

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD
FROM 1 JANUARY 2017
TO 31 MARCH 2017**

**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

ASSETS	31.03.2017	31.12.2016	31.03.2016
I Non-current (long-term) assets	137,981	138,339	101,579
1 Property, plant and equipment	119,404	119,315	88,381
2 Intangible assets	100	298	123
3 Goodwill arising on consolidation	6,607	6607	486
4 Investments in subsidiaries	-	-	-
5 Investments in other entities	113	113	113
6 Long-term advances	9,553	9,649	10,206
7 Deferred tax assets	2,204	2,357	2,270
II Current (short-term) assets	113,550	133,827	88,310
1 Inventories	51,659	77,283	46,753
2 Biological assets	215	158	319
3 Trade receivables	27,730	25,763	17,960
4 Other receivables	1,789	2,317	919
5 Advances	3,181	1,398	3,128
6 Loans granted	733	182	2,963
7 Investments held for trading	2,550	2,550	2,550
8 Cash and cash equivalents	25,693	24,176	13,718
Total assets	251,531	272,166	189,889
EQUITY AND LIABILITIES	31.03.2017	31.12.2016	31.03.2016
I Equity	134,675	129,119	112,549
<i>Equity attributable to equity holders of the company</i>	133,562	128,199	111,809
1 Share capital	5,700	5,700	5,700
2 Reserve capital and other reserves	106,065	106,065	99,734
3 Revaluation reserve	(278)	(278)	(391)
4 Retained earnings/loss	16,712	(888)	4,104
5 Profit/loss for the year	5,363	17,600	2,662
<i>Non-controlling interests</i>	1,113	920	740
II Non-current liabilities	44,637	42,696	22,773
1 Loans and borrowings	24,266	22,370	7,357
2 Liabilities related to leased assets	4,766	4,677	4,231
3 Deferred tax liability	5,716	5,722	6,024
4 Retirement and similar benefits obligations	2,240	2,240	2,509
5 Long-term deferred income	7,649	7,687	2,652
III Current liabilities	72,219	100,351	54,567
1 Trade payables	9,351	11,956	6,330
2 Current income tax liabilities	835	3,118	383
3 Other current liabilities	3,625	5,088	2,507
4 Loans and borrowings	55,360	76,080	42,797
5 Liabilities related to leased assets	1,678	1,901	1,295
6 Retirement and similar benefits obligations	331	331	240
7 Provisions for other liabilities and other charges	1,039	1,877	1,015
Total equity and liabilities	251,531	272,166	189,889

INTERIM CONSOLIDATED INCOME STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME

	<i>Revenue and expenses Profit and loss</i>	<i>01.01.2017- 31.03.2017</i>	<i>01.01.2016- 31.03.2016</i>
I	Sales revenue		
1	Revenue from the sales of products	54,172	34,076
2	Revenue from services	305	215
3	Revenue from the sales of trade goods and materials	2,449	3,022
	Total sales revenue, including:	56,926	37,313
	- revenue from continuing operations	56,926	37,313
II	Cost of sales		
1	Cost of products sold	(37,887)	(24,018)
2	Cost of services sold	(111)	(102)
3	Costs of trade goods and materials sold	(1,897)	(2,771)
4	Profit/loss from agricultural production	(195)	(487)
	Total cost of sales, including:	(40,090)	(27,378)
	- cost from continuing operations	(40,090)	(27,378)
III	Gross profit from sales (I-II)	16,836	9,935
1	Selling and marketing expenses	(2,994)	(1,711)
2	Administrative expenses	(5,672)	(4,388)
3	Other operating income	157	98
4	Other operating expenses	(86)	(84)
IV	Operating profit (loss)	8,241	3,850
1	Finance costs	(1,301)	(526)
2	Finance income	93	226
3	Share of profit of an associate		(120)
V	Profit (loss) before tax, including:	7,033	3,430
	- profit (loss) before tax from continuing operations	7,033	3,430
	Income tax expense	(1,476)	(746)
VI	Net profit (loss)	5,557	2,684
	- attributable to equity holders of the parent company	5,363	2,662
	- attributable to non-controlling interests	194	22
VII	Other comprehensive income		
	Effects of the valuation of financial assets available-for-sale		
1			
	Revaluation of employee benefit liabilities		
2			
VIII	Total comprehensive income, including	5,557	2,684
	- attributable to equity holders of the parent company	5,363	2,662
	- attributable to non-controlling interests	194	22
	- net comprehensive income (loss) from continuing operations	5,363	2,662

