PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES” SPÓŁKA AKCYJNA
IN ŁOMŻA

Financial statements
for the period of 12 months ended 31 December 2019

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

INDEX OF THE ANNUAL FINANCIAL STATEMENTS

(in PLN thousand)

SELECTED FINANCIAL DATA CONVERTED INTO EUR

No.	SELECTED FINANCIAL DATA	IN PLN THOUSAN		IN EUR	
	Year	2019	2018	2019	2018
I	Total revenues from sales	172 934	175 798	40 201	41 200
II	Net profit or loss	19 182	17 442	4 459	4 088
III	Total net income	19 143	17 296	4 450	4 054
IV	Net cash flows on operating activity	30 597	27 903	7 113	6 539
V.	Net cash flows on investment	(25 002)	(25 804)	(5 812)	(6 047)
VI	Net cash flows on financial activity	700	1 451	163	340
VII	Net cash flows	6 295	3 550	1 463	832
VIII	Total assets	275 662	257 776	64 732	59 948
IX	Equity	164 443	156 700	38 615	36 442
X	Earnings (loss) per one ordinary share	0.20	0.18	0.05	0.04
XI	Total net income per one share	0.20	0.18	0.05	0.04
XII	Book value per share	1.73	1.65	0.41	0.38

Selected financial data were converted into EUR according to the following exchange rates published by the National Bank of Poland:

- - selected items of statement of the financial condition as of 31.12.2019 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.2585,
- - selected items of statement of the financial condition as of 31.12.2018 according to the mean exchange rate applicable on the balance sheet date equal to EUR 1 = PLN 4.300,
- selected items of the statement of comprehensive income and cash flow statement for the period from 1 January 2019 to 31 December 2019 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of 2019 and amounts to EUR 1 = PLN 4.3018,
- selected items of the consolidated report on the total profit and consolidated report on the cash flows for the period from 1 January 2018 to 31 December 2018 according to the rate which is the arithmetic mean of the average rates published by the National Bank of Poland and applicable on the last day of each month of 2018 EUR 1 = PLN 4.2669.

"PEPEES" S.A.
Financial statements
for the period of 12 months ended 31 December 2019
(in PLN thousand)

STATEMENT OF THE FINANCIAL CONDITION

	ASSETS	Note	State as at 31 December	State as at 31 December
I.	**(Long-term) fixed assets**		**151 766**	**134 271**
1.	Plant, property and equipment	9.1.	103 464	95 368
2.	Intangible assets	9.2	413	534
3.	Rights to assets	9.3	16 717	8 212
4.	Investment properties	9.4	393	-
5.	Investments in subsidiaries	9.5	26 632	26 632
6.	Investments in other entities	9.6	613	113
7.	Deferred income tax assets	9.25	3 534	3 412
II.	**(Short-term) current assets**		**123 896**	**123 505**
1.	Stock	9.7	55 712	52 180
2.	Biological assets	9.8	322	330
3.	Trade receivables	9.9	16 340	23 791
4.	Other receivables	9.11	4 310	3 866
5.	Prepayments	9.14	1 302	1 309
6.	Granted loans	9.15	5 593	8 412
7.	Other financial assets	9.6	5 961	5 436
8.	Cash and cash equivalents	9.16	34 356	28 181
	Total assets		**275 662**	**257 776**

	LIABILITIES	Note	State as at 31 December	State as at 31 December
I.	**Equity**		**164 443**	**156 700**
1.	Share capital	9.17	5 700	5 700
2.	Capital reserve and supplementary capital	9.18	139 626	133 584
3.	Revaluation capital	9.18	(65)	(26)
4	Result of the current year	9.19	19 182	17 442
II.	**Long term liabilities**		**30 815**	**26 611**
1.	Bank credits and loans	9.20	8 385	11 554
2.	Liabilities due in relation to assets under lease	9.23	11 714	4 601
3.	Deferred income tax liabilities	9.25	6 312	6 350
4.	Liabilities related to retirement benefits and similar	9.21	2 284	1 888
5.	Subsidies	9.24	2 120	2 218
III.	**Short-term liabilities**		**80 404**	**74 465**
1.	Trade liabilities	9.22	5 436	8 623
2.	Current income tax liabilities		2 394	1 362
3.	Other short-term liabilities	9.22	2 576	2 263
4.	Credits and loans	9.20	63 083	56 204
5.	Liabilities due in relation to assets under lease	9.23	3 192	2 670
6.	Liabilities related to retirement benefits and similar ones	9.21	204	202
7.	Provisions for remaining liabilities and other charges	9.24	3 519	3 141
	Total liabilities		**275 662**	**257 776**

(in PLN thousand)

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

No.	Specification	Note	For the period of 12 months ended 31	For the period of 12 months ended 31
I	**Revenues from sales**		**172 934**	**175 798**
1.	Revenues from sales of products	10.1	150 874	158 257
2.	Revenues from sale of services	10.2	1 054	792
3.	Revenues from sales of goods and materials	10.3	21 006	16 749
II	**Own cost of sales**		**(112 274)**	**(119 340)**
1.	Costs of sold products	10.4	(90 393)	(101 319)
2.	Costs of sold services	10.4	(481)	(446)
3.	Costs of sold goods and materials		(17 727)	(15 454)
4.	Result of agricultural production	10.6	(3 673)	(2 121)
III	**Gross profit (loss) from sales (I-II)**		**60 660**	**56 458**
1.	Costs of sales and marketing	10.4	(8 495)	(9 115)
2.	Overheads	10.4	(25 246)	(23 866)
3.	Other operating revenue	10.7	447	649
4.	Other operating cost	10.8	(2 042)	(1 477)
IV	**Profit (loss) on operating activities**		**25 324**	**22 649**
1.	Financial costs	10.9	(2 252)	(4 498)
2.	Financial revenue	10.10	2 100	4 306
V.	**Profit (loss) before tax**		**25 172**	**22 457**
VI	**Income tax**	10.11	(5 990)	(5 015)
VII	**Net profit (loss)**		**19 182**	**17 442**
VIII	**Other comprehensive income**		**(39)**	**(146)**
1.	Reassessment of liabilities under employee benefits		(39)	(146)
IX	**Total comprehensive income, including**		**19 143**	**17 296**
X	**Net profit (loss) per 1 share**		**0.20**	**0.18**

(in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Capital reserve	Supplementary capital from revaluation	Other supplementary capital	Undistributed result	Total equity
State as 1 January 2018	**5 700**	**51 950**	**(172)**	**69 315**	**12 319**	**139 112**
Changes in 2018	**-**	**-**	**146**	**12 319**	**5 123**	**-**
Profit distribution for 2017	-	-	-	12 319	(12 319)	-
Net profit (loss) for the period	-	-	-	-	17 442	**17 442**
Other (net) comprehensive income for financial year	-	-	146	-	-	**146**
State as at 31 December 2018	**5 700**	**51 950**	**(26)**	**81 634**	**17 442**	**156 700**
State as at 1 January 2019	**5 700**	**51 950**	**(26)**	**81 634**	**17 442**	**156 700**
Profit distribution for 2018, including:						
- increase of capital reserve	-	6 042	-	-	(6 042)	-
- transactions with owners (dividend)	-	-	-	-	(11 400)	**(11 400)**
Net profit (loss) for the period	-	-	-	-	19 182	**19 182**
Other (net) comprehensive income for financial year	-	-	(39)	-	-	**(39)**
State as at 31 December 2019	**5 700**	**57 992**	**(65)**	**81 634**	**19 182**	**164 443**

(in PLN thousand)

CASH FLOW STATEMENT

No.	Specification	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
A.	**Cash flows from operating activities - indirect method**		
I	**Profit (loss) before tax**	**25 172**	**22 457**
II	**Total adjustments**	**5 425**	**5 446**
1.	Depreciation	10 405	9 746
2.	(Profit) loss from exchange differences	77	(17)
3.	Interests and share in profit (dividends)	452	965
4.	(Profit) loss on investment activities	(237)	(138)
5.	Change of amount of provisions	776	1 897
6.	Change of volume of stock	(3 532)	4 206
7.	Change of volume of biological assets	8	(330)
8.	Change of volume of receivables	7 007	(3 774)
9.	Change of volume of short-term liabilities save for loans and credits	(2 874)	708
10.	Change of volume of prepayments	7	737
11.	Paid income tax	(5 110)	(6 840)
12.	Change of volume of subsidies	(98)	(94)
13.	Change of amount of interests accrued on loans	169	(242)
14.	Change of amount of other financial assets	(123)	-
15.	Received surcharges	(1 104)	(948)
16.	Revaluation of financial assets	(402)	(434)
17.	Other adjustments	4	4
III	**Net cash flows on operating activity**	**30 597**	**27 903**
B.	**Cash flows on investing activity**		
I	**Receipts**	**4 022**	**9 575**
1.	Disposal of intangible assets and property, plant and equipment	388	189
2.	Received dividends	122	122
3.	Revenues from securities	384	4 976
4.	Repayment of granted loans	3 128	4 288
II	**Expenses**	**29 024**	**35 379**
1.	Acquisition of intangible assets and property, plant and equipment	16 974	13 650
2.	Purchase of shares	250	3 510
3.	Purchase of bonds	250	8 000
4.	Purchase of securities	-	3 979
5.	Granted loans	150	6 240
6.	Dividend and other payments to shareholders	11 400	-
III	**Net cash flows from investing activity**	**(25 002)**	**(25 804)**
C.	**Cash flows on financial activity**		
I	**Receipts**	**61 018**	**57 423**
1.	Credits and loans	59 914	56 475
2.	Received surcharges	1 104	948
II	**Expenses**	**60 318**	**55 972**
1.	Repayment of credits and loans	56 169	52 583
2.	Interests on credits and loans	1 052	1 087
3.	Payments under lease agreements	3 097	2 302
III	**Net cash flows on financial activity (I-II)**	**700**	**1 451**
D.	**Total net cash flows (A.III+/-B.III+/-C.III)**	**6 295**	**3 550**
E.	**Balance sheet change of cash, including:**	**6 175**	**3 602**
	- change of cash due to exchange differences	85	(17)
	- change of credits on the current account	35	(35)
F.	**Cash at the beginning of the period**	**28 139**	**24 589**
G.	**Cash at the end of the period (F+/- D)**	**34 434**	**28 139**
	- including of restricted use	-	-

(in PLN thousand)

INFORMATION ON ADOPTED ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY INFORMATION TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

1. General information

Full name:	Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.
Address of the registered office:	18-402 Łomża, ul. Poznańska 121
Number	REGON (statical number): 450096365
Number NIP (tax identification number):	7181005512
Registration authority:	District Court in Białystok 12th Economic Department of the National Court Register
Number in the register:	000038455
Legal form:	Joint stock company
Organisational form:	Company consisting of one plant

Main subject of the activity according to the divisions of the Polish Classification of Activity: 1062Z production of starch and starch goods.

Industry:	food
Duration:	indefinite

Members of the Management Board as at 31 December 2019:

Wojciech Faszczewski	President of the Management Board
Tomasz Krzysztof Rogala	Member President of the Management Board.

Members of the Supervisory Board as at 31 December 2019 :

Maciej Kaliński	Chairperson of the Supervisory Board
Tomasz Nowakowski	Deputy Chairperson of the Supervisory Board
Robert Malinowski	Secretary of the Supervisory Board
Krzysztof Stankowski	Member of the Supervisory Board
Piotr Marian Taracha	Member of the Supervisory Board
Agata Czerniakowska	Member of the Supervisory Board.

Members of the Audit Committee as at 31 December 2019:

Maciej Kaliński	Chairperson of the Audit Committee
Piotr Marian Taracha	Deputy Chairperson of the Audit Committee

Krzysztof Stankowski Member of the Audit Committee .

STATEMENT OF THE MANAGEMENT BOARD

A. on reliability of preparation of the financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. declare that to they best knowledge they ensured preparation of the financial statements presenting, in a true, reliable and clear manner, all information essential for assessment of the Company's financial and economic condition as at 31.12.2019, as well as its financial result for the financial year from 01.01.2019 to 31.12.2019.

These financial statements were prepared in accordance with accounting principles complying with the International Financial Accounting Standards, which have been approved by the European Union.

When drafting the financial statements, the Management Board ensured selection of appropriate criteria of assessment and preparation of the financial statement. During assessment of assets and liabilities and determination of the financial result, it was assumed that the Company would continue its business activity in foreseeable future, and the scope of the activity would not be significantly reduced, which complies with factual and legal conditions.

The Management Board is responsible for fulfilment of accounting obligations defined in legal provisions.

These financial statements were approved for publication by PEPEES S.A. 19 March 2020.

B. on the entity entitled for auditing of financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. declares that the entity entitled for auditing of the financial statements that audited the financial statements had been selected in compliance with legal provisions and both that entity and the chartered auditors, who conducted the audit, fulfilled the conditions for issuance of an impartial and independent opinion on the audit in compliance with applicable legal provisions.

WBS Audyt Spółka z ograniczoną odpowiedzialnością with registered office in Warsaw, ul. Grzybowska 4, suite U9B, 00-131 Warsaw, registered on the list of entities entitled to audit financial statements under registration number 3685 kept by the Polish Chamber of Chartered Auditors is the entity entitled to audit the financial statements of "PEPEES" S.A. for year 2019 under the agreement executed on 04.07.2018.

2. Information on reporting periods

The presented annual financial statements cover the period from 1 January 2019 to 31 December 2019, and comparable financial data and explanatory notes cover the period from 1 January 2018 to 31 December 2018.

3. Grounds underlying of the annual financial statements

These annual financial statements were prepared in compliance with the International Financial Reporting Standards ("IFRS") and related interpretations published in form of regulations of the European Commission, and the accounting principles (policy) adopted by the Company. As at the date of approval of these financial statements for publication, taking into account every process of implementation of the IFRS ending in the EU and the activities performed by the Company, there is no difference between IFRS that have already entered into force and IFRS approved by the EU in respect to the accounting principles applied by the Company. IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These annual financial statements are presented in zloty ("PLN"), and all amounts are presented in PLN thousands, unless specified otherwise.

These annual financial statements were prepared with the going concern assumption in respect to the Company's business activity in foreseeable future. As at the approval date of this annual financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not detect any circumstances that could point out to the threat for the Company's continued operations.

The financial statements do not contain consolidated data, because PEPEES Company is a company consisting of one entity.

