PEPEES CAPITAL GROUP
CONSOLIDATED
FINANCIAL STATEMENTS
For 12 months ended on
31 December 2020
PREPARED IN COMPLIANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
IN THE VERSION APPROVED BY
THE EUROPEAN COMMISSION

INDEKS TO THE CONSOLIDATED FINANCIAL STATEMENTS

01.GENERAL INFORMATION

1.1.1. Information about Pepees Group

Name of the reporting unit or other identification data: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Explanation of changes to the name of the reporting entity or other identifying information that have occurred since the end of the previous reporting period: there have been no changes

Registered office: ul. Poznańska 121, 18-402 Łomża Legal form:

joint stock company

Country of registration: Poland

Address of the registered office of the entity: ul. Poznańska 121, 18-402 Łomża Principal

place of business: ul. Poznańska 121, 18-402 Łomża

Description of the nature and primary activities of the entity: manufacture of starch and starch products

Name of the Holding Entity: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

Name of the ultimate Holding Entity of the Group: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

PEPEES S.A. ("the holding company", "Company") is the holding company of the PEPEES Capital Group ("PEPEES Group", "Group"). As at the date of this report, the Company's data was as follows:

Full name: Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. Address of the

registered office:1 8-402 Łomża, ul. Poznańska 121

REGON (statistical number): 450096365

NIP (tax identification number):7181005512

Registered at: District Court in Białystok 12th Commercial Department of National Court Register

Number in the register: 000038455 Legal

form: Joint Stock Company

Organizational form: single-site company

Classification of activity according to PKD: 1062Z Manufacture of starches and starch products.

Industry: food processing

Duration: undetermined

Members of the Management Board as of 31 December 2020:

Wojciech Faszczewski President of the

Management Board Tomasz Krzysztof Rogala

Member of the Management Board

Members of the Supervisory Board as of 31 December 2020:

Maciej Kaliński Chairman of the Supervisory Board

Tomasz Nowakowski Vice Chairman 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 of 31 December 2020:

Maciej Kaliński Chairman of the Audit Committee

Krzysztof Stankowski Vice Chairman of the Audit Committee Piotr

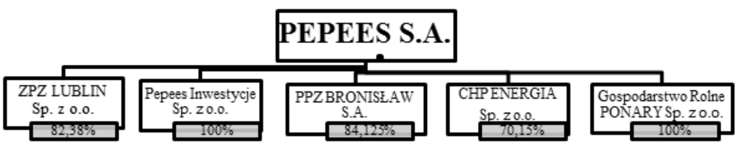
Marian Taracha Member of the Audit Committee

Robert MalinowskiMember of the Audit Committee (elected on 14 April 2020) Tomasz

Nowakowski Member of the Audit Committee (elected on 14 April 2020)

Composition of the PEPEES Group

STRUCTURE OF THE CAPITAL GROUP AS AT 31 DECEMBER 2020



General information on associated entities in PEPEES Capital

Group

In addition to Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., the Consolidated Financial Statement of PEPEES Capital Group for 12 month ended 31 December 2020, the following associated entities were subject to consolidation:

Name	Seat	Subject of activity	Registration Court	Issuer's share in equity (%)	Share in the total number of votes (%)
ZPZ LUBLIN Sp. z z o.o.	Lublin Łomża	Production and sale of potato syrup and dried potatoes, fruit and vegetable processing Purchase and sale of real property on own account	District Court in Lublin, 11th Economic Department of the National Court Register	82.38	82.38
Pepees Inwestycje (formerly OZENERGY Sp. z o.o.	Bronisław	Production of starch and starch products	District Court in Białystok 12th Economic Department of the National Court Register	100	100
PPZ BRONISŁAW S.A.			District Court in Bydgoszcz 13th Economic Department of the National Court Register	84.125	84.125
CHP ENERGIA Sp. z o.o.*	Wojny Wawrzyńce	Production of electricity and heating from gas obtained from biogas plant	District Court in Białystok 12th Economic Department of the National Court Register	70.15	70.15
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Farming combined with livestock breeding	District Court in Białystok 12th Economic Department	100	100

*) CHP Energia's assets and liabilities have been reclassified to 'Assets held for sale' and 'Liabilities associated with assets held for sale' respectively

All subsidiaries were consolidated using the full method.

Changes in organisation of PEPEES Capital Group

On 29 December 2020 PEPEES acquired 288 shares in CHP Energia, thereby increasing its shareholding in the company's capital from 67.43% to 70.15%. The shares, with a nominal value of PLN 144 thousand, were purchased from GK Plus Sp. z o.o. for PLN 51,840.

Assets and liabilities of CHP Energia Sp. z o.o. were presented in the consolidated financial statements as held for sale. After the balance sheet date PEPEES sold all its shares in the CHP

Energia Sp. z o.o. The sale took place on 18 March 2021. The shares were bought by ORLEN Południe S.A., a subsidiary of PKN ORLEN S.A.

01.SELECTED FINANCIAL DATA AFTER CONVERSION IN EUR
0.1.

No.	SELECTED FINANCIAL DATA	PLN thousands		EUR thousands	
	Year	2020	2019	2020	2019
I	Total revenues from sales	204 079	231 981	45 613	53 927
II	Net profit or loss for shareholders of the Holding Company	6 313	24 091	1 411	5 600
III	Total net income for shareholders of the Holding Company	6 270	24 052	1 401	5 591
IV	Net cash flows from operating activities	(118)	36 688	(26)	8 529
V	Net cash flows from investing activities	(5 165)	(25 533)	(1 154)	(5 935)
VI	Net cash flows from financial activities	(18 405)	(8 808)	(4 114)	(2 048)
VII	Net cash flows	(23 688)	2 347	(5 294)	546
VIII	Total assets	364 838	363 622	79 058	85 387
IX	Equity for the shareholders of the Holding Company	173 769	178 773	37 655	41 980
X	Profit (loss) per ordinary share in PLN/EUR	0.06	0.20	0.01	0.05
XI	Total net income per share in PLN/EUR	0.08	0.25	0.02	0.06
XII	Book value per share in PLN/EUR	1.83	1.88	0.40	0.44

The following exchange rates published by the National Bank of Poland were used to convert the data to EUR:

- selected items from the consolidated financial statement as of 31.12.2020 according to the average exchange rate on the balance sheet day 1 EUR = 4.6148 PLN

- selected items from the consolidated financial statement as of 31.12.2019 according to the average exchange rate on the balance sheet day 1 EUR = 4.2585 PLN

- selected items from the consolidated statement of total income and consolidated cash flow statements for the period from 1 January 2020 to 31 December 2020 according the arithmetic mean of exchange rates published by NBP for the last day of each month of year 2020- 1 EUR = 4.4742 PLN

- selected items from the consolidated statement of total income and consolidated cash flow statements for the period from 1 January 2019 to 31 December 2019 according the arithmetic mean of exchange rates published by NBP for the last day of each month of year 2019- 1 EUR = 4.3018 PLN.

01.CONSOLIDATED FINANCIAL STATEMENTS

3.1. CONSOLDIATED STATEMENT OF THE FINANCIAL POSITION

Item	ASSETS	Note	As of 31 December 2020	As of 31 31 December 2019
A	**Fixed assets (long-term)**		**181 307**	**200 342**
1.	Tangible fixed assets	10.1	158 843	179 454
2.	Intangible assets	10.2	499	416
3.	Rights to assets	10.3	11 431	11 076
4.	Investment property	10.4	583	593
5.	Goodwill	10.5	3 095	3 140
6.	Investment in other entities	10.6	625	613
7.	Assets from deferred income tax	10.22	6 231	5 050
B	**Current assets (short-term)**		**183 531**	**163 280**
I	**Current assets other than assets classified as held for sale**		**165 284**	**163 280**
1.	Inventories	10.7	110 198	85 893
2.	Biological assets	10.8	338	322
3.	Trade receivables and other short-term receivables	10.9	27 872	28 473
4.	Current income tax receivables		1 245	0
5.	Other financial assets	10.6	7 281	6 559
6.	Cash and cash equivalents	10.10	18 350	42 033
II	**Assets held for sale**	10.11	**18 247**	**0**
	Total assets		**364 838**	**363 622**

Item	EQUITY AND LIABILITIES	Note	As of 31.12.2020	As of 31.12.2019
A	**Equity capital**		**175 422**	**180 541**
I	***Equity for the shareholders of Holding Company***		**173 769**	**178 773**
1.	Share capital	10.12	5 700	5 700
2.	Share premium	10.13	7 562	7 562
3.	Assets revaluation reserve	10.14	31 014	31 057
4.	Retained profits	10.15	129 493	134 454
II	***Non-controlling shares***		**1 653**	**1 768**
B	**Liabilities**		**189 416**	**183 081**
I	**Long-term liabilities**		**39 373**	**54 664**
1.	Credits and loans	10.16	11 134	24 789

2.	Lease liabilities	10.17	16 062	15 014
3.	Provisions for deferred income tax	10.22	6 662	6 447
4.	Pension and similar benefits liabilities	10.18	3 317	2 782
5.	Subsidies	10.19	2 198	5 632
II	**Short-term liabilities**		**150 043**	**128 417**
II a	**Short-term liabilities other than those relating to assets held for sale**		**132 561**	**128 417**
1.	Trade and other short-term liabilities	10.19	23 990	16 933
2.	Current income tax payables		76	2 528
3.	Credits and loans	10.16	104 514	104 815
4.	Lease liabilities	10.17	3 616	3 728
5.	Pension and similar benefits liabilities	10.18	365	413
II b	**Liabilities related to assets held for sale**	10.21	**17 482**	**0**
	Total equity and liabilities		**364 838**	**363 622**

2. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

2.

Item	**Income and expenses Profit and loss**	**Note**	**For 12 months ended on 31 December 2020**	**For 12 months ended on 31 December 2019**
I	**Revenues from sales**	11.1 11.2 11.3	**204 079**	**231 981**
II	**Costs of goods sold**	11.4	**(151 939)**	**(152 931)**
III	**Gross profit on sales (I-II)**		**52 140**	**79 050**
1.	Sales and marketing costs	11.4	(11 441)	(10 461)
2.	Overheads	11.4	(32 238)	(33 099)
3.	Other operating revenues	11.7	3 092	1 141
4.	Other operating costs	11.8	(875)	(1 376)
IV	**Operating profit (loss)**		**10 678**	**35 255**
1.	Financial costs	11.9	(4 090)	(3 700)
2.	Financial revenues	11.10	3 608	981

V	**Profit (loss) before tax**		**10 196**	**32 536**
	Income tax	11.11	(2 699)	(7 754)
VI	**Net profit (loss) from continued operations**		**7 497**	**24 782**
	Net profit (loss) from discontinued operations		**(1 291)**	**0**
	Net profit (loss), including:		**6 206**	**24 782**
	- allocated to shareholders of the Holding Company		6 313	24 091
	- for non-controlling shares		(107)	691
VII	**Other comprehensive income before tax**		**(53)**	**(48)**
1.	Foreign exchange differences on translation of foreign entities		0	0
	Other comprehensive income to be reclassified to profit or loss before tax		0	0
2.	Revaluation of liabilities from employee benefits		(53)	(48)
	Other comprehensive income that are not to be reclassified to profit or loss before tax		**(53)**	**(48)**
	Income tax relating to other comprehensive income that will not be reclassified to profit or loss		10	9
	Other net comprehensive income		**(43)**	**(39)**
VIII	**Total income, including**		**6 163**	**24 743**
	for shareholders of the Holding Company		6 270	24 052
	for non-controlling shares		(107)	691
IX	**Net profit (loss) per ordinary share**		**0.06**	**0.20**
	- from continued operations		0.06	0.20
	- from discontinued operations		0.00	0.00
IX	**Diluted net profit (loss) per ordinary share**		**0.06**	**0.20**
	- from continued operations		0.06	0.20
	- from discontinued operations		0.00	0.00

3.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Description	Share Capital	Share premium	Own shares	Assets revaluation reserve	Retained profits	Total equity for the shareholders of the Holding Company	Non-controlling shares	Total equity capital
As of 1 1 January 2020	5 700	7 562031 057	134 454	178 773	1 768180	541		
Changes for the period from 01.01.2020 until 31.12.2020	0	0	0	(43)	(4 961	)(5 004	)(115	)(5 119
Net profit 0		0	0	0	6 313	6 313	(107)6	206
Other total income	0	0	0	(43)	0	(43)	0	(43
Total income	000	(43)	6 313	6 270	(107)	6 163		
Dividend 0		0	0	0	(11 400)	(11 400)		0 (11 400)
Other consolidation adjustments	0	0	0		0 126 126	(8)	118	
As at 31 December 2020	5 700	7 562 0 31 014	129 493	173 769	1 653 175	422		

Description	Share capital	Share premium	Own shares	Assets revaluation reserve	Retained profits	Total equity for the shareholders of the Holding Company	Non-controlling shares	Total equity capital
As of 1 January 2019	5 700	7 562 0 31 096	121 041	165 399	1 077 166	476		
Changes for the period from 01.01.2019 to 31.12.2019	0 0 0	(39)	13 413	13 374	691 14	065		
Net profit 0 0 0 0 24 091	24 091	691	24 782					
Other total income	0	0	0	(39)	0	(39)	0	(39
Total income	0 0 0	(39)	24 091	24 052	691 24	743		
Dividend	0	0	0	0	(11 400)	(11 400)		0 (11 400
Other consolidation adjustments	0	0	0		0 722 722 0 722			
As at 31 December 2019	5 700	7 562 0 31 057	134 454	178 773	1 768 180	541		

4.

4. 3.4 CONSOLIDATED CASH FLOW REPORT

	CASH FLOW STATEMENT **The indirect method**	**For 12 months ended on 31 December 2020**	**For 12 months ended on 31 December 2019**
A.	**Cash flows from operating activities - indirect method**		
I	**Profit (loss) before tax**	**10 196 32**	**536**
II	**Total Adjustments**	**(3 996)**	**11 195**
1.	Depreciation	15 485 13	799
2.	Profit (loss) due to exchange rate variations	321	341
~~3.~~	~~Interest expenses 2~~	~~296 2~~	~~667~~
4.	Interest income	(35)	(7)
5.	Dividend income	(75)	(150)
6.	Profit (loss) on investing activities	(586)	235
~~7.~~	~~Change in reserves~~	~~487~~	~~810~~
8.	Change in inventories	(24 305)	(7 828)
9.	Change in biological assets	(16)	8
~~10.~~	~~Change in receivables~~	~~601~~	~~7 887~~
11.	Change in short-term liabilities, excluding loans and credits	7 057	(4 493)
12.	Change in subsidies	(3 434)	(637)
~~13.~~	~~Subsidies received~~	~~(1 104)~~	~~(1 104)~~
14.	Revaluation of financial assets	(198)	(402)
15.	Other adjustments	(490)	69
	Cash flow from operations (used in operations)	**6**	**200 43 731**
	Income tax paid		
	Net cash flows from operating activities	(6 318)	(7 043)
B.	**Cash flows from investing activities**	**(118)**	**36 688**
1.	Sale of intangible and tangible assets		
2.	From financial assets including interest		
		3 663	1 216
		0	2
3.	Dividends received	75	122
4.	Income from securities		18 0

5.	Repayment of granted loans	443	7
6.	Purchase of intangible and tangible assets	(8 366)	(26 230)
7.	Purchase of shares	(998)	(250)
8.	Purchase of bonds	0	(250)
9.	Loans granted	0	(150)
	Net cash flows from investing activities	**(5 165)**	**(25 533)**
C.	**Cash flows from investing activities**		
1.	Credits and loans 77	646100	531
2.	Subsidies received	1 104	1 104
3.	Repayment of credits and loans	(79 325)	(93 392)
4.	Interest on credits and loans	(2 189)	(1 838)
5.	Lease contracts payments	(4 241)	(3 813)
6.	Dividend and other payments to shareholders	(11 400)	(11 400)
	Net cash flows from financial activities	**(18 405)**	**(8 808)**
D.	**Total cash flows before changes due to exchange rate differences**	**(23 688)**	**2 347**
	Change in cash in result of exchange rate differences		
	Total net cash flows	**5**	**(78)**
E.	**Cash at the beginning of period**		
F.	**Cash at the end of period (E+/-D)**	**(23 683)**	**2 269**
		42 033 39	**764**
		18 350 42	**033**
	- including of limited availability	1	**500 0**

4.1. INFORMATION ON ADOPTED ACCUNTING PRINCIPLES AND OTEHR EXPLANATORY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 12 MONTHS ENDED ON 31 DECEMBER 2020

4.1.1. Information on reporting periods

The annual consolidated financial statement covers the period from 1 January 2020 to 31 December 2020, and the comparable financial data and information notes cover the period from 1 January 2019 to 31 December 2019.