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
As at 1 January 2016	5,700	52,255	(391)	47,480	4,092	109,136	718	109,854
Changes in Q1 2016	-	-	-	-	2,673	2,673	22	2,695
Other consolidation adjustments	-	-	-	-	11	11	-	11
Net profit for the period	-	-	-	-	2,662	2,662	22	2,684
As at 31.03.2016	5,700	52,255	(391)	47,480	6,765	111,809	740	112,549
Changes in 2016	-	-	-	-	-	-	-	-
Distribution of profit (loss) for 2015	-	413	-	5,917	(6,330)	-	-	-
Net profit (loss) for the period	-	-	-	-	17,600	17,600	298	17,898
Other comprehensive income for the year (net)	-	-	113	-	-	113	-	113
Other changes in equity	-	-	-	-	1,350	1,350	(96)	1,254
As at 31.12.2016	5,700	52,668	(278)	53,397	16,712	128,199	920	129,119
As at 1 January 2017	5,700	52,668	(278)	53,397	16,712	128,199	920	129,119
Changes in Q1 2017	-	-	-	-	5,363	5,363	193	5,556
Other consolidation adjustments	-	-	-	-	-	-	(1)	(1)
Net profit for the period	-	-	-	-	5,363	5,363	194	5,557
As at 31.03.2017	5,700	52,668	(278)	53,397	22,075	133,562	1,113	134,675

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	01.01.2017- 31.03.2017	01.01.2016- 31.03.2016
A. Cash flows from operating activities		
I. Profit (loss) before tax	7,033	3,430
II. Total adjustments	16,748	17,912
1. Depreciation/Amortisation	2,001	2,226
2. Foreign exchange (gains) losses	(139)	(15)
3. Interest and share of profit (dividend)	774	540
4. (Profit) loss from investing activities	(20)	18
5. Net increase/decrease in provisions	(838)	(701)
6. Net increase/decrease in inventories	25,624	17,359
7. Net increase/decrease in biological assets	(57)	(147)
8. Net increase/decrease in receivables	(980)	3,476
9. Net increase/decrease in current liabilities, except for loans and borrowings	(5,398)	(1,579)
10. Net increase/decrease in advances	(966)	(2,117)
11. Income tax paid	(3,352)	(1,171)
12. Net increase/decrease in grants	(34)	
13. Other adjustments	133	23
III. Net cash flows from operating activities (I+/-II)	23,781	21,342
B. Cash flows from investing activities	-	-
I. Proceeds	20	66
1. Disposal of intangible assets and property, plant and equipment	20	66
2. Repayment of loans	-	-
II. Expenses	2,514	822
1. Acquisition of intangible assets and property, plant and equipment	1,962	822
2. Loans granted	552	-
III. Net cash flows from investing activities (I-II)	(2,494)	(756)
C. Cash flows from financing activities	-	-
I. Proceeds	3,424	774
1. Loans and borrowings	3,192	774
2. Grants	232	-
II. Expenses	23,130	24,897
1. Repayments of loans and borrowings	21,905	24,073
2. Interest on loans and borrowings	774	420
3. Lease payments	451	404
III. Net cash flows from financing activities (I-II)	(19,706)	(24,123)
D. Total net cash flows (A.III+/-B.III+/-C.III)	1,581	(3,537)
F. Cash at the beginning of period	23,118	16,167
F. Cash at the end of period (E+/-D)	24,699	12,630
<i>including restricted cash</i>	-	-

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

No.	SELECTED FINANCIAL FIGURES Year	PLN 000s		EUR 000s	
		2017	2016	2017	2016
I	Total sales revenue for 1 quarter	56,926	37,313	13,272	8,566
II	Net profit or loss attributable to equity holders of the Company for 1 quarter	5,557	2,684	1,296	616
III	Net cash flows from operating activities for 1 quarter	23,781	21,342	5,545	4,900
IV	Net cash flows from investing activities for 1 quarter	(2,494)	(756)	(581)	(174)
V	Net cash flows from financing activities for 1 quarter	(19,706)	(24,123)	(4,594)	(5,538)
VI	Total net cash flows for 1 quarter	1,581	(3,537)	369	(812)
VII	Total assets as at 31.03.2017 and 31.12.2016	251,531	272,166	59,607	61,520
VIII	Equity attributable to equity holders of the Company as at 31.03.2017 and 31.12.2016	133,562	111,809	31,651	25,273
IX	Total earnings (loss) per share for 1 quarter	0.04	0.03	0.01	0.01
X	Book value per share as at 31.03.2017 and 31.12.2016	1.41	1.18	0.33	0.27

Figures presented in lines: VII, VIII and X, in columns '2016' are as at 31.12.2016.

