

**QUARTERLY FINANCIAL INFORMATION
OF THE PARENT COMPANY, I.E.
PEPEES S.A.**

for Q1 2016
(01.01.2016 – 31.03. 2016)

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

13 May 2016

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

	ASSETS	as of 31.03.20	as of 31.12.20	as of 31.03.20
I	Fixed assets (long-term)	101	102	97
1	Tangible fixed assets	77	78	71
2	Intangible assets	122	456	69
3	Investments in subsidiaries	3	3	3
4	Investments in associates	811	811	811
5	Investments in other entities	113	113	113
6	Loans receivable	78	7	9
7	Long-term advances	102	10	10
8	Deferred tax assets	1	1	710
II	Current assets (short-term)	69	93	56
1	Inventories	33	44	36
2	Biological assets	319	172	417
3	Trade receivables	13	15	10
4.	Current income tax receivables			
5	Other receivables	827	2	1
6	Advances	2	841	2
7	Loans	4	4	2
8	Investments held for trading	2	2	2
9	Cash and cash equivalents	11	23	798
II	Non-current assets held for sale			
	Total assets	170	196	153

	LIABILITIES	as of 31.03.20	as of 31.12.20	as of 31.03.201
I	Equity	113	110	107
1	Share capital	5	5	5
2	Supplementary and reserve capitals	994	99	958
3	Revaluation reserve	(39)	(39)	(37)
4	Retained earnings	5		3
5	Profit (loss) for current year	2	5	2
I	Long-term liabilities	21	22	14
1	Loans and borrowings	7	79	3
2	Lease liabilities	39	39	13
3	Deferred income tax liability	5	5	5
4	Liabilities for pensions and similar benefits	1	1	1
5	Subsidies	2	2	2
II	Short-term liabilities	36	63	31
1	Trade liabilities	5	6	4
2	Current income tax liabilities	309	807	80
3	Other short-term liabilities	1	1	1
4	Loans and borrowings	26	52	23
5	Lease liabilities		11	731
6	Liabilities for pensions and similar benefits	12	157	145
7	Provisions for other liabilities and charges	157	1	1
	Total liabilities	170	196	153

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

	<i>Revenue and costs Profit and loss</i>	<i>For the period of 01.01.201 6-</i>	<i>For the period of 01.01.201 5-</i>
I	Sales revenue	28	23
1	Revenue from sales of products	25	21
2	Revenue from sales of services	100	33
3	Revenue from sales of goods and materials	2	1
I	Cost of sales	(20)	(16)
1	Costs of sold products	(17	(15
2	Costs of sold services	(80)	(23)
3	Cost of sales of goods and materials	(2	(1
4	Result on agricultural production	(48	445
II	Gross profit on sales (I-II)	7	6
1	Sales and marketing costs	(1	(1
2	General administration costs	(3	(2
3	Other operating revenue (net profits)	92	331
4	Other operating costs (net loss)	(64	(32)
I	Operating profit	3	3
1	Financial costs (net loss)	(38	(26
2	Financial revenue (net profit)	320	194
V	Profit (loss) before tax	3	3
V	Income tax	(63	(60
VI	Net profit (loss)	2	2
VI	Other comprehensive income		
1	Results of valuation of available-for-sale financial assets		
2	Hedge accounting		
IX	Total comprehensive income	2	2
VII	Net profit (loss) per share	0.0	0.0

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES"

	<i>Share capital</i>	<i>Supplementary capital</i>	<i>Revaluation reserve</i>	<i>Other reserve capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
As of 1 January 2015	5	51	(37)	43	3	104
Changes in the period from 01.01.2015 to 31.03.2015						-
Net profit for the period					24	2
as of 31 March 2015	5	51	(37)	43	6	107
Changes in the period from 01.01.2015 to 31.03.2015						-
Distribution of profit for 2014				3	(3)	-
Net profit for the financial year					5	5
Other comprehensive income for the financial year (net)			(1)			(1)
as of 31 December 2015	5	51	(39)	47	5	110
as of 01 January 2016	5	51	(39)	47	5	110
Changes in the period from 01.01.2016 to 31.03.2016						-
Net profit for the period					25	2
as of 31 March 2016	5	51	(39)	47	8	113

