings	15,772	23,501	73,114	15,583
5	Liabilities related to leased assets	1,401	1,244	1,243	1,368
6	Retirement and similar benefits obligations	278	278	240	279
7	Provisions for other liabilities	1,021	1,169	1,722	1,272
<b>Total equity and liabilities</b>		<b>194,307</b>	<b>174,233</b>	<b>220,888</b>	<b>174,256</b>

**INTERIM CONSOLIDATED INCOME STATEMENT  
AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME**

<i>Revenue and expenses</i>		<i>01.07.201</i>	<i>01.01.201</i>	<i>01.07.201</i>	<i>01.01.201</i>
<i>Profit and loss</i>		<i>6-</i>	<i>6-</i>	<i>5-</i>	<i>5-</i>
		<i>30.09.20</i>	<i>30.09.20</i>	<i>30.09.20</i>	<i>30.09.20</i>
<b>I</b>	<b>Sales revenue</b>				
1	Revenue from the sales of products	42,702	113,664	36,154	93,659
2	Revenue from services	215	570	231	625
3	Revenue from the sales of trade goods and	510	15,688	41	11,969
	<b>Total sales revenue, including:</b>	<b>43,427</b>	<b>129,922</b>	<b>36,426</b>	<b>106,253</b>
	- revenue from continuing operations	43,427	129,922	36,426	106,253
<b>II</b>	<b>Cost of sales</b>				
1	Cost of products sold	(30,938)	(82,965)	(28,261)	(73,277)
2	Cost of services sold	(46)	(120)	(70)	(186)
3	Costs of trade goods and materials sold	(123)	(14,199)	(113)	(10,738)
4	Profit/loss from agricultural production	(548)	(936)	(161)	(333)
	<b>Total cost of sales, including:</b>	<b>(31,655)</b>	<b>(98,220)</b>	<b>(28,605)</b>	<b>(84,534)</b>
	- cost from continuing operations	(31,655)	(98,220)	(28,605)	(84,534)
<b>III</b>	<b>Gross profit from sales (I-II)</b>	<b>11,772</b>	<b>31,702</b>	<b>7,821</b>	<b>21,719</b>
1	Selling and marketing expenses	(2,199)	(5,659)	(2,167)	(5,088)
2	Administrative expenses	(4,279)	(13,564)	(3,920)	(12,094)
3	Other operating income	1,088	1,329	121	868
4	Other operating expenses	(54)	(268)	(86)	(65)
<b>IV</b>	<b>Operating profit (loss)</b>	<b>6,328</b>	<b>13,540</b>	<b>1,769</b>	<b>5,340</b>
1	Finance costs	(295)	(1,097)	(174)	(1,028)
2	Finance income	(82)	415	84	536
3	Share of profit of an associate	(222)	(498)	(372)	(887)
	<b>Profit (loss) before tax,</b>				
<b>V</b>	<b>including:</b>	<b>5,729</b>	<b>12,360</b>	<b>1,307</b>	<b>3,961</b>
	- profit (loss) before tax				
	from continuing operations	5,729	12,360	1,307	3,961
	Income tax expense	(1,297)	(2,690)	(439)	(1,308)
<b>VI</b>	<b>Net profit (loss)</b>	<b>4,432</b>	<b>9,670</b>	<b>868</b>	<b>2,653</b>
	- attributable to non-controlling interests	19	78	80	(29)
	- attributable to equity holders of the parent	4,413	9,592	788	2,682
<b>VII</b>	<b>Other comprehensive income</b>		<b>(101)</b>		<b>36</b>
	Effects of the valuation of financial				
1	assets available-for-sale				
	Revaluation of employee benefit				
2	liabilities		(101)		36
<b>VI</b>	<b>Total comprehensive income, including</b>	<b>4,413</b>	<b>9,491</b>	<b>868</b>	<b>2,689</b>
	- attributable to non-controlling interests	19	78	80	(29)
	- attributable to the equity holders of the parent, including:	4,413	9,413	788	2,718
	- net comprehensive income (loss)				
	from continuing operations	4,413	9,413	788	2,718

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/loss	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
<b>As at 1 January 2015</b>	<b>5,700</b>	<b>52,470</b>	<b>(379)</b>	<b>43,859</b>	<b>2,217</b>	<b>103,867</b>	<b>657</b>	<b>104,52</b>
<b>Changes from 01.01.2015 to 30.09.2015</b>								
Other consolidation adjustments					(7)	(7)	7	
Distribution of profit (loss) for 2014				3,621	(3,621)			
Net profit for the period					2,682	2,682	(29)	2,653
Other comprehensive income			36			36		36
<b>As at 30 September 2015</b>	<b>5,700</b>	<b>52,470</b>	<b>(343)</b>	<b>47,480</b>	<b>1,271</b>	<b>106,578</b>	<b>635</b>	<b>107,21</b>
<b>Changes in 2015</b>								
Distribution of profit (loss) for 2014		(215)		3,621	(3,406)	-		-
Net profit (loss) for the period					5,288	5,288	54	5,342
Other comprehensive income for the year (net)			(12)			(12)		(12)
Other changes in equity					(7)	(7)	7	-
<b>As at 31 December 2015</b>	<b>5,700</b>	<b>52,255</b>	<b>(391)</b>	<b>47,480</b>	<b>4,092</b>	<b>109,136</b>	<b>718</b>	<b>109,85</b>
<b>As at 1 January 2016</b>	<b>5,700</b>	<b>52,255</b>	<b>(391)</b>	<b>47,480</b>	<b>4,092</b>	<b>109,136</b>	<b>718</b>	<b>109,85</b>
<b>Changes from 01.01.2016 to 30.09.2016</b>								
Other consolidation adjustments					9	9		9
Distribution of profit (loss) for 2015		413		5,917	(6,330)			
Net profit for the period					9,592	9,592	78	9,670
Other comprehensive income			(101)			(101)		(101)
<b>As at 30 September 2016</b>	<b>5,700</b>	<b>52,668</b>	<b>(492)</b>	<b>53,397</b>	<b>7,363</b>	<b>118,636</b>	<b>796</b>	<b>119,43</b>