4.1.2. Basis of annual financial statement

These annual consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") and related interpretations published in the form of regulations of the European Commission as well as the accounting principles (policies) adopted by the PEPEES Capital Group. As at the date of approval of these consolidated financial statements for publication, taking into account the ongoing process of implementing the IFRS standards in the EU as well as the Group's operations, there is no difference between the IFRS standards in force and the IFRS standards approved by the EU with regard to the accounting principles applied by the Group. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

These annual financial statements are presented in Polish Zloty (PLN) and unless stated otherwise all values are given in PLN thousands.

These annual consolidated financial statements have been made with assumption that PEPEES Capital Group will continue operations in the foreseeable future. As of the approval date of these annual consolidated financial statement, the Management Board of Przedsiębiorstwo Przemysł Spożywczego "PEPEES" S.A. does not notice circumstances indicating that the continuing operations of PEPEES Capital Group are jeopardized.

4.1.3. Change of accounting and presentation rules

The Group did not change previously applied accounting principles save for application of the following new or amended standards or interpretations applicable to annual periods commencing on 1 January 2020 or afterwards

The Group only changed the presentation of individual statements in connection with the implementation of the ESEF. The change in presentation had no effect on the Company's financial position, financial result, capital or cash flows.

4.1.4. Adjustments of errors from prior periods

There were no adjustments of errors from prior periods

4.1.5. Statement of compliance

These statement was prepared in accordance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations published in the form of regulations of the European Commission.

4.1.6. Principles of consolidation

PEPEES Capital Group companies were consolidated by means of the full method for the reporting period and comparable periods.

The financial statements of the subsidiaries have been prepared for the same reporting period as the Holding Company's statements, in compliance with consistent accounting principles. Adjustments shall be made to reconcile any divergent rules.

In the course of consolidation, appropriate eliminations were made with respect to mutual receivables and liabilities, revenues and costs concerning operations between the consolidated entities, profits and losses arising from operations between the entities, included in the amounts of the assets and liabilities to be consolidated. Furthermore, the value of shares held by the Holding Company in the capital of its subsidiaries was excluded.

The consolidated statement of cash flows was prepared on the basis of the consolidated statement of comprehensive income and consolidated statement of financial position and additional explanatory notes of the consolidated companies.

The statement of changes in consolidated equity has been prepared on the basis of the consolidated statement of financial position, statements of changes in equity and additional explanatory notes of the consolidated companies.

4.1.7. Conversion of items denominated in foreign currencies

The functional (evaluation) currency and the presentation currency of the PEPEES Capital Group is the Polish zloty. Monetary assets and liabilities denominated in foreign currencies have been translated at the balance sheet date at the exchange rate used by the bank whose services are used by the Group. All exchange differences are recognised in the consolidated statement of comprehensive income for the period.

4.1.8. Tangible fixed assets

At the time of transition to IAS, the Group adopted the fair value of fixed assets valued by an expert as the assumed cost.

Fixed assets under construction for production, lease or administrative purposes, as well as for purposes not yet defined, are presented in the consolidated statement of financial position at cost of manufacturing less impairment. The cost of production is increased by fees and for specific assets by borrowing costs. The Group applies straight-line depreciation. Depreciation on property, plant and equipment begins when the asset is brought into use. Depreciation is calculated for all property, plant and equipment, excluding land and fixed assets under construction, over the estimated period of their actual use, by means of the straight-line method. The useful lives for individual groups of fixed assets are as follows:

- buildings and structures 10 - 40 years
- machinery and equipment 2 - 20 years
- means of transport 3 - 8 years
- permanent fixtures and equipment 2 - 15 years.

The useful lives have been reviewed and updated at the balance sheet date. Own land is

not subject to depreciation.

Gains or losses arising from the sale (liquidation) of fixed tangible assets are determined as the difference between proceeds from sale and the carrying amount of those items and are presented in the consolidated income statement.

As at the balance sheet date, property, plant and equipment are valued at cost less depreciation and impairment losses, if any.

4.1.9. Intangible assets

Intangible assets are recognized if it is probable that they will bring economic benefits to the Group in the future that may be directly related to such assets. The Group has no intangible assets with indefinite useful lives.

As at the balance sheet intangible assets are valued at cost less depreciation and impairment losses, if any.

A) Trademark and licences

Trademarks and licenses have limited (finite) useful economic lives and are presented in the consolidated statement of financial position at historical cost less accumulated depreciation to date. Depreciation is computed by means of the straight-line method to spread the cost over the estimated useful economic life (2-10 years).

b) Computer software

Purchased computer software licenses are activated in the amount of the costs incurred to purchase and prepare specific computer software for use. Activated costs are written off over the estimated useful life of the software (2-10 years).

Costs associated with the development or maintenance of computer programs are recorded as costs as incurred.

C) Pollution allowances

CO_2 emission allowances are recorded as intangible assets which are not subject to amortisation but are analysed for impairment.

The purchased units of emission allowances are recorded at purchase price, whereas the ones received free of charge are recorded at nominal value, i.e. at zero.

A provision is created for the estimated CO_2 emissions in the reporting period in the costs of the core business.

On the basis of the verified annual report referred to in Article 57 sec. 3 of the Act on Emissions Trading, used and cancelled emission allowances shall be excluded from the register. Allowances are recorded by means of the first-in, first-out (FIFO) method.

4.1.10. Goodwill

Goodwill is measured as the excess of the fair value of the consideration effectively transferred for the Group's interest in the acquired entity over the net amount of the identifiable assets and liabilities of the acquired entity.

Goodwill is initially recorded as an asset at cost and subsequently measured at cost less the accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to individual Group entities generating cash flows that should benefit from the synergies resulting from the merger. Units generating cash flow, to which goodwill is allocated are tested for impairment once a year or more frequently if it can be reliably presumed that impairment has occurred. If the recoverable amount of the cash-generating unit is smaller than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata to the carrying amount of the individual assets of the entity. The impairment loss of goodwill is not reversed in the subsequent period.

On disposal of a subsidiary or entity under common control, the part of goodwill attributable to it is taken into account when calculating the profit/loss on disposal.

4.1.11. Rights to assets (Right of perpetual usufruct of land)

Starting from 01.01.2019, the Group has implemented International Financial Reporting Standard 16 "Leases", which introduces a single lessee accounting model and requires the lessee to recognise assets and liabilities arising from each lease with a term in excess of 12 months, unless the underlying asset is of low value. At the commencement date, the lessee recognizes an asset related to the right to use the underlying asset and a liability for lease that reflects its obligation to make lease payments. The lessee accounts separately for depreciation of an asset related to the right to use and interest on the lease liability.

Until 31.12.2018 the Group treated the perpetual usufruct of land held as an operating lease, recognising the payments made in this respect in profit or loss of the period to which they related. As of 01.01.2019, the perpetual usufruct right has been classified by the Group as a lease agreement, in accordance with IFRS 16.

The asset related to the right to use and lease advances for real estate are presented under "Rights to assets" in the consolidated statement of financial position.

4.1.12. Investment property

Investment property is considered to be property that is treated as a source of rental income or/and is held because of its expected growth in value.

Investment properties at the date of transition to IAS were measured at fair value and this value is used as deemed cost. Each new property is valued at cost of production.

Depreciation is calculated over the estimated useful economic lives of these assets, using the straight-line method. Land is not depreciated.

Profits or losses resulting from sale (liquidation) investment property are defined as a difference between revenues from sales and the carrying amount of such items and are recognized in the consolidated statement of comprehensive income.

4.1.13. Financial instruments

Starting from 1 January 2018 the Group classifies financial assets into one of the three categories set out in IFRS 9:

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

The Group classifies trade receivables, loans granted, other receivables, deposits and cash and cash equivalents as assets measured at amortised cost.

The Group measures financial assets at amortised cost by means of the effective interest rate method, taking into account impairment losses. Long-term receivables subject to IFRS 9 are discounted as at the balance sheet date.

Trade receivables with a maturity date within less than 12 months are measured at the amount of required payment, less any write-off in relation to expected loss.

The category of assets measured at fair value through profit or loss includes all financial instruments that are not classified as measured at amortised cost or measured at fair value through other comprehensive income, as well as those in the case of which the Group decided on such classification in order to eliminate the accounting mismatch.

In this category, the Group classifies loans granted that have not passed the contractual cash flow test and derivatives that are assets, unless they have been designated as hedging instruments.

Gains and losses on financial assets classified as measured at fair value through profit or loss are recognized in profit or loss in the period, when they arise (including interest income and dividends received from equity instruments listed on an active market).

Assets measured after the initial recognition at fair value through other comprehensive income - these are financial assets held in accordance with a business model whose objective is both to hold the financial assets to obtain contractual cash flows and to sell the financial assets, and the nature of the contract for these financial assets provides for cash flows that are solely payments of principal and interest.

Gains and losses on a financial asset that is an equity instrument for which an option to measure at fair value through other comprehensive income has been used are recognised in other comprehensive income, except for revenue from dividends received.

In accordance with IFRS 9, the Group monitors changes in credit risk related to individual financial assets and for each it assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets has lost its value.

4.1.14. Inventories

Inventories are presented at cost of purchase or costs of production that are not higher than net selling price. The cost of finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related departmental production costs (based on normal operating capacity), but excludes borrowing costs. Inventories of materials and goods are measured by means of the weighted average method.

As at the balance sheet date, inventories are measured in accordance with the principles of prudent valuation, i.e. at the lower of acquisition price and obtainable selling price. The net selling price corresponds to the estimated selling price less all costs necessary to complete production and the costs of marketing of the inventory or finding a buyer (i.e. selling, marketing costs, etc.). In case the purchase price is higher than the obtainable selling price, the Group creates revaluation write-downs in the costs of sold products.

4.1.15. Biological assets

The Holding Company leases farms on which it grows annual crops, such as potatoes, leguminous plants (peas, tic beans) and cereals. Biological assets are measured at initial recognition and at the end of each reporting period at fair value less costs of sale taking into account the maturity level of the plants.

4.1.16. Short- and long-term receivables

Trade receivables are recognised and disclosed at amounts initially invoiced, less any write-downs on impairment losses. A write-down for impairment losses of trade receivables is created when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Revaluation write-downs on receivables are charged to other operating expenses.

Write-downs are made on the basis of an analysis of receivables aging, collectability analysis and on receivables referred to litigation, liquidation or bankruptcy proceedings.

4.1.17. Transactions in foreign currency

Transactions denominated in currencies other than Polish zloty are translated into Polish zloty using the exchange rate applicable on the transaction date.

As at the balance sheet date, cash, bank loans and other assets and liabilities expressed in currencies other than the Polish zloty are translated into the Polish zloty at the exchange rate of the bank serving the Group. Exchange rate differences arising from translation are recognized as financial income or expenses, as appropriate.

4.1.18. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term investments with original maturity of three months or less and highly liquid investments, and an overdraft facility.

Term deposits are measured at amortized cost using the effective interest rate.

The overdraft facility is presented in the consolidated statement of financial position as a component of short-term credits and loans within current liabilities.

4.1.19. Prepay ments

When expenditures are incurred that are expected to generate economic benefits over several accounting periods and their relation to revenue can only be determined generally and indirectly, the costs are recognised in the consolidated statement of comprehensive income on a systematic and rational basis over time. Costs are recognised immediately in the consolidated statement of comprehensive income if the expenditure incurred does not generate any future economic benefits.

4.1.20. Assets held for sale and liabilities relating to assets held for sale

Fixed assets and groups for disposal are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be met only if a sale transaction is highly probable and the asset (or group for disposal) is available for immediate sale in its present condition. Classification of an asset as held for sale assumes the intention of the company's management to complete a sale transaction within one year of the reclassification. Fixed assets (and groups for disposal) classified as held for sale are measured at the lower of their original carrying amount and fair value less costs related to sale.

4.1.21. Equity capital

Shareholders' equity consists of:

- share capital, which is shown in the value determined in the Company's Articles of Association entered in the National Court Register,

- Share premium

- the remaining supplementary capital created in accordance with the Company's Articles of Association and the Commercial Companies Code,

- revaluation reserve, which is created in accordance with IAS,

- capital reserves created in accordance with the Company's Articles of Association and the Commercial Companies Code,

- net profits (losses),

- profits (losses) from previous years - the effects of fundamental errors are allocated to this capital, and the financial effects of changes in accounting policies are recognised.

The nominal value of the Company's capitals (except for revaluation capital) results from contracts, statutes, as well as profits or uncovered losses left in the entity.

4.1.22. Bank credits and loans

Interest-bearing bank loans and borrowings (including overdrafts) are recorded at the value of the proceeds received. Finance costs (other than those directly attributable to the acquisition or construction of property, plant and equipment), including fees payable on repayment or redemption and direct costs of borrowing, are recognised in the consolidated statement of comprehensive income by means of the effective interest method and increase the book value of the instrument, taking account repayments made in the current period.

Loans with interest rates below market rates are discounted to market rates and the difference between the discounted value and the proceeds received is reported as a government subsidy.

Loans and advances are classified as short-term liabilities unless the Group has an unconditional right to defer settlement of the liability, by at least 12 months after the balance sheet date. In that case, they are shown as long-term liabilities.

4.1.23. Borrowing costs

Borrowing costs directly related to the construction, adaptation, installation or improvement of tangible or intangible assets, for the period of construction, adaptation, installation or improvement, are recognized in the value of those assets, if the liabilities were incurred for this purpose. Other borrowing costs are recognised in the consolidated statement of comprehensive income.

4.1.24. Deferred income tax

A deferred income tax liability is recognized in full amount, by means of the liability method, for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arose from the initial recognition of an asset or liability in a transaction other than a business combination that affects neither the financial result nor tax profit (loss) - it is not reported.

Deferred income tax is determined at the tax rates (and provisions) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised if it is probable that future taxable profit will be earned, against which the temporary differences can be utilised. The value of deferred tax assets is subject to analysis at each balance sheet date, and if the expected future tax profits are not sufficient to realize an asset or part thereof, it is written down.

4.1.25. Employee benefits

The expected costs of employee benefits (anniversary bonuses, retirement benefits, etc.) are recorded over the employment period using actuarial methods. Actuarial gains and losses arising from ex post adjustments to actuarial assumptions and changes in actuarial assumptions are recognised in other comprehensive income in the statement of comprehensive income over the average expected remaining employment periods of the employees to whom they relate. The valuation of the related liabilities is carried out every six months by independent actuaries.

Employee benefits may also arise on termination of employment before the normal retirement date of an employee or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of employees in accordance with a detailed formal plan in place with no possibility of withdrawal or it is committed to pay termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits payable more than 12 months after the balance sheet date are discounted to their present value.

4.1.26. Trade payables

Trade payables, if they are not interest-bearing instruments, are recognised in the balance sheet at the amount due. If the valuation at adjusted acquisition price differs materially from the valuation at the amount due, then trade liabilities are valued at adjusted acquisition price.

