



# ANNUAL REPORT

## 2014



## MISSION AND VISION

### Mission

We make eating healthier, tastier and easier.

### Vision

**INDYKPOL** is a uniform, vertically integrated poultry company, supplying food which the customer loves.

We are the major poultry products supplier in Central Europe. **INDYKPOL** brand is a European symbol of quality.

Foundations of our activity:

- Customer orientation, openness and reliability are the base of our **sales expansion**
- Constant improvement guarantees us a **technological and quality advantage**
- Everybody's focusing on the accomplishment of our vision is the **guarantee of the growth of productivity and effectiveness**

Following these values, we improve ourselves, our tools and organization – this is how we define professionalism we aim at.



**SELECTED CONSOLIDATED FINANCIAL INFORMATION  
CONCERNING THE CAPITAL GROUP OF INDYKPOL**  
(in PLN '000)



	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net revenue from the sale of products, goods and materials	1 121 941	1 006 330	986 679
Profit (loss) on operating activity	31 127	14 483	7 292
Gross profit (loss)	25 151	4 591	(3 516)
Total net profit per:	19 113	2134	(3316)
– shareholders of the holding company	19 109	2 171	(3 306)
– minority shares	4	(37)	(12)
Total assets	441 993	442 191	459 480
Shareholders' equity allocated to the shareholders of the holding company	180 241	163 998	160 572
Shareholders' equity allocated to minority shares	280	306	384
Share capital	15 623	15 623	15 623
Number of shares (units)	3 124 500	3 124 500	3 124 500
Profit (loss) per one ordinary share (in PLN)	6,12	0,68	(1,06)
Book value per share (in PLN)	57,78	52,59	51,51

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Dear Sirs,

It is my pleasure to present the Annual Report of the Indykpol Capital Group for the year 2014. The Group may certainly call the last year a successful one. It closed with a revenue of PLN 1,122 million and a net profit of PLN 19.1 million, with an 11.5 per cent increase in revenue from sales and improved profit on operations.

The results of the dominant entity significantly improved as well. Indykpol S.A. closed the previous year with a revenue of PLN 1,150 million and a net profit of PLN 13.1 million. Almost all Capital Group companies achieved good results as well.

The Group's separation into two production and sales divisions implemented in the beginning of last year has brought measurable economic results. Cost monitoring in business units has improved, which contributed to boosting their performance. The new organization has revealed additional cost reserves and production capacities, which will help achieve even better economic results in the coming years.

The separation into two divisions has also resulted in a better use of the mechanisms of vertical integration to improve technological and financial results. The feed manufacturer Nutripol increased its sales by 25%. In view of the growing demand for feedingstuffs, the plant is to be modernized in the coming years. Once again, parent flocks from the Turkey Breeding Centre achieved record laying performance. Hatchlings produced both in Frednowy and Turka are increasingly popular with breeders.

In 2014, Indykpol continued developing its own base of livestock and purchased a large farm complex in Trękusk near Olsztyn. The slaughter plants in Olsztyn and Lublin jointly increased their slaughter production by nearly 10 per cent, with sales volumes approaching 100 thousand tons.

Last year, the Group's make-up was reordered as well. Two entities, "Eurolab" Sp. z o.o. and "Futbolnet" Sp. z o.o. were removed. Those entities did not achieve satisfactory results and their activities were loosely connected with the Group's main business objects. Furthermore, the Group has initiated the disposal of a third entity – "Wolżańskie Delikatesy" with its registered office in Tatarstan.

In order to hedge its open currency positions and partially mitigate the impact of currency fluctuations on our current financial results, last year the Indykpol Group implemented a Currency Risk Management Policy.



Consequently, in 2014 the Company entered into several forward transactions and zero-cost symmetrical call and put options.

To address the challenges we face on the market, in the fourth quarter of 2014 we adopted a framework investment program for the next four years. We are planning to allocate PLN 200 million to modernize our slaughter and processing plants and for investments in raw materials. This way, we are expecting to increase our production capacities, revenues, profit margins and market shares. In result, we will achieve maximum efficiency in all of the Company's business operations and become a highly competitive manufacturer in our target areas.

Based on our financial performance in 2014, we are making very optimistic plans for the future. The changes introduced in our organization have enhanced Indykpol's competitive advantage and helped us prepare for new challenges. We intend to continue the Group's development strategy in Poland, particularly with regard to building a vertically integrated organization.

Yours truly,



Piotr Kulikowski  
President of the Management Board – CEO

## FINANCIAL RESULTS



The Indykpol Capital Group closed the year 2014 with sales revenues of PLN 1,122 million, a profit on operations of PLN 31.1 million, and a net profit of PLN 19.1 million. The revenues of Indykpol S.A. exceeded PLN 1.150 million. The Company closed the year with a profit on operations of PLN 22.6 million, and a net profit of PLN 13.1 million. The results of the Capital Group and the dominant Company were markedly better than in the previous year. The Group increased its production, which resulted in an 11.5 per cent improvement in revenue from sales. Net profits increased nearly 9-fold. The return on operations has improved as well.

The new management model implemented in the beginning of the last year, based on the separation of business operations into two production and sales divisions, has brought the expected financial effects. It has allowed us to better link revenues and costs with particular operations, and make better use of cost reserves.