PEPEES S.A. is the Holding Company and prepares the consolidated financial statements.

4. Significant accounting principles (policy)

4.1. Changes in accounting principles

The Company did not change the accounting principles that had been applied earlier with the exception of application of new or changed standards and interpretations in force for annual period commencing after 1 January 2019.

4.2. Corrections of errors from previous periods

There were no corrections of errors from previous periods

4.3. Declaration of compliance

These financial statements were prepared in compliance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations published in form of regulations of the European Commission.

4.4. Converting items denominated in foreign currencies

Polish zloty is the functional (valuation) currency and presentation currency of PEPEES S.A.. Pecuniary assets and liabilities denominated in foreign currencies were converted as at the balance sheet date at the exchange rate in force in the bank, whose services are used by the Company. All exchange rate differences are recognized in the statement of comprehensive income for a given period.

4.5. Reporting on segments of the business

The Company operates in the filed of production and sales of starch and starch hydrolysates. Due to the Company's focus on one type of business and one geographical area, it has one reporting section entitled "potato processing". One section is identified in every day records and internal reports.

These statements revel information in compliance with sections 32-34 IFRS 8.

4.6. Plant, property and equipment

Upon transfer into IAS, the Company accepted the fair value of fixed assets assessed by an appraiser as the assumed costs.

Fixed assets under construction, created for the purpose of production, lease or administration, and for other purposes that have not been defined yet, are presented in the statement of the financial condition according to their costs of production minus impairment write-offs. The costs of production is raised by fees and in case of specified assets - by costs of external funding. The Company applies line depreciation. Depreciation of fixed assets starts upon commencement of their use. Depreciation is calculated for all fixed assets except land and fixed assets under construction, by estimated period of actual use of those assets, by means of a line method. Life cycles for individual groups of fixed assets amount to:

- buildings and structures 10 - 40 years
- machines and devices 2 - 20 years
- means of transport 3 - 5 years
- fixed equipment 2 - 15 years

Life cycles were verified and updated as at the balance sheet date.

According to the materiality principle, the Company recognizes fixed assets of the initial value of to PLN 3,500 at one time
in the profit and loss account in the period, when such spending was made.

4.7. Intangible assets

Intangible assets are recognized if they are likely to generate an inflow of economic values to the Company, which may be directly related to such assets. The Company does not have any intangible assets with undefined period of use.

As at the balance sheet date, the intangible assets are valued at costs minus depreciation write-offs and possible impairment write-offs.

(a) Trademarks and licences

Trademarks and licences have limited (definite) economic life cycles and they are recognized in the statement of the financial condition at the historical cost minus the amortisation so far. The depreciation is calculated according to the line method in order to distribute cost for the estimated economic life cycle (2-10 years).

b) Computer software

Purchased computer software licences are activated in the amount of costs spent for purchase of specific computer software and its preparation for use. Activated costs are deducted for estimated life cycle of the software (2-10 years).

Costs related to creation and maintenance of computer programmes are recognized as costs upon their spending.

c) CO2 emission rights

CO2 emission rights are recognized as intangible assets that are not subject to depreciation but subject to an analysis of impairment.

Acquired emission rights are recognized at their purchase price while rights received free of charge - in their nominal value, that equals zero.

The provision for estimated CO2 emission in the reporting period is created and charged to costs of the basic activity.

Pertaining to the verified annual report referred to in article 57 sec. 3 of the Act on Trading in Emission Rights, used and redeemed emission rights are excluded from the records. Usage of rights is recognized in compliance with FIFO (first in- first out) rule.

4.8. Right to asset (perpetual usufruct rights of land)

Starting from 1 January 2019, the Company implemented the International Financial Reporting Standard no 16 "Leasing:" that introduces the uniform accounting model of a lessor and requires from a lessee to recognize assets and liabilities resulting from each lease concluded for a longer period than 12 months, unless the underlying elements of the assets is of low value. On the commencement date, the lessee recognized an assets related under the right to use of an underlying asset and liability under the leasing that reflects it obligation to pay leasing fees. The lessee records depreciation of an asset under the right to use and interests accrued on leasing liabilities.

So far, the Company treated the held perpetual usufruct right to land as the operational leasing, recording related fees as profit or loss of the period they referred to. At the moment, the perpetual usufruct right was qualified by the Company as a a leasing agreement in compliance with IFRS 16.

An asset under the right to use and prepayments for lease of real property are presented in the statement of the financial condition in line "Rights to assets".

4.9. Investment properties

Investment properties are considered the properties that are treated as a source of revenues from rent and/or that are kept due to their expected increase in value.

Investment properties are initially evaluated at the purchase price or cost of production. After initial recording, the Company decided on the model of purchase price or the cost of production for all investment properties and evaluates them in compliance with IAS 16 *Plant, property and equipment*, except real properties that meet the criteria of assets held for sale that are evaluated in compliance with IFRS 5.

Depreciation is calculated for estimated life cycle of such assets according to the line method. Land is not subject to depreciation.

Losses and profits resulting from sales (liquidation) of investment properties are determined as the difference between revenues from sales and the balance sheet value of such items and they are recorded in the statement of comprehensive income.

4.10. Financial instruments

Starting from 1 January 2018 the Company classifies financial assets to one of the following three categories
specified in IFRS 9:

- measured at amortised cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The category of assets measured at amortised cost, according to the Company's classification, include trade receivables, granted loans, other receivables, deposits and cash and its equivalents.

The entity measures financial assets at amortised cost by means, taking into account impairment write-offs. Long-term receivables subject to IFRS 9 are discounted as at the balance sheet date.

Trade receivables due within 12 months are measured at the payable amount minus possible write-off related to expected loss.

The category of assets measured at fair value through profit or loss covers all financial instruments that have not been classified as measured at amortised cost or measured at fair value through other comprehensive income, and the ones, in case of which the Company decided on such classification to eliminate accounting mismatch.

In this category, the Company classifies granted loans that have not passed the contractial cash flow test and derivative instruments that are assets, if they not been selected as hedging instruments.

Profits and losses on an financial asset classified as measured at fair value through profits and loss are recognized in the financial result in the period they arise (including interests and dividend revenues received from capital instruments quoted on an active market).

Assets measured after initial recognition at fair value through other comprehensive income are financial assets held in compliance with the business model aimed at both holding financial assets for generation of cash flows under the agreement, and sales of financial assets, and the characteristics of the agreement related to financial assets provides for occurrence of cash flows that result only from repayment of the principal amount and the interests.

Profits and losses on a financial asset that is a capital instrument with an option of measurement at fair value though other comprehensive income is recognized in other comprehensive income, save for revenues related to received dividend.

According to IFRS 9 the Company monitors changes of the credit risk related to individual items of financial assets and for each of them, it evaluates at every balance sheet date whether there is objective evidence of impairment of a financial asset or a group of financial assets.

4.11. Stock

Reserves are recognized at a purchase price or production costs that are not higher than the net sale price. Cost of ready products and work in process includes row materials, direct labour, other direct costs and respective departmental costs of production (based on ordinary production capacities), but it does not include costs of external financing. Materials and goods on stock are measured by means of the average weighted method.

As at the balance sheet date, measurement of stock takes place in compliance with the prudent valuation principle, that is according to the purchase price or achievable sale price, depending on whether of them is lower. Net sale price corresponds to the estimated sale price minus all costs necessary for completion of the production and costs executed sales of stock or solicitation of a buyer (e.g. costs of sale, marketing, etc.). If the purchase price is higher than achievable sale price, the Company shall establish revaluation write-offs include in the costs of sold products.

4.12. Biological assets

The company leases agricultural farms, where it grows annual plants, such as potatoes, field beans and grain. Elements of biological assets are measured at the moment of their initial recognition and at the end of every reporting period at fair value minus costs of sales, taking into account the level of plant maturity.

4.13. Short- and long-term receivable

Trade receivables due and payable within 180 days are recorded and preset according to initially invoiced amounts, including impairment write-offs. An impairment write-off of trade receivables is established in case of objective evidence that the Company will not be able to receive all amounts due, resulting from initial terms and conditions of receivables. Revaluation write-offs of receivables are charged to the other operating costs. The Company makes revaluation write-off on the basis of age structure and credit risk analysis of a given debtor. Receivables due and payable after 180 days are measured at the adjusted purchase price (amortised cost) by means of the effective interest rate method.

4.14. Transactions in foreign currency

Transactions denominated in other currency than Polish zloty are converted into Polish zloty according to
the exchange rate in force at the date of completion
of a transaction.

As at the balance sheet date, cash, bank credit facilities and other assets and liabilities denominated in other currencies than Polish zloty are converted into Polish zloty according to the exchange rate applied by the banks that renders services to the Company. Exchange rate differences from the conversion are recognized respectively as financial revenues or costs.

4.15. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits payable at demand, other short-term investments with the initial maturity period up to three months and characterised with high liquidity, as well as current account credit facility. The current account credit facility is presented in the statement of the financial condition as an element of short-term credits and loans within the scope of short-term liabilities.

4.16. Prepayments

In case of expenses spent, which are expected to generate economic benefits for a few settlements periods, while their relationship with revenues may be defined only generally in indirectly, costs are recorded in the statement of comprehensive income by means of systematic and rational distribution in time. Costs are recognized promptly in the statement of comprehensive income if the incurred expenses do not generate any future economic benefits.

4.17. Equity

The share capital is recognized in the value defined in the Articles of Association and recorded in the National Court Register.

The capital reserve is established in compliance with the Articles of Association or the Company's Agreement and the Code of Commercial Companies, according to which the capital increase may take place through:

- allocation of a part of net profit,
- transfer of surpluses earned from issue of shares above their nominal value,
- additional contributions made by the shareholders in return for special rights granted to their current shares, if such additional contributions are not used for coverage of extraordinary write-offs or losses,
- transfer of a positive net difference from revaluation of fixed assets due to their allocation for sale or liquidation, unless separate provisions defined that such differences are recorded in the financial result,

while*decrease through* :

- coverage of a loss,
- redemption of own shares,
- coverage of costs of an issue of shares up to the amount of the surplus of the value of issue over the nominal value of shares; the remaining part of costs shall be regarded as financial costs,
- free of charge transfer of fixed assets according to a resolution of the Annual General Meeting,
- transfer of a negative net difference from revaluation of fixed assets due to their allocation for sale or liquidation, unless separate provisions defined that such differences are recorded in the financial result,

Asset revaluation capital is used for recording of reestimations of fixed assets resulting in an increase of their value. This capital shall also include revaluation of the provision for future employee benefits.

The capital reserve is established from the net profit in compliance with the Articles of Association and resolutions of the Annual General Meeting and is aimed to cover investment expenses.

4.18. Bank credits and loans

Interest bearing bank credits and loans (including also credit facilities on current account) are posted in the amount of received inflows. Financial costs (except those directly related with purchase or production of plant, property and equipment), together with commissions payable upon repayment or redemption and direct costs related to incurred credit are recorded in the statement of comprehensive income by means of the effective interest rate method and they raise the accounting value of an instrument, taking into account payments made in the ongoing period.

In case of an interest rate below the market interest rates. credits are discounted to the market level of interests, and the difference between the discounted value and received inflows is recorded as a governmental subsidy.

Credits and loans are included in short-term liabilities unless the Company has an unconditional right to postpone repayment of liabilities by at least 12 months from the balance sheet date. Then they are recognized as long-term liabilities.

4.19. Costs of external financing

Costs of external financing that refer directly to construction, adjustment, assembly or improvement of fixed assets or intangible assets, for the period of construction, adjustment, assembly or improvement are recognised in the value of those assets, of liabilities had been incurred for that purpose. Other costs of external financing are recorded in the statement of comprehensive income.

4.20. Deferred income tax

Deferred income tax liabilities is recorded in full amount, by means of the liability method, due to transitory differences between the tax value of assets and liabilities and their balance sheet value in the financial statements. Deferred income tax is determined by means of the tax rates (and provisions) that are legally or factually applicable as at the balance sheet date, that are expected to apply at the time of execution of respective deferred income tax assets or payment of deferred income tax liabilities.

Deferred income tax assets are determined in the amount expected to be deducted in the future from income tax in relation to negative temporary differences that will result in reduction of income taxation base in the future. Deferred income tax assets are recognized if a taxable income is likely to be achieved in the future and it will make possible to benefit from temporary differences.

4.21 Employee benefits

Expected costs of employee benefits (anniversary awards, retirement allowances, etc.) are posted throughout a period of employment by means of actuarial methods. Actuarial profits and losses from ex post adjustments of actuarial assumptions are included in other comprehensive income in the statement of comprehensive income through an average, expected and remaining period of employment of employees, to whom they refer. Measurement of respective liabilities is performed every half a year by independent actuaries.

Employee benefits may also occur due to termination of an employment relationship before retirement or whenever an employee accepts voluntary termination of an employment relationship in return for such benefits. The Company records severance pays if it has surely decided to terminate an employment relationship with employees according to an existing detailed official plan, without a possibility to withdraw from it, or it has decided to pay severance pays due to termination of an employment relationship in result of presented offer of voluntary termination of an employment relationship. Benefits payable after a period of 12 months from the balance sheet date are discounted to the current value level.

4.22. Trade liabilities

If they are not an interest instrument, trade liabilities are presented in the balance sheet in the payable amount. If a measurement at adjusted purchase price differs significantly from the payable amount, then the trade liabilities are measured at adjusted purchase price.

4.23. Provisions

Provisions are presented when the Company (a legal or customary) obligation resulting from past event and when it is sure or very likely that fulfilment of this obligation results in outflow of funds embedding economic benefits, and when an amount of such liability may be reliably estimated.

No provisions are established for future operating losses.

4.24. Accrued expenses

Accrued expenses are liabilities to be paid for goods or services that have been received (performed) fully or partially, but have not been invoiced or terms and conditions of payment were not agreed formally with a supplier. Accrued expenses include also amounts referring to salary accrued for holidays and costs of redemption of rights to CO_2 emission. Accrued expenses are recorded when the amount of future liabilities and payment dates may be estimated reliably.

4.25. Impairment of assets

As at every balance sheet date, the Company estimates whether there are objective indications of a permanent impairment of an assets/assets. If there such indications, the Company determines a recoverable value of an asset and makes an impairment write-off in the amount equal to the difference between a recoverable value and a balance sheet value. Impairment loss is recorded in the statement of comprehensive income for the current period.