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 31.03.2017 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.2198;
- selected items of the statement of financial position as at 31.12.2016 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.4240;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2017 to 31.03.2017 – 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 2017: EUR 1 = PLN 4.2891;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2016 to 31.03.2016 – 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 4.3559.

EARNINGS PER SHARE

	31.03.2017	31.03.201
Net earnings (loss) attributable to the shareholders of PEPEES	5,363	2,662
Weighted average number of shares	95,000,000	95,000,000
Basic net earnings (loss) per share (in PLN per share)	0.06	0.03
Net earnings (loss) attributable to the shareholders of PEPEES applied in the calculation of diluted earnings per share	5,363	2,662
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)	0.06	0.03
Annualised net earnings attributable to the shareholders of PEPEES	13,371	6,165
Weighted average number of shares	95,000,000	95,000,000
Annualised net earnings per share (in PLN per share)	0.14	0.06

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the parent company

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.]:	718-10-05-512
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 31.03.2017:

Mr Wojciech Faszczewski	– President of the Board of Directors
Mr Tomasz Rogala	– Member of the Board of Directors

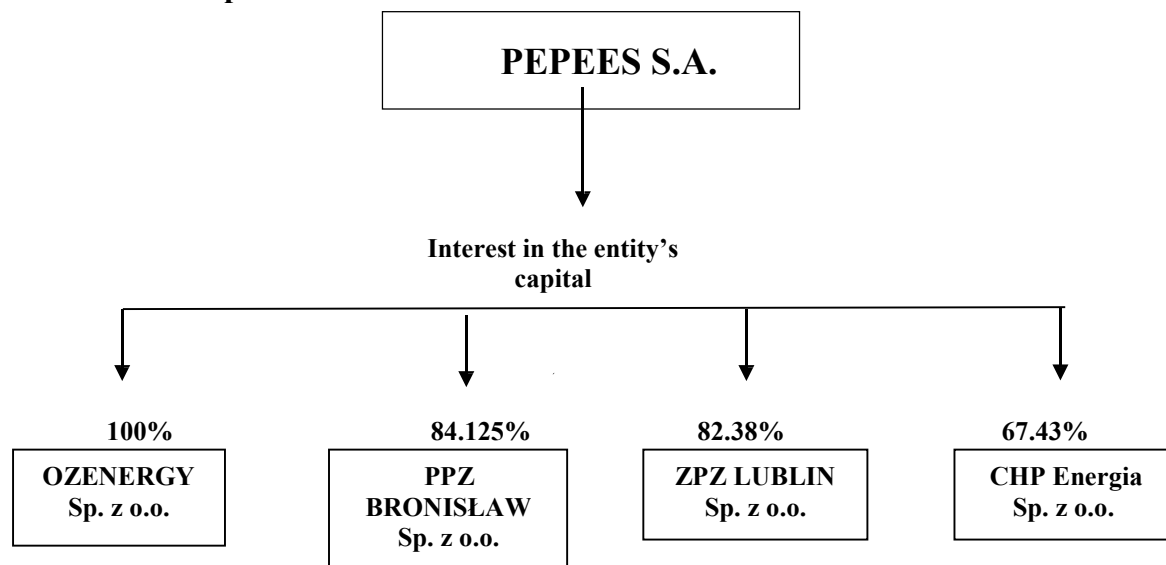
The composition of the Supervisory Board as at 31.03.2017:

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

2. Reporting periods

These interim consolidated financial statements cover the period from 1 January 2017 to 31 March 2017, and comparative financial figures and notes cover the period from 1 January 2016 to 31 March 2016 and, additionally, as at 31 December 2016 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 any threats to the activities of PEPEES Group.

3. The Group structure as at 31 March 2017**General information about related parties**

Name	Place of business	Objects	Registry court	Issuer's interest in capital	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)	Wojny Wawrzyńce	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)	67.43	67.43

All subsidiaries were consolidated with the full method.

Basic financial figures as at 31.03.2017 for related parties

	PPZ BRONISŁAW Sp. z o.o.	ZPZ LUBLIN Sp. z o.o.	CHP ENERGIA Sp. z o.o.	OZENERGY Sp. z o.o.
Current assets as at 31.03.2017	18,226	9,046	4,428	9
Non-current assets as at 31.03.2017	10,041	4,522	22,949	0
Current liabilities as at 31.03.2017	16,308	7,658	7,943	5
Non-current liabilities as at 31.03.2017	6,208	3,327	20,217	0
Revenue	12,653	4,642	2,716	0
Financial result on continuing operations	1,798	58	(312)	0
Net financial result on discontinued operations	0	0	0	0
Other comprehensive income	0	0	0	0
Total comprehensive income	1,798	58	(312)	0

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

These interim consolidated financial statements have been 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 2016.