The Group also uses management accounting which relies on IT tools, i.e. an integrated BAAN computer system and a business intelligence (SAS) management analysis solution. The Group's business decisions are supported by cost controlling. With respect to our operating activity, we use a CSB system for manufacturing process recording and a work time recording system.

Since 1 July 2014, the Company's Management Board has implemented a Currency Risk Management Policy to hedge its long-term open currency positions (up to 2 years), and partially mitigate the influence of currency fluctuations on its current financial results. Consequently, in the second half of 2014 the Company entered into several forward transactions and zero-cost symmetrical call and put options. The contracts did not contain any special terms or conditions differing from those commonly used in such transactions, or liquidated damages provisions.





## INDYKPOL CAPITAL GROUP

### THE COMPOSITION OF THE INDYKPOL CAPITAL GROUP as on 31 December 2014

**Dominant entity – Indykpol S.A.**

#### Polish Subsidiaries:

Lubuskie Zakłady Drobiarskie "Eldrob" S.A. with its registered office in Świebodzin	99,00%
Nutripol Sp. z o.o. with its registered office in Olsztyn	100,00%
"Indykpol Brand Management" Sp. z o.o. Sp. k. with its registered office in Warsaw	99,99%
"Indykpol Brand Management" Sp. z o.o. with its registered office in Warsaw	100,00%
"Ozkom" Sp. z o.o. with its registered office in Olsztyn	100,00%
"Wołzańskie Delikatesy" Sp. z o.o. with its registered office in Verkhny Uslon in the Republic of Tatarstan (Russian Federation)	100,00%

#### Local branches

The local branch in Lublin	
Frednowy Turkey Breeding Centre	

Since the beginning of 2014, the Indykpol Capital Group has reorganized its business structure, in which the entire organization is separated into two production and sales divisions, and a back office. The Raw Material and Meat Division handles production processes – from hatching eggs to the sale of poultry carcasses and meats. The Division includes hatching plants, reproduction farms, commercial farms, slaughter and cut-up sections at the plants in Lublin and Olsztyn, a processed meat section, and a meat sales and export section. In addition, the Division is supported by Nutripol Sp. z o.o., a subsidiary specialized in the production of poultry feeds.

The Processed Meats Division handles the production and sale of cold meats and ready-made foods. Production is performed at the processing section and the ready-made foods section in the plant in Olsztyn. The Processed Meats Division cooperates closely with Lubuskie Zakłady Drobiarskie "Eldrob" S.A., a subsidiary handling the manufacture of poultry products ordered by its sales department.

Each Division markets its own products, at its own prices, and their mutual settlements are based on the market prices of meats used for processing, on competitive arm's length terms.

Lubuskie Zakłady Drobiarskie "Eldrob" S.A. have been owned by the Indykpol Group since March 1998, with Indykpol S.A. as the dominant entity since August 2003. The company has successively increased its shareholding, buying shares from minority shareholders. In 2014, it acquired additional 8 666 shares, which resulted in a 99,00% shareholding at year end. "Eldrob" cooperates closely with the processing section in Olsztyn, and supplements the assortment of poultry products offered under the Indykpol brand. Last year, "Eldrob" S.A. was also committed to optimizing its production costs and improving overall performance. Nutripol Sp. z o.o. has been owned by the Indykpol Group since 2011. The company manufactures feeds for its own farms and for breeders cooperating with the Group. Indykpol S.A. is the sole shareholder. By adding feed production to its business operations, the Group has improved its competitive advantage. By taking control of the purchases of feedingstuffs and the process of feed production, the Group has been able to assume full responsibility for the quality and safety of its products.

Since August 2011, Indykpol S.A. has been the limited partner of "Indykpol Brand Management" Sp. z o.o. Sp. k. The entity develops and manages brands, patents and trademarks for products offered by the Indykpol Group. It is committed to strengthening the Group's position on the market by increasing brand awareness and recognition of its trademarks. In addition, the company handles all efforts related to the creation and marketing of new products. The general partner is "Indykpol Brand Management" Sp. z o.o., owned by the Group.

Another subsidiary, "Ozkom" Sp. z o.o., provides technical services on behalf of Indykpol S.A.

In 2013, Indykpol S.A. decided to dissolve two subsidiaries: "Futbolnet.pl" Sp. z o.o. with its registered office in Olsztyn, and Eurolab GmbH with its registered office in Guben, Germany. The liquidation of "Futbolnet.pl" Sp. z o.o. was finalized in June, and Eurolab GmbH was liquidated in December 2014. Prior to liquidation, both entities had disposed of their assets and discontinued their business operations.

At the end of 2014, the Capital Group included seven entities, including six Polish companies and one foreign entity.

## SHAREHOLDERS AND INVESTORS



The key shareholding structure of Indykpol S.A. has been stable for years. In 2014, Rolmex S.A. together with its subsidiary Warmińsko-Mazurski Handel Międzynarodowy Sp. z o.o. held 1,958,545 shares in the Company, representing 82.59 per cent of votes at the general meeting. The third shareholder, having more than 5 per cent of votes at the general meeting, was Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A. As announced by the shareholder, the accounts of its customers held 389,929 shares of Indykpol S.A., which represented 5.82 per cent of the overall number of votes at the general meeting.