4.26. Lease

A leasing agreement is understood as an agreement, under which a right to use an asset for an agreed period of time is granted by the lessor to the lessee for a fee or a series of fees.

As from 1 January 2019 a new standard IFRS 16 "Lease" entered into force, it is followed by the company and replaced previous IAS 17 under the same title and accompanying interpretations:

- IFRIC 4 Determining whether an arrangement contains a lease;

- SIC 15 Operating lease - Incentives;

- SIC 27 Evaluation the substance of transactions involving the legal form of a lease.

In respect to lessees, the new standard introduces a uniform accounting model for lease agreements based on control concept (profits + power) and requires recognition of assets (assets related to use) and liabilities resulting from lease. The used item, such as a machine or car, is not the recognizable asset, but the right to use the item is such an asset. The new standard eliminates the off-balance recording of leased assets, a differentiation between financial and operating lease disappears for the lessee. In respect to lessors, IFRS 16 transfers obligations defined in IAS 17. The Lessor continues to classify lease agreements into operating and financial lease. Moreover, also service-type agreements have been also treated as lease since 1 January 2019. It refers mainly to space lease and hire agreements, perpetual usufruct of land and quasi-service agreements, such as IT, telecom agreements that are executed by means of fixed assets (e.g. services, optical fibre, etc.).

IFRS 16 introduces some simplifications and allows lessees not to meet the requirements concerning recognition, measurement and presentation of lease in relation to:

- short-term lease agreements (agreement duration <1 year from commencement of an agreement); the release shall be applied consistently in respect to individual classes of assets subject to lease; when determining a lease period, the Company should take account of the option to prolong the lease duration, if it is sufficiently certain that it will use the option to prolong lease or not to execute the completion option; every lease agreement that contains an asset purchase option shall not be classified automatically as a short-term lease;
- lease agreements, in case of which an asset subject to the lease is of low value; IAS Council, in the Explanatory Memorandum, defined that the maximum value of an asset qualifying to a release is USD 5 000 (the initial value of a new asset regardless of age of an asset subject to lease); release shall not apply to items subject to sublease. Acceptable release related to lease of short-term agreements and lease of low price agreements is aimed to reduce costs related to implementation of the new standard without significant weakening of quality of information derived from the financial statements. In such case the lessee records leasing fees in the profit and loss account by means of the line method in the lease period or in another systematic way, if it is more representative.

Upon conclusion of an agreement, the Company estimates whether an agreement is a lease or involves lease. Lease shall be understood as an agreement or a part of agreement, under which a right to use an asset is transferred for a given period in return for a fee. Assessment means a check whether the right of control of use of a given asset for a given period of time is transferred under an agreement, that is whether for the entire period of use, the Entity:

- has the right to acquire economic benefits from use of an identified asset (the element of benefit);
- has the right to manage the use of an identified asset (the element of power).

Lease agreements, under which significantly all risks and gains resulting from possession of a subject of lease are transferred to the Company, are recoded in assets and liabilities as at the commencement date of a lease period. The value of assets and liabilities is determined as at the lease commencement date according to the lower of the following values: fair value of fixed assets subject to lease or the current value of minimum leasing fees.

Minimum leasing fees are distributed between financial costs and reduction of the balance of liabilities under lease in the way ensuring the fixed interest rate in relation to the unpaid balance of liabilities. Provision leasing fees are recorded in the costs of the period when they are born.

Fixed assets used under lease agreement are depreciated in compliance with the same principles as the ones applied for the Company's own assets. If, however, there is no sufficient surety that the Company acquires the ownership title before the end of a lease period, an asset is depreciated for the shorter of the following periods: estimated period of use of a fixed asset or a lease period.

Lease agreements, under which the lessor maintains in general all risk and gains resulting from possession of the subject of lease, are regarded as the operating lease agreements. Leasing fees under operating lease are presented as costs in the profit and loss account according to the line method throughout a lease period.

4.27. Recording revenues

Revenues are recorded in the likely amount of economic benefit to be acquired by the Company in relation to a given transaction and if an amount of revenues may be reliably measured.

Revenues from sales include the fair value of revenues from sales of products, goods and services minus rebates and discounts, and minus the excise tax. Revenues are recorded in the following way:

a) revenues from sale of products and goods

According to IFRS 15 "*Revenue from contracts with customers*" since 1 January 2018 the Company has recorded revenue from contracts with customer upon fulfilment of the obligation to perform a service, through delivery of promised goods to a purchaser, while delivery means also acquisition of control by a purchaser over such asset, that is a capacity of direct management of delivered asset and acquisition of all other benefits from it and a capacity not to allow other entities to dispose with an asset and acquire benefits from it.

An obligation to perform a service is considered by the Company to include all promises to provide a customer with goods that may be separated or a group of separated goods that are in principle the same and are delivered to a customer in the same manner. In case of every obligation to perform a service, the Group company decides (on the basis of contractual conditions) whether it will execute them in time or in a specific moment.

Revenues from sales of products, goods and materials are recorded in the financial result at once in a specific moment of time that corresponds to the moment of fulfilment of an obligation to perform a service.

b) revenues from sale of services

According to IFRS 15 "*Revenue from contracts with customers"* since 1 January 2018 the Company has recorded revenue from contracts with customer upon fulfilment of the obligation to perform a service, through delivery of a promised service to a purchaser, while delivery means also acquisition of control by a purchaser over such asset, that is a capacity of direct management of delivered asset and acquisition of all other benefits from it and a capacity not to allow other entities to dispose with an asset and acquire benefits from it..

An obligation to perform a service is considered by the Company to include all promises to provide a customer with services that may be separated or a group of separated services that are in principle the same and are delivered to a customer in the same manner. In case of every obligation to perform a service, the Company decides (on the basis of contractual conditions) whether it will execute them in time or in a specific moment.

Revenue from sale of services is included in the financial result in time, if one of the following conditions is fulfilled:

- a customer receives and has economic benefits simultaneously from performance of services by the Company
as it fulfils its obligation in time, or

- in result of the Company's fulfilment of an obligation, a new asset (e.g work in progress) is created or an asset is improved, and control over such asset in the course of its production or improvement is executed by a customer, or

- in result of fulfilment of an obligation by the Company, an asset created that has no alternative use for the Company and at the same time, the Company is entitled to enforceable right to payment for a service performed so far.

IFRS 15 "*Revenues from contracts with customers"* for sale of products and goods and sale of services established so called Five Step Model that has been followed by the Company since 1 January 2018:

1. verification of agreements with customers to check their completeness and correctness, taking into account the likeliness to receive the payment;
2. determination of the subject of a contract, that is a service performed by the Company for customers (in some cases it may be necessary to analyse a few contracts and record revenue in the way as if it results from one contract with a customer);
3. determination of the transactional price, that is fee expected by the Company, taking into account a regular or variable nature of the price, its form (financial and/or non financial), as well as value of money in time when a longer merchant credit has been granted to a counterparty;
4. allocation of price resulting from individual services/obligations under a contract - allocation of revenues to individual services on the basis of their unit selling price, and in case of a discount and other elements that change the price - an analysis, to what services such elements refer and their subsequent appropriate allocation;
5. recognition of the revenue in the ledgers and financial statements after the Company has completed the obligation related to performance of a service (after goods have been provided to or a service has been performed for a counterparty).

Revenue from contracts with customers in the statement of comprehensive income comprises revenue from the Company's ordinary operating activities, that is revenue from sales of products, goods and materials.

Revenue from contracts with customers are recorded in an amount equal to the transactional price (including
all discounts and rebates).

A transactional price reflects also a change of money in time, if a contract with customer contains an essential funding element, that is defined on the basis of contractual terms and conditions of payment, regardless whether it was explicitly defined in a contract. An element of financing is considered essential if upon conclusion of a contract, a period from delivery of promised goods or services to a customer until the customer's payment for the goods or service is longer than 1 year.

According to IFRS 15, of a fee defined in a contract includes a variable amount, the Company shall estimate an amount of the fee, to which it will be entitled in return for transfer of promised goods or services to a customer and in the transactional price, it includes a part of or entire amount of variable fee only in the scope, in which it is very likely that there will be no reversal of significant parts of the amount of earlier recorded cumulative revenue when uncertainty about amount of the fee disappears.

c) interest revenue

Interest revenue is recognized in compliance with accrual principle by means of the effective interest rate method. When receivables lose their value, the Company reduces their balance sheet value to the level of a recoverable value that is equal to estimated future cash flows discounted according to the primary effective interest rate of the instrument, and then gradually the discount amount is settled in correspondence with interest revenues. Interest revenues from granted loans that have lost their value are recorded on cash basis or in compliance with recovered cost principle, which depends on the circumstances.

d) dividends

Dividend revenue is recorded upon acquisition of the right to receive a payment (provided that it is probable that the Company receives economic benefits and revenue amount may be reliably estimated).

4.28. Other operating revenue

Other operating revenue includes revenues and profits that are not directly connected with the operating activities of the Company. This category includes for instance profits from sale of fixed assets, profits from revaluation of assets, reversal of revaluation write-offs of receivables, received compensations, overpaid tax liabilities except corporate income tax, etc.

4.29. State subsidies

Subsidies are not recognized until it is certain that the Company fulfils necessary conditions and receives such subsidies.

State subsidies are recognized in the profits and losses systematically for every period, when the Company records expenses as costs to be compensated by a subsidy. In particular subsidies, whose underlying condition is purchase, construction or other manner of acquisition of fixed assets, are recorded as deferred revenues in the statement of the financial condition and referred to profit and losses systematically in justified amounts throughout economic life of related assets.

State subsidies payable as compensation of incurred costs or suffered losses or as a direct form of financial support for the Company without any elated costs to be incurred in the future are recorded in profits and losses, when they become due.

Benefits resulting from preferential loans below the market interest rate are treated as subsidies and measured as a difference between the value of the loan received and the fair value of loans determined by means of a respective market interest rate.

4.30. Costs

The Company presents the cost accounting classified according to the function of costs. Costs generated in result of basis activity include the own costs of sale, costs of sale and distribution and overheads.

4.31. Other operating cost

Other operating cost includes costs that are not directly connected with the operating activities of the Company. This category includes losses from disposal of fixed assets, losses from revaluation of assets and liabilities, revaluation write-offs of receivables, provided donations, results of guarantees and securities, etc.

4.32. Financial costs

Costs of interests, dividends and investments are presented in the line of "financial costs".

4.33. Financial revenue

Financial revenue includes revenues from received dividend, interests from deposit and investment activities and profits from exchange rate differences.

4.34. Profit per one share

Profit per one share for every period is calculated as net profit for a given period divided by weighted average number of the Company's shares because there are no preferential shares.

4.35. Estimates and assumptions related to them

The Company makes estimates and assumptions based on historical experience and other various factors that are considered rational in given circumstances, and their serve as grounds for a judgement about the balance sheet value of assets and liabilities, which does not result directly from other sources. Real value may differ from the estimated one.

Estimations and related assumptions are subject to ongoing verification. Change of accounting estimations is recorded in the period, when such estimations are changed.

In the reporting period the Company made impairment tests of fixed assets and did not detect their impairment.

Revaluation write-offs of the provisions take account of the level of their impairment.

Revaluation write-offs of receivables were updated in the amount taking into account the level of risk of no payments from recipients.

Provisions for retirement benefits and anniversary awards were updated on the basis of actuarial calculations as at 31.12.2019. A discount rate equal to the average profitability of the safest long-term securities quoted on the Polish capital market as at the evaluation date was adopted for discounting of the future payments of benefits.

Revaluation of provisions for unused holidays was made on the basis of expected salaries of employees together with mark-ups charged to the employer for holidays unused as at 31.12.2019.

The Company recognized deferred income tax assets with an assumptions that the tax profit will be generated in the future, from which the assets could be used.

Every year the Company verifies adopted useful lives of fixed assets and intangible assets. The last updating took place as at 31.12.2019.

4.36. Cash flow statement

The Company prepares the cash flow statement according to the indirect method with division into operating, investment and financial parts.

Cash flows from operating activities come mainly from the basic activity. They do not include external funding sources.

Cash flows from investment activities comprise mainly:

- cash paid and obtained from purchase (sale) of plant, property and equipment, intangible assets and other fixed assets,
- cash related to purchase or sale of capital instruments,
- received dividends,

- loans granted to third parties,

- funds from settlement of forward agreements.

Cash flows from financial activity refer mainly to external funding sources. They comprise among others:

- revenue from issue of shares (none in the presented period),

- expenditures on repurchase of own shares (none in the presented period),

- dividends and other payments for owners of shares,

- contracting and repayment of credits and loans,

- subsidies and other non-returnable revenues from external funding source.

5. Compliance with accounting standards in 2019

Use of new interpretation and changes in standards in 2019 had impact on the financial condition of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. in Łomża.

It implemented IFRS 16 *"Lease"* introducing uniform accounting model of a lessee and requires from the lessee to recognize assets and liabilities resulting from each lease with maturity period longer than 12 months, unless the underlying asset was of low value. As at the commencement date, the lessee recognizes an asset related under the right to use of an underlying asset and liability under the leasing that reflects it obligation to pay leasing fees.

The lessee records depreciation of an asset under the right to use and interests accrued on leasing liabilities.

The Lessee updates the valuation of lease liabilities after occurrence of specific events (e.g. a change in a lease period, a change in future leasing fees resulting from a change in the index or rate applied for determination of such fees). In principle, the lessee recognizes revaluation of lease liabilities as adjustment of the value of an asset resulting from the right of use.

The Lessee shall have the right to choose full or modified retroactive approach, and the transitory provisions provide some practical solutions. IFRS 16 is applicable for annual periods starting on 1 January 2019 or later.

Pertaining to art. C5 letter b) of IFRS 16, the Company implemented IFRS 16 without transformation of comparative data, so data for 2018 and 2019 are not comparable. The total effect of the first application of this standard was recorded by the Company as adjustment of the opening balance sheet of retained profit (due to the fact that assets and liabilities related to the lease were assessed in an equal number as at 1 January 2019, the implementation of the standard had no impact on profits from previous years).

Under lease agreements, the Company is a user of machines, devices and means of transportation. According to IFRS 17, all the agreements were treated as financial lease and recognized in the statement of financial condition as fixed assets and liabilities related to lease. Application of IFRS 16 to those agreements had no impact on the financial statement.