5. The application of standards in 2017

The application of new interpretations and amendments to standards in 2017 had no impact on the Group's financial position.

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

The standards below 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 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.
- f) Amendments to IFRS 2, effective for annual periods beginning on or after 1 January 2018. The amendments clarify existing provisions concerning the recognition of specific types of share-based payment transactions and clarify issues notified to the International Financial Reporting Interpretations Committee (IFRIC).
- g) Amendments to IFRS 4, effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4 provide for two acceptable approaches, i.e. the overlay approach and the deferral approach. The amended standard permits entities which conclude insurance contracts to recognise in other comprehensive income, and not in profit or loss, the impact of the differences which may arise due to the application of IFRS 9, before the new standard concerning insurance business is issued. And, in the case of entities whose activities are related mainly to insurance, the amended standard provides for a temporary exemption from the application of IFRS 9 until 2021. The entities deferring the application of IFRS 9 will apply the current IAS 39.
- h) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, effective for annual periods beginning on or after 1 January 2018. The interpretation clarifies the exchange rate to be applied for transactions in foreign currencies that are related to the receipt of advance consideration accounted for before the entity recognises the related asset, expense or income.

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

10. Estimates

In the reporting period, the Group 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 recognised on the basis of actuarial calculations as at 31.12.2016.

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 31.03.2017.

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 2016.

11. Acquisition and sales of property, plant and equipment

In the first quarter of 2017, the Group acquired property, plant and equipment for PLN 1,962 thousand. The purchases were related mainly to the upgrade of production plant and machinery and the assembly of a gas boiler.

The Group sold property, plant and equipment for PLN 20 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 Group used up 1,024 thousand PLN, and, in the first quarter of 2017, PLN 198 thousand.

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 31.03.2017	As at 31.12.2016	As at 31.03.2016
a) materials	5,671	6,414	3,826
b) semi-finished products and work in	3,556	4,310	524
c) finished products	39,111	63,557	40,598
d) trade goods	3,378	3,184	1,840
Gross inventories	51,716	77,465	46,788
Write-downs	(57)	(182)	(35)
Net inventories	51,659	77,283	46,753

The value of inventories recognised as an expense in the reporting period amounted to PLN 37,291 thousand (the first quarter of 2016: PLN 26,107 thousand).

The total value of inventories secures the repayment of bank loans the balance of which as at 31.03.2017 amounts to PLN 32,467 thousand.

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

The Group reversed write-downs decreasing the value of inventories amounting to PLN 125 thousand due to sales.

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 605 thousand; obtained subsidies to PLN 410 thousand; and the fair value of inventories and biological assets less costs to sell to ca. PLN 215 thousand. Biological assets were recognised in the financial statements at fair value.

15. Trade receivables

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 31.03.2017	As at 31.12.2016	As at 31.03.2016
a) up to 1 month	13,269	18,623	7,411
b) over 1 month up to 3 months	11,459	4,029	8,179
c) over 3 months up to 6 months	85		25
d) over 6 months up to 1 year	224	1,020	108
e) over 1 year	-		-
f) past due receivables	3,688	3,080	3,795
Total (gross) trade receivables	28,725	26,752	19,518
- write-downs of trade receivables	(995)	(989)	(1,558)
Total (net) trade receivables	27,730	25,763	17,960

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

TRADE PAYABLES	As at 31.03.2017	As at 31.12.2016	As at 31.03.2016
- trade payables, falling due:	9,351	11,956	6,330
- up to 12 months	9,351	11,956	6,330
- overdue more than 180 days	289	141	-

17. Litigation settlements

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 of 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 31.03.2017	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	3,938	31.08.2017
Working capital loan	Bank Zachodni WBK S.A.	15,000	9,375	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	7,500	31.08.2017
Working capital loan for the purchase of potatoes	BGŻ BNP Paribas S.A.	15,000	11,250	31.08.2017
Subsidised investment loan	Bank Spółdzielczy S.A./Bank Polskiej Spółdzielczości S.A.	3,465	165	30.06.2017
Subsidised investment loan	Bank Polskiej Spółdzielczości S.A.	1,295	380	30.11.2018
Investment loan	BGŻ BNP Paribas S.A.	9,822	6,811	25.02.2022
Investment loan to upgrade the dust removal system for boilers	BOŚ S.A.	1,200	1,024	31.12.2020