4.1.27. Provisions

Provisions are recognised when the Group has a present obligation (legal or customary) resulting from past events, and when it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

No provisions are made for future operating losses.

4.1.28. Accruals

Accruals are liabilities due for goods or services which have been received (provided) in full or in part, but have not been invoiced or the terms of payment have not been formally agreed with the supplier. Accrued expenses also include amounts relating to accrued vacation pay. Accruals are recognised when the amount of the future liability and the date of payment can be reliably estimated.

4.1.29. Impairment loss of assets

At each balance sheet date, the Group assesses whether there is any objective evidence of impairment loss of an asset or a group of assets. If any such indication exists, the Group determines the estimated recoverable amount of the asset and recognises an impairment write-down in the amount equal to the difference between the recoverable amount and the carrying amount.

The impairment loss is recognised in the statement of comprehensive income for the current period. If an impairment loss subsequently reverses, the net value of the asset is increased to the new estimated recoverable amount, but not to the carrying amount of the asset that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of loss is recognised immediately in the consolidated income statement.

4.1.30. Leasing

A lease agreement is an agreement, under which the lessor transfers to the lessee the right to use an asset for an agreed period of time in return for a payment or a series of payments.

On 1 January 2019, a new standard applied by the Group, IFRS 16 "Leases", came into force, replacing the previous IAS 17 with the same title and its accompanying interpretations:

- IFRIC 4 Determining whether an agreement contains a lease;
- SKI 15 Operating Lease - special promotional offers;
- SKI 27 Evaluation of the substance of transactions using the form of lease.

With respect to lessees, the new standard introduces a single accounting model for leases based on the concept of control (benefits + power) and requires the recognition of lease assets (assets from use) and lease liabilities. The recognized asset is not a used object, e.g. a machine or a car, but the right to use it. The new standard eliminates off-balance sheet recognition of leased assets, and the division into operating and finance leases disappears for the lessee. For lessors, IFRS 16 transfers the requirements of IAS 17. The lessor will continue to classify leases into operating and finance leases. As of 1 January 2019, in addition, service-type contracts are also treated as leases. This applies in particular to lease and tenancy agreements, perpetual usufruct of land, or quasi-service agreements, such as IT and telecommunication agreements that are executed by means of fixed assets (e.g. servers, optical fibres, etc.).

IFRS 16 introduces certain simplifications and allows lessees not to apply requirements for the lease recognition, measurement and presentation to:

- short-term leases (contractual period <1 year from the start of the contract); the exemption applies consistently to the different classes of leased assets; when determining the lease term, the Group should take into account the option to extend the lease term if it is reasonably certain that it will use the extension option or will not use the termination option; any lease that includes an option to purchase the asset automatically does not qualify as a short-term lease;
- lease agreements for which the asset being
  the leased asset is of low value; the IASB stated in the Explanatory Memorandum that the maximum value of an asset qualifying for the exemption is $5'000 (the initial value of the new asset, regardless of the age of the leased asset); the exemption does not apply to items subleased. The allowable exemption for leases of short-term contracts and leases of low-value assets is intended to reduce the costs associated with implementation of the new standard without clear diminishing of the quality of the information from the financial statements. If so, the lessee shall recognise the lease payments in the income statement by means of the a straight-line method over the lease term or on a systematic basis if that is more representative.

Upon conclusion of an agreement, the Group assesses whether the agreement is a lease or
whether it contains a lease. A lease is an agreement or part of an agreement, under which the right to use an asset for a given period is transferred in return for remuneration. The assessment consists in checking whether the right to exercise control over the use of a given asset for a given period, i.e. for the Group's entire useful life, is transferred under the agreement:

- has the right to obtain substantially economic benefits from the use of the identified asset (the benefit element);
- has the right to direct the use of the identified asset (power element).

Leases that transfer substantially all the risks and rewards incidental to ownership of leased assets to the Group are recognized as assets and liabilities at the commencement of the lease term. The value of assets and liabilities is determined at the starting day of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability so as to produce a constant interest rate on the remaining balance of the liability. Contingent lease payments are recognized as an expense in the period in which they are incurred.

Fixed assets used under lease agreements are depreciated according to the same principles as applied to the Group's own assets. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term then the asset is depreciated over the shorter of the estimated useful life of the fixed asset and the lease term.

Leases under which the lessor retains substantially all the risks and gains incidental to ownership of the leased asset are classified as operating leases. Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

4.1.31. Recognition of revenue

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will be obtained by the Group and the amount of revenue can be measured reliably.

Revenues from sales comprise the fair value of revenue from the sale of products, goods and services, less VAT, rebates and discounts, and less excise tax. Revenue is recognized as follows:

a) revenues from sales of products and goods

In accordance with IFRS 15 "Revenue from contracts with customers" from 1 January 2018 the Group recognises revenue from contracts with customers when the performance obligation is fulfilled by transferring the promised goods to a buyer, where this transfer simultaneously means that the buyer obtains control of the asset, i.e. the ability to directly dispose of the transferred asset and obtain substantially all other benefits from it and the ability to prevent other entities from disposing of the asset and obtaining benefits from it.

As a performance obligation, the Group recognizes any contractual promise to transfer separately identifiable goods or groups of separately identifiable goods to the customer, if they are substantially the same and transferred to the customer in the same manner. For each performance obligation, a Group entity determines (based on the contractual terms) whether it will perform the obligation over time or whether it will meet the obligation at a specified point in time.

Revenue from sale of products, goods and materials is recognised in the financial result on a one-off basis, at a specific moment in time, consistent with the fulfilment of the performance obligation.

b) revenues from sales of services

In accordance with IFRS 15 "Revenue from contracts with customers" from 1 January 2018 the Group recognises revenue from contracts with customers when the performance obligation is fulfilled by transferring the promised service to a buyer, where this transfer simultaneously means that the buyer obtains control of the asset, i.e. the ability to directly dispose of the transferred asset and obtain substantially all other benefits from it and the ability to prevent other entities from disposing of the asset and obtaining benefits from it.

As a performance obligation, the Group recognizes any contractual promise to transfer separately identifiable services or groups of separately identifiable services to the customer, if they are substantially the same and transferred to the customer in the same manner. For each performance obligation, a Group entity determines (based on the contractual terms) whether it will perform the obligation over time or whether it will meet the obligation at a specified point in time.

Revenues from the sale of services are recognised in profit or loss over time if one of the following conditions is met:

- the customer simultaneously receives and benefits from the economic advantages of the Group's benefits as it performs its obligation, or

- the Group's obligation results in the creation or improvement of an asset (e.g. work in progress) and customer's control over that asset as it is created or improved; or

- as a result of the Group fulfilment of its obligation, an asset arises that has no alternative use by the Group and at the same time the Group has an enforceable right to receive payment for the service already rendered.

IFRS 15 "Revenue from Contracts with Customers" for sales of products and goods and sales of services established the so-called Five Step Model, which the Group has been applying since 1 January 2018:

- verification of customer contracts for completeness and correctness, taking into account the probability of receipt of payment;
- definition of the subject matter of the contract, i.e. the Group's provision of services to customers (in some cases it may be necessary to analyse several

contracts and recognise revenue as if it arose from a single contract with the customer);

- determination of the transaction price, i.e. the remuneration the Group expects to receive, taking into account the fixed or variable nature of the price, its form (monetary and/or non-monetary) as well as the time value of money in a situation where a counterparty has been granted extended trade credit;
- allocation of the contract price to individual benefits/obligations under the contract - assignment of revenue to particular benefits on the basis of their unit selling price, and in the case of discounts and other elements changing the price - analysis of which benefits are affected by these elements and then their appropriate allocation;
- recognition of revenue in the books and financial statements in the moment the Group fulfils its performance obligation (after the goods are transferred to the counterparty or the service is provided to the counterparty).

Revenue from contracts with customers in the consolidated statement of comprehensive income includes revenue arising from the Group's ordinary operating activities, i.e. revenue from the sale of products, goods and materials.

Revenue from contracts with customers is recognised at an amount equal to the transaction price (including any discounts and rebates).

The transaction price also reflects the of money in time if the contract with the customer includes a significant financing element that is determined by the contractual terms of payment, whether or not explicitly stated in the contract. The financing element shall be regarded as significant if, at the time of entering into the contract, the period between the transfer of the promised good or service to the customer and the customer's payment for that good or service is more than one year.

In accordance with IFRS 15, if the consideration specified in the contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer and includes part or whole of the variable remuneration in the transaction price only to the extent that it is highly probable that a significant portion of the amount of previously recognised cumulative revenue will not be reversed when the uncertainty of the remuneration ceases.

c) Interest income

Interest income is recognised on an accrual basis by means of the effective interest method. When receivables become impaired, the Group reduces the carrying amount of the receivable to its recoverable amount, equal to the estimated future cash flows discounted at the instrument's original effective interest rate, and the discount amount is gradually expensed against interest income. Interest income on impaired loans is recognised on a cash basis or on a recovered cost basis, as appropriate.

d) dividend

Dividend income is recognised when the right to receive payment is acquired (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

4.1.32. Other operating revenues

Other operating revenues include revenue and profit not related directly to the operating activities of the Group. This category includes e.g. profits from sale of fixed assets, profits from revaluation of assets, reversal of write-downs of receivables, received damages, overpaid tax liabilities excluding corporate income tax, etc.

4.1.33. State subsidies

Subsidies are not recognised until it is reasonably sure that the Group will comply with the necessary conditions and receive such subsidies.

Governmental subsidies are recognised in profit or loss on a systematic basis for each period in which the Group recognises expenses as costs to be offset by a subsidy. In particular, subsidies, whose primary condition is the purchase, construction or other acquisition of fixed assets are recognized as deferred revenue in the consolidated statement of financial position and are charged to earnings on a systematic basis at reasonable amounts over the economic life of the related assets.

Governmental subsidies payable as compensation for expenses or losses already incurred or as a form of direct financial support for the Group without future related costs are recognized in the profit and loss for the period when they become due.

Benefits resulting from the receipt of preferential loans below market interest rates are treated as subsidies and are measured as the difference between the value of the loans received and the fair value of the loans determined according to the appropriate market interest rate.

4.1.34. Costs

The Group presents cost accounting by function. Costs arising from the core business include own cost of sales, selling and distribution expenses and general and overheads.

4.1.35. Other operating costs

Other operating costs include costs and losses not related directly to the operating activities of the Group. This category includes losses on the disposal of fixed assets, losses on the revaluation of assets and liabilities, revaluation write-downs on receivables, donations made, effects resulting from guarantees and sureties, etc.

4.1.36. Financial costs

Interest, dividend and investment expenses are presented under "financial costs".

4.1.37. Financial revenues

Financial income includes income from received dividend, interest on investment activities and foreign exchange gains.

4.1.38. Profit per one share

Profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the Group, as there are no preference shares.

4.1.39. Estimates and associated assumptions

The Group makes estimates and assumptions based on historical experience and various other factors that are considered to be reasonable under the circumstances, the results of which provide a basis for judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The actual value may differ from the estimated value.

Estimates and related assumptions are subject to ongoing review. A change in accounting estimates is recognized in the period in which they have been changed.

In the reporting period, the Group tested its fixed assets for impairment and no impairment has been found.

Inventory revaluation write-downs take into account the degree of impairment.

Revaluation write-downs for receivables were updated in the amount covering the degree of risk related to the recipients' failure to make a payment.

Provisions for retirement benefits and anniversary bonuses were updated based on actuarial calculations as at 31 December 2020. To discount future benefit payments, the discount rate was adopted at the level of the average profitability of the safest long-term securities listed on the Polish capital market as at the measurement date.

The provisions for unused annual leaves were updated based on the foreseen employees' salaries with overheads payable by the employer for unused annual leaves as of 31.12.2020.
as of 31.12.2020.

The Group considers the deferred tax assets under the assumption that the tax profit will be made in the future allowing these assets to be used.

The Group annually verifies the periods of economic usability for fixed and intangible assets. The last update took place on 31 December 2020.

4.1.40. Cash flow statement

The Group prepares a cash flow statement using the indirect method by operating, investing and financing activities.

Cash flows from operating activities are primarily derived from core activities. They do not include external sources of funding.

Cash flows from investing activities are primarily:

- cash paid and received due to acquisition (disposal) of property, plant and equipment, intangible assets and other fixed assets,
- cash related to the purchase or sale of equity instruments,
- received dividend,
- loans granted to third parties,
- cash from settlement of forward contracts.

Cash flows from financing activities relate primarily to external financing sources. They included, but are not limited to:

- proceeds from the issue of shares (none in the presented period),
- expenses for purchase of own shares (none in the presented period),
- dividends and other payments to stockholders,
- borrowing and repayment of loans,
- subsidies and all other non-refundable receipts from external sources of funding.

4.1.41. Reporting on operation segments

Four branches are specified in PEPEES Capital Group that is: "potato processing", "production of electricity", "agricultural farming combined with animal breeding" and "purchases an sales of real properties for own account".

The segment "power generation" includes all assets and liabilities of CHP Energia. As at 31.12.2020, this segment has been presented in accordance with IFRS 5 as discontinued operations. Assets of CHP Energia were presented in the statement of financial position as Assets held for sale and liabilities as Liabilities associated with assets held for sale.

The segment "farming connected with livestock breeding" includes all assets and liabilities of Gospodarstwo Rolne Ponary, the segment "purchase and sale of real property" includes all assets and liabilities of Pepees Inwestycje Sp. z o.o., and the segment "potato processing" includes all remaining assets and liabilities shown in the consolidated financial statement.

Because during 2020 Ponary did not generate any revenues from sale, the segment of "agricultural farming combined with animal breeding" was not separated in revenues and results of the segments. Due to the value of land owned by Ponary, the third segment was separated in this statement exclusively to show its assets and liabilities.

4.2. Application of the new accounting standards in 2020

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The application of new interpretations and amendments to standards in 2020 had no impact on the financial position of the PEPEES Capital Group.

4.3. New accounting standards and interpretations not used in this statement

- Amendments to IAS 1 and IAS 8 - definition of term "significant". Amendment has not been approved by the European Commission.
- Amendments to IFRS 3 "Business combinations" - definition of a business. Amendment has not been approved by the European Commission.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - reform of IBOR. Amendment has not been approved by the European Commission.
- IFRS 17 "Insurance agreements" This Standard defines a new approach to recognition, pricing, presentation and disclosure of insurance agreements

According to the Group's estimates, the aforementioned standards, amendments to current standards and interpretation would not have significant impact on the financial statement, if they were applied by the Company as at the balance sheet date.

4.4. Changes in applied accounting principles, correction of errors and presentation

PEPEES Capital Group did not adjust errors from previous years. The Group did not change previously applied accounting principles save for application of the new or amended standards or interpretations applicable to annual periods commencing on 1 January 2020 or afterwards

4.5. Financial instruments

4.5.

The main financial instruments used by the Group include bank loans, leasing, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also holds other financial instruments, such as trade receivables and trade liabilities, which arise directly from its operations.

Financial assets	As of 31 December 2020	As of 31 December 2019

Assets measured at cost of purchase-		-
Financial assets measured at fair value through the financial result	45 942	50 234
Financial assets measured at amortised cost	25 100	25 704
Total financial assets	**71 04275**	**938**

Financial assets reported in the financial statements as:	As of 31 December 2020	As of 31 December 2019
Investment in other entities	625	613
Other financial assets	6 970	5 838
Trade receivables	19 161	20 506
Other receivables	7 378	6 227
Loans granted	311	721
Cash and cash equivalents	18 350	42 033
Assets held for sale*	18 247	-
Total financial assets	**71 042**	**75 938**

**) CHP Energia's assets have been reclassified to "Assets held for sale".*

Financial assets	As of 31 December 2020	As of 31 December 2019
Financial liabilities measured at amortised cost	173 026	160 960
Total financial liabilities	**173 026 160**	**960**

Financial liabilities reported in the financial statements as:	As of 31 December 2020	As of 31 December 2019
Long-term credits and loans	11 134	24 789
Lease liabilities	19 678	18 742
Trade payables	14 609	7 424
Short-term credits and loans	104 514	104 815
Other short-term liabilities	5 609	5 190
Liabilities related to assets held for sale*	17 482	-
Total financial liabilities	**173 026**	**160 960**

**) CHP Energia's liabilities have been reclassified to "Liabilities associated with assets held for sale"*

4.6. Reporting on the business segments

There are four segments in the PEPEES Group, that is: "potato processing", "electricity production" (as at 31.12.2020 this segment was presented in compliance with IFRS 5 as discontinued operations),
"farming with livestock breeding" and "purchase and sale of real property for own account".