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

	01.07.2 016 -	01.01.2 016 -	01.07.2 015 -	01.01.2 015 -
<b>Indirect method</b>	<b>30.09.2</b>	<b>30.09.2</b>	<b>30.09.2</b>	<b>30.09.2</b>
<b>A. Cash flows from operating activities</b>				
<b>I. Profit (loss) before tax</b>	<b>5,729</b>	<b>12,360</b>	<b>1,307</b>	<b>3,961</b>
<b>II. Total adjustments</b>	<b>10,460</b>	<b>39,623</b>	<b>15,135</b>	<b>37,723</b>
1. Depreciation and amortisation	1,649	5,458	1,412	4,712
2. Foreign exchange (gains) losses	(48)	(86)	(34)	(93)
3. Interest and share of profit (dividend)	241	1,053	205	697
4. (Profit) loss from investing activities	(958)	(939)	130	(123)
5. Net increase/decrease in provisions	(9)	(561)	169	(392)
6. Net increase/decrease in inventories	11,002	27,785	(289)	34,259
7. Net increase/decrease in biological assets	(554)	(104)	(276)	(888)
8. Net increase/decrease in receivables	2,461	(9,920)	78	(6,830)
9. Net increase/decrease in current liabilities, except for loans and borrowings	(22,613)	22,048	13,020	10,265
10. Net increase/decrease in advances	(209)	(2,688)	1,134	(2,709)
11. Income tax paid	(453)	(2,174)	(159)	(821)
12. Net increase/decrease in grants	50	(17)	(91)	(255)
13. Other adjustments	493	(232)	(164)	(99)
<b>III. Net cash flows from operating activities (I+/-II)</b>	<b>16,189</b>	<b>51,983</b>	<b>16,442</b>	<b>41,684</b>
<b>B. Cash flows from investing activities</b>	<b>-</b>			
<b>I. Proceeds</b>	<b>1,790</b>	<b>1,859</b>		<b>403</b>
1. Disposal of intangible assets and property, plant and equipment	1,790	1,859		323
2. Repayment of loans				80
<b>II. Expenses</b>	<b>5,011</b>	<b>8,318</b>	<b>4,275</b>	<b>15,243</b>
1. Acquisition of intangible assets and property, plant and equipment	5,011	8,143	4,275	15,243
2. Loans granted		175		-
<b>III. Net cash flows from investing activities (I-II)</b>	<b>(3,221)</b>	<b>(6,459)</b>	<b>(4,275)</b>	<b>(14,840)</b>
<b>C. Cash flows from financing activities</b>				
<b>I. Proceeds</b>	<b>9,338</b>	<b>13,561</b>	<b>13,405</b>	<b>27,326</b>
1. Loans and borrowings	9,327	13,043	13,385	26,769
2. Grants	11	518	20	557
<b>II. Expenses</b>	<b>18,764</b>	<b>65,177</b>	<b>19,833</b>	<b>53,633</b>
1. Repayments of loans and borrowings	18,191	63,158	19,492	52,338
2. Interest on loans and borrowings	141	779	206	778
3. Lease payments	432	1,240	135	517
<b>III. Net cash flows from financing activities (I-II)</b>	<b>(9,426)</b>	<b>(51,616)</b>	<b>(6,428)</b>	<b>(26,307)</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>3,542</b>	<b>(6,092)</b>	<b>5,739</b>	<b>537</b>
<b>E. Balance sheet change in cash, including:</b>	<b>3,868</b>	<b>(13,968)</b>	<b>(98)</b>	<b>(1,218)</b>
- net increase/decrease in cash due to foreign exchange	8	8	(1)	9
- net increase/decrease in bank overdrafts	(334)	7,868	5,838	1,747
<b>F. Cash at the beginning of period</b>	<b>6,533</b>	<b>16,167</b>	<b>(6,403)</b>	<b>(1,201)</b>
<b>F. Cash at the end of period (F+/- D)</b>	<b>10,075</b>	<b>10,075</b>	<b>(664)</b>	<b>(664)</b>
<i>including restricted cash</i>	-	-	-	-

## SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

N	SELECTED FINANCIAL FIGURES Year	PLN 000s		EUR 000s	
		2016	2015	2016	2015
I	Total sales revenue for 3 quarters	129,922	106,253	29,739	25,551
II	Net profit or loss attributable to equity holders of the Company for	9,592	2,682	2,196	645
III	Net comprehensive income attributable to equity holders of the Company	9,413	2,718	2,155	654
IV	Net cash flows from operating activities for 3 quarters	51,983	41,684	11,899	10,024
V	Net cash flows from investing activities for 3 quarters	(6,459)	(14,840)	(1,478)	(3,569)
VI	Net cash flows from financing activities for 3 quarters	(51,616)	(26,307)	(11,815)	(6,326)
VI	Total net cash flows for 3 quarters	(6,092)	537	(1,394)	129
VI	Total assets as at 30.09.2016 and 31.12.2015	194,307	220,888	45,062	51,833
IX	Equity attributable to equity holders of the Company as at 30.09.2016 and	118,636	109,136	27,513	25,610
X	Total earnings (loss) per share for 3 quarters	0.10	0.03	0.02	0.007
XI	Book value per share as at 30.09.2016 and 31.12.2015	1.25	1.15	0.29	0.27

Figures presented in rows: VIII, IX and XI, in columns "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 30.09.2016 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.3120;
- 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 30.09.2016 – 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 4.3688;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2015 to 30.09.2015 – 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 2016: EUR 1 = PLN 4.1585;

## EARNINGS PER SHARE

	30.09.2016	30.09.2015
Net earnings (loss) attributable to the shareholders of PEPEES	9,592	2,682
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.10	0.03
Net earnings (loss) attributable to the shareholders of PEPEES applied in the calculation of diluted earnings per share	9,592	2,682
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	95,000,000
Diluted net earnings (loss) per share (in PLN per share)	0.10	0.03
Annualised net earnings attributable to the shareholders of PEPEES	12,198	5,205
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.13	0.05



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information about the parent company

<b>Full business name</b>	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES” S.A.
<b>Registered office address</b>	18-402 Łomża, ul. Poznańska 121
<b>REGON [Company Stat. ID No.]</b>	450096365
<b>NIP [Tax ID No.]:</b>	718-10-05-512
<b>Registration authority</b>	District Court in Białystok, XII Commercial Division of the National Court Register
<b>No. in the Register</b>	000038455
<b>Legal status</b>	Spółka Akcyjna [a joint stock company]
<b>Organisational form</b>	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 30.09.2016**

Wojciech Faszczewski – President of the Board of Directors

After the end of the reporting period, i.e. on 14 October 2016, the Company’s Supervisory Board adopted the resolution on the appointment of Mr Tomasz Rogala to the position of the Vice President of the Board of Directors of PEPEES S.A.; he will begin his work on 1 December 2016.