So far, the Company treated the held perpetual usufruct right to land as the operational leasing, recording related fees as profit or loss of the period they referred to. At the moment, the perpetual usufruct right of land was qualified by the Company as a lease agreement in compliance with IFRS 16. In result, the Company recognized liabilities related to lease in the current value of remaining fees under perpetual usufruct of land (the usufruct right expires in December 2089), that are discounted by means of the Company's marginal interest rate (6.92%) on the date of the first application. The liability related to the lease (fees for perpetual usufruct of land) as at the date of the first application of IFRS 16 amounted to PLN 8,652 thousand. An asset related to the right of use was recognized by the Company in an amount equal to teh foregoing liabilities, therefore the value of the Company's equity as at 1 January 2019 did not change. An asset under the right of use was presented in the annual statement of the financial condition in line "Rights to assets".

(in PLN thousand)

According to an analysis performed in the Company, the criteria of a lease agreement according to IFRS 16 ware also fulfilled by the lease agreement of land, which was earlier recognized in the statement of financial condition as prepayment, since a lease fee is paid in advance. At the moment, the Company presented the current value resulting from these agreements as the right to assets.

Implementation of IFRS 16 had impact on presentation of the statement in compliance with the following table:

Specification	State as at		
	31 December 2018	Adjustment resulting from first use	1 January 2019
(Long-term) assets, including	**134 271**	**9 394**	**143 665**
- rights to assets	-	17 607	17 607
- prepayments	8 213	(8 213)	-
(Short-term) current assets, including	**123 505**	**(742)**	**122 763**
- prepayments	1 309	(742)	567
Total assets	**257 776**	**8 652**	**266 428**
Liabilities, including:			
Equity	**156 700**	**-**	**156 700**
Long term liabilities, including:	**26 611**	**8 050**	**34 661**
- liabilities related to lease	4 601	8 050	12 651
Short-term liabilities, including:	**74 465**	**602**	**75 067**
- liabilities related to lease	2 670	602	3 272
Total liabilities	**257 776**	**8 652**	**266 428**

Impact on the statement of comprehensive income:	from 01.01.2019 to
- reduction of costs related to taxes and fees	602
- growth of costs of interests (discount)	565
- growth of depreciation costs	124

Impact on the cash flow statement:	from 01.01.2019 to
- total fees under lease	3 699

6. New accounting standards and interpretations, which are not used in these statements

- Changes in the scope of references to Conceptual Assumptions in IFRS that introduced also changes to the standards for the purpose of updating to the Conceptual Assumptions. Changes apply to annual periods starting on 1 January 2020 or afterwards.
- Changes to IAS 1 and IAS 8 - definition of the term "significant". A change has not been approved by the European Commission.
- Changes to IFRS 3 "Business combinations" - definition of a business. A change has not been approved by the European Commission.
- Changes to IFRS 9, IAS 39 and IFRS 7 - reform of IBOR. A change has not been approved by the European Commission.
- IFRS 17 "Insurance contracts". This standard defines a new approach to recognition, measurement, presentation and disclosure of insurance contracts.

The Company is analysing how the introduction of the above standards and interpretation may affect the financial statements and the accounting principles (policy) applied by the Company.

7. Amendments of applied accounting principles, correction of errors and presentation

"PEPEES" S.A. has not corrected errors from previous years. The Company did not change the accounting principles that had been applied earlier with the exception of application of new or changed standards and interpretations in force for annual period commencing after 1 January 2019.

In relation to implementation of IFRS 16, the Company changed presentation of prepayments for lease of agricultural farms. Starting from 01.01.2019, they are presented in the annual statement of the financial condition as rights to assets (in the previous reporting periods prepayments for lease were presented as long-term prepayments).

For the purpose of data comparability, long-term prepayments as at 31.12.2018 were presented in this annual financial statements as rights to assets.

8. Reporting on segments of the business

8.1. Information about products and services

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" operates mainly in the segment of "potato processing". In this segment it produces:

- potato starch used by households and food, pharmaceutical, paper and textile industries,
- a few selections of glucose used in food, confectionery and pharmaceutical industries,
- maltodextrin that is an essential element of powder products (ice cream, sauces, soups, fruit extracts, flavoured toppings) and nutritional supplements and vitamin and mineral supplements for children and athletes.

(in PLN thousand)

- a protein received from potato cell cytoplasm through coagulation, separation and drying; it is a valuable component of feed mixtures for animals and an excellent substitute of animal protein.
- wide offer of starch syrups used in the confectionery and bakery industries.

The other types of activity refer to:

- production of heat that is generated mainly to cover own needs, and a part of it is resoled to neighbour plants,
- works and services,
- sale of some goods and materials,
- growing and sale of annual plants.

8.2 Revenues by products

Name of product	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
Starch	112 090	110 907
Protein	8 118	15 236
Glucose	9 024	9 764
Hydrol	450	406
Maltodextrin	19 920	20 828
Starch syrups	1 273	1 117
Goods and materials	21 005	16 748
Services	1 054	792
Total	**172 934**	**175 798**

8.3 Revenues from sales according to the geographical structure

Specification	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
Poland, including	**104 817**	**99 703**
Starch	58 314	49 454
Protein	5 949	8 308
Glucose	8 063	8 781
Hydrol	450	406
Maltodextrin	16 074	18 065
Starch syrups	1 273	1 117
Goods and materials	13 640	12 780
Services	1 054	792
EU countries - intra-Community supplies, including:	**18 017**	**22 531**
Starch	12 651	15 871
Protein	929	3 636

(in PLN thousand)

Specification	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
Maltodextrin	3 668	2 752
Glucose	619	246
Goods	150	26
Other countries - exports	**50 100**	**53 564**
Starch	41 125	45 582
Protein	1 240	3 292
Glucose	342	737
Maltodextrin	178	11
Goods	7 215	3 942
Total	**172 934**	**175 798**

8.4. Information about key customers

The Company has no customer whose revenues from sales exceed 10% of total revenue. However, in the group of individual products there are customers whose share accounts for more than 10% of sale of a given product. And so:

- almost 42% of protein was sold to one domestic customer,
- above 10% of maltodextrin was sold to every one of three domestic counterparties (29.5%, 12.6% and 10.7%) respectively,
- almost 15% of glucose was sold to one domestic counterparty.

9. Explanatory notes to the statement of the economic condition

9.1. Plant, property and equipment

Plant, property and equipment	States as at 31 December 2019	States as at 31 December 2018
a) fixed assets, including:	99 978	90 286
- land	101	101
- buildings, premises and civil engineering structures	51 471	50 811
- technical devices and machines	44 675	35 726
- means of transport	2 930	2 826
- other fixed assets	801	822
b) fixed assets under construction	3 486	5 082
Total plant, property and equipment	**103 464**	**95 368**

(in PLN thousand)

CHANGES IN FIXED ASSETS (ACCORDING TO GENERIC GROUPS)	land	buildings, premises and civil engineering	technical devices and machines	means of transport	other fixed assets	Total
State as 1 January 2018						
Gross value	101	85 635	73 283	5 027	1 609	165 655
Depreciation	-	33 290	40 585	1 637	932	76 444
Net accounting value	101	52 345	32 698	3 390	677	89 211
Year 2018						
Gross value at the beginning of the period	101	85 635	73 283	5 027	1 609	165 655
Increase (due to)	-	2 845	7 355	591	334	11 125
- investments	-	2 845	6 979	-	-	9 824
- purchase	-	-	297	76	334	707
- lease	-	-	79	515	-	594
Decrease (due to)	-	2 119	636	150	104	3 009
- sale	-	-	-	109	-	109
- liquidation	-	2 119	636	41	104	2 900
Deletion of depreciation of sold and liquidated fixed assets	-	(1 000)	(453)	(102)	(74)	(1 629)
Depreciation	-	3 260	4 144	1 107	159	8 670
- related to major activities	-	3 181	3 376	1 105	142	7 804
- related to agricultural activities	-	79	768	2	17	866
Net accounting value as at the end of the period	101	48 811	35 726	2 826	822	88 286
State as at 31 December 2018						
Gross value	**101**	**86 361**	**80 002**	**5 468**	**1 839**	**173 771**
Depreciation	**0**	**35 550**	**44 276**	**2 642**	**1 017**	**83 485**
Net accounting value	**101**	**50 811**	**35 726**	**2 826**	**822**	**90 286**
Year 2019						
Gross value at the beginning of the period	101	86 361	80 002	5 468	1 839	173 771
Increase (due to)	-	4 044	14 568	1 529	194	20 335
- investments	-	3 659	11 175	4	42	14 880
- purchase	-	385	2 931	33	152	3 501
- lease	-	-	462	1 492	-	1 954
Decrease (due to)	-	115	1 281	550	45	1 991
- sale	-	-	165	225	8	398
- liquidation	-	115	1 116	325	37	1 593
Deletion of depreciation of sold and liquidated fixed assets		(90)	(637)	(423)	(37)	(1 187)
Depreciation, including:	-	3 359	4 975	1 298	207	9 839
- related to major activities		3 276	4 041	1 283	186	8 786
- related to agricultural activities	-	83	934	15	21	1 053
Net accounting value as at the end of the period	-	-	-	-	-	-
State as at 31 December 2019						
Gross value	**101**	**90 290**	**93 289**	**6 447**	**1 988**	**192 115**
Depreciation	**-**	**38 819**	**48 614**	**3 517**	**1 187**	**92 137**
Net accounting value	**101**	**51 471**	**44 675**	**2 930**	**801**	**99 978**

(in PLN thousand)

Upon transfer into IAS, the fair value of fixed assets assessed by an appraiser was adopted as the assumed costs. The difference from valuation minus deferred income tax was referred to the equity.

In the reporting period, depreciation write-offs referring to the major activity raised the costs of sold products, goods and materials in the amount of PLN 6 910 thousand (PLN 6 115 thousand in 2018) and overheads - PLN 1 876 thousand (PLN 1 689 thousand in 2018).

Encumbrances of property, property and equipment in result of taken bank credits:

- contractual mortgage in the amount of PLN 14 734 thousand in favour of BGŻ BNP PARIBAS,
- registered pledge on fixed assets in the amount of PLN 9 822 thousand in favour of BGŻ BNP PARIBAS,
- registered pledge on fixed assets in the amount of PLN 5 900 thousand in favour of Bank Zachodni WBK (now Santander Bank Polska S.A.),
- registered pledge on fixed assets in favour of PKO Bank Polski S.A.
- ordinary mortgage up to PLN 1 800 thousand in favour of Bank Ochrony Środowiska,

Investment credit facilities were incurred due to purchase of property, plant and equipment, and their outstanding value as at the reporting date amounts to PLN 3 280 thousand (31.12.2018 - PLN 4 945 thousand)

The line entitled "other operating revenues" in the statement of comprehensive income includes compensations received from an insurance company for loss of property, plant and equipment in result of fortuitous events in the amount of PLN 56 thousand (in 2018: PLN 68 thousand).

PROPERTY, PLANT AND EQUIPMENT IN FINANCIAL LEASE	Net value as at;	
	31.12.2019	31.12.2018
- buildings and structures	299	350
- technical devices and machines	5 470	7 302
- means of transport	1 948	875
- tools	72	86
Total	**7 789**	**8 613**

9.2. Intangible assets

Intangible assets	State as at 31 December 2019	State as at 31 December 2018
a) purchased concessions, patents, licences and similar assets, including:	211	211
- computer software	130	131
b) rights to emission of gases	202	323
Total intangible assets	**413**	**534**

(in PLN thousand)

CHANGES IN INTANGIBLE ASSETS	costs of completed development works	company goodwill	purchased concessions, patents, licences, including computer software	right to emission of gases	**Total**
State as 1 January 2018					
Gross value	-	-	643	-	**643**
Depreciation	-	-	432	-	**432**
Net accounting value	-	-	**211**	-	**211**
Year 2018					
Gross value at the beginning of the period	-	-	643	-	643
Increase (due to)	-	-	19	323	342
- purchase	-	-	19	323	342
- assignment	-	-	-	-	-
Decrease (due to)	-	-	19	-	19
- sale	-	-	-	-	-
- use	-	-	19	-	19
Deletion of depreciation of sold and liquidated intangible assets	-	-	(19)	-	(19)
Depreciation	-	-	19	-	19
Net accounting value as at the end of the period	-	-	211	323	534
State as at 31 December 2018					-
Gross value	**-**	**-**	**643**	**323**	**966**
Depreciation	**-**	**-**	**432**	**-**	**432**
Net accounting value	**-**	**-**	**211**	**323**	**534**
Year 2019					-
Gross value at the beginning of the period	-	-	643	323	966
Increase (due to)	-	-	24	558	582
- purchase	-	-	24	558	582
Decrease (due to)	-	-	-	679	679
- sale					-
- use			-	679	679
Depreciation	-	-	24	-	24
Net accounting value as at the end of the period	-	-	211	202	413
State as at 31 December 2019					-
Gross value	**-**	**-**	**667**	**202**	**869**
Depreciation	**-**	**-**	**456**	**-**	**456**
Net accounting value	**-**	**-**	**211**	**202**	**413**

The entire depreciation of intangible assets was presented in the statement of comprehensive income in line "overheads".

CHANGES IN THE STATE OF RIGHTS TO CO2 EMISSION	Number of EUA units	Value (PLN thousand
State as at 01.01.2019	4 000	424
Received free of charge	8 981	746
Purchased	6 000	558
Depreciated	15 392	1 679
Sold	1 589	173
State as at 31.12.2019	**2 000**	**208**

As at 31 December 2019 the Company created provision in the amount of PLN 1 433 thousand for value of EUA units to be depreciated for year 2019.

9.3 Rights to assets

Rights to assets	State as at 31 December 2019	State as at 31 December 2018
Rights to assets	16 717	8 212
Total rights to assets	**16 717**	**8 212**

9.4. Investment properties

Investment properties	State as at 31 December 2019	State as at 31 December 2018
Investment properties	393	-
Total investment properties	**393**	**-**

Investment properties present the value of a flat in Poznań that is leased out.

9.5. Investments in subsidiaries

Change of state of the investments in subsidiaries	For the period of 12 months ended 31 December	For the period of 12 months ended 31 December
a) state as at the beginning of the period	26 632	15 122
- stock or shares	18 632	15 122
- bonds	8 000	-
b) increase (due to)	-	11 510
- purchase of bonds in PPZ Bronisław SA*	-	8 000
- subscription of shares in Gospodarstwo Rolne PONARY	-	3 510
c) decrease (due to)	-	-
-	-	-
d) state as at the end of the period	26 632	26 632
- stock or shares	18 632	18 632
- bonds*	8 000	8 000

Stock and shares are measured at purchases price with recognition of impairment.