4.6.1. Information on products and services

PEPEES Capital Group operates mainly in the "potato processing" segment. The following products are made within this segment:

- potato starch used in households and in

food, pharmaceutical, paper and textile industries, a few types of glucose used in
- food, confectionery and pharmaceutical industries;
- maltodextrin, which is an essential ingredient of powdered products (ice cream, sauces, soups, fruit extracts, flavoured toppings) and nutrients and vitamin and mineral products for children and athletes.
- protein obtained from potato cellular sauce by coagulation, separation and drying; it is a valuable component of food mixes for animals and an excellent substitute for animal protein, wide offer of starch syrups used in confectionery and bakery industries;
- granulated dehydrated potatoes, potato flakes, potato cubes and dumplings;
- products used in the food industry. The remaining areas of

operations include:

- heat generation, mostly for own needs; some is sold to neighbouring plants (as at 31.12.2020 the segment was presented in compliance with IFRS 5 as discontinued activities);
- works and services;
- sale of certain goods and materials, cultivation and
- sale of annual plants,
- sale and purchase of real property.

Revenues and results by segments

Segment	Revenues		Profit in the segment	
	For the period of months ended on 31 December 2020	For the period of months ended on 31 December 2019	For the period of months ended on 31 December 2020	For the period months ended on 31 December 2019
Processing of potatoes	204 356	225 291	8 470	36 819
- including but not limited segments	*709*	*707*		-
Production of electricity (in 2020 discontinued activities - CHP Energia)	7 646	7 473	(1 234)	(1 521)
- including but not limited segments	*358*	*358*		-
Purchases and sales of real property on own account	-	282	(9)	192
Revenues from sales	**210 935**	**231 981**	**7 227**	**35 490**
Other operating revenues			3 800	1 141
Other operating costs			(901)	(1 376)
Financial revenues			3 979	981
Financial costs			(5 200)	(3 700)
Profit (loss) before tax			**8 905**	**32 536**

4.6.3. Assets and liabilities by segments

Segment assets	As at 31 December 2020	As of 31 December 2019
Potato processing	343 800	348 026
Electricity generation (discontinued operations - in 2020 assets presented as assets held for sale)	18 247	13 703
Farming connected with livestock breeding		
Sale and purchase of real property for own account	2 556	1 762
	235	131
Total assets of the segments	**364 838**	**363 622**

Liabilities of the segments	State as at 31 December 2020	As of 31 December 2019
Potato processing	154 452	164 131
Electricity generation (discontinued operations - in 2020 liabilities presented as liabilities associated with assets held for sale)	17 482	18 870
farming combined with livestock breeding	-	-
Purchase and sale of real property on own account	-	
	80	
Total liabilities of segments 171 934 183 081		

The "electricity generation" segment comprises all assets and liabilities of CHP Energia that as at 31.12.2020 were presented in the statement of financial position as "Assets held for sale" and "Liabilities associated with assets held for sale".

The segment "farming connected with livestock breeding" includes all assets and liabilities of Gospodarstwo Rolne Ponary, the segment "purchase and sale of real property" includes all assets and liabilities of Pepees Inwestycje Sp. z o.o., and the segment "potato processing" includes all remaining assets and liabilities shown in the consolidated financial statement.

Because during 2019 Ponary did not generate any revenues from sale, the segment of "agricultural farming combined with animal breeding" was not separated in revenues and results of the segments. Due to the value of land owned by Ponary, the third segment was separated in this statement exclusively to show its assets and liabilities.

4.6.4. Other information about the segments

Segment	Depreciation		Increase of fixed assets	
	2020 year	2019 year	2020 year	2019 year
Potato processing14	014 11	828 9	352 29	173

Electricity generation (in 2020 discontinued activities)	1 439 1 562	12 227
Total continued operations	**15 453 13 390**	**9 364 29 400**

Revenues by products

Revenues from sales Name of product or service	For 12 months ended on December 2020	For 12 months ended on 31 December 2019
Starch	117 694	142 827
Protein	14 250	8 208
Glucose	10 585	9 474
Maltodextrin	22 575	19 894
Potato flakes	5 568	8 925
Starch syrups	4 836	5 884
Dried potatoes (granulate, cubes,	12 295	8 877
Feeds and fertilizers	257	727
Electricity	3 711	3 540
Property rights (electricity and heat)	2 496	2 626
Goods and materials	15 000	19 176
Services	1 668	1 823
Total	**210 935**	**231 981**

4.6.6. Revenues from sales by territory

Specification	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
Poland, including 149	**404 154**	**696**
Starch 73	279 80	807
Protein	9 638	6 039
Glucose 9	179	8 513
Maltodextrin 18	08516	048
Potato flakes	3 964	8 054
Starch syrups	4 836	5 884
Dried potatoes (granulate, cubes, dumplings)	12 2118	824
Feeds and fertilizers	257	727
Electricity	3 711	3 540
Property rights (electric power and heat)	2 496	2 626
Goods and materials 10	080 11	811
Services 1	668	1 823
EU countries - intra-Community supplies, including:	**12 984 19**	**299**
Starch 5	918	13 020
Protein	1 588 929	
Maltodextrin 4	026	3 668
Glucose	964	619
Potato flakes	352	860
Dried potatoes (granulate, cubes, dumplings)		74 53

Goods	62	150
Remaining countries - export	**48 547**	**57 986**
Starch 38	497 49	000
Protein	3 024	1 240
Glucose	442	342
Maltodextrin	464	178
Potato flakes	1 252	11
Dried potatoes (granulate, cubes, dumplings)	10-	
Goods 4 858 7 215		
Total 210 935 231 981		

4.6.7. Information on main customers

The Group does not have a customer revenues from which would exceed 10% of total revenues. However, in the group of individual products, there are customers accounting for more than 10% of sale of a given product. And so:

- more than 10% of protein was sold to each of the three domestic counterparties (17.3%; 14.1% and 13.3% respectively),
- more than 10% of maltodextrin was sold to each of the three domestic counterparties (25.3%; 15.1% and 13.1% respectively),
- more than 35% of syrup was sold to one domestic counterparty.

4.7. Explanatory notes to the consolidated statement of the financial position

4.7.1. Tangible fixed assets

TANGIBLE FIXED ASSETS	As of 31 December 2020	As of 31 December 2019
a) fixed assets, including:	150 379	174 548
- land	21 429	22 529
- buildings, premises and civil engineering works	58 633	64 941
- technical plant and machinery	66 516	80 046
- means of transport	3 062	3 796
- other fixed assets	739	3 236
b) fixed assets under construction	8 464	4 906
Total tangible fixed assets	**158 843**	**179 454**

CHANGES IN FIXED ASSETS (BY TYPE)	land	buildings, premises and civil engineeri ng works	technical plant and machinery	means of transport	other fixed assets	Total
As of 1 January 2019						
~~**Gross value 22**~~	~~**528**~~	~~**101 892**~~	~~**109 389 6**~~	~~**790 4**~~	~~**726 245**~~	~~**325**~~
Redemption		**038 619 53**	**6383**	**394 1**	**417 97**	**068**
Net book value	**22 528**	**63 273**	**55 751**	**3 396**	**3 309 148**	**257**
Year 2019						

Gross value at the beginning of the	22 528	101 892	109 389	6 790	4 726	245 325
Increase (due to)	-	5 614	35 594	2 230	232	43 670
- investments		3 659	11 175	4	42	14 880
- purchase		1 955	23 150	734	190	26 029
- leasing		-	1 269	1 492	-	2 761
Decrease (due to)	-	119	4 583	712	45	5 459
- sale		-	3 286	225	8	3 519
- liquidation		119	1 297	487	37	1 940
Derecognition of the redemption of sold and liquidated fixed assets		(90)	(637)	(518)	(37)	(1 282)
Depreciation		3 917	7 353	1 636	297	13 203
Net book value at the end of the period	22 528	64 941	80 046	3 796	3 236	174 547
As of 31 December 2019						
Gross value	**22 528**	**107 387**	**140 400**	**8 308**	**4 913**	**283 536**
Redemption	**-**	**42 446**	**60 354**	**4 512**	**1 677**	**108 989**
Net book value	**22 528**	**64 941**	**80 046**	**3 796**	**3 236**	**174 547**
2020						
Gross value at the beginning of the	22 528	107 387	140 400	8 308	4 913	283 536
Increase (due to)	-	2 480	6 168	1 074	86	9 808
- investments		1 564				1 564
- purchase		916	1 981	659	86	3 642
- leasing			4 187	415		4 602
Decrease (due to)	-	331	4 338	1 362	10	6 041
- sale		54	3 374	48	8	3 484
- liquidation		277	964	1 314	2	2 557
Derecognition of the redemption of sold and liquidated fixed assets		(276)	(1 262)	(1 191)	(10)	(2 739)
Depreciation	-	4 235	8 961	1 604	305	15 105
Net book value at the end of the period	22 528	63 131	74 177	3 095	3 017	165 948
State as at the end of 2020 (before reclassification of CHP Energia's fixed assets to assets held for sale)						

Gross value	**22 528**	**109 536**	**142 230**	**8 020**	**4 989**	**287 303**
Redemption	**-**	**46 405**	**68 053**	**4 925**	**1 972**	**121 355**
Net book value	**22 528**	**63 131**	**74 177**	**3 095**	**3 017**	**165 948**
Reclassification of CHP Energia's fixed assets to assets held for sale*						
Gross value	(1 100)	(5 858)	(13 163)	(230)	(2 670)	(23 021)
Redemption	-	(1 360)	(5 502)	(197)	(392)	(7 451)
Net book value	(1 100)	(4 498)	(7 661)	(33)	(2 278)	(15 570)
As of 31 December 2020 (after reclassification)*						
Gross value	**21 428**	**103 678**	**129 067**	**7 790**	**2 319**	**264 282**
Redemption	**0**	**45 045**	**62 551**	**4 728**	**1 580**	**113 904**
Net book value	**21 428**	**58 633**	**66 516**	**3 062**	**739**	**150 378**

**) All CHP Energia's assets (including fixed assets) have been reclassified to "Assets held for sale".*

At the time of transition to IFRS, the fair value of fixed assets valued by an expert was adopted as the assumed cost. The difference from valuation less deferred income tax was charged to equity.

In the reporting period, depreciation write-downs increased the costs of products, goods and materials sold, selling and marketing expenses and overheads.

Charges to property, plant and equipment due to bank borrowings:

- contractual mortgage in the amount of PLN 58,500 thousand in favour of Bank Zachodni WBK S.A. (now Santander Bank Polska S.A.),
- contractual mortgage in the amount of PLN 58,500 thousand in favour of PKO Bank Polski S.A.,
- contractual mortgage in the amount of PLN 8,288 thousand PLN in favour of Spółdzielczy Bank Rozwoju Branch in Szepietowo,
- contractual mortgage in the amount of PLN 6,761 thousand in favour of Bank Spółdzielczy w Brańsk,
- contractual mortgage in the amount of PLN 6,761 thousand in favour of Bank Spółdzielczy Branch in Andrzejewo,
- contractual mortgage in the amount of PLN 15,795 thousand in favour of PKO Bank Polski S.A.,
- registered pledge on fixed assets in the amount of PLN 9,822 thousand in favour of BNP PARIBAS,
- registered pledge on fixed assets in the amount of PLN 15,227 thousand in favour of Spółdzielczy Bank Rozwoju in Szepietowo
- contractual mortgage in the amount of PLN 1,360 thousand in favour of Spółdzielczy Bank Rozwoju Branch in Szepietowo,
- contractual mortgage in the amount of PLN 5.100 thousand in favour of Spółdzielczy Bank Rozwoju Branch in Szepietowo,
- contractual mortgage in the amount of PLN 1.700 thousand in favour of Spółdzielczy Bank Rozwoju Branch in Szepietowo,
- registered pledge on machinery and equipment for the amount of PLN 15,631 thousand in in favour of Spółdzielczy Bank Rozwoju in Szepietowo.

In connection with the acquisition of property, plant and equipment, investment loans were taken, whose outstanding amount as at the reporting date is PLN 17,563 thousand, of which PLN 8,341 thousand was presented in the statement of the financial position, while amount of PLN 9,222 thousand was recognized as liabilities associated with assets held for sale. As at 31.12.2020 the outstanding amount of investment loans was PLN 20,738 thousand)

In the consolidated statement of comprehensive income, the item of
"Other operating income" includes compensation received from an insurance company for impairment of property, plant and equipment due to force majeure events in the amount of PLN 92 thousand (2019: PLN 56 thousand).

4.7.2. Intangible assets

INTANGIBLE ASSETS	As at 31 December 2020	As of 31 December 2019
a) acquired concessions, patents, licences and similar assets, including:	203	214
~~- computer software 124~~		~~130~~
b) gas emission rights	296	202
Intangible assets, total	**499**	**416**

CHANGES IN INTANGIBLE ASSETS

	costs of completed development work	goodwill	acquired concessions, patents, licences, including: computer software	Gas emission rights	Total
As of 1 January 2019					
Gross value-		-	643	323	966
Redemption- -432-432					
Net book value					
Year 2019					
Gross value at the beginning of the period Increase (due to)	--643		323	966	
--211 323 534	--28		558	586	
- purchase	-	-	28	558	586
Decrease (due to)	-	-	-679 679		
- sales					-
- use				679	679
Depreciation			25		25
Net book value at the end of the period					
As of 31 December 2019					-
--214 202 416					
Gross value	**-**	**-671 202 873**			
Redemption	**-**	**-457-**	**457**		
Net book value	**-**	**-214 202 416**			
Year 2020					
Gross value at the beginning of the period Increase (due to)	--671		202	873	
	--15		927	942	
- purchase	-	-	15	927	942

Decrease (due to)					
	-	-	-833 833		
- use			-	833	833
Depreciation-		-26-26			
Net book value at the end of the period					
As of 31 December 2020					-
--203 296 499					
Gross value	**-**	**-686 296 982**			
Redemption	**-**	**-483-**	**483**		
Net book value	**-**	**-203296499**			

All amortization of intangible assets is included in "overheads" in the consolidated statement of comprehensive income.

Rights to assets

Detailed information is presented in Note 13.a) of this statement.

Investment property

Investment property	As at 31 December 2020	As of 31 December 2019
Investment property	583	593
Total investment property	**583**	**593**

The investment property comprises the value of an apartment owned by the Issuer in Poznań, which is leased out (PLN 383,000) and the value of ponds owned by PPZ Bronisław, located in Roje, Miłakowo commune (PLN 200,000).

4.7.5. Goodwill

Goodwill on consolidation arose from the acquisition of subsidiaries.

Name of subsidiary	As at 31 December 2020	As at 31 December 2019
CHP Energia Sp. z o.o.	6 120	6 120
PPZ BRONISŁAW Sp. z o.o.	486	486
Gospodarstwo Rolne PONARY Sp. z o.o.	879	879
Write-down of goodwill in CHP Energia Sp. z o.o.	(4,345)	(4,345)
Write-down of goodwill in Gospodarstwo Rolne PONARY Sp. z o.o.	(45)	-
Total 3	**095 3**	**140**

The Company performed impairment test of goodwill and financial assets held in each of its subsidiaries.