### **The composition of the Supervisory Board as at 30.09.2016:**

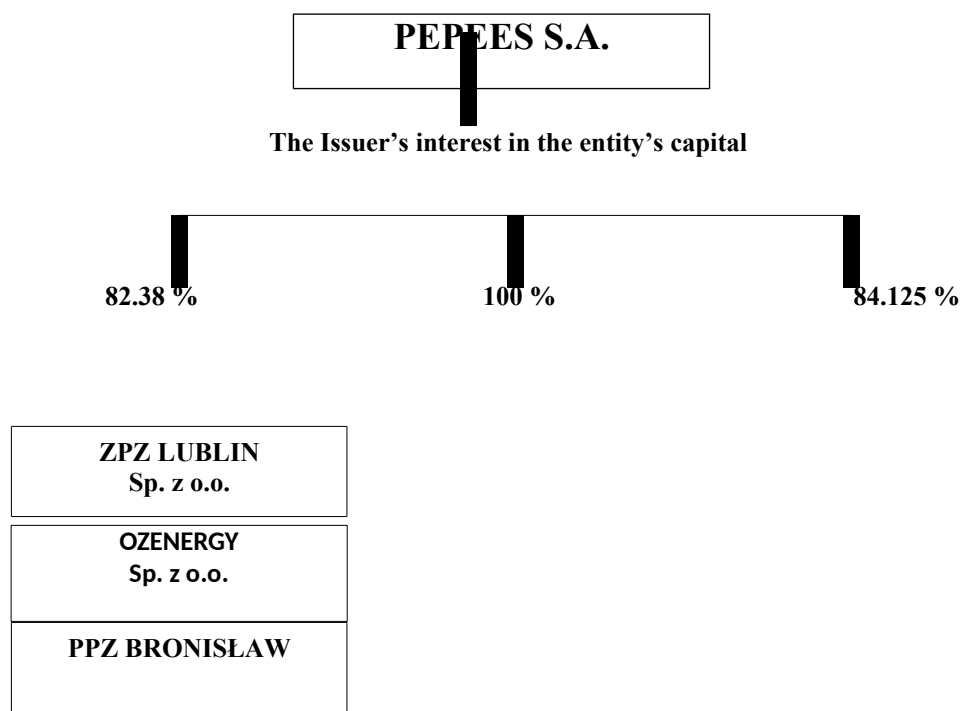
- |                         |                 |
|-------------------------|-----------------|
| 1. Maciej Kaliński      | – Chairman      |
| 2. Piotr Marian Taracha | – Vice-Chairman |
| 3. Krzysztof Stankowski | – Secretary     |
| 4. Piotr Łuniewski      | – Member        |
| 5. Robert Malinowski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

## 2. Reporting periods

These interim consolidated financial statements cover the period from 1 January 2016 to 30 September 2016, and comparative financial information and explanatory notes cover the period from 1 January 2015 to 30 September 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 Group would remain a going concern in the foreseeable future. There are no circumstances indicating the risk of discontinuing the operations of PEPEES Group.

### 3. The structure of the Group as at 30 September 2016



#### General information about related parties

Name	Place of business	Objects	Registry court	Issuer's interest in	Share in total votes
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sales of potato syrup and dried potatoes	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)	Wojn y Waw rzyńc e	Production of electricity and heat from gas produced in a biogas	District Court in Białystok, XII Economic Division of the National Court Register (NCR)	24.9	24.9
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The results of all aforementioned subsidiaries were subject to the full consolidation. And the interests in the associate were measured using the equity method.

After the end of the reporting period, i.e. on 24 October 2016, the Extraordinary Meeting of Shareholders of CHP Energia sp. z o.o. decided to increase the share capital of this company by issuing 6,000 new shares, which were subscribed for by the Issuer. The said shares were subscribed for at PLN 850 per share, i.e. for the total amount of PLN 5.1 million.

As a result of the shares subscription, the Issuer's share in the share capital of/total number of votes in CHP Energia will increase from the present 24.91 % to 67.43 % and, hence, CHP Energia will become the Issuer's subsidiary. The Issuer would like to note that an increase in share capital by issuing new shares must be registered by a competent registry court; until the date of these financial statements, the said increase in share capital had not been registered.

#### **Basic financial information as at 30.09.2016 concerning related parties**

	<b>ZPZ LUBLIN Sp. z o.o.</b>	<b>PPZ BRONISŁA W Sp. z o.o.</b>	<b>OZENERGY SP. Z O.O.</b>	<b>CHP ENERGIA Sp. z o.o. (an</b>
Current assets	5,394	12,163	9	4,134
Non-current assets	4,684	8,795		22,968
Current liabilities	4,391	12,309	5	8,477
Non-current liabilities	3,347	6,236		17,886
Revenue	12,265	23,129	0	3,301
Financial result on continuing operations	(367)	895	0	(1,998)
Net financial result on discontinued operations				
Other comprehensive income				
Total comprehensive income	(367)	895	0	(1,998)

#### **4. Compliance declaration and the basis for the preparation of the interim condensed consolidated financial statements**

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. When preparing these interim condensed consolidated financial statements, the Group adhered to the same principles and calculation methods as applied in the most recent annual consolidated financial statements. These interim condensed consolidated financial statements do not comprise all the information required in the annual consolidated financial statements and they should be read together with the consolidated financial statements for the financial year ended on 31 December 2015.