Loan type	Lending bank	Contractual loan value	Debt as at 31.03.2017	Repayment date
Cash loan	BGŻ BNP Paribas S.A.	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	2,250	31.08.2017
Working capital loan	Bank Zachodni WBK S.A.	1,500	938	31.08.2017
Bank overdraft	BGŻ BNP Paribas S.A.	500	0	31.08.2017
Revolving loan	BGŻ BNP Paribas S.A.	3,000	2,146	31.08.2017
Working capital loan for the purchase of potatoes	BGŻ BNP Paribas S.A.	1,500	1,125	31.08.2017
Bank overdraft	Bank Zachodni WBK S.A.	500	0	31.08.2017
Revolving loan	Bank Zachodni WBK S.A.	3,000	2,250	31.08.2017
Working capital loan	Bank Zachodni WBK S.A.	8,000	4,914	31.08.2017
Bank overdraft	BGŻ BNP Paribas S.A.	500	0	31.08.2017
Revolving loan	BGŻ BNP Paribas S.A.	3,000	1,493	31.08.2017
Working capital loan for the purchase of potatoes	BGŻ BNP Paribas S.A.	8,000	4,865	31.08.2017
Investment loan to finance/refinance the purchase of a real property by PPZ Bronisław	Bank Zachodni WBK S.A.	800	756	30.11.2021
Syndicated investment loan	Spółdzielczy Bank Rozwoju in Szepietowo and Bank Spółdzielczy in Ostrowia Mazowiecka	12,830	12,374	31.12.2023
Working capital loan associated with business activities	Spółdzielczy Bank Rozwoju in Szepietowo	800	735	31.12.2019
Working capital loan to finance current liabilities	Spółdzielczy Bank Rozwoju in Szepietowo	3,000	2,860	31.05.2022
Bank overdraft	Spółdzielczy Bank Rozwoju in Szepietowo	1,000	1,000	23.02.2018
A cash loan from a counterparty		1,500	944	07.12.2017

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	For the period from 01.01.17 to 31.03.17	For the period from 01.01.16 to 31.03.16
Revenue from the sales of products to subsidiaries	46	170
Revenue from the sales of trade goods and materials to subsidiaries	-	-
Revenue from services	71	71
Total revenue from related parties	117	241

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

b) Purchases of trade goods and services

Types of purchases	For the period from 01.01.17 to 31.03.17	For the period from 01.01.16 to 31.03.16
Purchases of products from subsidiaries	1,818	1,571
Purchases of trade goods from subsidiaries	-	-
Purchases of services from subsidiaries	28	39
Purchases of property, plant and equipment from	0	-
Total purchases from related parties	1,846	1,610

c) Other transactions

Specification	For the period from 01.01.17 to 31.03.17	For the period from 01.01.16 to 31.03.16
Interest on granted loans	111	93
Total	111	93

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

Settlements with subsidiaries	As at 31.03.2017	As at 31.12.2016	As at 31.03.2016
Receivables – ZPZ Lublin	29	-	73
Receivables – CHP Energia	199	199	-
Advances – CHP Energia	-	1,250	-
Receivables – OZENERGY	5	6	5
Liabilities – ZPZ Lublin	186	129	-
Liabilities – PPZ BRONISŁAW	34	58	800
Liabilities – CHP Energia	8	-	-
Balance of settlements with related parties	5	1,268	(722)

e) Balance of settlements related to cash loans

1. Cash loans granted to subsidiaries	As at 31.03.2017	As at 31.12.2016	As at 31.03.2016
PPZ BRONISŁAW	4,673	4,673	5,800
ZPZ Lublin	3,000	3,011	3,000
CHP Energia	2,471	710	-
Balance of settlements with related parties	10,144	8,394	8,800

19.2 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.

19.3 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)**

	First quarter of 2017	First quarter of 2016
Short-term employee benefits	621	418
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	621	418

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 personnel 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. The Company's Board of Directors decided to recommend to the Annual General Meeting of Shareholders that they should allocate the entire net profit generated in 2016 to reserve capital; the Company informed about it in current report No. 3/2017.