The impairment test of assets in ZPZ Lublin was carried out by means of the discounted cash flow ("DCF") method based on the projections prepared by the company's management board for the years 2021-2025. Management board forecasts CAGR for revenue of -0.6% (revenue decline by 12% in 2021) and an EBIT in the range of 4.0% - 4.2%. For the purpose of the test, the discount rate (WACC before tax) was defined at the level of 9.38%, while the parameter of growth of cash flows after the forecast period was assumed at the level of 2%.

In case of PZZ Bronisław, the impairment test of assets was carried out by means of the discounted cash flow ("DCF") method based on the projections prepared by the company's management board for the years 2021-2025. Management board forecasts CAGR for revenue of 5.0% and an EBIT in the range of 2.8% - 10.2%. For the purpose of the test, the discount rate (WACC before tax) was defined at the level of 9.7%, while the parameter of growth of cash flows after the forecast period was assumed at the level of 2%.

The test for impairment of assets in Gospodarstwo Rolne PONARY was performed through estimation of the recoverable amount as the fair value of the company's equity minus the costs of bringing the asset to sale. The fair value of the company's equity was determined on the basis of the method of adjusted net asset value, taking into account the market value of the property rights estimated by a property appraiser.

The value of shares in CHP Energia, due to the classification of the company's shares as assets held for sale, was measured in accordance with IFRS 5, as described in note 10.11.

4.7.6. Investment in other entities

Change of investment in other entities	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
a) As at the beginning of the period	6 451	5 549
- shares 6 201 5 549		
- bonds 250-		
b) increase	:946 902	
- shares 946 250		
- purchase of bonds	-	250
- share value update 198 402		
c) decrease:	-	-
d) at the end of the period 7	**595 6**	**451**
- shares 7	345 6	201
- bonds 250 250		

INVESTMENT IN OTHER ENTITIES	As at 31.12.2020	As at 31. 12. 2019
Shares (measured at fair value through profit or loss):	**7 3456**	**201**
Bank Polskiej Spółdzielczości 75 75		
Warszawski Rolno-Spożywczy Rynek Hurtowy in Bronisze	6 970 5	838
Zakłady Mięsne Ostrołęka S.A.	37 37	
Agencja Rozwoju Regionalnego S.A.	1	1
Spółdzielczy Bank Rozwoju 262		250
Bonds (measured at amortised cost):	**250**	**250**
Spółdzielczy Bank Rozwoju 250 250		
Total	**7 595 6**	**451**

"PEPEES" S.A. holds 4,000 non-preferred shares in "Warszawski Rolno- Spożywczy Rynek Hurtowy" Spółka Akcyjna with its registered office in Bronisze ("WRSRH") with a nominal value of PLN 4,000 thousand acquired for the price of PLN 3,475 thousand (of which 1,000 shares were acquired on 27 July 2020 for the price of PLN 925 thousand).

The fair value of the package of shares held by "PEPEES" S.A. as at 31 December 2020 was estimated by an independent actuary at PLN 6,970 thousand. The revaluation of the aforementioned shares in the amount of PLN 198 thousand was recognized in financial income for 2020.

These shares account for 2.5% of WRSRH's capital and 1.6% of votes at the Annual General Meeting. WRSRH's main owner is the State Treasury that holds more than 71,83% share in the capital. PEPEES does not exercise control over WRSRH. This investment is measured at fair value through profit or loss and is shown in short-term assets.

The Company also holds shares and bonds of SBR Bank Spółdzielczy in Szepietowo for the total amount of PLN 512 thousand. This is a long-term investment.

The Company still holds shares in three other entities, which account for less than 5% of the total number of votes at the general meeting and they are not significant due to the Company's value and investment policy. Accordingly, these shares have been presented in the statement at the transaction price.

4.7.7. Inventories

Inventories	As of 31 December 2020	As of 31 December 2019
a) materials	3 875	4 960
b) semi-finished products and work in progress	799	792
c) finished products	100 068	72 138
d) goods	5 760	8 524
Gross value of inventories	**110 502**	**86 414**
Revaluation write-downs	**(304)**	**(521)**
Net value of inventories	**110 198**	**85 893**

The value of inventories considered as a cost in the reporting period was PLN 154 542 thousand (in 2019 – PLN 148 522 thousand).

The amount of revaluation write-downs recognised as costs during the period amounted to PLN 1,109 thousand and in 2019 - PLN 633 thousand respectively.

The amount of reversal of revaluation write-downs of inventories in 2020 was PLN 1,200 thousand (2019 - PLN 488 thousand).

The value of revaluation write-downs as at 31.12.2020 amounted to PLN 304 thousand (31.12.2019 - PLN 521 thousand).

The carrying amount of inventories pledged as security for repayment of bank loans is PLN 52,759 thousand (31.12.2019 - PLN 46,602 thousand).

Charges to inventories due to bank borrowings:

- registered pledge on the stock of potatoes, finished products and semi-finished products in favour of Powszechna Kasa Oszczędności Bank Polski S.A., as security for a loan, with a related debt of as at 31.12.2020 amounting to PLN 25,873 thousand,
- registered pledge on the stock of materials, finished products and goods in favour of Bank Zachodni WBK S.A. (now Santander Bank Polska S.A.) as security for loans, with a related debt as at 31.12.2020 amounting to PLN 26,886 thousand.

Biological assets

☰

Plant assets	As of 31 December 2020	As of 31 December 2019
Biological assets	338	322
Total	**338**	**322**

Since March 2014 "PEPEES" S.A. has leased a farm and since March 2018 - new land, on which annual plants were sown. The seeds purchase and cultivation costs as at the balance sheet date were PLN 7,218 thousand, revenues from agricultural activity PLN 3,656 thousand, and the fair value of inventories was about PLN 22 thousand. The biological assets are shown in the statement at fair value.

4.7.9. Trade receivables and other short-term receivables

Trade receivables and other short-term receivables	As of 31 December 2020	As of 31 December 2019
Trade receivables	19 161	20 506
Other receivables	7 378	6 227
Advances 1	333 1	740
Total 27	**872 28**	**473**

CURRENCY STRUCTURE OF TRADE RECEIVABLES	As of 31 December 2020	As of 31 December 2019
a) in Polish currency	14 149	15 887
b) in foreign currencies (by currency and after conversion to PLN)	5 012	4 619
B1. unit/currency USD/thousand	637	394
PLN thousand	2 260	1 454
B2. unit/currency EUR/thousand	633	767
PLN thousand	2 752	3 165
Short-term receivables, total	**19 161**	**20 506**

GROSS TRADE RECEIVABLES WITH THE DUE PERIOD AT THE BALANCE SHEET DATE:	As of 31 December 2020	As of 31 December 2019
a) up to 1 month 10	042 15	037
b) above 1 month to 3 months	3 037	2 546
c) above 3 months to 6 months	-	-
d) over 6 months to 1 year 136		-
e) over 1 year- 50		
f) overdue receivables	6 607	4 855
Total trade receivables (gross)	19 822	22 488
g) revaluation write-downs of trade receivables	(661)	(1 982)
Total trade receivables (net) 19 161 20 506		

Overdue receivables without revaluation write-downs include receivables from debtors with whom the Group has done business for a few years and the assessment of their business and financial condition does not indicate that these receivables are doubtful. The overdue period ranges from a few days to three months.

Other receivables

Other receivables	As at 31 December 2020	As of 31 December 2019
- related to taxes, subsidies, customs duties, social and health insurance and other benefits	6 992 5	841
- other 386		386
Other net short-term receivables, total	**7 378 6**	**227**
- revaluation write-downs of other receivables		
Other gross short-term receivables, total	-	-
	7 378 6	**227**

Receivables submitted to litigation

Receivables submitted to litigation	As of 31 December 2020	As of 31 December 2019
Gross receivables submitted to litigation		135 45
revaluation write-downs of other receivables	(135)	(45)
Receivables submitted to litigation, total	**-**	**-**

Revaluation write-downs of receivables

Change of revaluation write-downs of short-term receivables	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
State at the beginning of the period	**2 028**	**1 093**
a) increases (due to	**) 318 1**	031
- established for bad debts related to trade receivables	318	1 017
- for interest due	-	-
- for receivables in litigation	-14	
b) Decrease (due to)	1 549	96
- dissolution of provision as a result of payment	130	76
- use as a result of redemption or sale of receivables		551-
- release of write-downs for CHP Energia's receivables as a result of revaluation to a value that will be recovered - assets classified as held for sale	868-	
- cancellation	-	20
Revaluation write-downs of short-term receivables at the end of the period	**7972**	**028**

Increases and decreases in revaluation write-downs of receivable are recognised in the statement of comprehensive income under the item "other operating costs".

Prepayments

PREPAYMENTS	As at 31 December 2020	As of 31 December 2019
a) long-term, including:	-	-
b) short-term, including	:1 3331	740
- farm rent	618	624
- departmental costs of seasonal production	286 77	
- prepayments for deliveries	303	451
- property insurance	32	277
- periodic inspection of equipment-233		
- other	9478	
Total 1	**333 1**	**740**

4.7.10. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	As at 31 December 2020	As of 31 December 2019
Cash at bank and in hand 16	463 9	590
Short-term deposits	1 887 32	443
Total cash and cash equivalent	**18 350 42**	**033**
- including of limited availability	*1 500*	-

Short-term deposits are created for various periods ranging from one day to several months, depending on the company's current cash demand, and bear interest at the rates set for them.

In the reporting period, a deposit agreement of 22.09.2020 was concluded between "PEPEES" S.A. and Spółdzielczy Bank Rozwoju in Szepietowo (SBR) . Under the agreement, the Issuer transferred to the account of the SBR Bank the amount of PLN 1.5 million as a deposit, constituting a security for the repayment of the working capital loan of PLN 1,300 thousand The deposit was granted by SBR to the subsidiary CHP Energia Sp. z o.o. The deposit will be returned to the Issuer upon the sale of shares in CHP Energia (more in Section 10.11 Assets held for sale).

CASH AND CASH EQUIVALENTS (BY CURRENCY)	As of 31 December 2020	As of 31 December 2019
a) in Polish zloty	17 560	34 976
b) in foreign currencies (by currencies and after conversion into PLN)	790	7 057
B1. unit/currency USD/thousand	56	737
PLN thousand	194	2 717
B2. unit/currency EUR/thousand	135	1 049
PLN thousand	596	4 340
Total cash and cash equivalent	**18 350**	**42 033**

4.7.11. Assets held for sale

The total assets of CHP Energia as at 31.12.2020 were presented in statement of financial position as assets held for sale.

ASSETS HELD FOR SALE (CHP Energia's assets)	As at 31.12.2020	Share %
Tangible fixed assets 15 731 86.21%		
Inventories 1 749 9.59%		
Trade receivables		
Trade receivables 121 0.66%		
Prepayments 425 2.33%		
Cash and cash equivalents 77 0.42%		
Total assets held for sale 18 247 100%		

Due to the problems with achieving sustainable profitability of CHP Energia, which are independent of the Company, the possibility to verify the strategic option, including flexibility in the portfolio of assets located in CHP Energia, was pointed out. This coincided with the interest in biomethane production from renewable energy sources expressed by the most important energy companies present in the Polish fuel market.

PEPEES's Management Board responded positively to ORLEN Południe's interest in acquisition of CHP Energia or establishment of long-term cooperation. It allowed reorganization of the business structure of the PEPEES Capital Group, while maintaining the pulp utilization system created in the Group.

On 22.05.2020, the following agreements were concluded: Agreement on Protection of Information between CHP Energia Sp. z o.o. and ORLEN Południe S.A. and Agreement on Protection of Information between CHP Energia Sp. z o.o. and Energomedia Sp. z o. o., concerning the conduct of discussions as to the possible acquisition of the enterprise of a biogas plant or land for the construction of a biogas plant or optionally long-term cooperation. The condition of the sale was that the buyer undertakes to collect the potato pulp from the Company.

As part of the project, the Management Board of the Company decided to admit the bidder to the due diligence and then to the next stage of the sale process of shares in CHP Energia Sp. z o.o. and to commence negotiations on an agreement on the sale of those shares to Orlen Południe S.A.

On 19.02.2021, a Preliminary Agreement on the Sale of Shares in CHP Energia was concluded. In that agreement Orlen Południe S.A. undertook to purchase CHP Energia's shares from PEPEES S.A. and to pay debts resulting from loans granted by PEPEES to CHP Energia and debts resulting from guarantees granted. In addition, the parties to the agreement agreed that Orlen Południe S.A. will make repayment of all trade debts no later than by 31.12.2021. In turn, the entire advance payments (overpayment for deliveries) will be settled within 24 months through deliveries of pellet from CHP Energia to PEPEES. In addition, it is planned to obtain the consent of Spółdzielczy Bank Rozwoju in Szepietowo, which is a creditor of CHP Energia Sp. z o.o., to release PEPEES
S.A. from its obligations under the promissory note, deposit and all other similar guarantees granted by the Company, which finally took place on 14.04.2021. On 18.03.2021, a promised agreement on the sale of all shares in CHP Energia sp. z o.o. to Orlen Południe SA was concluded.

Sale of shares in CHP Energia sp. z o.o. is extremely important for the Company because of the need to optimize PEPEES Group's operations, while ensuring long-term collection of pulp by a stable business partner.

Due to the fact that CHP Energia was PEPEES's subsidiary, current report no. 3/2021 was published and a letter was sent to the Polish Financial Supervision Authority concerning delayed information related to the sale process.

As at the balance sheet date of 31 December 2020, PEPEES estimated that shares in CHP Energia Sp. z o.o. fulfilled the conditions - resulting from IFRS 5 Fixed assets held for sale and discontinued operations -
for classification of the above assets as
held for sale.

Therefore, the Issuer reclassified shares in CHP Energia Sp. z o.o. as at 31.12.2020 to assets held for sale and measured them in accordance with IFRS 5 paragraph 15 at the lower of their carrying amount and fair value less costs to sale. This resulted in the need to create revaluation write-downs on shares in CHP Energia in the amount of PLN 1,695 thousand, which was included in the Issuer's financial costs

In addition, the Company measured its total exposure in CHP Energia Sp. z o.o. in the form of shares, trade receivables, prepayments, loans and receivables on account of sureties to the value obtainable from Orlen Południe S.A.

The value of the total commitment in CHP Energia was estimated based on the information gathered in negotiations and on the basis of the Preliminary Agreement on Sale of Shares in CHP Energia signed on 19.02.2021.

Immediately prior to the initial classification of an asset as held for sale, PEPEES Company determined the carrying amount of the remaining total involvement in CHP Energia Sp. z o.o. in the form of trade receivables, prepayments, loans and receivables under guarantees in accordance with IFRS 5 paragraph 18 and determined the carrying amount of individual assets at the value obtainable from Orlen Południe S.A.

Due to conclusion of the Preliminary Sale Agreement with Orlen Południe S.A., the premises for maintenance of revaluation write-downs created in the previous reporting periods ceased to exist. For that reason, the Company recognised assets held for sale at the value resulting from the agreement concluded with Orlen Południe S.A. and recognised the following in the books as at 31 December 2020:

- other operating income due to reversal of revaluation write-downs for trade receivables from CHP Energia in the amount of PLN 868 thousand,
- other operating income on account of reversal of write-downs on prepayments made to CHP Energia in the amount of PLN 485 thousand,
- financial revenues due to reversal of revaluation write-downs on loans and guarantees granted to CHP Energia in the amount of PLN 3,019 thousand,

As a consequence of the circumstances described above,
the following items were included in the Issuer's statement of financial position as assets held for sale:

Issuer's involvement in CHP Energia Sp. z o.o.	**As at 31.12. 2020**
Shareholding (the whole package of shares held by CHP Energia)	1 403
Trade receivables	1 161
Prepayments	1 044
Loans 4 920	
Receivables under guarantees	1 110
Issuer's total involvement in CHP Energia Sp. z o.o. 9 639	

The overall balance of sales of CHP Energia is definitely favourable for the PEPEES Capital Group, also in financial terms. Considering the difficult situation of the biogas plant, which was influenced by a number of factors beyond the control of the Company, in particular regulated electricity prices, it was the best possible solution. The fact that the sale of shares in CHP Energia was accompanied by the signing of a long-term agreement, under which ORLEN undertook to collect all the pulp remaining after potatoes have been processed from the plant in Łomża, is also of key importance for the assessment of the sale. Thanks to that, the plan of pulp disposal developed by PEPEES S.A. will be maintained. It should be emphasized that this condition was set by the Management Board of PEPEES S.A. from the very beginning as a necessary condition for the sale of shares.