## 5. The application of standards in 2016

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

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

The following standards have not been applied yet by the Group in the process of the preparation of these consolidated 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 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 Group's reporting.

## **7. Changes in applied accounting policies; correcting errors and presentations**

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

## **8. Seasonality or cyclical nature of operations**

The Group operates in an industry sector: “potatoes processing”. 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.

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

In the third quarter, the parent company sold 1,769 PMEF energy efficiency certificates (the so-called ‘white certificates’) granted to it, earning the income of PLN 958 thousand, which was recognised in the statement of comprehensive income in ‘other operating income’.

## **10. Estimates**

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

Write-downs of certain inventories of finished products and trade goods to their net realisable value were made.

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 30.09.2016.

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

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

## **11. Acquisition and sales of property, plant and equipment**

In the period of three quarters of 2016, the Group acquired property, plant and equipment for PLN 8,143 thousand. The purchases were related mainly to production plant and machinery and the upgrade of the boiler room, the heat distribution network and the discharge pipeline as well as to the purchase of land by PPZ Bronisław.

The Company sold property, plant and equipment for PLN 72 thousand.

## 12. Commitments to purchase property, plant and equipment

On 18 February 2016, PEPEES entered into a loan agreement in the cooperation with the Voivodship Fund for Environmental Protection and Water Management (WFOŚiGW) concerning the upgrade of the dust removal system for boilers amounting to PLN 1,200 thousand, for the period until 31 December 2020. The loan will be repaid in 44 equal monthly instalments payable on the last day of each month, starting from 31 May 2017. Until the balance sheet date, the amount of PLN 709 thousand has been used.

The loan is secured mainly with a contractual mortgage up to PLN 1,800 thousand and with the assignment of rights under an insurance policy.

## 13. Inventories

INVENTORIES	As at 30.09.2	As at 31.12.2	As at 30.09.2
a) materials	3,753	2,920	4,183
b) semi-finished products and work in	3,320	1,491	1,886
c) finished products	28,412	55,279	25,806
d) trade goods	457	4,514	2,408
<b>Gross inventories</b>	<b>35,942</b>	<b>64,204</b>	<b>34,581</b>
<b>Write-downs</b>	<b>(35)</b>	<b>(93)</b>	<b>(37)</b>
<b>Net inventories</b>	<b>35,907</b>	<b>64,111</b>	<b>34,246</b>

Inventories recognised as an expense in the reporting period amounted to PLN 95,297 thousand (3 quarters of 2015 – PLN 82,061 thousand).

The carrying amount of inventories used as security for bank loans is PLN 24, 699 thousand.

No new write-downs of inventories were made in the reporting period.

The Group reversed write-downs decreasing the value of inventories amounting to PLN 58 thousand due to sales.

Encumbrances on inventories due to borrowed bank loans:

a registered pledge on inventories of materials, finished products and trade goods for the benefit of:

- BGŻ BNP Paribas up to PLN 22,692 thousand;

- Bank Zachodni WBK S.A. up to 145 % of the loans balance; as at 30.09.2016, the debt amounted to PLN 1,384 thousand.

## 14. Biological assets

Since March 2014, PEPEES has leased a farm that was sown with annual plants. The costs associated with the acquisition of seeds and with the cultivation as at the balance sheet date amount to PLN 2,022 thousand; obtained subsidies to PLN 518 thousand; and the fair value of inventories and biological assets less costs to sell to ca. PLN 817 thousand. Biological assets were recognised in the financial statements at fair value.

## 15. Trade receivables

<b>(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:</b>	<b>As at 30.09.2 016</b>	<b>As at 31.12.2 015</b>	<b>As at 30.09.2 015</b>
a) up to 1 month	7,827	8,316	8,040
b) over 1 month up to 3 months	13,940	7,281	10,757
c) over 3 months up to 6 months	852	1,465	1,275
d) over 6 months up to 1 year	-	36	-
e) over 1 year	-	-	97
f) past due receivables	5,269	2,571	3,335
Total (gross) trade receivables	27,888	19,669	23,504
- write-downs of trade receivables	(939)	(1,551)	(856)
<b>Total (net) trade receivables</b>	<b>26,949</b>	<b>13,553</b>	<b>22,648</b>

Past due receivables for which no write-downs were recognised are receivables from debtors with whom the Group 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.

## 16. Trade payables

<b>TRADE PAYABLES</b>	<b>As at 30.09.2 016</b>	<b>As at 31.12.2 015</b>	<b>As at 30.09.2 015</b>
- trade payables, falling due:	27,367	7,511	20,551
- up to 12 months	27,367	7,511	20,551
- overdue more than 180 days	-	-	-

## 17. Litigation settlements

On 24 June 2016, PEPEES 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.

The following litigations remain unresolved as at the balance sheet date:

- a lawsuit brought by Przedsiębiorstwo Rolno-Produkcyjne Sp. z o.o. in Rzadkwin against PPZ BRONISŁAW to pay tax amounting to PLN 32 thousand.
- a lawsuit brought by PPZ Bronisław against SAWAFOOD sp. z o.o. concerning the payment of PLN 42 thousand.

## 18. Outstanding loans and borrowings

As at the balance sheet date, the bank loans listed in the table below have been repaid when due. Cash loans between the Group companies were eliminated from the consolidated financial statements.