The share capital of Indykpol S.A. amounts to PLN 15,622,500 and is divided into 3,124,500 shares with a nominal value of PLN 5.00 each. The Company's share capital comprises two issues:

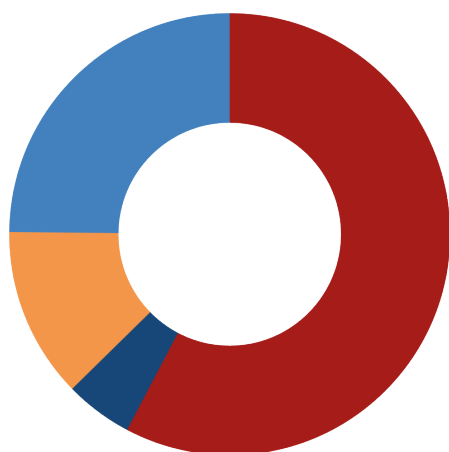
- 2,224,500 shares from the founders' issue of AA shares,
- 900,000 shares from the issue of BB shares.

The Company's share capital consists of 2,231,125 ordinary bearer shares and 893,375 registered preferred shares (with five votes per share). All shares in total carry 6,698,000 votes at the general meeting. In 2014, Indykpol did not issue any new shares and did not purchase its own shares for redemption.

Since 12 October 1994, the shares of Indykpol S.A. have been listed on the Warsaw Stock Exchange, on the regulated market. All of the Company's shares are admitted to trading; this includes 2,231,125 ordinary bearer shares, designated as PLINDKP00013 at the National Depository for Securities. In 2014, the price of Indykpol shares increased by 45.7 per cent, from PLN 37.00 to PLN 53.90.

Since September 2004, the Company participates in the Liquidity Support Programme, with Dom Maklerski BZ WBK S.A. in Poznań as the market maker for its shares. The Company's lead manager is Centralny Dom Maklerski Pekao S.A. in Warsaw.

### SHAREHOLDING STRUCTURE AS ON 31 DECEMBER 2014

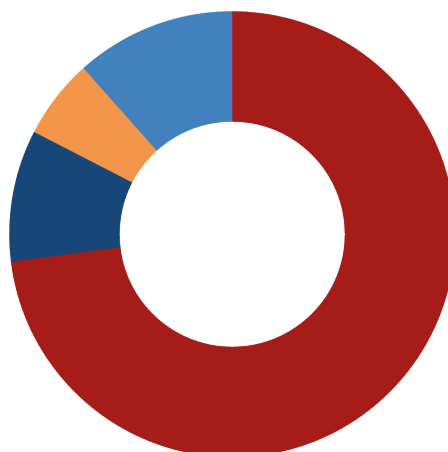


Rolmex S.A.  
Shares held: 1 804 129 | 57,74%

WMHM Sp. z o.o.  
(subsidiary of Rolmex S.A.)  
Shares held: 154 416 | 4,94%

Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A.  
Shares held: 389 929 | 12,48%

Other  
Shares held: 776 026 | 24,84%



Rolmex S.A.  
Number of votes: 4 897 629 | 73,12%

WMHM Sp. z o.o.  
(subsidiary of Rolmex S.A.)  
Number of votes: 634 416 | 9,47%

Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A.  
Number of votes: 389 929 | 5,82%

Other  
Number of votes: 776 026 | 11,59%



## GOVERNING BODIES

In 2014, one General Meeting of the Shareholders of Indykpol S.A. was held. The Ordinary General Meeting of Shareholders held on 27 May 2014 reviewed and approved the Management Board report on the operations of Indykpol S.A. in 2013, the Company's financial statements for the year 2013, the Capital Group's consolidated financial statements, and the Management Board report on the Capital Group's operations in the previous year, and acknowledged the fulfilment of duties by members of the Company's governing bodies.

The General Meeting also adopted resolutions on the distribution of profits for 2013, and allocated PLN 437,430 for the payment of dividend. Each of the 3,124,500 shares in the Company carried a dividend of PLN 0.14. The General Meeting also amended the Company's Statute and Regulations of the Supervisory Board – changes in the Company's organizational structure now do not require a resolution of the Supervisory Board.

Since 21 May 2013, the Supervisory Board of Indykpol S.A. has been composed of the following members:

- **Feliks Kulikowski**  
– President of the Supervisory Board
- **Dorota Madejska**  
– Deputy President of the Supervisory Board
- **Alfred Sutarzewicz**  
– Member of the Supervisory Board
- **Stanisław Pacuk**  
– Member of the Supervisory Board
- **Andrzej Dorosz**  
– Member of the Supervisory Board

W In 2014, the Management Board of Indykpol S.A. was composed of one member. Piotr Kulikowski performed the role of President of the Management Board and CEO. The works of the Management Board were supported by seven authorised signatories, acting on behalf of the Company in pairs under joint authorisation. Last year, the authorized signatories were:

- **Waldemar Połucha**  
– Business and Finance Director
- **Mirosława Żejmo**  
– Human Resources and Organisation Director
- **Maciej Sośnicki**  
– Raw Material and Meats Division Director
- **Ryszard Waśniewski**  
– Processed Meats Division Director
- **Halina Gajdzińska**  
– Quality Director
- **Leszek Krzewicki**  
– Technology and Investment Director
- **Lech Klimkowski**  
– Controlling Director

## INVESTMENT PLANS

In October 2014, the Management Board of Indykpol S.A. adopted a framework investment plan for the Capital Group, encompassing the next four years. The plan provides for a modernization of slaughter and processing plants and investments in raw materials, related to hatchling and feed production. The investments are aimed at achieving maximum efficiency in all of the Company's business operations, and achieve the status of a competitive manufacturer in target areas. The planned investments will allow the Company to significantly increase revenues, profit margins and market share. Under the program, production capacities are expected to increase by 40 per cent over four years, and even double over the period of seven years.