(in PLN thousand)

*Bonds classified as instruments are measured at amortised costs were presented at the issue price. Measurement at amortised cost in 2019 amounts to PLN 7 998 thousand, while in 2018 it amounted to PLN 8 065 thousand. From the point of view of the statements, both amounts are insignificant.

Charges:

- registered pledge on 32 400 shares (100% shares) in Gospodarstwo Rolne Ponary in favour of PKO Bank Polski S.A. of the accounting value of PLN 11 831 thousand.

Name (legal name) of a subsidiary	Registered office	Subject of activities	Applied consolidation method	Date of taken control	Value of stock/shares according to the purchase price	Balance sheet value	Percentage of the capital held	Share in the total number of shares at the
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes,	full	02.12.1996	2 550	2 550	82.38	82.38
PPZ BRONISŁAW S.A.	Bronisław	Production of starch and starch products,	full	16.03.2011	1 205	1 205	84.125	84.125
CHP Energia Sp. z o.o.	Wojny Wawrzyńce	Production of energy of biogas	full	24.10.2016	5 921	3 046	67.43	67.43
Pepees Inwestycje Sp. z o.o.	Łomża	Purchase and sales of real properties on own account	full	18.10.2010	96	-	100	100
Gospodarstwo Rolne Ponary Sp. z o. o.	Łomża	Agricultural production together with animal breeding	full	19.09.2017	11 831	11 831	100	100

Name (legal name) of a subsidiary	Equity	Assets	Liabilities	Revenues from	Profit/loss
Year 2018					
ZPZ LUBLIN Sp. z o.o.	2 582	16 702	14 120	20 632	509
PPZ BRONISŁAW	14 157	57 172	43 015	46 189	5 084
CHP Energia Sp. z o.o.	(5 196)	22 772	27 968	9 249	(1 732)
Pepees Inwestycje Sp. z o.o. (former OZENERGY Sp. z o.o.)	(41)	1 429	1 470	-	(44)
Gospodarstwo Rolne Ponary Sp. z o. o.*	11 884	21 347	9 463	-	107
Year 2019					
ZPZ LUBLIN Sp. z o.o.	3 652	18 569	14 917	19 769	1 070
PPZ BRONISŁAW	19 291	67 445	48 154	45 342	5 199
CHP Energia Sp. z o.o.	(6 187)	19 919	26 106	7 473	(991)
Pepees Inwestycje Sp. z o.o. (former OZENERGY Sp. z o.o.)	69	155	86	284	110
Gospodarstwo Rolne Ponary Sp. z o. o.	12 727	21 446	8 719	-	100

(in PLN thousand)

The Company performed impairment tests of the assets held including the value of every subsidiary.

Impairment test in CHP Energia was conducted on the basis of discounted cash flows ("DCF") assuming: the discount rate in the forecast period (WACC) in the amount of 16.44% (rate before taxation), estimations adopted by the management board cover a period of 5 years, that is from 2020 to 2024. Adopted CAGR for revenue amounted to 8.0%. For the purpose of measurement of the value in use, the Company assumed operating profit adjusted by the value of other operating revenue for settlement of subsidies received in preceding periods. The forecast assumes profitability of operating activities taking into account the above adjustment on the level of 10% - 23%.

Moreover, the sale forecast of CHP Energia Sp. z o.o. assume a groth of the sale coefficient starting from 2019 because of benefiting from the ability to produce electricity on the level from 94.9% in 2020, to 99.6% in 2024 - of the capacities of the cogeneration system, which should be considered optimistic from the perspective of the Company's operations so far. In relation to the foregoing, for the purpose of the test an additional risk premium was adopted while determining the discounted value. The growth parameter of cash streams in the forecast period was assumed at the level of 1.5%.

In case of PPZ Bronisław company, the asset impairment test was performed on the basis of the discounted cash flow method ("DCF") on the basis of forecasts prepared by the company's Management Board for years 2020 -2024. The Management Board's forecasts assume CAGR for revenues at the level of 5.7% and EBIT in the range of 13.4% - 15.2%. For the purpose of the test, the discount rate (WACC before taxation) was set as 10.33%, while the growth parameter of the cash streams in the forecast period was assumed at the level of 2%.

The asset impairment test in Gospodarstwo Rolne PONARY was performed through an estimation of recoverable value as the fair value of the company's entity minus costs of preparation for sales. The fair value of the company's equity was determined on the basis of the methods of adjusted net asset value, taking into account the market value of rights to real property, as estimated by an asset valuer.

9.6. Other financial assets

CHANGE IN THE STATE OF INVESTMENTS IN THE OTHER ENTITIES	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
a) state as at the beginning of the period	5 549	3 659
- stock or shares	5 549	2 663
- bonds	-	996
b) increase:	902	2 886
- stock or shares	250	-
- purchase of bonds	250	-
- revaluation of shares	402	2 886
c) decrease:	-	996
- sale of bonds	-	996
d) state as at the end of the period	**6 451**	**5 549**
- stock or shares	6 201	5 549
- bonds	250	-

(in PLN thousand)

Investments in other entities	State as at 31.12.2019	State as at 31.12.2018
Stock or shares (measured at fair value through profit or loss):	**6 201**	**5 549**
Bank Polskiej Spółdzielczości	75	75
Warszawski Rolno-Spożywczy Rynek Hurtowy in Bronisze	5 838	5 436
Zakłady Mięsne Ostrołęka S.A.	37	37
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bak Rozwoju	250	-
Bonds (measured at amortised cost):	**250**	**-**
Spółdzielczy Bank Rozwoju	250	-
Total	**6 451**	**5 549**

"PEPEES" S.A. has 3 000 non-preferential shares of "Warszawski Rolno-Spożywczy Rynek Hurtowy" Spółka Akcyjna with registered office in Bronisze ("WRSRH") of the nominal value of PLN 3 000 thousand, and purchased for the price of PLN 2 550 thousand.

The fair value of the share package held by "PEPEES" S.A. was estimated by an independent actuary as at 31.12.2019 for the amount of PLN 5 838 thousand. Revaluation of the foregoing shares in the amount of PLN 402 thousand was included in financial revenues in 2019.

The shares account for 2.5% of WRSRH's equity and 1.6% share of votes at the General Annual Meeting. The State Treasury is WRSRH's major owner and it holds a 59% share in equity. PEPEES does not control WRSRH. The investment is measured at fair value through profit and loss and it was included in short-term assets.

In 2019 the Company purchased shares and bonds of SBR Bank Spółdzielczy in Szepietowo for the total amount of
PLN 500 thousand. It is a long-term investment.

The Company also holds shares in three other entities that account for less than 5% of the total number of votes at the general meetings and are not significant from the perspective of the value and the Company's investment policy. Therefore, the shares were included in the statement in the transactional price.

9.7. Stock

Stock	State as at 31 December 2019	State as at 31 December 2018
a) materials	2 784	3 377
b) semi-finished products and work in progress	790	703
c) ready products	43 929	43 749
d) goods	8 209	4 351
Total stock	**55 712**	**52 180**

The balance sheet value of stock measured at fair value minus cost of sale, as at 31.12.2019 amounted to PLN 8 281 thousand (2018 -PLN 1522 thousand).

The value of stock recorded as cost in the reporting period amounted in 2019 to
PLN 108 120 thousand, in 2018 - PLN 116 595 thousand.

The amount of revaluation write-offs, recognized as costs during 2019 amounted to PLN 633 thousand and in 2018 - to 229 thousand respectively.

The amount of reversal of stock revaluation write-offs in 2019 amounted to PLN 488 thousand (2018 - PLN 51 thousand).

(in PLN thousand)

The value of revaluation write-offs according to the state at 31.12.2019 amounts to PLN 395 thousand (31.12.2018
PLN 250 thousand).

The balance sheet value of stock on which repayment of bank credits is secured amounts to PLN 34 000 thousand, and at the end of 2018 - PLN 47 850 thousand.

Encumbrances of stock in result of taken bank credits:

- registered pledge on stock of potatoes, ready products and semi-finished products in favour of Powszechna Kasy Oszczędności Bank Polski S.A., sd security of the credit under which the total debt amounts to PLN 17 000 thousand as at 31.12.2019,
- registered pledge on stock of material, ready products and goods in favour of Bank Zachodni WBK S.A. (now Santander Bank Polska S.A.) as security of credits under which the total debt amounts to PLN 17 000 thousand as at 31.12.2019.

9.8. Biological assets

Plant assets	State as at 31 December 2019	State as at 31 December 2018
Biological assets	322	330
Total	**322**	**330**

Since March 2014 "PEPEES" S.A. has leased an agricultural farm and since March 2018 - new land and seeds of annual plants were planted there. Costs related to purchase of seeds and growing them as at the balance sheet date amounted to PLN 6 920 thousand, revenues from agricultural activities - PLN 3 247 thousand, while the fair value of stock amounts to ca. PLN 444 thousand. Biological assets were presented in the statement at fair value.

9.9. Trade receivables

Trade receivables	State as at 31 December 2019	State as at 31 December 2018
a) due from related entities	458	1 624
- up to 12 months	458	1 624
b) receivables from other entities	15 882	22 167
- up to 12 months	15 882	22 167
Total trade receivables	**16 340**	**23 791**

(Gross) trade receivables with the following repayment periods from the balance sheet date:	State as at 31 December	State as at 31 December
a) up to 1 month	11 185	11 634
b) above 1 month and up to 3 months	2 971	8 815
c) above 3 months and up to 6 months	-	-
d) above 6 months up to 1 year	-	-
e) above 1 year	-	
f) past due receivables	3 479	3 677
Total (gross) trade receivables	17 635	24 126
g) revaluation write-offs of trade receivables	(1 295)	(335)
Total (net) trade receivables	**16 340**	**23 791**

(in PLN thousand)

Average payment period of trade receivables amounts to ca. 40 days. Statutory interest accrue on receivables that are not paid in time. The Company created provisions covering fully receivables that are past due for a longer period than 180 days because according to the historical data, such receivables may be hard to collect. In case of receivables that are not paid for
60 to 120 days, the Company creates provisions on the basis of estimated amounts of bad debts related to sales of goods on the basis of past experience and analysis of financial condition of individual counterparties.

Trade receivables are insured in KUKE company that assesses credit reliability of its clients, and on such basis
it sets credit limits for them. Limits and score of a given client are subject to verification.

Past due receivables, in case of which revaluation write-offs have not been made, are receivables from debtors, with which the Company has cooperated for many years and according to an assessment of their economic and financial condition such receivables do not constitute bad debts. They are past due from a few days to 6 months .

9.10. Receivables due from related entities

Short-term receivables due from related entities	State as at 31 December 2019	State as at 31 December 2018
a) trade receivables	458	1 513
Total net short-term receivables	458	1 513
d) revaluation write-offs of receivables due from related entities	868	106
Total gross short-term receivables due from related entities	**1 326**	**1 619**

9.11. Other receivables

Other receivables	State as at 31 December	State as at 31 December
- due in relation to taxes, subsidies, custom duties, social and health insurance and other benefits	3 996	3 017
- other	314	849
Total other net short-term receivables	**4 310**	**3 866**
- revaluation write-offs of other receivables	-	-
Total other gross short-term receivables	**4 310**	**3 866**

9.12. Receivables subject to litigation

Receivables subject to litigation	State as at 31 December 2019	State as at 31 December 2018
Gross receivables subject to litigation	45	78
Revaluation write-offs of receivables	(45)	(78)
Total receivables subject to litigation	-	-

(in PLN thousand)

9.13. Revaluation write-offs of receivables

CHANGE OF THE STATE OF REVALUATION WRITE-OFFS OF SHORT-TERM RECEIVABLES	For the period of 12 months ended	For the period of 12 months ended
State as at the beginning of the period	**412**	**404**
a) increase (due to)	**1 024**	**230**
- establishment for bad debts related to supplies	1 010	129
- establishment for due interests	-	24
- establishment for receivables claimed in litigation	14	77
b) decrease (due to)	**96**	**222**
- dissolution of provisions due to payment	76	110
- cancellation	20	112
State of revaluation write-offs of short-term receivables as at the end of the period	**1 340**	**412**

Increase and decrease of revaluation write-offs of receivables were recorded in the statement of comprehensive income in line "other operating costs".

9.14. Prepayments

Prepayments	State as at 31 December 2019	State as at 31 December 2018
a) long-term, including:	-	-
-	-	-
b) short-term, including:	1 302	1 309
- fee for lease of the agricultural farm	624	766
- prepayments for deliveries	451	377
- property insurance	222	154
- other	5	12
Total	**1 302**	**1 309**

9.15. Granted loans

Entity	State as at 31 December 2019	State as at 31 December 2018
PPZ BRONISŁAW S.A.	-	-
ZPZ LUBLIN Sp. z o.o.	1 800	3 000
CHP Energia Sp. z o.o.	4 788	4 905
GR PONARY Sp. z o.o.	553	553
Pepees Inwestycje Sp. z o.o.	-	1 465
An individual pursuing a business activity	720	941
Granted loans, including:	**7 861**	**10 864**
- to be repaid within 1 year	7 861	10 864
- to be repaid after 1 year	-	-
Write-offs on loans granted to CHP	(2 268)	(2 452)
Loans in the statement of the financial condition	**5 593**	**8 412**

All loans were granted at the rate similar to the interest rate applied by the banks, whose services are used by the company, taking into account an additional business risk.
Under to the loans granted, in the reporting period the Company received interests in the total amount of PLN 393 thousand (2018 : PLN 345 thousand).

9.16. Cash and cash equivalents

Cash and cash equivalents	State as at 31 December 2019	State as at 31 December 2018
Cash in bank and at hand	5 263	2 290
Short-term deposits	29 093	25 891
Total cash and cash equivalents	**34 356**	**28 181**
- including of restricted use	**-**	**-**

Short-term deposits are established for various periods, from one to a few months depending on current demand for cash and interests accrue on them according to interest rates agreed for them.

