

Letter from the President of the Board of Directors of the Parent Company of PEPEES Group

Dear Stakeholders,

I am pleased to present to you the Annual Report of PEPEES Group for 2018. The Group recorded revenue of PLN 239.9 million, generating net profit of PLN 23.1 million.

These results were affected to the largest extent by the sales from the core operating activities. It should be noted that higher sales revenue resulted particularly from higher sales to the European Union countries. It results from the accomplishment of the objectives of 'PEPEES Group Strategy for 2013-2018', which assumes, among other things, export sales growth.

In 2018, PEPEES S.A. acquired 32.6% shares in its subsidiary Gospodarstwo Rolne PONARY, thus becoming the owner of 100% of shares in PONARY. The acquisition of Gospodarstwo Rolne PONARY will ensure the implementation of the strategy related to the availability of the raw material due to own cultivation of starch potato.

The Group's strategy assumes an increase in the efficiency of the operations of the Group companies and minimising the risks to which they are exposed as well as carrying out further investing activities.

Further fast development of the company and increased production are the key objectives of PEPEES S.A.'s development strategy. The Company is able to achieve these goals mainly due to its numerous innovative activities, primarily new production lines ensuring higher production efficiency. The Company intends to expand the range of products on offer, diversify target markets and, above all, expand the base of materials used, particularly due to own cultivation of starch potato.

PEPEES Group intends to increase the starch production, which will allow it to compete with foreign enterprises. The Group's strategy provides for activities related to the improvement of the starch market in Poland and conditions for the functioning of Growers, Farmers producing starch potatoes. We are interested in maintaining good relations with Growers, which will make it possible to build a group of permanent suppliers of materials thanks to the application of a clear and understandable contracting system.

I am convinced that we have been successful together again and I would like to thank all Employees of the Group, Farmers-Growers of starch potatoes, our Customers and Shareholders and Members of all Supervisory Boards for the success.

President of the Board of Directors

*Yours sincerely,
Wojciech Faszczewski*