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

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	First quarter of 2017	2016	First quarter of 2016
<i>At the period beginning</i>	996	1,558	1,558
a) increases (due to)	10	174	19
- recognition for doubtful trade receivables	0	64	
- recognition for interest receivable	10	49	19

- recognition for receivables in litigation	-	61	
b) decreases (due to)	11	736	19
- reversal of provisions due to payment	7	78	12
- utilisation due to the writing-off and sales of receivables	-	-	7
- cancellations	4	658	
Write-downs at the end of the period, including:	995	996	1,558

b. Write-downs of inventories

MOVEMENTS ON WRITE-DOWNS OF INVENTORIES	First quarter of 2017	2016	First quarter of 2016
At the period beginning	182	35	93
a) increases (due to)	-	147	-
- write-downs to net realisable value	-	-	-
- impairment loss for materials	-	147	-
b) decreases (due to)	125	0	58
- utilisation	125		58
- reversal of write-downs	-	-	-
Write-downs of inventories at the end of the period	57	182	35

c. Retirement and similar benefits obligations

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	First quarter of 2017	2016	First quarter of 2016
a) balance at the beginning of period	2,571	2,749	2,749
- retirement benefits	429	340	340
- jubilee benefits	2,142	2,409	2,409
b) increases (due to)	-	118	-
- retirement benefits	-	107	-
- jubilee benefits	-	11	-
c) utilisation (due to)	-	211	-
- retirement benefits	-	13	-
- jubilee benefits	-	198	-
d) reversal (due to)	-	85	-
- retirement benefits	-	5	-
- jubilee benefits	-	80	-
e) balance at the end of period	2,571	2,571	2,749
- retirement benefits	429	429	340
- jubilee benefits	2,142	2,142	2,409

d. Short-term provisions

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	First quarter of 2017	2016	First quarter of 2016
a) balance at the beginning of period	1,877	1,722	1,722
- grants related to property, plant and equipment	491	262	262
- provisions for services performed by contractors	71	38	38
- grants related to loans	22	62	62
- other provisions	9	-	-
- fee for the use of the environment	165	126	126
- provisions for compensations for annual leaves	498	363	363
- greenhouse gas emission allowance	337	676	676
- bonuses for the Board of Directors and employees	284	195	195
b) increases (due to)	381	1,716	399
- grants (new entity)	-	385	-
- provision for used CO ₂ emission allowances	-	337	144
- fee for the use of the environment	23	164	26
- provisions for compensations for annual leaves	358	478	229
- provisions for services performed by contractors	-	59	-
- bonuses for the Board of Directors and employees	-	284	-
- other	-	9	-
c) utilisation (due to)	1,210	1,561	1,106
- fee for the use of the environment	165	125	125
- provisions for compensations for annual leaves	353	343	183
- provision for used CO ₂ emission allowances	337	676	676
- provision for services performed by contractors	71	26	38
- grants related to property, plant and equipment	-	156	5
- grants related to loans	-	40	9
- provisions for bonuses for suppliers	-	-	-
- bonuses for the Board of Directors and employees	284	195	70
- other	-	-	-
e) balance at the end of period	1,039	1,877	1,015
- grants related to property, plant and equipment	491	491	257
- grants related to loans	22	22	53
- provision for used CO ₂ emission allowances	0	337	144
- fee for the use of the environment	23	165	27
- provisions for compensations for annual leaves	503	498	409
- bonuses for the Board of Directors and employees	-	284	125
- provisions for services performed by contractors	-	71	-
- other	-	9	-

e. Deferred income tax

DEFERRED TAX LIABILITIES	As at 31.03.2017	As at 31.12.2016	As at 31.03.2016
The difference between the carrying amount and the tax value of property, plant and equipment	5,704	5,713	5,871
Unrealised foreign exchange differences	2	-	1
Interest due but not received	5	5	146
Other	5	4	6
Total deferred tax liabilities	5,716	5,722	6,024

DEFERRED TAX ASSETS	As at 31.03.2017	As at 31.12.2016	As at 31.03.2016
The difference between the carrying amount and the tax value of property, plant and equipment	422	422	463
Outstanding remunerations	160	139	80
Provision for unused annual leaves	96	79	72
Retirement and jubilee benefits	489	488	525
Unrealised foreign exchange differences	86	58	38
Write-downs of receivables	-	1	-
Write-downs of inventories	11	3	7
Lease payables	668	700	769
Consolidation adjustments – retained earnings	80	116	68
Provision for benefits	-	4	-
Provision for bonuses for the Board of Directors and employees	-	54	24
Retirement of CO ₂ emission allowances	-	64	28
Tax loss	192	197	196
Total	2,204	2,357	2,270

22. Contingent assets and liabilities

CONTINGENT ASSETS	First quarter of 2017	2016	First quarter of 2016
Value of land used under the right of perpetual usufruct	13,603	13,603	13,603
Receivables in litigation	-	121	-
CONTINGENT LIABILITIES			
Mortgages on the assets of companies	178,940	178,940	135,029
Pledge on assets	102,716	102,716	102,663
Loan surety	6,000	6,000	6,000
Assignment of receivables under an insurance policy	224,548	224,548	210,318
Possible damages related to non-competition agreements	818	818	1,205
Disputed obligations	32	32	-

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**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.