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE)	State as at 31 December 2019	State as at 31 December 2018
a) in Polish currency	27 306	25 624
b) in foreign currencies (by currencies and after conversion into Polish zloty)	7 050	2 557
B1. unit/currency USD/thousand	737	231
PLN thousand	2 716	845
B2. unit/currency EUR/thousand	1 049	410
PLN thousand	4 335	1 713
Total cash and cash equivalents	**34 356**	**28 181**

(in PLN thousand)

9.17. Share capital

Series / issue	Type of shares	Type of privileges of shares	Type of restrictions of rights to shares	Number of shares	Value of a series/issues at nominal value	Registration date
A	ordinary, bearer	non-preferential	no restrictions	83 million	4 980	09.05.2008
B	ordinary, bearer	non-preferential	no restrictions	12 million	720	30.09.2014
Total number of shares				95		
Total share capital					**5 700**	
Nominal value of one share = PLN 0.06						

In the reporting period there were no changes in the Company's share capital.

According to the Company's best knowledge, as at the balance sheet date the ownership structure was as follows:

- Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych - number of votes: 27 714 832; share in the total number of shares at the Annual General Meeting – 6.64%
- Michał Skotnicki - number of votes: 21 399 174; share in the total number of shares at the Annual General Meeting- 22.53%.
- Maksymilian Maciej Skotnicki - number of votes: 20 703 282; share in the total number of shares at the Annual General Meeting – 21.79%
- Newth Jonathan Reginald number of votes: 7 995 200; share in the total number of shares at the Annual General Meeting- 8.42%
- Richie Holding Ltd - number of votes 6.133.100, share in the total number of shares at the Annual General Meeting- 6.46%

None of the remaining shareholders informed on possession of at least 5% share in the share capital and in the total number of votes at the Annual General Meeting.

9.18. Capital reserve and supplementary capitals

CAPITAL RESERVE	State as at 31 December 2019	State as at 31 December 2018
a) from sale of shares above their nominal value	7 562	7 562
b) established according to statutory provisions	1 660	1 660
c) established from reassessment of the assets (not to be divided)	30 602	30 602
d) established from profit	18 168	12 126
Total capital reserve	**57 992**	**51 950**

(in PLN thousand)

OTHER CAPITAL RESERVES (ACCORDING TO THEIR PURPOSE)	State as at 31 December 2019	State as at 31 December 2018
- investment fund	81 634	81 634
Other total capital reserves	**81 634**	**81 634**

REVALUATION CAPITAL	State as at 31 December 2019	State as at 31 December 2018
- reassessment of liabilities under employee benefits	(80)	(32)
- deferred tax on the result of reassessment	15	6
Other total capital reserves	**(65)**	**(26)**

9.19. Undivided profit from previous years

Undivided profit from previous years and the current year	State as at 31 December 2019	State as at 31 December 2018
- result for year	19 182	17 442
Total undistributed result	**19 182**	**17 442**

9.20. Bank credits and loans

Long-term

Long-term liabilities with the following repayment periods from the balance sheet date:	State as at 31 December 2019	State as at 31 December 2018
a) above 1 year and up to 3 years	4 625	6 058
b) above 3 years and up to 5 years	3 009	3 240
c) above 5 years	752	2 256
Total long-term liabilities	**8 385**	**11 554**

(in PLN thousand)

No.	Type of a credit	Credit amount according to an agreeme	Currency	Credit/loan amount to be repaid	Currency	Interest rate	Maturity date
1	Investment credit for construction of starch drying facility, unloading hub and water treatment station	9 822	PLN	3 001	PLN	Interest rate WIBOR for 3-month deposits plus the Bank's margin	25.02.2022
2.	Investment credit for modernisation of steam boiler de-dusting installation	1 200	PLN	279	PLN	Interest rate WIBOR for 3-month deposits plus the Bank's margin	31.12.2020
3	Investment credit for funding and refunding of purchase of 100% shares in Gospodarstwo Rolne Ponary Sp. z o. o.	10 530	PLN	8 274	PLN	Interest rate WIBOR for 1-month deposits plus the Bank's margin	30.06.2025
		21 552	**PLN**	**11 554**	**PLN**		

Credits were measured according to IFRS 9 and measured at amortised cost.

The amount of PLN 3 169 thousand was recorded in the statement of financial condition in short-term liabilities, because it will be repaid within 12 months as from the balance sheet date.

Securities

Ad.1

The credit is secured on the contractual mortgage in the amount of PLN 14 734 thousand, assignment of rights under insurance
policy, declaration on submission to enforcement.

Ad. 2

Credit is secured on the ordinary mortgage up to the amount of PLN 1800 thousand, blank promissory note, power of attorney for bank accounts.

Ad. 3

Credit is secured with total mortgage up to the amount of PLN 15 795 thousand, assignment of cash receivables under an insurance agreement, registered pledges on 32 400 shares (100% shares) in Gospodarstwo Rolne Ponary, blank own promissory note.

(in PLN thousand)

Short-term

No.	Type of a credit	Credit/loan amount according to an agreement	Currency	Credit/loan amount to be repaid	Curre ncy	Interest rate	Maturity date
1	Credit on the current account	4 000	PLN	-	PLN	1-month WIBOR+the bank's	31.08.2020
2	Revolving credit	13 000	PLN	13 000	PLN	1-month WIBOR+the bank's	31.08.2020
3	Working capital credit	17 000	PLN	17 000	PLN	1-month WIBOR+the bank's	31.08.2020
4	Credit on the current account	4 000	PLN	-	PLN	1-month WIBOR+the bank's	31.08.2020
5	Revolving credit	13 000	PLN	13 000	PLN	1-month WIBOR+the bank's	31.08.2020
6	Working capital credit for potato purchase	17 000	PLN	16 914	PLN	1-month WIBOR+the bank's	31.08.2020
		68 000	**PLN**	**59 914**	**PLN**		

**In the statement of the financial condition there is an amount of 63 083 thousand; the difference refers to long-term credits that will be repaid within 12 months from the balance sheet date.*

Securities

The first three credits were acquired on the basis of one agreement, co called "Multi-line agreement". The above credits are secured on:

- cumulative contractual mortgage in the amount of PLN 58 500 thousand on real properties:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.

  - assignment of rights under the insurance policy of the real property:
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.

  - registered pledge on assets:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław S.A.
  - owned by ZPZ Lublin Sp. z o.o.
- assignment of rights under the insurance policy of fixed assets
- registered pledge on stock of the value that amounts at least to 145% of the balance of the working capital credit and assignment of insurance policy of stock,
- assignment of rights under insurance policy of stock,
- transfer of receivables resulting from the business activities conducted by PEPEES S.A., PPZ Bronisław S.A., ZPZ Lublin Sp. z o.o.,
- blank promissory note with a promissory note agreement.

(in PLN thousand)

The following three credits were granted under so called "Multi-purpose credit agreement", that is secured on:

-contractual mortgage up to the amount of PLN 58 500 thousand on real properties:

- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

- registered pledge on fixed assets:

- owned by PEPEES S.A.
- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

- assignment of cash receivables under insurance agreements of fixed assets and stock,

- registered pledge on stock:

- owned by PEPEES S.A.
- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

- global assignment of 40% of receivables:

- owned by PEPEES S.A.
- owned by PPZ Bronisław S.A.
- owned by ZPZ Lublin Sp. z o.o.

-blank promissory note with a promissory note agreement.

Information on unpaid credit or loan or violation of significant provisions of a credit or loan agreement in case of which no remedies were undertaken by the end of the reporting period:

All credits are repaid according to maturity dates resulting from concluded agreement.
In the reporting period no provisions of credit agreements were breached.

9.21. Liabilities related to retirement benefits and similar ones

Liabilities related to retirement benefits and similar ones (by subject)	State as at 31 December 2019	State as at 31 December 2018
a) long-term, including:	2 284	1 888
- retirement benefits	310	278
- anniversary awards	1 974	1 610
b) short-term, including:	204	202
- retirement benefits	26	39
- anniversary awards	178	163
Total	**2 488**	**2 090**

(in PLN thousand)

CHANGE OF THE AMOUNT OF LIABILITIES RELATED TO RETIREMENT BENEFITS AND SIMILAR ONES (BY SUBJECT)	State as at 31 December 2019	State as at 31 December 2018
a) state as at the beginning of the period	2 090	2 026
- retirement benefits	317	265
- anniversary awards	1 773	1 761
a) increase (due to)	659	409
- retirement benefits	57	74
- anniversary awards	602	335
c) use (due to)	261	345
- retirement benefits	38	22
- anniversary awards	223	323
d) state as at the end of the period	2 488	2 090
- retirement benefits	336	317
- anniversary awards	2 152	1 773

Anniversary awards are paid to employees that have worked altogether at least 20 years, and every 5 years. The period of work entitling for an anniversary award includes work for "PEPEES" S.A. and companies separated from "PEPEES" S.A., subject to transfer of an employee from "PEPEES" S.A. to these companies pertaining to article 231 of the Labour Code and the period of work in all entities that are employers within the meaning of the provisions of the Labour Code and periods of work on a farm in case of acquisition of ownership of a farm by an employee.

An anniversary award is obtained on the conditions of work for at least 5 years for "PEPEES" S.A. and subsidiaries separated from "PEPEES" S.A., and subject to transfer of an employee from "PEPEES" S.A. to those companies in accordance with 231 of the Labour Code.

The amount of an award is based on an equivalent of 150% of the gross minimum salary defined in compliance with applicable legal provisions.

The amount of an anniversary award is calculated only for the period of work for "PEPEES" S.A. and companies separated from "PEPEES" S.A., and subject to transfer of an employee from "PEPEES" S.A. to those companies in accordance with 231 of the Labour Code.

Amount of the awards depending of the total period of work amounts to the following percentage of the base of calculation of the award:

- after 20 years of work -200%,
- after 25 years of work -250%,
- after 30 years of work -300%,
- after 35 years of work -350%,
- after 40 years of work and after each following 5-year period of work -400%.

Part-time employees receive the anniversary award in the proportional amount to the time of work specified in the employment agreement.

Retirement and sick pension benefits in the Company are paid in compliance with the provisions of article 921 of the Labour Code. If an employee fulfils conditions entitling him/her to a pension or disability pension, whose employment relationship ceased in relation to retirement, shall be entitled to severance pay in the amount of 1-month's salary.

(in PLN thousand)

Pensioners who are re-employed do not gain the right to the retirement benefit again.

Main actuarial assumptions

Specification	Balanc e sheet	Balanc e sheet
	31.12.2019	31.12.2018
Basic actuarial assumptions		
Number of employees	264	263
Annual rate of minimum salary growth	3.50%	3.50%
Discount rate	2.00%	2.80%

Actuarial assumptions

The following assumptions were adopted for calculation of provisions as at the state at 31.12.2019:

- Calculations were made in Polish zloty (PLN), results were rounded up to full grosz.
- The minimum salary in the national economy applicable from 1 January 2020 was adopted at the level of PLN 2 600.00.
- Long-term annual growth rate in the Company was adopted at the level of 2.5%, that is at the level of long-term annual inflation rate (the inflation objective of the National Bank of Poland).
- The long-term annual rate of growth of the minimum salary at the level of 3.5% was adopted, that is at the level that is by 1 percentage point higher than expected long-term annual inflation rate (the inflation objective of the National Bank of Poland) at the level of 2.5%.
- A discount rate in the amount of 2.0% was adopted for discounting of future benefit payments, that is at the level of profitability of the safest long-term securities.
- Probability of employees quitting the company was calculated on the basis of historical data about employment rotation in the Company and statistical data about quitting employees in the industry.
- The mortality and life expectancy rates were adopted in compliance with Life Expectancy Tables 2018 published by the Central Statistical Office. The Company assumed that the population of the Company's employees corresponds to the average for Poland in respect to the mortality rate.
- The ordinary way of employee retirement was adopted in compliance with detailed principles included in the Retirement Act, except employees who - according to the information provided by the Company - fulfil the condition to benefit from the right for earlier retirement.
- No separate provision of benefits for disability pensioners was calculated; in return, persons who retired to disability pensions were not included in the calculation of probability of employees quitting the jobs.
- Short-term liabilities (with maturity date up to 1 year) and long-term liabilities (above 1 year) were calculated separately.

(in PLN thousand)

9.22. Trade and other liabilities

Short-term liabilities	State as at 31 December 2019	State as at 31 December 2018
- trade liabilities with maturity date:	5 436	8 623
- up to 12 months	5 436	8 623
- due in relation to social insurance, taxes, custom duties and other benefits	1 519	1 333
- due in relation to salaries	952	845
- other	105	85
Trade and other liabilities	**8 012**	**10 886**

Liabilities due to related entities amount to PLN 53 thousand and are related to supplies of raw materials and goods.

9.23. Liabilities due in relation to assets under lease

LIABILITIES UNDER FINANCIAL LEASE	State as at 31 December 2019	State as at 31 December 2018
a) long-term (from one year to 5 years)	11 714	4 601
b) short-term (up to one year)	3 192	2 670
Total	**14 906**	**7 271**

The above liabilities result from agreements concluded with the following companies: Santander Leasing, ING Lease Sp. z o.o., Raiffeisen Leasing Polska, Bank BGŻ Paribas, BNP Paribas Leasing, Volkswagen Leasing and PKO Leasing S.A. for funding of cars, machines and devices. Payments are made in monthly instalments according time schedule of payments, the last payment will take place in November 2023. The interests on the liabilities accrue according to variable interest rate WIBOR 1M and margin. According to the provisions of the agreements, all rights related to guarantee and statutory guarantee have been transferred to the Lessee. The only exception is the right to withdraw from the sale agreement, and only the Lessor is entitled to do this. The Lessee's obligations include a timely payment of instalments according to the time schedule of payments that was accepted by the Lessee. In case of delays in payment of instalments or failure to pay, the Lessor shall be entitled to terminate the agreement and demand a return of the subject of lease. After termination of a lease agreement, the ownership title to the subject of lease is transferred by the Lessor to the Lessee.