The Management Board plans to allocate PLN 200 million for the investment projects, to be financed from depreciation, profits generated over the next few years, and bank loans. The Company also intends to extend

the Warmia and Mazury Special Economic Zone with real properties owned by Indykpol, located in Olsztyn at Jesienna Street.

The Group's development is based on several pillars, with processed foods playing a major role. The Group is planning to focus on developing selected product groups, including sausages and retail packaged meats. Such specialization will help reduce production costs per unit and enhance the effectiveness of marketing activities.

In its development, Indykpol intends to act in conformity with the principles of corporate social responsibility (CSR). It will be the first company in Poland and one of the first in Europe to implement state-of-the-art technology to improve the welfare of turkeys. Such efforts are also justified business-wise, as breeding conditions directly impact the quality of meat and processed foods.



Indykpol has deliberately built its offer focusing on new products which reflects consumer needs and trends on the market.

In 2014, the Company launched its **Farmer's Pâté** – made solely of poultry, distinguished by its unique taste and flavour.

In the second half of the year, **Excellent Turkey Sausages** were added to the assortment – gluten-free, high-quality sausages made solely of turkey meat. The product has quickly found its way to traditional counters, where it is recognizable by its distinctive, original imprint on the casing.

The offer of sandwich meats was extended to include **Bianka – boiled turkey breast**, distinguished by its naturally low fat content (below 2%). Bianka was the first in the line of products in an original textile casing, which makes it stand out in the traditional counters.

In line with the growing demand for kabanos sausages, Indykpol has introduced new tender, uniquely flavoured **Smoked Turkey Leg Kabanosy**. They are made of poultry meat (including turkey leg meat) and pork, in a delicate, alginate casing.

In 2014, Indykpol's products and brand received the following awards and distinctions:

- Classic Turkey Kabanosy and Turkey Breast Kabanosy received the golden statuette in the **"2014 FMCG Market Pearl"** competition organized by Wiadomości Handlowe magazine, in the "Meats, Cold Meats and Meat Products" category.
- The Manor Pâté and Classic Turkey Kabanosy were commended in the **"2014 Golden Receipt"** competition announced by Hurt & Detal magazine – the pâté in the "Pâtés and Meat Preserves" category, and the kabanosy in the "Packaged Cold Meats" category.
- Indykpol also received the **"Created in Poland Superbrands 2014/15"** title as one of the strongest home brands.



Indykpol supports a large number of pro-social organizations which promote active lifestyles and healthy eating habits. For several years now, Indykpol has sponsored the **Indykpol AZS Olsztyn** volleyball team competing in PlusLiga. As a passionate promoter of sports and lover of challenge, Indykpol has also become involved in the **expedition of Captain Tomasz Cichocki**, who set out on a solo voyage around the world on an INDYKPOL yacht, planning to complete the trip without calling at a single port. The expedition, called **"The Real Taste of Life"**, lasted 74 days and ended after the Captain's desperate struggle against a fierce storm.

As part of its educational projects on healthy and conscious eating, Indykpol runs the **"Dowiedz się więcej"** ("Learn More") service ([www.dsw.indykpol.pl](http://www.dsw.indykpol.pl)) in cooperation with nutrition experts, offering advice on how to eat well and healthy, and serve well-balanced meals for the entire family.

The sales, advertising and promotional efforts have contributed to the continued growth of brand awareness. Today, Indykpol is a strong, recognizable brand, standing for high quality and excellent taste.





## TURKEY PRODUCTION

In 2014, the Indykpol Group increased its turkey production at the slaughter plant in Olsztyn by 12.5 per cent. The production of turkey livestock at breeding farms cooperating with the Indykpol Group is based on hatchlings from the Turkey Breeding Centre (TBC) in Frednowy and feedingstuffs from the Nutripol plant.

The Centre has its own farm base of over 56 thousand sq.m. The spatial isolation of individual sectors makes it possible to maintain proper veterinary and zootechnical conditions, and simultaneously keep parent flocks of different ages. This warrants continuity in hatchling production and high quality of the offered breeding material are guaranteed.

The breeding material used in reproduction flocks comes from the best breeding centres around the world. The Centre cooperates closely with specialists from Aviagen Turkeys in Great Britain, and Hybrid Turkeys in Canada. Its own reproduction flocks provide hatching eggs, used at the Centre to hatch turkey chicks. Last year, the Centre sold more than 5 million day-old turkey chicks. With the use of modern management methods and excellent rearing conditions, turkey parent flocks bred at TBC Frednowy have once again achieved world record laying performance, and won awards from Hybrid Turkeys and Aviagen Turkeys.