Loan type	Lending bank	Contractual loan value	Debt as at 30.09.2016	Repayment date
1	2	3	4	5
Bank overdraft	Bank Zachodni WBK S.A.	4,000	0	31.08.2017
Revolving loan	Bank Zachodni WBK S.A.	10,000	0	31.08.2017
Working capital loan	Bank Zachodni WBK S.A.	15,000	0	31.08.2017
Bank overdraft	BGŻ BNP Paribas S.A.	4,000	0	31.08.2017
Revolving loan	BGŻ BNP Paribas S.A.	10,000	0	31.08.2017
Working capital loan for the purchase of potatoes	BGŻ BNP Paribas S.A.	15,000	8,455	31.08.2017
Subsidised investment loan	Bank Spółdzielczy S.A./ Bank Polskiej Spółdzielczości S.A.	3,465	484	30.06.2017
Subsidised investment loan	Bank Polskiej Spółdzielczości S.A.	1,295	485	30.11.2018
Investment loan	BGŻ BNP Paribas S.A.	9,823	7,503	25.02.2022
Loan with subsidies from WFOŚiGW	BOŚ	1,200	709	31.12.2020
Cash loan	BNP Paribas Lease Group	533	533	13.06.2018
Bank overdraft	Bank Zachodni WBK S.A.	500	0	31.08.2017
Revolving loan	Bank Zachodni WBK S.A.	3,000	2,125	31.08.2017
Working capital loan	Bank Zachodni WBK S.A.	8,000	937	31.08.2017
Bank overdraft	BGŻ BNP Paribas S.A.	500	385	31.08.2017
Revolving loan	BGŻ BNP Paribas S.A.	3,000	0	31.08.2017
Working capital loan for the purchase of potatoes	BGŻ BNP Paribas S.A.	8,000	0	31.08.2017
Bank overdraft	Bank Zachodni WBK S.A.	500	317	31.08.2017
Revolving loan	Bank Zachodni WBK S.A.	3,000	519	31.08.2017
Working capital loan	Bank Zachodni WBK S.A.	1,500	447	31.08.2017
Bank overdraft	BGŻ BNP Paribas S.A.	500	100	31.08.2017
Revolving loan	BGŻ BNP Paribas S.A.	3,000	20	31.08.2017
Working capital loan for the purchase of potatoes	BGŻ BNP Paribas S.A.	1,500	392	31.08.2017

## 19. Related party transactions

### 19.1 The issuer's transactions with its subsidiaries

#### a) Revenue from the sales of products and trade goods

Types of revenue	01.07.16	01.01.16	01.07.15	01.01.15
	–	–	–	–
	30.09.16	30.09.	30.09.15	30.09.15
Revenue from the sales of products to subsidiaries	51	411	498	585
Revenue from the sales of trade goods and materials to subsidiaries	916	917		
Revenue from services	75	216	12	12
<b>Total revenue from related parties</b>	<b>1,042</b>	<b>1,544</b>	<b>510</b>	<b>597</b>

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	01.07.16	01.01.16	01.07.15	01.01.15
	–	–	–	–
	30.09.	30.09.	30.09.15	30.09.
Purchases of products from subsidiaries	1,113	3,642	157	3,851
Purchases of trade goods from subsidiaries	211	211	1,390	1,930
Purchases of services from subsidiaries	22	61		
<b>Total purchases from related parties</b>	<b>1,346</b>	<b>3,914</b>	<b>1,547</b>	<b>5,781</b>

#### c) Other transactions

Specification	01.07.16	01.01.16	01.07.15	01.01.15
	–	–	–	–
	30.09.	30.09.	30.09.15	30.09.
Interest on granted loans	88	269	161	477
<b>Total</b>	<b>88</b>	<b>269</b>	<b>161</b>	<b>477</b>

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

Settlements with subsidiaries	As at 30.09.2	As at 31.12.2	As at 30.09.2
Receivables – ZPZ Lublin	84	29	14
Receivables – PPZ BRONISŁAW	963		510
Receivables – OZENERGY	5	5	
Liabilities – ZPZ Lublin			46
Liabilities – PPZ BRONISŁAW		902	191
<b>Balance of settlements with related parties</b>	<b>1,052</b>	<b>868</b>	<b>287</b>

#### e) Balance of settlements related to cash loans

1. Cash loans granted to subsidiaries	As at 30.09.2	As at 31.12.2	As at 30.09.2
PPZ BRONISŁAW	5,200	5,800	5,800
ZPZ Lublin	3,000	3,000	3,000
<b>Balance of settlements with related parties</b>	<b>8,200</b>	<b>8,800</b>	<b>8,800</b>

## 19.2 The issuer's transactions with its associate

### a) Balance of settlements related to cash loans

Cash loans granted by PEPEES	As at 30.09.2016	As at 31.12.2015	As at 30.09.2015
Principal	2,664	2,664	2,664
Interest	941	683	609
<b>Balance of settlements with the associate</b>	<b>3,605</b>	<b>3,347</b>	<b>3,273</b>

### b) Interest paid on cash loans

Types	As at 30.09.2016	As at 31.12.2015	As at 30.09.2015
Interest received on granted loans	0	80	80
<b>Total</b>	<b>0</b>	<b>80</b>	<b>80</b>

## 19.3 The issuer's transactions with shareholders

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

## 19.4 The issuer's transactions with the key management and supervisory personnel

### a) benefits for key management personnel (members of the Board of Directors) and members of the Supervisory Board (in PLN 000s)

	3 quarters of 2016	3 quarters of 2015
Short-term employee benefits	802	992
Post-employment benefits	120	-
Termination benefits	-	-
Share-based payments	-	-
<b>Total</b>	<b>922</b>	<b>992</b>

### b) transactions with key personnel and close 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. Dividend

The companies of the Group did not pay any dividend in the reporting period and in the comparative period. Boards of Directors of the companies did not declare or propose dividend from the distribution of profit for 2016.