LIABILITIES UNDER FINANCIAL LEASE	2020	2021-2023	Total
Nominal value of leasing fees	3 923	13 553	17 476
Future financial costs	(731)	(1839)	(2 570)
Current value of minimum leasing fees	**3 192**	**11 714**	**14 906**

(in PLN thousand)

9.24 Provisions, accrued expenses and deferred revenue

Provisions, accrued expenses and deferred revenue (by subject)	State as at 31 December 2019	State as at 31 December 2018
a) long-term, including:	**2 120**	**2 218**
- subsidies to plant, property and equipment	2 120	2 218
b) short-term, including:	**3 519**	**3 141**
- subsidies to plant, property and equipment	98	98
- provision for costs of environmental protection	83	96
- provisions for salaries for holidays	555	602
- provision for bonuses for the Management Board and employees	1 327	1 379
- provision for invoiced services	23	24
- provision for used rights for CO2 emission	1 433	942
Total	**5 639**	**5 359**

CHANGE OF THE CONDITION OF SHORT-TERM PROVISIONS AND ACCRUALS AND PREPAYMENTS (BY SUBJECT)	For the period of 12 months ended	For the period of 12 months ended
a) state as at the beginning of the period	**3 141**	**1 308**
- subsidies to plant, property and equipment	98	101
- provision of benefits performed by counterparties	24	31
- subsidised loans	-	8
- fee for use of the natural environment	96	123
- provisions for salaries for holidays	602	470
- rights to emission of gases	942	305
- bonuses for the Management Board and employees	1 379	270
b) increase (due to)	**1 793**	**2 159**
- provision for used rights for CO2 emission	1 433	637
- fee for use of the natural environment	89	96
- provisions for salaries for holidays	116	293
- provision of benefits performed by counterparties	5	24
- bonuses for the Management Board and employees	150	1 109
c) use (due to)	**1 415**	**326**
- fee for use of the natural environment	102	123
- provisions for salaries for holidays	163	161
- provision for used rights for CO2 emission	941	-
- provision of benefits performed by counterparties	6	31
- subsidies to plant, property and equipment	-	3
- subsidised loans	-	8
- bonuses for the Management Board and employees	203	-
e) state as at the end of the period	**3 519**	**3 141**
- subsidies to plant, property and equipment	98	98

(in PLN thousand)

CHANGE OF THE CONDITION OF SHORT-TERM PROVISIONS AND ACCRUALS AND PREPAYMENTS (BY SUBJECT)	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
- provision for used rights for CO2 emission	1 434	942
- fee for use of the natural environment	83	96
- provisions for salaries for holidays	555	602
- bonuses for the Management Board and employees	1 326	1 379
- provision of benefits performed by counterparties	23	24

9.25 Deferred income tax

Deferred income tax provisions	State as at 31 December 2019	State as at 31 December 2018
Difference between the balance sheet value and tax value of fixed assets	5 627	5 676
Unrealised foreign exchange differences	2	2
Measurement of investments	625	548
Due interests that were not received	59	124
Total deferred income tax provisions	**6 312**	**6 350**

Deferred income tax assets	State as at 31 December 2019	State as at 31 December 2018
Unpaid salaries	143	119
Provisions for salaries for holidays	105	114
Provision for bonuses for the Management Board and employees	252	262
Retirement benefits and anniversary bonuses	473	397
Unrealised foreign exchange differences	54	62
Revaluation write-offs of receivables	535	535
Revaluation write-offs of stock	106	78
Revaluation write-offs of shares	565	565
Provision for used rights for CO2 emission	272	179
Liabilities due under settlement of the subject of lease	1 016	1 095
Other accruals	13	6
Total deferred income tax assets	**3 534**	**3 412**

(in PLN thousand)

10. Explanatory notes to the statement of comprehensive income

10.1. Revenues from sales of products

Net revenues from sales of products (STRUCTURE BY ITEMS - TYPES OF ACTIVITY)	For the period of 12 months ended	For the period of 12 months ended
- potato products	150 874	158 257
including: from related entities	1 240	211
Total net revenues from sales of products	**150 874**	**158 257**
including: from related entities	1 240	211

Net revenues from sales of products (BY TERRITORY)	For the period of 12 months ended	For the period of 12 months ended
a) Poland	**90 122**	**86 131**
including: from related entities	1 240	211
- potato products	90 122	86 131
- including: from related entities	1 240	211
b) intra-Community supply	**17 867**	**22 504**
- potato products	17 867	22 504
c) export	**42 885**	**49 622**
- potato products	42 885	49 622
Total net revenues from sales of products	**150 874**	**158 257**

10.2. Revenues from sale of services

Net revenues from sales of services (structure BY ITEM - TYPES OF ACTIVITY)	For the period of 12 months ended	For the period of 12 months ended
- revenues from lease of real property	28	32
- revenues from lease of devices	394	345
- services for farmers	333	307
- other services	299	108
Total net revenues from sales of services	**1 054**	**792**
- including: from related entities	411	356

All services were rendered in Poland.

(in PLN thousand)

10.3. Revenues from sales of goods and materials

Net revenues from sales of goods and materials (structure by subject - types of activity)	For the period of 12 months ended	For the period of 12 months ended
-potatoes	7 852	8 254
- including: from related entities	2 789	3 078
- potato products	9 938	4 938
- including: from related entities	-	-
- pesticides and fertilisers	2 461	3 213
- including: from related entities	-	-
- beetroot pulp	559	201
- including: from related entities	559	130
- materials	196	143
- including: from related entities	39	61
Total net revenues from sales of goods and materials	**21 006**	**16 749**
- including: from related entities	3 387	3 269

Net revenues from sales of goods and materials (BY TERRITORY)	For the period of 12 months ended	For the period of 12 months ended
a) Poland	**13 641**	**12 781**
-potatoes	7 852	8 254
- including: from related entities	2 789	3 078
- potato products	2 573	970
- including: from related entities	-	-
- pesticides and fertilisers	2 461	3 213
- including: from related entities	-	-
- beetroot pulp	559	201
- including: from related entities	559	130
- materials	196	143
- including: from related entities	39	61
b) export	**7 215**	**3 942**
- including: from related entities	-	-
- potato products	7 215	3 942
c) intra-Community supply	**150**	**26**
- including: from related entities	-	-
- potato products	150	26
Total net revenues from sales of goods and materials	**21 006**	**16 749**

(in PLN thousand)

10.4. Costs by type

Costs by type	For the period of 12 months ended	For the period of 12 months ended
a) depreciation	9 995	8 686
b) consumption of materials and energy	66 773	75 718
c) outsourcing	20 476	18 919
d) taxes and charges	2 358	2 880
e) remuneration	19 869	17 791
f) social insurance and other benefits	4 487	3 531
g) other costs by type (by subject)	2 546	2 225
- costs of representation and advertising	358	500
- business travels	201	169
- costs of property and personal insurance	413	363
- costs of analyses, research and scientific expertise	321	441
- other costs	1 253	752
Total costs by type	**126 504**	**129 750**
Change of the state of stock, products and prepayments and accruals	(1 374)	5 344
Costs of productions of products for own needs of the entity	(515)	(348)
Costs of sale (negative value)	(8 495)	(9 115)
Overheads (negative value)	(25 246)	(23 866)
Costs of production of sold products and services	**90 874**	**101 765**

10.5. Costs of employee benefits

Costs of employee benefits	For the period of 12 months ended	For the period of 12 months ended
e) costs of remuneration, including:	**19 869**	**17 791**
- salaried under employment agreements	17 079	14 551
- salaries under contracts for mandate and similar ones	1 710	1 386
- remuneration of the Members of the Supervisory Board	721	406
- severance pays and anniversary bonuses	348	207
- provisions for salaries for unused holidays	11	132
- provisions for bonuses for the Management Board and employees	-	1 109
f) social insurance and other benefits, including:	**4 487**	**3 531**
- costs of social insurance	3 089	2 589
- contributions paid to the employee pension scheme	372	-
- deductions to the work fund	364	310
- deduction to the social benefit fund	367	344
- costs of employee trainings	99	59
- working clothes	63	82
- costs of medical examinations and work safety and health	133	147
Total costs of employee benefits	**24 356**	**21 322**

(in PLN thousand)

10.6. Result of agricultural production

Specification	For the period of 12 months ended	For the period of 12 months ended
Revenues from sales of agricultural products	1 884	1 904
Revenues from lease of agricultural land	372	441
Subsidies	859	981
Result on sales of agricultural machines	52	-
Costs of activities	(6 840)	(5 289)
Other agricultural costs	-	(158)
Result of agricultural production	**(3 673)**	**(2 121)**

10.7. Other operating revenue

Other operating revenue	For the period of 12 months ended	For the period of 12 months ended
a) profit from sale of non-financial fixed property	185	138
b) dissolving provisions due to:	86	185
- write-offs of receivables	86	185
c) governmental subsidies, including:	98	106
- subsidies to plant, property and equipment	98	98
- subsidised investment loans	-	8
d) other, including:	78	220
- received compensations, fined and penalties	56	189
- surplus of assets	11	2
- other	11	29
Other total operating revenue	**447**	**649**

10.8. Other operating costs

Other operating costs	For the period of 12 months ended	For the period of 12 months ended
a) revaluation of non-financial assets	-	-
b) other, including:	**2 042**	**1 477**
- donations	74	65
- costs of disputes	66	-
- revaluation write-offs of receivables	1 348	201
- unplanned depreciation write-offs	411	1 060
- paid compensations, fined and penalties	6	3
- deducted receivables	10	87
- shortage of assets	90	18
- costs of post-accident repairs	17	30
- other	20	13
Total other operating costs	**2 042**	**1 477**

(in PLN thousand)

10.9. Financial costs

Financial costs	For the period of 12 months ended	For the period of 12 months ended
a) interests on credits and loans	1 053	1 087
b) interests on liabilities	569	2
c) revaluation of credit	-	10
d) revaluation write-offs of charge interests on sureties granted to CHP	-	365
e) revaluation write-off of loans granted to CHP	-	2 453
f) other financial costs	630	581
- costs of credit securities	158	166
- leasing fees	273	280
- commissions on credits	160	112
- discount on repurchase of receivables	39	23
Total financial costs	**2 252**	**4 498**

10.10. Financial revenue

Financial revenue	For the period of 12 months ended	For the period of 12 months ended
d) dividends	150	122
b) interests on loans	809	953
c) interests on deposits	244	142
d) interests on receivables	16	44
e) revaluation of financial assets	402	2 886
f) revenues from sales of financial assets	-	24
g) interests on bonds	389	-
h) positive exchange rate differences	90	135
- realized	45	238
- unrealized	45	(103)
Total financial revenue	**2 100**	**4 306**

(in PLN thousand)

10.11 Income tax

Income tax	For the period of 12 months ended	For the period of 12 months ended
Current tax	(6 112)	(5 444)
Tax on divided	(29)	-
Deferred tax	151	429
Total income tax	**(5 990)**	**(5 015)**

Income tax matched with the gross financial result before tax according to the statutory tax rate with income tax charged according to the effective tax rate:

Specification	For the period of 12 months ended	For the period of 12 months ended
Gross financial result before tax	25 172	22 457
Income tax at the statutory rate of 19%	(4 783)	(4 267)
Tax on permanent differences between gross profit and taxation base	(1 207)	(748)
Result charged according to the effective rate amounting to 23.79% and 22.33% in 2018	**(5 990)**	**(5 015)**

In 2019 the Company paid PLN 5 110 thousand, including PLN 1 363 thousand for 2018 and 29 thousand for earned dividend Tax to be paid for 2019 - PLN 2 394 thousand.

10.12. Profit per one share

Profit per share was calculated as profit for a given period divided by the weighted average number of shares. All shares are ordinary bearer shares.

Weighted average number of shares				
beginning of the period	end of the period	number of days (A)	number of shares in a given period (B)	(A) x (B) / 365
2019-01-01	2019-12-31	365	95 000 000	95 000 000
Total:		**365**	**Weighted average:**	**95 000 000**

(in PLN thousand)

Earnings (loss) per one share	**For the period of 12 months ended 31 December 2019**	**For the period of 12 months ended 31 December 2018**
Net profit (loss) in PLN	19 182	17 442
Weighted average number of shares	95 000 000	95 000 000
Basic net profit per share (in PLN per one share)	0.20	0.18
Net profit for determination of diluted profit per share	19 182	17 442
Weighted average number of ordinary shares for purpose of diluted profit per share	95 000 000	95 000 000
Diluted net profit per share (in złoty)	0.20	0.18

The Management Board proposes to distribute the profit for financial year 2019 in the amount of PLN 19 182 thousand in such a way that a part of the profit, that is the amount of PLN 5 700 thousand is assigned for dividend payment in the amount of PLN 0.6 per share, while the rest of the profit in the amount of PLN 13 482 thousand is allocated to the Company's capital reserve.

10.13. The Management Board's stance on execution of the forecast

The Company did no publish forecasts of separate results. In the close future, the Issuer does not plan to publish forecasts for upcoming years.

10.14. The information on paid or declared dividend, altogether and per one share, with specification concerning ordinary and preferential shares

On 28 June 2019 the Ordinary General Meeting of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. adopted resolution no 15 on distribution of the profit for financial year 2018 in the amount of PLN 17 442 thousand in such a way that a part of the profit, that is the amount of PLN 11 400 thousand was assigned for dividend payment in the amount of PLN 0.12 per share, while the rest of the profit in the amount of PLN 6 042 thousand is allocated to the Company's capital reserve.

Th day on which the list of shareholders authorised for dividend was determined had been set for 8 July 2019, while the payment date was set for 27 September 2019. The dividend was paid according to this deadline.

11. Explanatory notes to the cash flow statement

11.1. Matching of amounts presented in the cash flow statement with cash and cash equivalents in the balance sheet

Specification	**State as at 31 December 2019**	**State as at 31 December 2018**
Cash and cash equivalents in the statement of financial condition	34 356	28 181
Credits on the current account	-	(35)
Exchange rate differences from measurement of cash	78	(7)
Cash amount in the cash flow statement	**34 434**	**28 139**

The Company has no cash of restricted use.

(in PLN thousand)

11.2. Transactions of non-cash natures

Specification	2019	2018
Purchase of assets by means of financial lease	(1 954)	(594)
Measurement of a credit adjusted cost (change)	-	10
Charged but not paid interests on loan (change)	169	(242)

11.3. Unused limits on current account

As at 31.12.2019 the Company has unused credits funds granted to it on the current account in the amount of PLN 8 000 thousand (in 31.12.2018 it was PLN 7 965 thousand).

12. Financial instruments

12.1. Categories of financial instruments

The main financial instruments used by the Company include bank credits, lease, cash and short-term deposits. The main purpose of these instruments is to acquire funds for operations of the Entity. The Company has also other financial instruments, such as trade receivables and liabilities that arise directly in the course of activities performed by the Company.