Indykpol Capital Group's turkey production is based on livestock from cooperating breeders and the Group's own farms. Poultry is raised at 13 farm facilities with a total area of 120 thousand sq. m. All farms operate in compliance with the recommendations of state veterinary services and the principles of hygiene and zoohygiene. The principles of animal welfare, meaning treatment in accordance with their special needs resulting from coexistence, are rigorously observed. The birds are properly protected and reared in appropriate conditions. They have guaranteed access to fresh water and feed covering their needs in terms of growth and health. They are protected against stress factors and provided with prophylactics, fast diagnostics and effective treatment.

In May 2014, Indykpol purchased a poultry farm in Tręsk with a breeding area of 38.8 thousand sq. meters from the Agricultural Property Agency. The company had previously used the facility under a lease contract.

## CHICKEN PRODUCTION

In the past year, the Group's slaughter production increased by 10 per cent. Chicken production was carried out at two plants – in Olsztyn and Lublin. Chickens from the Group's own farms accounted for as little as 8.5 per cent of supplies to the plant in Olsztyn. At the plant in Lublin, production was based entirely on chicken livestock supplied by cooperating breeders under long-term contracts.

Last year, chicken hatchlings for both locations were provided by the hatching plants in Turka and Brzesk. After a comprehensive modernization, the facility in Turka has become one of the most technologically advanced hatching plants in Poland, and significantly increased its production capacity.

Unlike in the case of turkey hatchlings, the production of chicken hatchlings is based on hatching eggs from reproduction flocks reared by cooperating breeders. Feedingstuffs for chicken flocks in the Olsztyn region are provided by Nutripol's feed production plant in Olsztyn. Breeders in the Lublin area rely on feeds from reliable manufacturers recommended by the Group.

The plant in Lublin has carried on chicken production for several dozen years, and is now sharing its experience with the plant in Olsztyn. In the previous years, it has been thoroughly modernized, equipped with modern slaughter, cooling and cutting lines, and one of the most technologically advanced chicken unloading terminals in Poland. The plant has implemented a modern loading and unloading system which ensures streamlined supply of livestock, adjusted to the working pace of the slaughter line. This solution meets the most restrictive requirements with regard to animal welfare, improved transport conditions and reduced transport time. It has also been approved by the cooperating breeders. The Group now intends to implement this system at the plant in Olsztyn.

Chicken production carried out at two different plants offers an opportunity to regularly compare the costs of livestock and the technological and economic indicators in slaughter production, providing a benchmark for further improvements in performance.

## INCREASED FEED PRODUCTION – INVESTMENT PLANS



The youngest subsidiary of Indykpol S.A., which is also its biggest subsidiary in terms of revenue, is Nutripol Sp. z o.o. with its registered office in Olsztynek. Since April 2011, the company has supplied poultry feeds to reproductive and commercial farms cooperating with the Indykpol Group in the Olsztyn region.

In the previous years, the feed plant in Olsztynek had been modernized and equipped with a precise micro-dosage platform which enables the addition of ingredients at fractions of a percent. This way, the content of feedingstuffs may be freely modified, and the Company may offer specialised feeds for various purposes, corresponding closely to the recommendations of hatchling suppliers.

The plant offers specially selected complete feedingstuffs and concentrates tested at its own farms, dedicated to various use types of turkeys, broilers and commercial geese, as well as chicken and turkey reproduction flocks. Nutripol has developed reliable feeding programmes for turkey and chicken production lines available on the Polish market.

The mixing plant has a large warehousing base, which allows the proper receipt, segregation and storage of large, uniform batches of raw materials. The facility operates a specialised device for taking representative samples, and a modern laboratory. Each batch of raw materials and finished feedingstuffs undergoes a fast and

detailed control, and the parameters of raw materials and mixtures are continuously monitored. The well equipped laboratory evaluates the amino acid composition of feed materials, and the selection of components for production is based on their actual values. This also ensures stability and reproducibility of the offered feeds, and good final effects achieved at the farms.

Over the past two years, the plant has dynamically increased its production volumes, and in the third quarter of 2013 sales reached its maximum production capacity. Considering the growing demand for feeds and the planned increase of production capacity, the Group is planning to modernize the plant once again. The main goal is to increase its production capacity to 20 thousand tons a month, and to expand its warehousing and shipping base. The modernization is also aimed at achieving a further improvement in the quality parameters of our feeds and optimization of costs.





## PRODUCTION STANDARDS WARRANTING BEST QUALITY POULTRY

The entire poultry production process in the Group, from farms, through slaughter and processing plants, down to the shop counter, is strictly controlled by zootechnical, veterinary and sanitary services. Breeders and manufacturers are first and foremost required to ensure the protection and welfare of their flock. Fast growth in birds is achieved with best quality hatchlings, well-balanced feedingstuffs, and a breeding technology which ensures a high level of animal welfare.

Since Poland's accession to the European Union, the poultry food chain is closely controlled and documented. To ensure the quality of livestock, the use of animal meals and growth stimulants in feedingstuffs is prohibited. If a flock needs to be treated with an antibiotic, this is done under the strict supervision of a veterinarian, with rigorously observed withdrawal times.