## 21. Changes in estimates

### a. Write-downs of receivables

<b>MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES</b>	<b>3 quarters of 2016</b>	<b>2015</b>	<b>3 quarters of</b>
<i>At the period beginning</i>	<b>1,558</b>	<b>963</b>	<b>963</b>
a) increases (due to)	<b>131</b>	<b>692</b>	<b>35</b>
- recognition for doubtful trade receivables	41	2	
- recognition for interest receivable	34	690	35
- recognition for receivables in litigation	56		
- recognition for other receivables	-		
b) decreases (due to)	<b>699</b>	<b>97</b>	<b>135</b>
- reversal of provisions due to payment	48	92	130
- utilisation due to the writing-off and sale of receivables	-	2	2
- cancellations	651	3	3
<b>Write-downs at the end of the period, including:</b>	<b>990</b>	<b>1,558</b>	<b>863</b>
- write-downs of trade receivables:	939	1,551	856

### b. Write-downs of inventories

<b>MOVEMENTS ON WRITE- DOWNS OF INVENTORIES</b>	<b>3 quarters of 2016</b>	<b>2015</b>	<b>3 quarters of 2015</b>
<b>At the period beginning</b>	<b>93</b>	<b>35</b>	<b>35</b>
a) increases (due to)		<b>58</b>	<b>2</b>
- write-downs to net realisable value		58	2
b) decreases (due to)	<b>58</b>		-
- utilisation	58		
<b>Write-downs of inventories at the end of the</b>	<b>35</b>	<b>93</b>	<b>37</b>

### c. Retirement and similar benefits obligations

<b>MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)</b>	<b>3 quarters of 2016</b>	<b>2015</b>	<b>3 quarters of 2015</b>
a) balance at the beginning of period	<b>2,749</b>	<b>2,821</b>	<b>2,821</b>
- retirement benefits	340	325	325
- jubilee benefits	2,409	2,496	2,496
b) increases (due to)	<b>251</b>	<b>239</b>	<b>24</b>
- retirement benefits	32	42	24
- jubilee benefits	219	197	-
c) utilisation (due to)	<b>94</b>	<b>269</b>	<b>57</b>
- retirement benefits	6	10	-
- jubilee benefits	88	259	57

<b>MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)</b>	<b>3 quarters of 2016</b>	<b>2015</b>	<b>3 quarters of 2015</b>
d) reversal (due to)	<b>19</b>	<b>42</b>	<b>25</b>
- retirement benefits	12	17	6
- jubilee benefits	7	25	19
e) balance at the end of period	<b>2,887</b>	<b>2,749</b>	<b>2,763</b>
- retirement benefits	354	340	343
- jubilee benefits	2,533	2,409	2,420

**d. Short-term provisions**

<b>MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)</b>	<b>3 quarters of 2016</b>	<b>2015</b>	<b>3 quarters of 2015</b>
a) balance at the beginning of period	<b>1,722</b>	<b>1,611</b>	<b>1,611</b>
- grants related to property, plant and equipment	262	313	313
- provisions for services performed by contractors	38	32	32
- grants related to loans	62	98	98
- provisions for bonuses for suppliers		35	35
- fee for the use of the environment	126	110	110
- provisions for compensations for annual leaves	363	268	268
- greenhouse gas emission allowance	676	685	685
- provision for bonuses for the Board of Directors and employees	195	70	70
b) increases (due to)	<b>996</b>	<b>1,388</b>	<b>925</b>
- fee for the use of the environment	83	129	79
- provisions for compensations for annual leaves	432	343	299
- provisions for damages	180		
- provisions for services performed by contractors		45	15
- provisions for bonuses for the Board of Directors and employees		195	
- greenhouse gas emission allowance	301	676	532
c) utilisation (due to)	<b>1,697</b>	<b>1,278</b>	<b>1,264</b>
- fee for the use of the environment	125	113	113
- provisions for compensations for annual leaves	346	252	268
- provision for services performed by contractors	38	37	47
- provision for damages due to non-competition	120		
- grants related to property, plant and equipment	147	50	45
- grants related to loans	50	36	1
- provisions for bonuses for suppliers		35	35
- greenhouse gas emission allowance	676	685	685
- provision for bonuses for the Board of Directors and employees	195	70	70
e) balance at the end of period	<b>1021</b>	<b>1,722</b>	<b>1,272</b>
- grants related to property, plant and equipment	115	262	268
- grants related to loans	12	62	97
- fee for the use of the environment	84	126	76
- provisions for compensations for annual leaves	449	363	299
- greenhouse gas emission allowance	301	676	532
- provision for damages due to non-competition	60		
- provisions for services performed by contractors		38	
- provision for bonuses for the Board of Directors and employees		195	

e. **Deferred income tax**

<b>DEFERRED TAX LIABILITIES</b>	<b>As at 30.09.2 016</b>	<b>As at 31.12.2 015</b>	<b>As at 30.09.2 015</b>
The difference between the carrying amount and the tax value of property, plant and equipment	5,719	5,881	6,191
Unrealised foreign exchange differences	1		1
Interest due but not received	179	130	116
Other	5	7	7
<b>Total deferred tax liabilities</b>	<b>5,904</b>	<b>6,018</b>	<b>6,315</b>

<b>DEFERRED TAX ASSETS</b>	<b>As at 30.09.2 016</b>	<b>As at 31.12.2 015</b>	<b>As at 30.09.2 015</b>
The difference between the carrying amount and the tax value of property, plant and equipment	456	463	479
Outstanding remunerations	90	91	83
Outstanding obligations			154
Provision for unused annual leaves	82	68	57
Provision for bonuses for the Board of Directors		37	
Provision for benefits		5	
Retirement and jubilee benefits	552	523	525
Unrealised foreign exchange differences	44	36	37
Write-downs of receivables		9	
Write-downs of inventories	7	18	16
Lease payables	688	657	762
Provision for greenhouse gas emission allowance	57	129	101
Consolidation adjustments – retained earnings	7	93	39
Damages related to non-competition agreements	11		
Tax loss	196	196	143
<b>Total</b>	<b>2,190</b>	<b>2,325</b>	<b>2,396</b>

**22. Movement on contingent liabilities and contingent assets**

<b>MOVEMENT ON CONTINGENT LIABILITIES (BY TITLES)</b>	<b>3 quarters of 2016</b>	<b>2015</b>	<b>3 quarters of</b>
a) balance at the beginning of the period, including:	<b>7,176</b>	<b>7,176</b>	<b>7,176</b>
- liabilities related to non-competition agreements	1,176	1,176	1,176
- surety for a loan for CHP Energia	6,000	6,000	6,000
b) increase (due to)			
c) utilisation (due to)	<b>418</b>		
- liabilities related to non-competition agreements	418		
d) reversal			
d) balance at the end of the period, including:	<b>6,758</b>	<b>7,176</b>	<b>7,176</b>
- liabilities related to non-competition agreements	758	1,176	1,176
- surety for a loan for CHP Energia	6,000	6,000	6,000

## 23. The issue, redemption and repayment of debt securities

No issue, redemption or repayment of debt securities had place in the reporting period.