Financial assets	State as at 31 December	State as at 31 December
Assets measured at purchase price	18 632	18 632
Financial assets measured at fair value through profit or loss,	42 680	35 730
Financial assets measured at amortised costs	32 493	42 069
Total financial assets	**93 805**	**96 431**

(in PLN thousand)

Financial assets presented in the financial statements as:	State as at 31 December	State as at 31 December
Investments in subsidiaries	26 632	26 632
Investments in other entities	613	113
Trade receivables	16 340	23 791
Other receivables	4 310	3 866
Granted loans	5 593	8 412
Other financial assets	5 961	5 436
Cash and cash equivalents	34 356	28 181
Total financial assets	**93 805**	**96 431**

Financial liabilities	State as at 31 December	State as at 31 December
Financial liabilities measured at amortised cost	94 386	85 915
Total financial liabilities	**94 386**	**85 915**

Financial liabilities presented in the financial statements as:	State as at 31.12.2019	State as at 31.12.2018
Long-term credits and loans	8 385	11 554
Long-term liabilities due in relation to assets under lease	11 714	4 601
Trade liabilities	5 436	8 623
Short-term credits and loans	63 083	56 204
Short-term liabilities due in relation to assets under lease	3 192	2 670
Other short-term liabilities	2 576	2 263
Total financial liabilities	**94 386**	**85 915**

12.2. Financial risk management

Main types of risk resulting from financial instruments of the Company include the interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Management Board verifies and agrees the principles of management with every type of risk. These principles were shortly discussed below. The Company monitors also the market price risk related to all held financial instruments it has.

Interest rate risk

Exposure of the Company to the risk caused by changes of interest rates refers mainly to credits with interest rate connected with the rediscount rate on bill and WIBOR rate. The Company did not conclude interest rate agreements.

The following table presents sensitivity of the annual gross financial result to rationally possible changes of interest rates in case of an assumption that the other factors remain unchanged (in relation to variable interest rate liabilities).

Increase/decrease by percentage points	Impact on the result	
	2019	2018
Increase interest rate of credits by 1%	(425)	(429)
Decrease interest rate of credits by 1%	425	429

(in PLN thousand)

Foreign exchange risk

The Company is exposed to foreign exchange risk in relation to concluded transactions. Such risk occurs in result of export sales and sales to EU countries in other currencies than złoty. In the reporting period, exports and intra-Community supplies accounted for more than 39% of all revenues from sales.

The following table presents sensitivity of the gross financial result in relation to change of the value of revenues and costs in case of fluctuations of USD and EUR exchange rates by 0.1 PLN/EUR/USD.

Increase/decrease of the foreign exchange rate	Impact on the result	
	2019	**2018**
Increase of PLN/USD rate by 0.1	549	475
Increase of PLN/EUR rate by 0.1	759	1 206
Decrease of PLN/USD rate by 0.1	(549)	(475)
Decrease of PLN/EUR rate by 0.1	(759)	(1 206)
Total impact on the result	**+/-1 308**	**+/-1 681**

Moreover, the Company has cash at bank and receivables in euro and American dollars.

Results of changes of the exchange rate as at the balance sheet date for USD and EUR by 0.1 PLN/EUR/USD are presented in the following table.

Increase/decrease of the foreign exchange rate	Impact on the result	
	2019	**2018**
Increase of PLN/USD rate by 0.1	272	84
Increase of PLN/EUR rate by 0.1	433	171
Decrease of PLN/USD rate by 0.1	(272)	(84)
Decrease of PLN/EUR rate by 0.1	(433)	(171)
Total impact on the result	**'+/705**	**+/255**

Credit risk

The Company enters into transactions only with check customers that have good credit reliability. All customers that wish to use merchant credits undergo initial verification procedure. Moreover, due to ongoing monitoring of the condition of receivables, the risk of exposure to bad debts is insignificant. The financial reliability assessment made by the insurer, KUKE, and granted financial limit are also decisive.

There ae no significant credit risk concentrations in the Company.

Liquidity risk

The aim of the Company is to maintain balance between continuity and flexibility of funding through use of different sources of funding, such as credits in current account, preferential short-term and long-term bank credits. The Company manages the liquidity risk maintaining the appropriate amount of the supplementary capital, benefiting from offers of bank services and reserve credit lines, monitoring constant forecasting and real cash flows, and adjusting the financial assets and liabilities maturity profiles.

(in PLN thousand)

13. Capital management

The main objective of the Company's capital management is to ensure ability to continue operations, taking into account planed investments with simultaneous increase of the Company's value for shareholders.
The Company monitors the state of capitals, applying the leverage ratio that is calculated as relationship of net debt to total capitals plus net debt. The net debt is treated by the Company as credits, loans, liabilities under financial lease, trade and other liabilities minus cash and cash equivalents.

Specification	State as at 31 December 2019	State as at 31 December 2018
Credits, loans and liabilities under financial lease	86 374	75 029
Trade and other liabilities	8 012	10 886
Cash and cash equivalents (-)	34 356	28 181
Net debt	60 030	57 734
Equity	164 443	156 700
Capital and net debt	224 473	214 434
Leverage ratio	**26.74%**	**26.92%**

Leverage ratio in 2019 remained at the level similar to the one in 2018. Short-term credits and loans and short-term and long-term liabilities under financial lease grew by PLN 11 345 thousand as compared to the previous year. Also cash increased by PLN 6 175 thousand as compared to 2018, so the leverage ratio did not change significantly despite increase of the debt.

(in PLN thousand)

14. Conditional items

CHANGE OF THE CONDITION OF CONDITIONAL ASSETS (BY SUBJECT)	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
a) state as at the beginning of the period, including	27 433	10 822
- value of land under perpetual usufruct	11 638	10 822
- surety of investment credit by GR PONARY	15 795	-
a) increase (due to)	124	25 263
- value of land under perpetual usufruct	124	9 468
- surety of investment credit by GR PONARY	-	15 795
c) use (due to)	-	-
d) state as at the end of the period, including	**27 557**	**36 085**
- value of land under perpetual usufruct	11 762	20 290
- surety of investment credit by GR PONARY	15 795	15 795

CHANGE OF THE CONDITION OF CONDITIONAL LIABILITIES (BY SUBJECT)	For the period of 12 months ended 31 December 2019	For the period of 12 months ended 31 December 2018
a) state as at the beginning of the period, including	**32 034**	**18 944**
- liabilities under non-compete agreements	1 116	710
- sureties of credits for related companies	30 918	18 234
a) increase (due to)	**1 339**	**13 090**
- liabilities under non-compete agreements	39	406
- securities of credits for related companies	1 300	12 684
c) use (due to)	-	-
- liabilities under non-compete agreements		
- securities of credits for related companies		
d) dissolution (due to)	-	-
- liabilities under non-compete agreements		
- securities of credits for related companies		
e) state as at the end of the period	**33 373**	**32 034**
- liabilities under non-compete agreements	1 155	1 116
- securities of credits for related companies	32 218	30 918

(in PLN thousand)

15. Transactions with related entities

15.1. Transactions with subsidiaries

a. Revenues from sales of products and goods

Types of revenues	For the period of 12 months ended	For the period of 12 months ended
Revenues from sales of products to subsidiaries	1 240	211
Revenues from sales of services to subsidiaries	411	356
Revenues from sales of goods to subsidiaries	559	130
Revenues from sales of materials to subsidiaries	39	61
Revenues from sales of raw materials to subsidiaries	2 789	3 078
Revenues from sales of fixed assets to subsidiaries	28	-
Total revenues from related entities	**5 066**	**3 836**

The sale price is determined on the basis of cost plus method or on the basis of price list applicable in relation to unrelated entities.

b. Purchase of products, goods and services from subsidiaries

Types of purchases	For the period of 12 months ended	For the period of 12 months ended
Purchases of products from subsidiaries	8 399	7 506
Purchases of services from subsidiaries	187	365
Purchase of goods and materials from subsidiaries	148	220
Purchases of fixed assets from subsidiaries	2 720	-
Prepayments for purchase of fixed assets from subsidiaries	51	-
Total purchases from related entities	**11 505**	**8 091**

c. Balances of settlements as at the balance sheet date that were generated in result of sale/purchase of goods/services

Receivables from related entities	State as at 31 December	State as at 31 December
ZPZ Lublin	-	-
PPZ BRONISŁAW	295	1 241
CHP Energia	1 023	371
GR PONARY	1	1
Pepees Inwestycje (former OZENERGY)	7	6
Total receivables from related entities	**1 326**	**1 619**

(in PLN thousand)

Liabilities due to related entities	State as at 31 December	State as at 31 December
ZPZ Lublin	53	82
PPZ BRONISŁAW		19
Total liabilities due to related entities	**53**	**101**

d. Loans granted to related entities

Loans granted to related entities	State as at 31 December	State as at 31 December
PPZ BRONISŁAW Sp. z o.o.	-	-
ZPZ LUBLIN Sp. z o.o.	1 800	3 000
CHP Energia Sp. z o.o.	4 788	4 905
GR PONARY Sp. z o.o.	553	553
Pepees Inwestycje Sp. z o.o.	-	1 465
An individual pursuing a business activity	720	941
Granted loans, including:	**7 861**	**10 864**
- to be repaid within 1 year	7 861	10 864
- to be repaid after 1 year	-	-
Write-offs on loans granted to CHP	(2 268)	(2 452)
Loans in the statement of the financial condition	**5 593**	**8 412**

e. Interests on granted loans

Entity	For the period of 12 months ended	For the period of 12 months ended
ZPZ Lublin	1 116	128
PPZ BRONISŁAW	-	121
CHP Energia	169	187
GR PONARY	19	-
Pepees Inwestycje	35	-
Total	**339**	**436**

f. Interests on granted sureties

Entity	For the period of 12 months ended	For the period of 12 months ended
CHP Energia	307	365
PPZ BRONISŁAW	127	57
Total	**434**	**422**

g. Interests on received sureties

Entity	For the period of 12 months ended	For the period of 12 months ended
GR PONARY	158	166
Total	**158**	**166**

h. Conditional items

Contractual mortgages are established on assets of subsidiaries (ZPZ Lublin and PPZ Bronisław) that serve as security of credits incurred by "PEPEES" S.A. to the amount of PLN 68 000 thousand.

15.2. Transactions with the key managers

a) benefits for the key managers

The Management Board in PLN thousand:	**For the period of 12 months ended**	**For the period of 12 months ended**
Short-term benefit	1 819	1 378
Benefits after the period of employment		
Other long-term benefits		
Benefits related to termination of an employment relationship		
Payments in form of shares		
Supervisory Board in PLN thousand	**For the period of 12 months ended**	**For the period of 12 months ended**
Short-term employee benefits	739	412
Benefits after the period of employment		
Other long-term benefits		
Benefits related to termination of an employment relationship		
Payments in form of shares		

b) transactions with Members of the Management Board and Supervisory Board and their immediate family members

Information on remuneration received by individual Management Board and Supervisory Board members is presented in the report on the Issuer's activities.

In the reporting periods no transactions within meaning if IAS 24 were recorded.

(in PLN thousand)

16. Average employment in the Company

Specification	Average number of employees in 2019	Average number of employees in 2018
White collar workers	102	98
Blue collar workers	178	186
Persons on child rearing and unpaid leaves	1	-
Total	**281**	**284**

17. Chartered auditor's fee

The fee due to the chartered auditor for review and audit of the financial statements and consolidated financial statements amounts to PLN 39 700 plus VAT. The chartered auditor did not render other services for PEPEES.

18. Specification of significant litigations and proceedings pending in court of law, arbitration tribunal or public administration authority in respect to the Issuer's liabilities and receivables, with information of the subject of the dispute, value of the dispute, date of commencement of the litigation or proceedings, parties of the litigation or proceedings and the Issuer's position

On 25.06.2019 the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. filed an action to the court of law, asking for a decision whether EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, the Company's shareholder holding, according to information known to the Company - 27 714 832 shares, due to breach of the obligation of notification of purchase of significant packages of shares in compliance with article
89 sec. 1 point 1 of the Act on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies, has lost and cannot exercise rights to vote in relation to 21 402 233 shares. Epsilon FIZ AN holds a contrary position claiming that is is entitled to the right to vote in relation to 27 714 832 shares accounting for 29.17% of the total number of votes at the Annual General Meeting. The case was joined by the Chairperson of the Polish Financial Supervision Authority, who presented his opinion on 24 July 2019. The Management Board waits for valid and binding ruling of the court. The Company informed on the issue in current reports no 13/2019, 14-23/2019 and 30/2019.

As at the date of this report, the case filed by
EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Warsaw against
"PEPEES" S.A. is still pending in respect to repealing or annulment of resolutions no 24-29, adopted on 28.06.2019 by the Ordinary Annual General Meeting, including resolution no 28 on amendments to the Articles of Association and authorisation of the Company's Management Board to raise the share capital of the Company within the scope of the authorised capital and with the possibility to exclude the pre-emptive right of the current shareholders of the Company in whole or in part upon consent of the Company's Supervisory Board.

In the remaining scope, there no other significant litigations or proceedings in court of law, an arbitration body or public administration authority in respect to liabilities or receivables of the Issuer or its subsidiaries.

19. Important events that took place after the balance sheet date

On 25 February 2020 Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. signed a letter of intent with Korean Daesang Corporation ("Daesang"), in which the parties undertook to continue negotiations in good faith on cooperation in potato starch modifiers and other starch derivatives, including to perform necessary research and execute necessary investments and prepare and agree appropriate documentation.

The first information from China about COVID-19 (the coronavirus) arrived in the late 2019. In the first months of 2020 the virus spread all over the world, and its negative impact covered many countries. Although at the time of publication of these financial statements that situation has been constantly changing and it seems that its negative impact on the global trade and the entity may be more serious than initially expected. Exchange rate of currencies used by the Entity fell down, value of shared on stock markets fell down as well, prices of goods strongly fluctuate/are much lower. The Management believes that it is not an event entailing adjustments to the financial statement for, but an event that has occurred after the balance sheet date and it need additional disclosures. Since the situation is still developing, the Company's management believes that presentation of quantitative estimations of the impact of this situation on the Entity is not possible. Possible impact will be taken into account in impairment write-offs of assets and provisions for expected losses in 2020.

20. Approval of the financial statements

The annual financial statements were approved by the Management Board in 19 March 2020 and its publication was allowed on 20 March 2020.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF

THE HOLDING ENTITY Wojciech Faszczewski President of the

Management Board

Tomasz Krzysztof Rogala Member of the Management Board

SIGNATURE OF THE PERSON WHO PERFORMED THE

FINANCIAL STATEMENTS Chief accountant - Wiesława

Załuska