In addition, for the past two years the quality and safety of Polish poultry meat is protected under the "Zero Tolerance" program introduced at the initiative of the Chief Veterinary Officer. Its goal is to eliminate unfair manufacturing practices and overcome the routine in veterinary examinations. The administration of active substances to birds is now monitored throughout the

country, and the systematically performed controls of poultry meat do not reveal the presence of any such substances. As a principle, if a prohibited substance is identified, the entire batch is removed from the distribution chain, and poultry breeders and producers who break the law are severely punished.

The achievements of Polish poultry farming with regard to the quality and safety of poultry production may be erased, however, if the free trade agreement between the European Community and the United States enters into force. So far, the USA have not been a significant partner for the EU in terms of poultry trade, as their production and slaughter conditions are much less restrictive than those in Poland and other European countries. The lower costs of poultry production in the USA compared to the EU result from major differences in production processes. In the USA, meat and bone meals and antibiotics are used in feedingstuffs, combined with chlorine disinfection of carcasses in slaughter plants. The admission of American poultry to trade on the EU market, produced without compliance with the standards and requirements which must be met by producers in Europe, will be mostly to the detriment of EU consumers, who are accustomed to high quality foods.

## POLAND AS THE EU POULTRY INDUSTRY LEADER

Since Poland's accession to the European Union in 2004, the production of poultry meat in Poland has increased 2.5 times. In 2014, it reached nearly 2.0 million tons and was 6.0 per cent higher than in the previous year. Last year, Poland achieved the position of the biggest poultry producer in the EU.

From the time perspective, it is most apparent that the poultry industry had made good use of the time preceding accession, as well as the past 10 years after Poland joined the Union. It has increased its production capacities and implemented high quality standards. Polish poultry has become competitive on European markets both in terms of quality and prices. Its production complies with the strictest standards and legal regulations of the EU, which makes it highly valued and much sought after both at home and abroad.

The production capacities of Polish poultry plants are sufficient to satisfy domestic demand and systematically increase export sales. Polish poultry producers keep consolidating their position on the Community market, where more than 34 per cent of the production is sold.

Polish poultry is much in demand on foreign markets, particularly in the EU where 80 per cent of the meat is exported. But not only. Poland is now the third – after France and the Netherlands – poultry exporter in the EU. Last year, Poland increased its poultry export to non-EU markets by 25 per cent, thus increasing its share in Community exports to 11 per cent.

Domestic poultry consumption in 2014 was 26.9 kg per person. According to the Institute of Agricultural and Food Economics (IERiGŻ), in 2015 consumption may increase up to 27.2 kg per person. Growing poultry consumption reflects the growing awareness of poultry as the best source of healthy proteins, and its attractive price resulting from the relatively short production process and good feed conversion.



## FINANCIAL STATEMENTS OF THE INDYKPOL CAPITAL GROUP



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## CONSOLIDATED GLOBAL INCOME STATEMENT

(in PLN '000)

	1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
<b>Continued operations</b>		
Revenues from the sale of products	1 078 018	917 631
Revenue from the sale of goods and materials	43 923	88 699
Revenue from sales	1 121 941	1 006 330
Manufacturing cost of products sold	932 712	794 442
Value of goods and materials sold	28 101	84 213
Prime cost of sale	960 813	878 655
<b>Gross profit (loss) on sales</b>	<b>161 128</b>	<b>127 675</b>
Cost of sales	92 588	85 956
Cost of general management and administration	36 734	29 357
Other operating revenue	5 475	4 750
Other operating costs	6 154	2 629
<b>Profit (loss) on operating activity</b>	<b>31 127</b>	<b>14 483</b>
Net financial costs	(5 976)	(9 892)
<b>Gross profit (loss)</b>	<b>25 151</b>	<b>4 591</b>
Income tax	6 037	2 457
<b>Net profit (loss) on continued operations</b>	<b>19 113</b>	<b>2 134</b>
<b>Discontinued operations</b>		
<b>Net profit (loss) for the period</b>	<b>19 113</b>	<b>2 134</b>
<b>Other total net income</b>	<b>(1 291)</b>	<b>-</b>
Cash flow hedges	(1 291)	
<b>TOTAL INCOME FOR THE FINANCIAL YEAR</b>	<b>17 822</b>	<b>2 134</b>
Total profit per:		
– shareholders of the holding company	19 109	2 171
– minority shares	4	(37)
	<b>19 113</b>	<b>2 134</b>
Total comprehensive income per:		
– shareholders of the holding company	17 818	2 171
– minority shares	4	(37)
<b>Income total</b>	<b>17 822</b>	<b>2 134</b>
<b>Net profit (loss) per share</b>		
– basic earnings for the period	6,12	0,68
– basic earnings on continued operations	6,12	0,68
– diluted earnings for the period	6,12	0,68
– diluted earnings on continued operations	6,12	0,68

## CONSOLIDATED STATEMENT ON THE FINANCIAL STANDING

(in PLN '000)