To sum up it should be pointed out that sale of shares in CHP Energia sp. z o.o. is extremely beneficial for the Company because of the possibility to optimize PEPEES Group's operations, while ensuring long-term collection of pulp by a stable business partner.

4.7.12. Share capital

Series / issue	Type of shares	Type of share preference	Type of restriction of rights to shares	Number of shares	Value of series / issue at nominal value	Date of registration
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 million		
Total share capital					**5 700**	
Nominal value of one share = PLN 0.06						

To the best of the Issuer's knowledge, the ownership structure as at the balance-sheet date was as follows:

SHAREHOLDING	Number of shares [pcs]	Share in capital %	Number of votes	Share in total number of votes at the General Meeting %
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27 759 032	29.22%	6 356 799	6.69%
Michał Skotnicki**	21 399 174	22.53%	21 399 174	22.53%
Maksymilian Maciej Skotnicki**	20 703 282	21.79%	20 703 282	21.79%
Newth Jonathan Reginald	7 995 200	8.42%	7 995 200	8.42%
Richie Holding Ltd.	6 133 100	6.46%	6 133 100	6.46%
Other	11 010 212	11.59%	11 010 212	11.59%

*Due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to the Public Offering and Public Companies Act of 29 July 2005, EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27 759 032 shares of the Company, has lost and cannot exercise voting rights on 21 402 233 shares. The Management Board filed a lawsuit for determination to District Court in Bialystok. Epsilon FIZ AN believes that they can exercise voting rights on 27,759,032 shares which is 29.22% of total votes at the General Meeting. The case was joined by the Chairman of Financial Supervision Commissions (KNF), who presented his standpoint on the issue on 24 July 2019. The Management Board awaits the valid decision of the court of law. The Company informed about the issue in interim reports Nos 13/2019, 14- 23/2019 and 30/2019.

** Mr Maksymilian Maciej Skotnicki and Michał Skotnicki are persons referred to in article 87 sec. 4 point 1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005, and therefore the accumulative ownership of the above mentioned persons comprises 42 102 456 shares, which accounts for 44.32% share in the share capital and 57.21% in the number of entitled votes in the Company.

None of the other shareholders reported holding at least 5% in the share capital and the total number of votes at the General Meeting of Shareholders.

4.7.13. Share premium

SHARE PREMIUM	As of 31 December 2020	As of 31 December 2019
a) from sale of shares above their nominal value	7 5627	562
Total share premium	**7 5627**	**562**

4.7.14. Assets revaluation reserve

ASSETS REVEALUATION RESERVE	As at 31.12.2020	As at 31. 12. 2019
a) created from asset revaluations (not distributable)	31 122	31 122
b) revaluation of liabilities under employee benefits	(133)	(80)
c) deferred tax on the effects of revaluation	25	15
Total assets revaluation reserve	**31 014**	**31 057**

- Retained profits

RETAINED PROFITS	As at 31.12.2020	As at 31. 12. 2019
(a) statutory capital	1 660	1 660
(b) capital established from profits	44 812	30 940
Supplementary capital established from the distribution of profits	**46 472**	**32 600**
c) investment fund	81 634	81 634
Capital reserves established from the distribution of profits	**81 634**	**81 634**
d) unsettled profit (loss) from previous years	(4 926)	(3 871)
e) net result for the period	6 313	24 091

Unallocated earnings	**1 387**	**20 220**
Total retained profits	**129 493**	**134 454**

4.7.15. Credits and loans

Long-term credits

Long-term liabilities with payment period from the balance sheet day:	As of 31 December 2020	As of 31 31 December 2019
a) over 1 to 3 years 3	240 8	160
b) over 3 to 5 years 2	256 4	903
c) over 5 years 5	638 11	726
Total long-term liabilities	**11 134**	**24 789**

Item	Type of loan	Borrower	Amount by contract	Currency	Amount of credit/loan to be repaid	Currency	Interest rate repayment	Due date
1	Investment credit for construction a starch dryer, node unloading and water treatment station	Pepees	9 822	PLN	1 616	PLN	Interest rate WIBOR for deposits 3 months plus Bank's margin	25.02.2022
2	Investment credit for dedicated to at funding and refinancing 100% acquisitions shares in company Gospodarstwo Rolne Ponary Sp. z o.o.*	Pepees	10 530	PLN	6 769	PLN	Interest rate WIBOR for deposits 1-month plus Bank's margin	30.06.2025
3	Investment credit for	Bronisław	8 456	PLN	6 577		Interest rate WIBOR for deposits 1-month plus Bank's margin	31.12.2027
			28 808	**PLN**	**14 962**	**PLN**		

The loans were measured in accordance with IFRS 9 and they were measured at amortised cost.

The amount of PLN 3,828 thousand was recognised under current liabilities in the consolidated statement of financial position because it will be repaid within 12 months from the balance sheet date.

SURETIES

Re.1

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

Re. 2

The loan is secured with a joint mortgage up to the amount of PLN 15,795 thousand, assignment of the cash receivable under the insurance agreement, registered pledges on 32,400 shares (100% of shares) in Gospodarstwo Rolne Ponary, and a blank promissory note.

Re. 3

The loan is secured with a loan repayment guarantee granted by "PEPEES" S.A. in the amount of PLN 12,684 thousand.

Short-term credits

L.p.	Type of credit	Borrower	Amount of a credit / loan according to an agreement	Currency	Amount of credit/loan to be repaid	Currency	Interest rate	Repayment date
1	Overdraft facility	Pepees	PLN 4 000		-	PLN	1 month WIBOR+Bank's margin	31.08.2021
2	Revolving loan	Pepees	PLN 14 500 PLN 14				500 1-month WIBOR+ Bank's margin	31.08.2021
3	Working capital loan	Pepees	17 000	PLN	17 000	PLN	1 month WIBOR+ bank's margin	31.08.2021
4	Overdraft facility	Pepees	4 000	PLN	-	PLN	1 month WIBOR+Bank's margin	31.08.2021
5	Revolving loan							
6	Working capital loan for purchase of potatoes	Pepees	PLN 14 500 PLN 14				500 1-month WIBOR+ Bank's margin	31.08.2021
7	Working capital loan	Pepees	17 000	PLN	17 000	PLN	1 month WIBOR+ Bank's margin	31.08.2021
8	Working capital loan	Lublin PLN 2 000			1 926	PLN1	month WIBOR+ bank's margin	31.08.2021
9	Revolving loan	Lublin PLN 2 000			2 000	PLN 1	month WIBOR+ bank's margin	31.08.2021
10	Working capital credit	Lublin	4 000	PLN	3 424	PLN	1 month WIBOR+ bank's margin	31.08.2021
11	Overdraft facility	Lublin	4 000	PLN	2 990	PLN	1 month WIBOR+ bank's margin	31.08.2021
		Lublin PLN 1 500			-	PLN1	month WIBOR+ Bank's margin	31.08.2021

12	Overdraft facility	Lublin	1 500	PLN	-	PLN	1-month WIBOR+ bank margin	31.08.2021
13	Overdraft account facility	Bronisław	700	PLN	-	PLN	1 month WIBOR+ Bank's margin	31.08.2021
14	Purchase credit	Bronisław	8 500	PLN	7 886	PLN	1 month WIBOR+ Bank's margin	31.08.2021
15	Revolving credit	Bronisław	6 300	PLN	6 298	PLN	1 month WIBOR+ Bank's margin	31.08.2021
16	Overdraft facility facility	Bronisław	700	PLN	393	PLN	1 month WIBOR+ Bank's margin	31.08.2021
17	Purchase credit	Bronisław	8 500	PLN	6 947	PLN	1 month WIBOR+ Bank's margin	31.08.2021
18	Revolving credit	Bronisław	6 300	PLN	5 674	PLN	1 month WIBOR+ Bank's margin	31.08.2021
19	Investment credit	Bronisław	800	PLN	148		1 month WIBOR+ Bank's margin	30.11.2021
			117 800	**PLN**	**100 686**	**PLN**		

**The statement of financial position includes an amount of PLN 104,514 thousand; the difference of PLN 3,828 thousand relates to a part of long-term loans that will be repaid within 12 months from the balance sheet date.*

Zabezpieczenia

The loans were concluded on the basis of two loan agreements, the so-called "Multi-Line Agreement" (Santander Bank Polska) and the so-called "Multi-purpose credit limit agreement" (PKO BP), whose collateral is:

- contractual joint mortgage in the amount of PLN 58,500 thousand on the real estate:

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

- assignment of rights from the property insurance policy:

- of 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 insurance policies for fixed assets

- a registered pledge on inventories of a value of not less than 145% of the working capital loan balance along with an assignment of the inventory insurance policy,

- assignment of rights from the inventory insurance policy:

- transfer of receivables arising from operations of PEPEES S.A., PPZ Bronisław S.A., ZPZ Lublin Sp. z o.o,

- a blank promissory note with a promissory note agreement.

- a blank promissory note with a promissory note agreement given by:

- PEPEES S.A.
- PPZ Bronisław S.A. ZPZ
- LUBLIN Sp. z o.o.

- contractual mortgage up the amount of PLN 58,500 thousand on the real estate:

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

- assignment of rights from the property insurance policy:

- of real property 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 rights under insurance policies for fixed assets

- registered pledge on inventories

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

- assignment of rights from the inventory insurance policy

- general assignment of 40% of receivables

- due to PEPEES S.A. due to PPZ Bronisław
- S.A. due to ZPZ Lublin Sp. z o.o.

Re. 19

The loan is secured with a contractual mortgage in the amount of PLN 1,200 thousand, with Bank Zachodni WBK with the seat in Wrocław as the creditor, as well as an aval and promissory note agreement.

Information on failure to repay a loan or a credit facility, or violation of material provisions of a loan or credit facility agreement, in respect of which no remedy has been taken by the end of the reporting period:

All loans are repaid in accordance with the maturity dates resulting from the concluded agreements. No provisions of loan agreements were breached in the reporting period.

4.7.16. Lease liabilities

FINANCIAL LEASE LIABILITIES	As of 31 December 2020	As of 31 December 2019
a) long-term (from 1 to 5 years)	16 062	15 014
b) short-term (up to one year)	3 616	3 728
Total	**19 678**	**18 742**

The above liability arises from contracts concluded for the financing of passenger cars, machinery and equipment. Payments are made in monthly instalments according to the repayment schedule, with the last payment due in August 2025. The liability bears interest at a variable rate of WIBOR 1M plus margin. Pursuant to the contractual provisions, all warranty and guarantee rights are transferred to the Lessee. The possibility to withdraw from the sale contract, which is the right of the lessor only, is the only exception. The Lessee's obligations include timely payment of instalments in accordance with the repayment schedule accepted by the Lessee. In the case of delays in payment of instalments or no payment thereof, the Lessor shall be entitled to terminate the agreement and have the object of lease returned. At the end of the lease agreement, the ownership of the leased asset is transferred by the lessor to the lessee.

FINANCIAL LEASE LIABILITIES	2021	2022-2025	Total
Nominal value of lease payments	4 434	18 836	23 270

Future financial costs	(818)	(2 774)	(3 592)
Present value of minimum lease payments	**3 616**	**16 062**	**19 678**

4.7.17. Payables for pensions and similar benefits

Payables for pension and similar BENEFITS (BY TITLES)	As of 31 December 2020	As of 31 December 2019
a) long-term, including:	3 318	2 782
- retirement severance pay	630	538
- anniversary benefits	2 688	2 244
b) short-term, including :	364	413
- retirement severance pay	100	100
- anniversary benefits	264 313	
Total 3	**682 3**	**195**

Change of pension and similar benefits payables (by titles)	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
a) as at the beginning of the period 3 195 2 677		
~~- retirement severance pay~~	~~600~~	~~550~~
- anniversary benefits 2 595 2 127		
b) increase (due to)	**837**	**794**
- retirement severance pay	138	101
- anniversary benefits	699	693
c) used (due to)	**329**	**261**
- retirement severance pay	9	38
- anniversary benefits	320	223
d) dissolution (due to)	**21**	**15**
- retirement severance pay	-	13
- anniversary benefits	21 2	
e) as at the end of the period 3 682 3 195		
- retirement severance pay	729	600
- anniversary benefits 2 953 2 595		

Anniversary awards are paid every 5 years to employees who have a total length of service of at least 20 years The period of employment entitling to an anniversary benefit include the period of periods of employment with "PEPEES" S.A. and companies separated from
"PEPEES" S.A. subject to the transfer of an employee from "PEPEES" S.A. to those companies under Art. 231 of the Labour Code and the period of work in all entities which are employers within the meaning of the Labour Code and periods of farm work in case the farm is taken over by the employee.

To be eligible for an anniversary benefit, a person must have worked in
"PEPEES" S.A. and subsidiaries separated from "PEPEES" S.A., subject to the transfer of an employee from "PEPEES" S.A. to those companies based on art. 231 of the Labour Code, for least 5 years.

The basis for calculation of the benefit shall be equal to 150% of the gross minimum wage determined on the basis of generally applicable regulations.

The amount of the anniversary benefit is calculated only for the time of work for "PEPEES"
"PEPEES" S.A. and companies separated from "PEPEES" S.A., subject to the transfer of an employee from "PEPEES" S.A. to those companies based on art. 231 of the Labour Code.

The amount of the benefit based on total length of service is equal to the following percentage of the base:

- after 20 years of service - 200%,
- after 25 years of service - 250%,
- after 30 years of service - 300%,
- after 35 years of service - 350%,
- after 40 years of work and every additional 5 years of work - 400%. For part-time

employees, the amount of the anniversary benefit is calculated proportionally to the time of work specified in the employment contract.

Retirement and disability severance pays in the Group are paid in accordance with the provisions of Art. 921 of the Labour Code.

An employee who fulfils the conditions entitling to disability allowance or pension and whose employment relationship has been terminated due to retirement or disability pension, is entitled to a severance pay in the amount of one month's remuneration.

Re-employed pensioners do not reacquire the right to severance pay.

The amount of liabilities in ZPZ Lublin for particular periods of time was calculated by an independent actuary.

The basis for calculation of the award is the basic salary on the day of acquisition of the right to the benefit. The amount of the award depends on the length of service and is 100% of basic salary for every 5 years worked.

The periods of employment entitling to severance pay are set out in the Company Collective Bargaining Agreement. After 20 or more years of service, the severance payment amounts to 200% of the basic salary.

An employee who has received severance pay may not reacquire the right to it.