In the 'power generation' segment, the Company produces:

- electricity from agricultural biogas;
- heat for its own needs used e.g. to dry animal feeds.

24.2 Segment revenue and results

Segment	Revenue		Segment profit	
	First quarter of 2017	First quarter of 2016	First quarter of 2017	First quarter of 2016
Processing of potatoes	54,210	37,313	8,306	3,836
- including inter-segmental	-	-	-	-
Power generation	2,716	-	(136)	-
- including inter-segmental	133	-	-	-
Other operating income	-	-	157	98
Other operating expenses	-	-	(86)	(84)
Finance income	-	-	93	226
Finance costs	-	-	(1,301)	(526)
Share of profit (loss) of an associate	-	-	-	(120)
Profit (loss) before tax	-	-	7,033	3,430

24.3 Segment assets and liabilities

Segment assets	As at 31.03.2017	As at 31.03.2016
Processing of potatoes	224,154	189,889
Power generation	27,377	
Total segment assets	251,531	189,889

Segment liabilities	As at 31.03.2017	As at 31.03.2016
Processing of potatoes	88,696	77,340
Power generation	28,160	
Total segment liabilities	116,856	77,340

All assets and liabilities of CHP Energia are allocated to the 'power generation' segment, and all other assets and liabilities disclosed in the consolidated financial statements are allocated to the 'processing of potatoes' segment.

24.4 Other segment information

Segment	Depreciation/Amortisation		Increase in non-current assets	
	First quarter of 2017	First quarter of 2016	First quarter of 2017	First quarter of 2016
Processing of potatoes	1,717	2,226	1,892	822
Power generation	284			
Total for continuing operations	2,001	2,226	1,892	822

24.5 Revenue by products

Product name	First quarter of 2017	First quarter of 2016
Starch	36,769	20,211
Protein	3,395	2,944
Glucose	2,559	1,986
Maltodextrin	4,135	3,760
Starch syrups	1,279	1,195
Dried potato-based products (grits, flakes, cubes)	4,056	3,073
Animal feedingstuff	358	-
Electricity	207	-
Heat	352	868
Property rights (electricity and heat)	1,062	-
Trade goods and materials	2,449	3,095
Services	305	181
Total	56,926	37,313

24.6 Sales revenue by territories:

Specification	First quarter of 2017	First quarter of 2016
Poland, including	35,619	25,877
Starch	19,197	11,488
Protein	2,086	1,661
Glucose	2,478	1,964
Maltodextrin	3,724	3,363
Starch syrups	1,279	1,195
Dried potato-based products (grits, flakes, cubes)	3,934	3,029
Animal feedingstuff	358	-
Electricity	207	-
Heat	352	868
Property rights (electricity and heat)	1,062	
Trade goods and materials	637	2,128
Services	305	181
EU countries - intra-Community supplies, including:	2,582	2,786
Starch	1,383	2,220
Protein	744	25
Maltodextrin	411	397
Glucose	10	22
Dried potato-based products (grits, flakes, cubes)	17	44
Trade goods	17	78
Other countries – export	18,725	8,650
Starch	16,189	6,503
Protein	565	1,258
Glucose	71	-
Maltodextrin	-	-
Dried potato-based products (grits, flakes, cubes)	105	-
Trade goods	1795	889
Total	56,926	37,313

24.7 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 sale of a given product. And so:

- more than 10% of starch was sold to one customer from Africa;
- more than 10 % of maltodextrin was sold to each of the three Polish customers;
- about 14 % of glucose — to one Polish customer;
- more than 16% of protein — to one foreign customer, and ca. 15% — to one Polish customer.

25. Summary of activities in the reporting period

From January to March 2017, PEPEES Group generated sales of PLN 56.9 million, which denoted an increase by 52.56% as compared to the corresponding period in the previous year. The increase in sales revenue was particularly influenced by higher export sales in PEPEES outside the European Union (a double increase). Also, PPZ Bronisław recorded a very high increase in sales by 76%.

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 quarter of 2017, the Group generated gross profit from sales of PLN 16.8 million, which denoted an increase by 69% as compared to the same period in the previous year.

Selling and marketing expenses and administrative expenses in the period from January to March 2017 grew by 75% and 29% respectively relative to the comparative period.