## 24. Segment reporting

The Group operates in a single, main reporting segment covering the processing of potatoes to obtain starch, dried potato-based products and starch hydrolysates. A single segment is identified in the 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 powdered products (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;
- potato grits, potato flakes, potato cubes and potato dumplings; products used by the food industry.

Other types of activities:

- the generation of heat, which is produced mainly to meet the Group’s 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 obtained from external customers.

Product name	Sales revenue			
	01.07.16	01.01.16	01.07.15	01.01.15
	–	–	–	–
	30.09.	30.09.	30.09.15	30.09.15
Starch	27,940	72,477	24,769	61270
Glucose	2,030	6,745	1,866	5,262
Maltodextrin	4,166	11,182	3,176	9505
Protein	1,737	5,510	912	3503
Starch syrups	1,547	4,322	1,475	4,160
Dried potato-based products (grits, flakes, cubes)	4,294	10,683	3,000	7224

Product name	Sales revenue			
	01.07.16	01.01.16	01.07.15	01.01.15
	–	–	–	–
	<b>30.09.</b>	<b>30.09.</b>	<b>30.09.15</b>	<b>30.09.15</b>
Heat	988	2,745	951	2729
Trade goods and materials	509	15,687	40	11968
Services	216	571	237	632
<b>Total</b>	<b>43,427</b>	<b>129,922</b>	<b>36,426</b>	<b>106,253</b>

#### 24.2 Sales revenue by territories:

Specification	01.07.16	01.01.16	01.07.15	01.01.15
	–	–	–	–
	<b>30.09.</b>	<b>30.09.</b>	<b>30.09.15</b>	<b>30.09.15</b>
<b>Poland, including</b>	<b>25,804</b>	<b>87,941</b>	<b>26,644</b>	<b>81,436</b>
Starch	11,959	36,036	15,326	40,364
Glucose	1,870	6,553	1,859	5,245
Maltodextrin	3,821	10,027	2,882	8,679
Protein	918	2,807	912	1,360
Starch syrups	1,547	4,322	1,475	4160
Dried potato-based products (grits, flakes, cubes)	4,081	10,287	3,000	7,185
Heat	988	2,745	951	2729
Trade goods	404	14,593	2	11,082
Services	216	571	237	632
<b>EU countries - intra-Community supplies, including:</b>	<b>3,727</b>	<b>9,398</b>	<b>4,011</b>	<b>8,441</b>
Starch	2,783	7,384	3,711	6,435
Maltodextrin	345	1,154	294	816
Glucose		32		3
Protein	371	397		1124
Dried potato-based products (grits, cubes, dumplings)	124	227		39
Trade goods	104	204	6	24
<b>Other countries – export, including:</b>	<b>13,896</b>	<b>32,583</b>	<b>5771</b>	<b>16,376</b>
Starch	13,198	29,057	5,732	14,471
Maltodextrin		1		10
Glucose	160	160	7	14
Protein	448	2,306		1019
Dried potato-based products (grits, cubes, dumplings)	89	169		
Trade goods	1	890	32	862
<b>Total</b>	<b>43,427</b>	<b>129,922</b>	<b>36,426</b>	<b>106,253</b>

#### 24.3 Major customers

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

- more than 10 % of maltodextrin was sold to each of the three Polish customers;
- about 14 % of glucose - to one Polish customer;
- 22 % of protein to a foreign customer.



## **25. Summary of activities in the reporting period**

From January to September 2016, PEPEES Group generated sales of PLN 113.6 million, which denoted an increase by 21.4 % as compared to the corresponding period in the previous year. The increase in sales revenue was particularly influenced by higher export sales outside the European Union.

Due to a lower growth rate for the costs of products sold (as compared to the growth rate for the revenue from the sales of products), in the first three quarters of 2016, the Group generated gross profit from sales of PLN 31.7 million, which denoted an increase by 46 % as compared to the same period in the previous year.

Selling and marketing expenses and administrative expenses in the period from January to September 2016 grew by 11.2 % and 12.2 % respectively relative to the comparative period.

The balance on other activities in the first three quarters of 2016 closed at PLN 1.06 million as compared to the result of PLN 0.8 million in the comparative period.

In turn, the result on financing activities, understood as the balance of finance income less finance costs in the period from January to September 2016, was slightly lower than the corresponding item in the comparative period: (-) PLN 0.68 million in 2016 against (-) PLN 0.49 million in the period from January to September 2015.

As a consequence, gross profit after the first three quarters of 2016 amounted to PLN 12.36 million against PLN 3.96 million of operating profit generated in the comparable period, and net profit in the period from January to September 2016 amounted to PLN 9.67 million against PLN 2.65 million of net profit in the corresponding period of 2015.

## **26. Other significant events in the reporting period.**

On 29 August 2016, an annex to the multi-line agreement concluded with Bank Zachodni WBK S.A. was signed. On the other hand, pursuant to the Annex to the Multi-Line Agreement, the credit limit granted to the Issuer and its subsidiaries has been increased to PLN 45.5 million in such a way that the revolving loan granted to the Issuer, Lublin and Bronisław amounts now to PLN 10 million, PLN 3 million and PLN 3 million respectively, and the revolving loan granted to Lublin and Bronisław amounts now to PLN 1.5 million and PLN 8 million respectively. As regards the overdraft, the annex does not introduce any changes. In addition, pursuant to the Annex to the Multi-Line Agreement, an additional security for the loan agreement concluded with Bank Zachodni WBK S.A. has been established in the form of a statement by each of the aforementioned borrowers on the submission to execution, and, at the same, the blank promissory note was abandoned as one of the securities for this loan agreement. Furthermore, the Annex to the Multi-Line Agreement postponed the repayment date of all aforementioned loans concluded with Bank Zachodni WBK S.A until 31 August 2017.