ASSETS	31 Dec 2014	31 Dec 2013
<b>Fixed (non-current) assets</b>	<b>218 669</b>	<b>211 658</b>
Tangible fixed assets	208 104	199 127
Investment properties	532	532
Intangible assets	1 799	2 014
Goodwill	1 103	1 103
Other financial assets	76	76
Trade and other receivables	635	1 056
Deferred tax assets	6 352	7 750
Prepayments and accruals	68	
<b>Current assets</b>	<b>223 324</b>	<b>230 533</b>
Inventory	74 657	81 201
Derivative financial instruments		76
Trade and other receivables	143 655	138 746
Cash and cash equivalents	4 104	8 643
Prepayments and accruals	908	1 867
<b>TOTAL ASSETS</b>	<b>441 993</b>	<b>442 191</b>
LIABILITIES	31 Dec 2014	31 Dec 2013
<b>Shareholders' equity allocated to the shareholders of the holding company</b>	<b>180 241</b>	<b>163 998</b>
Share capital	15 623	15 623
Other capitals	99 847	100 954
Retained earnings	66 062	47 421
Revaluation reserve	(1 291)	
<b>Shareholders' equity allocated to minority shares</b>	<b>280</b>	<b>306</b>
<b>Total shareholders' equity</b>	<b>180 521</b>	<b>164 304</b>
<b>Non-current liabilities</b>	<b>150 645</b>	<b>92 145</b>
Loans and borrowings	103 309	57 083
Non-current provisions	1 071	1 135
Derivative financial instruments	425	
Trade and other liabilities	22 351	8 460
Subsidies	12 859	14 667
Provisions for deferred income tax	10 430	10 800
Other accruals and deferred income	200	
<b>Short-term liabilities</b>	<b>110 827</b>	<b>185 742</b>
Loans and borrowings	26 934	88 130
Trade and other liabilities	72 310	92 628
Short-term provisions	8 211	3 115
Subsidies	1 683	1 801
Derivative financial instruments	1 358	68
Other accruals and deferred income	331	
<b>Total liabilities</b>	<b>261 472</b>	<b>277 887</b>
<b>TOTAL LIABILITIES</b>	<b>441 993</b>	<b>442 191</b>



## CONSOLIDATED CASH FLOW STATEMENT – p. 1

(in PLN '000)

	1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
<b>Operating cash flow</b>		
<b>Net profit (loss)</b>	<b>19 109</b>	<b>2 171</b>
<b>Total adjustments</b>	<b>11 234</b>	<b>36 177</b>
Depreciation	17 609	17 159
Profit for minority shareholders	4	(37)
Currency exchange profit (loss)	(83)	595
Interest and share in profits (dividends)	9 718	8 494
Profit (loss) on investment activity	794	1 461
Changes in provisions	3 938	(987)
Changes in inventory	6 545	9 395
Changes in receivables	(18 021)	19 743
Changes in short-term liabilities, other than loans and borrowings	(10 769)	(20 502)
Changes in pre-payments and accruals	1 286	1 026
Other adjustments	213	(170)
<b>Net operating cash flow</b>	<b>30 343</b>	<b>38 348</b>
<b>Investment cash flow</b>		
<b>Proceeds</b>	<b>542</b>	<b>1 918</b>
Sale of intangible assets and fixed assets	408	1 765
From financial assets, of which:	1	153
in affiliates	1	2
– dividends and shares in profits	1	2
in other entities		151
– repayment of long-term loans granted		40
– interest		69
– other proceeds from financial assets		41
Other investment proceeds	133	-
<b>Expenditures</b>	<b>11 108</b>	<b>6 691</b>
Purchase of intangible assets and fixed assets	11 035	6 596
For financial assets, of which:		-
in affiliates		-
in other entities		-
– long-term loans granted		-
Repayment of liabilities under financial instruments	73	95
<b>Net investment cash flow</b>	<b>(10 566)</b>	<b>(4 773)</b>



## CONSOLIDATED CASH FLOW STATEMENT – p. 2

(in PLN '000)



	1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
<b>Financial cash flow</b>		
<b>Proceeds</b>	<b>36 394</b>	<b>21 715</b>
Loans and borrowings	35 492	20 459
Payments received under leasing agreements	626	706
Other proceeds from financial assets	276	550
<b>Expenditures</b>	<b>60 710</b>	<b>49 080</b>
Dividends and other disbursements to owners	437	-
Repayment of loans and borrowings	50 533	38 678
Payment of liabilities under financial leasing agreements	3 706	2 460
Interest	6 034	7 941
Other financial expenditures		1
<b>Net financial cash flow</b>	<b>(24 316)</b>	<b>(27 365)</b>
<b>Total net cash flow</b>	<b>(4 539)</b>	<b>6 210</b>
<b>Balance sheet change in cash flow, of which:</b>	<b>(4 539)</b>	<b>6 218</b>
– changes in cash due to currency exchange	(13)	(8)
<b>Cash at the beginning of the period</b>	<b>8 643</b>	<b>2 425</b>
<b>Cash at the end of the period, of which:</b>	<b>4 104</b>	<b>8 643</b>
– limited disposal		-
<b>Additional cash flow information</b>		
Income tax paid	4 016	459



## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in PLN '000)