The balance on other activities in the first quarter of 2017 closed at PLN 0.07 million as compared to the result of PLN 0.01 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 March 2017 was slightly lower than the corresponding item in the comparative period — (-) PLN 1.2 million in 2017 against (-) PLN 0.3 million in the period from January to March 2016.

As a consequence, gross profit after the first quarter of 2017 amounted to PLN 7.03 million against PLN 3.4 million of gross profit generated in the comparative period, and net profit in the period from January to March 2017 amounted to PLN 5.56 million against PLN 2.68 million of net profit in the corresponding period of 2016.

26. 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 2017.

27. 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 14 November 2016.

SHAREHOLDERS	Number of shares	Interest in share capital (%)	Number of votes	Share in total number of votes at GMS (%)
Mr Maksymilian Maciej Skotnicki*	19,634,843	20.67	19,634,843	20.67
Mr Michał Skotnicki*	10,700,011	11.26	10,700,011	11.26
Mr Newth Jonathan Reginald	5,775,000	6.08	5,775,000	6.08
Mr Krzysztof Borkowski - indirectly**	7,923,409	8.34	7,923,409	8.34
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych***	9,931,499	10.45	9,931,499	10.45
Richie Holding Ltd	6,133,100	6.46	6,133,100	6.46
Others	34,902,138	36.74	34,902,138	36.74
Total	95,000,000	100.00	95,000,000	100.00

* 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 tender offer announced on 21 September 2016, acquired 3,532,768 shares.

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

SHAREHOLDERS	Number of shares	Interest in share capital (%)	Number of votes	Share in total number of votes at GMS (%)
Mr Maksymilian Maciej Skotnicki*	20,395,465	21.46	20,395,465	21.46
Mr Michał Skotnicki*	10,700,011	11.26	10,700,011	11.26
Mr Newth Jonathan Reginald	7,995,200	8.42	7,995,200	8.42
Mr Krzysztof Borkowski - indirectly**	7,923,409	8.34	7,923,409	8.34
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych***	5,271,499	5.55	5,271,499	5.55
Richie Holding Ltd	6,133,100	6.46	6,133,100	6.46
Others	36,581,316	38.51	36,581,316	38.51
Total	95,000,000	100.00	95,000,000	100.00

*The information about the number of shares held has been taken from the notice received prior to the AGM on 25 April 2017, about which the Company informed in its current report No. 7/2017.

**On 12 April 2017, the Issuer received from Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, a notice concerning the reduction of its share in the total number of votes in the Company. Detailed information about the said notice was published in current report No. 6/2017 of 12 April 2017.

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

28. 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 Faszczewski, 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 14 November 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.

29. 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 the preparation,

there is a surety for a loan granted by the Issuer to a related party CHP Energia Sp. z o.o. up to PLN 6,000 thousand with the validity period until 25 May 2024.

30. 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.

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

Apart from the information presented in the condensed consolidated financial statements for the first quarter of 2017 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.



32. Important events after the reporting period

- On 25 April 2017, the General Meeting of Shareholders of PEPEES was held, which approved of the financial statements and the Board of Directors' report for 2016. In addition, the AGM adopted the resolution authorising the Board of Directors to acquire treasury shares and to recognise reserves to cover the costs of the acquisition of treasury shares. The Company informed about the content of the resolutions adopted by the AGM in its current report No. 8/2017.
- On 27 April 2017, PEPEES entered into a conditional sales agreement with a natural person, who is a shareholder of the Company, under which the Company will acquire a 34.9167% stake ('Stake') in Gospodarstwo Rolne Ponary sp. z o.o. ('Ponary'). The Stake will be purchased if the Polish Agricultural Property Agency does not exercise its right of pre-emption concerning the Stake provided for in Article 3a. Clause 1 of the Polish Act of 11 April 2003 on Developing the Agricultural System. The Company informed about the content of the said agreement in its current report No. 11/2017.

33. Authorising the condensed interim financial statements

These condensed consolidated financial statements were approved by the Board of Directors of the Parent Company on 15 May 2017.

SIGNATURES OF MEMBERS OF THE BOARD OF DIRECTORS

Date	Name	Title/Function	Signature
15.05.2017	Wojciech Faszczewski	President of the Board of Directors	
15.05.2017	Tomasz Rogala	Member of the Board of Directors	

SIGNATURE OF THE PERSON WHO PREPARED THE FINANCIAL STATEMENTS

Date	Name	Title/Function	Signature
15.05.2017	Wiesława Załuska	Chief Accountant	