Also on 29 August 2016, an annex to the multi-purpose credit line agreement concluded with BGŻ BNP Paribas S.A. was signed. Pursuant to the Annex to the Multi-Purpose Agreement, the credit limit granted to the Issuer and its subsidiaries has been increased to PLN 45 million in such a way that the revolving loan granted to the Issuer, Lublin and Bronisław now amounts to PLN 10 million, PLN 3 million and PLN 3 million respectively, and the non-revolving loan granted to Lublin and Bronisław now amounts to PLN 1.5 million and PLN 8 million respectively. As regards the overdraft, the annex does not introduce any changes. In addition, pursuant to the Annex to the Multi-Purpose Agreement, an additional security for the loan agreement concluded with BGŻ BNP Paribas S.A. has been established in the form of a blank promissory note issued by each of the aforementioned borrowers, and the contractual joint mortgage has been increased to PLN 68.25 million. In addition, the Annex to the Multi-Purpose Agreement extended the period of the availability of the aforementioned loans until 31 August 2017; however, the lending period has not changed and remains until 19 August 2025.

**27. The Board of Directors' position on the possibility of accomplishing previously published forecasts for the year in the context of the results presented in the quarterly report against forecast results.**

The Company's Board of Directors did not publish any separate or consolidated forecasts for 2016.

**28. Shareholding structure**

The table below presents the shareholding structure as at the date of the publication of the previous quarterly report, i.e. as at 13 May 2016.

<b>SHAREHOLDERS</b>	<b>Number of shares/votes</b>	<b>Share in share capital/ total number of votes at GMS [%]</b>
Maksymilian Maciej Skotnicki	19,532,088	20.56 %
Michał Skotnicki	8,600,000	9.05 %
Newth Jonathan Reginald	7,995,200	8.42 %
Krzysztof Borkowski (control through companies, including Mazowiecka Korporacja Finansowa Sp. z o.o.)	7,923,409*	8.34 %*
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	6,398,731	6.74 %
Richie Holding Ltd.	6,133,100	6.46 %
Others	38,417,472	40.44 %
<b>Total</b>	<b>95,000,000</b>	<b>100 %</b>

\* including 5,397,343 shares/votes held by Mazowiecka Korporacja Finansowa sp. z o.o. representing 5.68 % of the share capital/total number of votes

On 28 October 2016, the Issuer received from Mr Maksymilian Skotnicki and Mr Michał Skotnicki a notification about increasing, by the aforementioned persons, their shares in the total number of votes in the Company. Detailed information about the notice was published in current report No. 23/2016 of 28 October 2016.

The table below presents the shareholding structure of the Company as at the date of the publication of these interim financial statements.

<b>SHAREHOLDERS</b>	<b>Number of shares/votes</b>	<b>Share in share capital/ total number of votes at GMS [%]</b>
Maksymilian Maciej Skotnicki*	19,634,843	20.67 %
Michał Skotnicki*	10,700,011	11.26 %
Newth Jonathan Reginald	5,775,000	6.08 %
Krzysztof Borkowski** (control through companies, including Mazowiecka	7,923,409	8.34 %

Finansowa Sp. z o.o.)

Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych***	9,931,499	10.45 %
Richie Holding Ltd.	6,133,100	6.46 %
Others	34,902,138	36.74 %
<b>Total</b>	<b>95,000,000</b>	<b>100 %</b>

\* Mr Maksymilian Maciej Skotnicki and Mr Michał Skotnicki are persons referred to in Article 87 Clause 4 item 1 of the Act on Public Offering [...] and, thus, together they hold the total of 30,334,854 shares/votes representing 31.931 % of the share capital of/the total number of votes in the Company.

\*\* including 5,397,343 shares/votes held by Mazowiecka Korporacja Finansowa sp. z o.o. representing 5.68 % of the share capital/total number of votes

\*\*\*Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, as a result of the invitation announced on 21 September 2016, acquired 3,532,768 shares.

## **29. The statement of changes in the ownership of the issuer's shares or rights to them by persons managing and supervising the issuer, according to the information held by the issuer in the period from the publication date of the previous quarterly report**

Mr Wojciech Faszczeński, President of the Board of Directors, holds 701,000 shares of the Company. The person referred to above does not have rights to the Company's shares.

Supervising personnel do not hold any shares of the Company or any rights to them.

From the date of the publication of the previous quarterly financial statements, i.e. from 13 May 2016, until the date of the publication of these financial statements, managing and supervisory personnel have not made transactions related to the Company's shares or rights to them.

## **30. Information about granting, by the issuer or its subsidiary, sureties for loans and borrowings, or about granting guarantees.**

In the reporting period and until the date of these financial statements, the companies of PEPEES Group have not granted any sureties or guarantees.

At the same time, as at the balance sheet date and as at the date of these financial statements, there is a loan surety, which the Issuer granted to its associate CHP Energia up to PLN 6,000 thousand valid until 25 May 2024.

## **31. Factors likely, in the issuer's opinion, to influence the results generated by him in the period of at least one quarter.**

In the next quarter, the following factors will exert significant impact upon results:

- the price of starch on the Polish and global markets;
- exchange rates – the Group is an exporter;
- basic interest rates – the Group has loans bearing interest rate based on WIBOR.

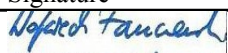
### 32. Other information relevant, in the issuer's opinion, to the assessment of its situation

In addition to the information presented in the condensed consolidated financial statements for the third quarter of 2016 and in the quarterly financial information for the same period respectively, the Issuer's Board of Directors does not identify any other information which, in the Issuer's opinion, are relevant to the assessment of the Issuer's personnel, assets, financial situation, financial result and their changes, and any information relevant to the assessment of its capacity to meet its obligations.

### 33. Authorising the condensed interim financial statements

These condensed consolidated financial statements were approved by the Board of Directors of the Parent Company on 14 November 2016.

#### SIGNATURES OF MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Title/Function	Signature
14.11.2016	Wojciech Faszczeński	President of the Board of Directors	

#### SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Date	Name	Title/Function	Signature
14.11.2016	Wiesława Załuska	Chief Accountant	