Basic actuarial assumptions	**Balance sheet date 31.12.2020**	**Balance sheet date 31.12.2019**
Annual growth rate of salaries	3.50%	3.50%
Discount rate 1	.25%	2.00%

4.7.18. Trade and other short-term liabilities

TRADE AND OTHER SHORT-TERM LIABILITIES	**As of 31 December 2020**	**As of 31 December 2019**
- trade payables, with maturity date:	14 609	7 424
- other short-term liabilities	5 609	5 190
- provisions for other liabilities and charges	3 772	4 319
Total trade liabilities, other liabilities and provisions for liabilities	**23 990 16**	**933**

SHORT-TERM LIABILITIES	**As at 31 December 2020**	**As of 31 December 2019**
- trade payables, with maturity date:	14 609	7 424
- up to 12 months 14	609 7	424
- over 12 months-		-
- related to social and health insurance, taxes, customs duties and other benefits	2 404 2	504

- in respect of wages and salaries	1 728	1 474
- prepayments received for deliveries	-	543
- other	1 477	669
Total trade and other liabilities	**20 218**	**12 614**

PROVISIONS, ACCRUALS AND DEFERRED INCOME (BY TITLE)	**As of 31 December 2020**	**As of 31 December 2019**
a) long-term, including:	**2 198**	**5 632**
- subsidies to tangible fixed assets	2 198	5 632
b) short-term, including:	**3 772**	**4 319**
- subsidies to tangible fixed assets	98	622
- provision for environmental protection costs 117 83		
- provisions for annual leave payments	715	702
- Provision for bonuses for Management Board and employees	533	1 456
- provision for uninvoiced services	26 23	
- provision for used CO2 emission allowances	2 283	1 433
Total 5	**970 9**	**951**

Change of short-term provisions (by type)

	For 12 months ended on 31 December 2020	**For 12 months ended on 31 December 2019**
a) as at the beginning of the period	**4 319**	**3 816**
~~- subsidies to tangible fixed assets~~	622	622
- provisions for performances provided by contracting parties	2324	
- environmental fee	83	96
- provisions for annual leave payments	702	753
- gas emission rights	1 434	942
- bonuses for Management Board and employees	1 455	1 379
b) increases (due to	**)2 5101**	**961**
- provision for used CO2 emission allowances	1 682	1 433
~~- environmental fee 102 89~~		
- provisions for annual leave payments	438	155
- provisions for performances provided by contracting parties	265	
- bonuses for Management Board and employees	262	279
c) use (due to	**)1 5561**	**458**
- environmental fee	68 102	
- provisions for annual leave payments	296	206
- provision for used CO2 emission allowances	833	941
- provisions for benefits provided by contracting parties		23 6
- bonuses for Management Board and employees	336	203
d) dissolution (due to)	**848**	**-**
- bonuses for Management Board and employees	848	-
e) reclassification to liabilities associated with assets held for sale (refers to CHP Energia)	**653**	**-**

- subsidies to tangible fixed assets
- provisions for annual leave payments

524-

	129-	
e) as at the end of the period	**3 772**	**4 319**
- subsidies to tangible fixed assets	98	622
- provision for used CO2 emission allowances	2 283	1 434
- environmental fee 117 83		
- provisions for annual leave payments	715	702
- bonuses for Management Board and employees	533	1 455
- provisions for performances provided by contracting parties		26 23

4.7.19. Derivative financial instruments

As at the balance sheet date of 31.12.2020 PEPEES Capital Group had no unsettled futures contracts.

4.7.20. Liabilities related to assets held for sale

Total liabilities of CHP Energia as at 31.12.2020, less consolidation exclusions, i.e. liabilities of CHP Energia due to the Issuer, have been presented in the statement of financial position as liabilities related to assets held for sale.

LIABILITIES RELATED TO ASSETS HELD FOR SALE) (liabilities of CHP Energia less liabilities due to PEPEES)	As at 31.12. 2020	Share %
Long-term credits and loans	8 486	32.96%
Subsidies (long-term part)	2 799	10.87%
Trade payables	2 736	10.63%
Other short-term liabilities	2 536	9.85%
Short-term credits and loans	8 537	33.16%
Provisions for other liabilities and charges	653	2.54%
Total liabilities of CHP Energia	**25 747**	**100%**
Liabilities under loans received from PEPEES	(4 932)	59.67%
Suretyship liabilities - liabilities to PEPEES	(1 127)	13.64%
Trade payables due to PEPEES (receivables and prepayments)	(2 206)	26.69%
Total liabilities to PEPEES	**(8 265)**	**100%**
Total liabilities related to assets held for sale	**17 482**	

Assets held for sale, to which the liabilities listed above relate, were described in detail in Note 10.11 of this report.

4.7.21. Deferred income tax

Provisions for deferred income tax	**As of 31 December 2020**	**As of 31 December 2019**
Difference between balance sheet value and tax value of fixed assets	5 925 5	799

Unrealized exchange rate differences	1	1
Investments valuation	662	625
Interest due but not received	74	22
Total provisions for deferred income	**6 662**	**6 447**

Assets from deferred income tax	As of 31 December 2020	As of 31 December 2019
Unpaid remunerations	177	165
Provision for unused annual leaves	136	113
Provision for pension and anniversary benefits	700	608
Unrealized exchange rate differences	36	54
Revaluation write-downs of receivables	-	1
Inventory revaluation write-offs	139	106
Shares revaluation write-offs	886	565
Lease liabilities	1 218	1 016
Consolidation adjustments - retained earnings	2	(516)
Provision for bonuses for Management Board and employees	102	261
Provision for used CO2 emission allowances	434	272
Valuation of assets 2	389 2	392
Other	1213	
Assets from deferred income tax	**6 231 5**	**050**

4.8. Explanatory notes to the statement of comprehensive income

4.8.1. Revenues from sales of products

NET REVENUE FROM SALES OF PRODUCTS (STRUCTURE BY ITEMS- TYPES OF ACTIVITY)	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
from continued operations	***187 802***	***208 355***
- potato products	187 802	204 088
- electricity	-	3 540
- other products (feed and fertilizers)	-	727
*from discontinued operations**	***3 968***	-
- electricity	3 711	-
- other products (feed and fertilizers)	257	-
Total net revenues from sales of products	**191 770 208**	**355**

**) The operations of CHP Energia are presented as discontinued operations*

Revenues from sales of services

NET REVENUE FROM SALES OF SERVICES (STRUCTURE BY ITEMS- TYPES OF ACTIVITY)	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019

- revenues from lease of real estate	872	658
- electricity transmission	76 59	
- water supply and disposal 5 of sewage		4
- equipment and vehicle rental - 52		
- services for farmers 554		333
- mediation in real estate sales		-284
- other services	161	433
Total net revenues from sales of services, including:	**1 6681**	**823**
from continued operations	*1 183*	*1 823*
*from discontinued operations**	*485*	-

**) Activities of CHP Energia are presented as discontinued operations*

Revenues from sales of goods and materials

NET REVENUE FROM SALES OF GOODS AND MATERIALS (STRUCTURE BY ITEMS-TYPES OF ACTIVITY)	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
- potatoes 9	376 8	326
- potato products	2 647	7 480
- plant protection products2	7372	461
- materials and waste (metal scrap, waste paper, post-fermentation effluent)	241	910
- energy certificates 2	496 2	626
Total revenues from sales of goods and materials	**17 497 21**	**803**
from continued operations	*14 992*	*21 803*
*from discontinued operations**	*2 505*	-

**) Activities of CHP Energia are presented as discontinued operations*

Costs by type

COSTS BY TYPE	For 12 months ended on 31 December 2020	For 12 months ended on 31 31 December 2019
a) depreciation	15 453	13 390
b) consumption of materials and	132 399	104 826
c) external services	24 149	24 968
d) taxes and charges	4 633	4 348
(e) salaries	30 714	30 437
f) social security and other benefits	7 505	7 002
g) other costs by type (due to)	3 181	2 880
- entertainment and advertising costs	137	374
- business trips	106	237
- costs of property and personal insurance	689	678

- costs of scientific analyses, studies and	351	324
- other costs	1 898	1 267
Total costs by type	**218 034**	**187 851**
Change in inventories, products, accruals and prepayments	(28 266)	(5 712)
Cost of manufacturing of products for the entity's own use	(3 435)	(3 396)
Cost of sales (negative amount)	(11 441)	(10 461)
Overheads (negative amount)	(33 365)	(33 099)
Production cost of sold products and services	**141 527**	**135 183**

Employee benefits costs

EMPLOYEE BENEFIT COSTS	**For 12 months ended on 31 December 2020**	**For 12 months ended on 31 31 December 2019**
e) payroll costs, including	**:30 71430**	**437**
- wages and salaries under employment contracts	26 993	26 340
- remuneration under contracts of mandate and similar	1 613 2	387
- remuneration of the members of the Supervisory Board	1 540 1	249
	406	452
- economic severance pay and anniversary bonuses	144 9	
- provision for remuneration due to unused holiday leaves		
- provision for bonuses for Management Board and employees	18-	
	7 505 7	**002**
f) social security and other benefits, including:	5 090 5	060
- social security costs		
- contributions to employee pension plans	713	372
- contributions to the labour fund 601		557
- contributions to the social benefit fund	573	587
- employee training costs	75	104
- workwear 278 74		
- costs of medical examinations and health and safety at work 175		248
Total employee benefit costs	**38 219 37**	**439**

Result on agricultural production

Specification	**For 12 months ended on 31 December 2020**	**For 12 months ended on 31 December 2019**
Revenues from sales of agricultural products	2 108	1 884

Revenue from the lease of agricultural land and farm machinery	240	372
Subsidies	1 001	859
Result from sales of farm machinery	114	52
Operating costs	(7 025)	(6 840)
Result of agricultural production	**(3 562)**	**(3 673)**

Other operating revenues

OTHER OPERATING REVENUES	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
a) gain on disposal of non-financial fixed assets	949	160
b) release of provisions, due to:	1 483	86
- receivables write-downs	130	86
release of write-downs for CHP Energia's receivables as a result of revaluation to a value that will be recovered - assets classified as held for sale	868	-
-release of write-downs for CHP Energia's prepayment as a result of revaluation to a value that will be recovered - assets classified as held for sale	485	-
c) government subsidies, including:	773	636
- co-financing due to increase in electricity prices	137	
- subsidies to tangible fixed assets	636	636
d) other, including:	595	259
- damages, penalties and fines received	337	184
- surplus assets	3	11
- settlement of the leased asset	153	-
- other	102	64
Total other operating revenues	**3 800**	**1 141**

4.8.8. Other operating costs

OTHER OPERATING COSTS	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
a) loss on disposal of non-financial fixed assets	-	-
b) other, including	**:9011**	**376**
- donations	155 88	
- costs of liquidation of non-financial fixed assets		45 73

≡

- litigation costs		27 67
- revaluation write-offs of receivables	183	208
- unscheduled depreciation write-offs	32	411
- damages, penalties and fines paid	90	118
- write-off of receivables	106 17	
- shortage of assets	16 90	
- bailiff costs 1		-
- post-accident repair costs	39	108
~~- abandoned investments 50-~~		
- other	157	201
Total other operating costs	**901 1**	**376**

Financial costs

FINANCIAL COSTS	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
a) Interest on credits and loans	1 996	2 220
~~b) interest on liabilities~~	~~610~~	~~632~~
c) measurement of shares in CHP Energia according to IFRS 5 - classification to assets held for sale	1 695	-
d) foreign exchange losses	240	265
~~- realized~~	~~240~~	~~265~~
e) write-down on goodwill of GR PONARY Sp. z o.o.	45	
~~f) other finance costs 614~~		~~583~~
- lease payments 352		282
- commissions on loans commissions on loans and reimbursement of bank charges BFG	185	209
~~- debt redemption discount 77 92~~		
Total financial costs	**5**	**2003 700**

4.8.10. Financial revenues

FINANCIAL REVENUES 12	For the period of ended on 31 December 2020	For 12 months ended on 31 December 2019
a) dividend	75	150
~~b) interest on loans~~	~~34 35~~	
c) interest on deposits 114		274
d) interest on receivables 28 30		
e) revaluation of financial assets:	3 216 402	
- revaluation of shares in WRSRH in Bronisze		
	198	402

- -loan updating as a result of revaluation to a value that will be recovered - assets classified as held for sale	2 256	-
- -updating of the value of receivables under securities as a result of revaluation to a value that will be recovered - assets classified as held for sale	762-	
f) interest on bonds	18-	
g) foreign exchange gains 494 90		
- realized	408 90	
- unrealized	86-	
Total financial revenue 3	**979 981**	

4.8.11. Income tax

INCOME TAX

	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
Current Tax	(2 625)	(7 842)
Tax on dividend	(14)	(29)
Deferred tax	(60	)117
Total income tax	**(2 699)**	**(7 754)**

Reconciliation of income tax on pre-tax gross financial result at the statutory tax rate with income tax calculated at the effective tax rate:

	Specification For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
Gross profit before tax	8 905 32	536
Consolidation exclusions	(99)	(128)
Losses of companies1	300	991
Gross financial result without consolidation exclusions	**10 106 33**	**399**
Income tax at the statutory rate of 19%	(1 920)	(6 346)
Tax on permanent differences between gross profit and tax base	(779)	(1 408)
Charge on the result at the effective rate of 30.31% in 2020 and 23.83% in 2019.	**(2 699)**	**(7 754)**

The Group does not constitute a tax capital group under the provisions of the Corporate Income Tax Act. Each company settles income tax independently.

In 2020, the Holding Company paid PLN 5,584 thousand in taxes to the tax office, including PLN 2,055 thousand for 2019 and PLN 14 thousand on account of the dividend received. The overpaid income tax for 2020 amounts to PLN 1,245 thousand and was presented in the statement of financial position as current income tax receivables.

4.8.12. Profit per one share

Profit per share are calculated as quotient of the profit attributable to shares of the Holding Company for a given period to the weighted average number of shares. All shares are ordinary bearer shares.

Weighted average number of shares				
the beginning of the	end of the period	number of (A)	number of shares in a given period (B)	(A) x (B) / 365
2020-01-01	2020-12-31	365	95 000 000	95 000 000
Total:		**365 Weighted average**		**:95 000 000**

profit (loss) per share	For the period of 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
Net profit (loss) in PLN 6	313 24	091
Weighted average number of shares 95	000 000 95	000 000
Basic net profit per share (denominated in PLN per one share)	0.066	0.254
Net profit used for determination of ~~diluted earnings per share~~	6 313 24	091
Weighted average number of ~~ordinary shares for diluted earnings~~ per share Diluted earnings per share ~~(in PLN)~~	~~95 000 000~~	~~95 000 000~~
	0.066	0.254

TOTAL INCOME (LOSS) PER SHARE	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
~~Total net income in~~ thousand PLN	~~6 270 24~~	~~052~~
Number of shares	95 000 000	95 000 000
Total income (loss) per share in PLN	**0.**	**066 0.253**

4.8.13. The Management Board's position concerning the implementation of the forecast

The Group did not publish forecasts regarding separate results. In the nearest future the Group does not plan to publish forecasts for the following years.

4.8.14. Information on paid or declared dividend, total and per ordinary and preferred share

On 21 April 2020, the General Meeting of Shareholders of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. adopted resolution No. 8 on allocation of profit for the fiscal year 2019 amounting to PLN 19,181,930.51: PLN 11,400,000 PLN was allocated to the dividend in the amount of PLN 0.12 (twelve grosz) per share, and the rest of the profit in the amount of PLN 7,781,930.51 was allocated to the Company's capital reserve.

The day on which the list of shareholders authorized to receive dividend is to be decided was set for 1 July 2020. The dividend payment date was set for 31 July 2020. The dividend was paid on the agreed date.

4.9. Explanatory notes to the cash flow statement

Reconciliation of amounts reported in the cash flow statement with the balance of cash and cash equivalents in the balance sheet

Specification	As at 31 December 2020	As of 31 December 2019
Cash and cash equivalents in the statement of financial position	18 350	42 033
Bank overdrafts	(393)	(1 185)
Exchange differences on measurement of cash	(4)	78
Cash and cash equivalents included in "assets held for sale" Cash balance in cash **flow statement**	77-	
	18 03040	**926**

The Group has cash of limited availability in the amount of PLN 1.5 million.