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

STATEMENT OF CASH FLOWS	<i>For the period of 01.01.201</i>	<i>For the period of 01.01.201</i>
A. Operating cash flow- indirect method		
I. Profit (loss) before tax	3	3
II. Total adjustments	12	8
1. Depreciation	2	1
2. Foreign exchange (gains) losses	3	15
3. Interest and profit sharing (dividends)	199	45
4. (Profit) loss on investment activities	18	(4)
5. Change in provisions	(70)	(40)
6. Change in stock	10	8
7. Change in biological assets	(14)	(29)
7. Change in receivables	3	3
8. Change in short-term liabilities, except borrowings and loans	(75)	(2)
9. Change in prepayments and accruals	(1)	(1)
10. Income tax paid	(1)	(49)
11. Other adjustments	29	13
III. Net operating cash flow	15	11
B. Cash flow from investment activities		
I. Receipts	161	162
1. Sale of intangible assets and tangible fixed assets	64	4
2. Repayment of loans	97	158
II. Expenditure	799	3
1. Purchase of intangible assets and tangible fixed assets	799	3
2. Loans receivable		
III. Net cash flow from investment activities (I-II)	(63)	(3)
C. Cash flow from financial activities		
I. Receipts		1
1. Loans and borrowings		1
2. Proceeds from issue of shares		
II. Expenditure	20	9
1. Repayment of loans and borrowings	19	8
2. Interest on loans and borrowings	296	203
3. Payments under lease agreements	364	236
III. Net cash flow from financial activities (I-II)	(20)	(7)
D. Total net cash flow (A.III+/-B.III+/-C.III), including:	(5)	(61)
E. Change in cash balance, including:	(12)	(27)
- change in cash balance due to exchange differences	3	15
- change in overdrafts	6	203
F. Cash at the beginning of the period	15	(1
G. Cash at the end of the period (F+/- D)	10	(1
- restricted cash	-	-

SELECTED EXPLANATORY DATA

1. Accounting principles

Data for the financial statements for Q1 2016 was prepared in compliance with the same accounting principles as the principles applied to the last annual financial statements.

2. Amendments to the applied accounting principles, correction of errors and presentation

The Company did not amend accounting principles.

3. Information on contingent liabilities or contingent assets.

a) contingent liabilities

PEPEES secured a loan granted by SBR Bank to the affiliated company CHP Energia up to the amount of PLN 6 million.

The Company receives subsidies to the interest of investment loans. As of 31.03.2016 the value of the received subsidies reaches ca. PLN 903 thousand. In the event of non-fulfilment of the terms and conditions of the loan agreements, i.e. inter alia

- non-payment of instalments and interest within the contractual time limits,
 - non-performance of the investment according to the schedule,
 - use of the loan other than in compliance with its purpose,
- subsidies will be refunded. There is no threat that the Company might not meet the above conditions, since the investments have already been implemented as planned, loans have been used as intended and instalments and interest are paid by the Company on due date.

There may arise liabilities resulting from agreements regarding non-competition after termination of the employment relationship. Such agreements have been concluded with Members of the Management Board and a few employees. In the event of termination of the employment relationship with them, the Company will be obliged to pay indemnity in the amount of ca. PLN 1,061 thousand.

b) contingent assets

PEPEES has land subject to perpetual usufruct, whose value resulting from the decision on determination of the annual fee reaches PLN 10,822 thousand.

4. Other significant information

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

After the purchase of the afore-mentioned shares Mr Michał Skotnicki and Mr Maksymilian Skotnicki (family members) jointly hold 28,132,088 shares, constituting 29.613% of the share capital and entitling to 28.132.088,088 votes at the General Meeting, which constitutes 29.613% of the total number of votes at the General Meeting.

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and surname	Position/Function	Signature
2016-05-13	Wojciech Faszczewski	President of the Management Board	
2016-05-13	Krzysztof Homenda	Member of the Management Board/CFO	