In the reporting period, a deposit agreement of 22.09.2020 was concluded between "PEPEES" S.A. and Spółdzielczy Bank Rozwoju in Szepietowo (SBR) . Under the agreement, the Issuer transferred to the account of the SBR Bank the amount of PLN 1.5 million as a deposit, constituting a security for the repayment of the working capital loan of PLN 1 300 thousand The deposit was granted by SBR to the subsidiary CHP Energia Sp. z o.o. The deposit will be returned to the Issuer in accordance with the decision of Spółdzielczy Bank Rozwoju in Szepietowo dated 14 April 2021. (more in section 10.11 Assets held for sale).

4.9.2. Non-monetary transactions

Specification	2020 year 2019 year	
Acquisition of assets through finance lease	(4 602)	(2 761)
Accrued but unpaid interest on loan (change	)227 338	

4.9.3. Unused overdraft limits

As at 31.12.2020, the Group had unused overdraft facilities in the amount of PLN 12 007 thousand (31.12.2019
PLN 9 815 thousand).

4.10 Conditional items

a. Conditional assets

The Group holds 680 849 m2 of land in perpetual usufruct, the value of which as at 31 December 2020, as per the decision on the annual fee, amounts to
PLN 24 011 thousand (in 2019 it was also PLN 24 011 thousand).

The Group companies pay the annual fee in the amount of 3% of the land value. The fee in 2020 amounted to PLN 716 thousand (2019 - PLN 714 thousand).

Since 2019, the perpetual use in shown in financial statements in the item "rights to assets."

b. Conditional liabilities

CHANGE OF VOLUME OF PROVISIONAL ASSETS (BY TYPE)	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
a) beginning of the period, including	**33 781 32**	**325**
- liabilities under non-compete agreements	1 563 1	407
- loan securities for related companies	32 218	30 918
b) increase (due to)	**-**	**1 456**
- liabilities under non-compete agreements		-156
- loan securities for related companies	-	1 300
c) end of period, including	**33 781 33**	**781**
- liabilities under non-compete agreements	1 563 1	563
- loan securities for related companies	32 218	32 218

4.11. 4.11. The Issuer's transactions with related entities

4.11.1. Transactions with subsidiaries

a. Revenues from sales of products and goods

Types of revenue	For 12 months ended on 31 December 2020	For 12 months ended on December 2019
Revenues from sales of products to subsidiaries	1 554	1 240
Revenues from sale of services to subsidiaries	509	411
Revenues from sale of goods to subsidiaries		
Revenues from sales of materials to subsidiaries	-	559
Revenues from sales of row materials to subsidiaries	57 39	
Revenues from sales of tangible assets to subsidiaries		
Total revenues from related entities	2 472	2 789
	-	28
	4 592 5	**066**

The sale price is determined using the "cost plus" method or according to the price list for non-associated entities.

b. Purchases of products, goods and services from subsidiaries

Types of purchase For	12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
Purchases of products from subsidiaries Purchases of	9 208 8	399
services from subsidiaries Purchases of goods and	152	187
materials from subsidiaries Purchase of fixed assets from subsidiaries	707	198
Total purchases from related entities	-	2 720
	10 067 11	**504**

c. Balance amounts for sale/purchase of products/services

Receivables from related entities	As of 31 December 2020	As of 31 December 2019
PPZ BRONISŁAW2	659	295
CHP Energia (in 2020 receivables presented in the Issuer's statement of financial position as assets held for sale)	1 1611	023
CHP Energia prepayments (in 2020 prepayments presented in the Issuer's statement of financial position as assets held for sale)	1 044 323	
GR PONARY		1
Pepees Inwestycje	8	6
Total receivables from related parties	**4 873**	**1 648**

Liabilities due to related entities	As of 31 December 2020	As of 31 December 2019
ZPZ Lublin181		53
PPZ BRONISŁAW	6	-
GR PONARY	13	13
CHP Energy (in 2020 liabilities presented 1 in the Issuer's statement of financial position as liabilities related to assets held for sale)		-
Total liabilities due to related entities 201		**66**

d. Loans granted to related entities

Loans granted to related entities	As of 31 December 2020	As of 31 December 2019
ZPZ LUBLIN Sp. z o.o.	-	1 800

CHP Energia Sp. z o.o. (in 2020 loans presented in the Issuer's statement of financial position as assets held for sale)		
GR PONARY Sp. z o.o.	4 932 4 550	788 553
Pepees Inwestycje Sp. z o.o.	145	-
Loans granted, including	**: 5 627 7**	**141**
- with a repayment period of up to 1 year 5	627 7	141
- with repayment over one year -		-
Write-off on loans granted to CHP (in 2020 loans presented in the Issuer's statement of financial position as assets held for sale	(12)	(2 268)
Loans in the statement of financial position	**5 615**	**4 873**

e. Interest on loans granted

Entity	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
ZPZ Lublin 34		116
PPZ BRONISŁAW	148	127
CHP Energia	368	476
GR PONARY	19	19
Pepees Inwestycje	-35	
Total	**569 773**	

f. Interests on received guarantees

Entity	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
GR PONARY	158	158
	Razem158158	

g. conditional items

There are contractual mortgages established on the assets of the subsidiaries (ZPZ Lublin and PPZ Bronisław) as security for the loans taken by "PEPEES" S.A. up to the amount of PLN 58,000 thousand.

4.11.2. Transactions with the Issuer's key management personnel

a) benefits for key management personnel

Management Board in PLN thousand:	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
short-term benefit	1 314	1 819
Benefits after the employment period		
Other long-term benefits		
Severance		

pays		
Payments in shares		

Supervisory Board in thousand PLN	For 12 months ended on 31 December 2020	For 12 months ended on 31 December 2019
short-term employee benefits	969	739
Benefits after the employment period		
Other long-term benefits		
Severance pays		
Payments in shares		

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

Information on the remuneration received by individual Members of the Issuer's Management Board and Supervisory Board can be found in the report on the activities.

No transactions within the meaning of IAS 24 were recorded in the reporting period.

4.12.Financial risk management

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees on policies for management of each of these risks - these policies are briefly discussed below. The Group monitors also the market price risk in relation to all financial instruments held by it.

Interest rate risk

The Group's exposure to the interest rate risk relates primarily to loans, whose interest rate depends on the rediscount rate and the WIBOR rate. The Group did not enter into any interest rate swap contracts.

The following table shows the sensitivity of profit before tax on an annual basis to reasonably possible changes in interest rates with the assumption that other factors remain constant (due to variable rate liabilities).

Increases/decreases by percentage points	Impact on the result	
	2020	2019
Increase in interest rates on loans by 1%	(470)	(425)
Decrease in interest rates on loans by 1%	470	425

Foreign exchange risk

The Group is exposed to foreign exchange risk on account of concluded transactions. Such risk arises from export and sales to the EU countries in currencies other than PLN. Exports and intra-Community deliveries accounted for over 33% of total sales revenue in the reporting period.

The following table shows the sensitivity of the gross financial in relation to the change in the value of revenues and costs in the event of fluctuations of USD and EUR by 0.1 PLN/EUR/USD.

Increases/decreases in exchange rates	Impact on the result	
	2020	2019
Increase in the PLN/USD rate by 0.1	611	549
Increase in the PLN/EUR rate by 0.1	434	759
Decrease in the PLN/USD rate by 0.1	(611)	(549)
Decrease in the PLN/EUR rate by 0.1	(434)	(759)
Total impact on the result	**+/-1 045**	**+/-1 308**

In addition, the Group has cash on bank account and receivables in Euro and US Dollars.

The effects of a change in the exchange rate of USD and EUR held as at the balance-sheet date by 0.1 PLN/EUR/USD are presented in the table below.

Increases/decreases in exchange rates	Impact on the result	
	2020	2019
Increase in the PLN/USD rate by 0.1	18	272
Increase in the PLN/EUR rate by 0.1	43	433
Decrease in the PLN/USD rate by 0.1	(18)	(272)
Decrease in the PLN/EUR rate by 0.1	(43)	(433)
Total impact on the result	**+/-61**	**+/-705**

Credit risk

The Group enters into transactions only with proven customers with good credit ratings. All customers who wish to use trade credit are subject to pre-verification procedures. Furthermore, thanks to current monitoring of receivables balances, the Group's exposure to the risk of bad debts is insignificant. The assessment of financial credibility by the insurer, KUKE, and the financial limit granted is also decisive.

There are no significant concentrations of credit risk in the Group.

Liquidity risk

The Group aims to maintain a balance between continuity and flexibility of funding by means of various sources of funding, such as overdrafts, short-term and long-term preferential bank loans. The Group manages liquidity risk by maintaining an adequate amount of capital reserve, using offers of bank service and stand-by credit lines, continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

4.13 Capital management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern, taking into account the execution of planned investments, while increasing the Group's value for shareholders.

The Group monitors the balance of its capitals using the leverage ratio, which is calculated as a ratio of net debt to total equity plus net debt. The Group's net debt includes loans, credits, finance lease liabilities, trade and other liabilities, less cash and cash equivalents.

Specification	As of 31 December 2020	As of 31 December 2019
Credits, loans, financial lease liabilities	135 326	148 346
Trade and other liabilities	20,218	12,614
Cash and cash equivalents (-) (18 350) (42 033)		
Net debt 137 194 118 927		
Equity 173 769 178 773		
Net equity and debt 310 963 297 700		
Leverage ratio 44.12% 39.95%		

The leverage ratio in 2020 was higher than in the previous reporting period. There was an increase in trade liabilities by PLN 7,185 thousand and in long-term financial lease liabilities by PLN 1,048 thousand as compared to the previous year. There was also a decrease of PLN 23,683 thousand in cash as compared to 2019, resulting in a deterioration of the leverage ratio.

4.14. Average employment in the Group

Specification Average	number of employees in the year 2020	Average number of employees in 2019
White collar	156 154	
Workers in blue-collar jobs	324	315
Persons on parental leave and unpaid leave	2	1
Total	**482**	**470**

4.15. Remuneration of the chartered auditor

The auditor's fee for the review of the semi-annual financial statements and consolidated financial statements and the audit of the financial statements and consolidated financial statements amounts to PLN 59,700 plus VAT. The auditor did not provide any other services to PEPEES.

4.16. Specification of significant litigations, proceedings in front of arbitration or public administration authorities in respect to the Group's liabilities or receivables, determining the subject of the proceedings, disputable amount, commencement date of proceedings, parties of the proceedings and position of the Group

On 25 June 2019 the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. filed a lawsuit to the court to determine whether due to the failure to comply with the notification obligations about purchase of significant amounts of shares pursuant to article 89 sec. 1 point 1 of the Act on public offering and introduction of financial instruments to the organised trading system and public companies, the shareholder EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which has - according to the information held by the Company - 27 714 832 shares of the Company,

has lost and cannot exercise voting rights from
21 402 233 shares. Epsilon FIZ AN believes that they can exercise voting rights on 27.714.832 shares which is 29.17% of total votes at the General Meeting. The Chairman of Financial Supervision Commissions (KNF) presented his standpoint on the issue on 24 July 2019. The Company informed about the case in current reports no 13/2019, 14-23/2019 and 30/2019.

As of the statement date, there is an undecided lawsuit filed by EPSILON Investment Fund in Warsaw against "PEPEES" S.A.:

- for the annulment or declaration of invalidity of two resolutions on the appointment of the Supervisory Board members, adopted on 11 May 2018 by the General Meeting of Shareholders, and for the annulment of the resolution on the distribution of profit for 2017. By judgment of 26.10.2018 the Regional Court annulled the resolutions on the appointment of two Supervisory Board members and dismissed the claim in the remaining scope. Appeals against the judgement were filed by both parties. The Court of Appeal in Białystok dismissed both appeals. EPSILON filed a cassation appeal, which was accepted for examination by the Supreme Court on 21.11.2020,
- for invalidation of resolutions 24-29 on 28.06.2019 by the General Meeting of Shareholders, including resolution 28 on the Company Articles of Association and authorizing the Management Board to increase the Holding Company's share capital within the target capital along with the option to exclude by the Management Board the pre-emptive rights of current shareholders with the consent of the Supervisory Board. The Regional Court suspended the proceedings until the proceedings related to the suit brought by PEPEES against EPSILON for determination the loss of voting rights
- annulment or declaration of invalidity of two resolutions concerning discharging of fulfilment of obligation, adopted taken on 21.04.2020 by the General Meeting of Shareholders have been concluded in a legally binding manner. The proceedings are pending before the Court of First Instance. The Regional Court suspended the proceedings until the proceedings related to the suit brought by PEPEES against EPSILON for determination the loss of voting rights,

Otherwise, there are no significant pending litigations
in court, proceedings in an arbitration court or a public administration body in respect to liabilities or receivables of the Issuer or its subsidiaries.

4.17 Other important events after the balance sheet date

The Issuer has granted the following loans to related parties:

- loan agreement of 10.02.2021, granted to CHP Energia in the amount of PLN 200 thousand, to be repaid by 30.06.2021,
- loan agreement of 26.02.2021, granted to PPZ Bronisław in the amount of PLN 1,100 thousand, to be repaid by 31.12.2021,
- loan agreement of 16.03.2021, granted to CHP Energia in the amount of PLN 100 thousand, to be repaid by 30.06.2021,

On 18 March 2021, a promised agreement was concluded for the sale of all shares in CHP Energia sp. z o.o. to Orlen Południe SA. (details concerning the agreement are presented in point 10.11)

In connection with the sale of shares in CHP Energia to Orlen Południe, on 15.04.2021 the Issuer received a letter from Spółdzielczy Bank Rozwoju (SBR), dated 14.04.2021, in which the Bank informed about:

- release of PEPEES from liabilities, resulting from promissory note sureties, established by the Company in favour of SBR in order to secure the repayment of loans granted by the Bank to CHP Energia;
- release of cash deposit in the amount of PLN 1.5 million, established by PEPEES in favour of SBR in order to secure the repayment of loan granted by the Bank to CHP Energia.

4.18 Approval of the financial statements

The annual consolidated financial statement was approved by the Management Board and admitted for publication on 28 April 2021.

4.19 STATEMENT OF THE MANAGEMENT BOARD

A. on the reliability of the preparation of the consolidated financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. declares that, to its best knowledge, it has prepared annual consolidated financial statements which give a true, reliable and fair view of all information significant for assessment of the financial and economic position of the PEPEES Capital Group as at 31 December 2020, as well as its financial result for the financial year from 01.01.2020 to 31.12.2020.

These annual consolidated financial statements have been prepared according to the accounting policies consistent with International Financial Reporting Standards as adopted by the European Union.

In preparing the annual consolidated financial statements, the Management Board has ensured the selection of appropriate valuation principles and the preparation of the annual consolidated financial statements. In the valuation of assets and liabilities and in the determination of the financial results it was assumed that the PEPEES Capital Group would continue its business activities in the foreseeable future without any material decrease which is in line with the actual and legal situation.

The Board of Directors is responsible for the performance of accounting duties as defined by law.

These annual financial statements were approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego „PEPEES" S.A.
on 28 April 2021.

B. on the entity authorized to audit financial statements

The Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. declares that the entity authorised to audit the financial statements, which audited the annual consolidated financial statements, was selected in accordance with the provisions of law and that both the entity and the auditors performing the audit met the conditions required to issue an impartial and independent audit opinion in compliance with the applicable regulations.

The entity authorized to audit the annual consolidated financial statements of PEPEES Capital Group for the year 2020 is WBS Audyt Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, ul. Grzybowska 4, suite U9B, 00-131 Warsaw, registered in the list of entities authorised to audit financial statements under the register number 3685 in the Polish Chamber of Statutory Auditors, based on the agreement concluded on 29 July 2020.

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD OF THE HOLDING COMPANY

President of the Management Board - Wojciech

Faszczewski Member of the Management Board -

Tomasz Krzysztof Rogala

SIGNATURE OF THE PERSON WHO PREPARED THE REPORT

Chief Accountant - Wiesława Załuska

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