	Per shareholder of the Company					Held by minority shareholders	Total share- holders' equity
	Share capital	Other capitals	Retained earnings	Revaluation reserve	Total		
<b>As on 1 January 2013</b>	<b>15 623</b>	<b>107 815</b>	<b>38 236</b>	<b>0</b>	<b>161 674</b>	<b>384</b>	<b>162 058</b>
Dissolution of reserve for income tax	-	-	315		315	-	315
Exchange rate differences on consolidation	-	-	(223)		(223)	-	(223)
Profit (loss) from previous years	-	(5 705)	5 705	-		-	-
Profit (loss) for the year	-		2 171		2 171	-	2 171
Consolidation differences	-	(1 156)	1 217		61	-	61
Share of shareholders holding minority shares	-	-	-	-		(78)	(78)
<b>As on 31 December 2013</b>	<b>15 623</b>	<b>100 954</b>	<b>47 421</b>	<b>0</b>	<b>163 998</b>	<b>306</b>	<b>164 304</b>
<b>As on 1 January 2014</b>	<b>15 623</b>	<b>100 954</b>	<b>47 421</b>	<b>0</b>	<b>163 998</b>	<b>306</b>	<b>164 304</b>
Dissolution of reserve for income tax			362		362		362
Exchange rate differences on consolidation			(1 437)		(1 437)		(1 437)
Profit (loss) from previous years		(1 107)	1 107				
Profit (loss) for the year			19 109		19 109	4	19 113
Consolidation differences			(63)		(63)		(63)
Dividend disbursement			(437)		(437)		(437)
Share of shareholders holding minority shares						(30)	(30)
Other (hedging derivative instruments)				(1 291)	(1 291)		(1 291)
<b>As on 31 December 2014</b>	<b>15 623</b>	<b>99 847</b>	<b>66 062</b>	<b>(1 291)</b>	<b>180 241</b>	<b>280</b>	<b>180 521</b>

**GLOBAL INCOME STATEMENT OF INDYKPOL S.A.**  
(in PLN '000)



	1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
<b>Continued operations</b>		
Revenues from the sale of products	927 609	905 009
Revenue from the sale of goods and materials	222 819	97 178
Revenue from sales	1 150 428	1 002 187
Manufacturing cost of products sold	803 040	797 457
Value of goods and materials sold	207 290	93 029
Prime cost of sale	1 010 330	890 486
<b>Gross profit (loss) on sales</b>	<b>140 098</b>	<b>111 701</b>
Cost of sales	88 612	82 556
Cost of general management and administration	28 358	22 333
Other operating revenue	3 646	2 899
Other operating costs	4 214	1 512
<b>Profit (loss) on operating activity</b>	<b>22 560</b>	<b>8 199</b>
Net financial costs and revenues	(3 147)	(5 140)
<b>Gross profit (loss)</b>	<b>19 413</b>	<b>3 059</b>
Income tax	6 360	1 663
<b>Net profit (loss) on continued operations</b>	<b>13 053</b>	<b>1 396</b>
<b>Discontinued operations</b>		
Profit (loss) for the period on discontinued operations		
<b>Net profit (loss) for the period</b>	<b>13 053</b>	<b>1 396</b>
<b>Other total net income</b>	<b>(1 291)</b>	
Cash flow hedges	(1 291)	
<b>TOTAL INCOME FOR THE FINANCIAL YEAR</b>	<b>11 762</b>	<b>1 396</b>
<b>Net profit (loss) per share</b>		
– basic earnings for the period	4,18	0,45
– basic earnings on continued operations	4,18	0,45
– diluted earnings for the period	4,18	0,45
– diluted earnings on continued operations	4,18	0,45



## STATEMENT ON THE FINANCIAL STANDING OF INDYKPOL S.A. (in PLN '000)

ASSETS	31 Dec 2014	31 Dec 2013
<b>Fixed (non-current) assets</b>	<b>219 697</b>	<b>213 692</b>
Tangible fixed assets	173 723	162 728
Investment properties	532	532
Intangible assets	1 790	1 999
Shares and stock	36 952	38 468
Other financial assets		
Trade and other receivables	635	1 056
Deferred tax assets	6 065	8 909
<b>Current assets</b>	<b>194 376</b>	<b>202 192</b>
Inventory	53 336	61 484
Derivative financial instruments		76
Trade and other receivables	138 062	137 228
Cash and cash equivalents	2 185	2 581
Other financial assets		
Prepayments and accruals	793	823
<b>TOTAL ASSETS</b>	<b>414 073</b>	<b>415 884</b>
<b>LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>163 392</b>	<b>151 707</b>
Share capital	15 623	15 623
Other capitals	96 569	95 611
Retained earnings	52 491	40 473
Revaluation reserve	(1 291)	
<b>Non-current liabilities</b>	<b>125 946</b>	<b>96 522</b>
Loans and borrowings	83 634	65 651
Non-current provisions	883	944
Derivative financial instruments	425	
Trade and other liabilities	21 303	8 460
Subsidies	10 532	11 650
Provisions for deferred income tax	9 169	9 817
<b>Short-term liabilities</b>	<b>124 735</b>	<b>167 655</b>
Loans and borrowings	26 934	66 459
Trade and other liabilities	87 539	97 346
Short-term provisions	7 494	2 590
Subsidies	1 193	1 260
Derivative financial instruments	1 358	
Other accruals and deferred income	217	
<b>Total liabilities</b>	<b>250 681</b>	<b>264 177</b>
<b>TOTAL LIABILITIES</b>	<b>414 073</b>	<b>415 884</b>



## INDEPENDENT AUDITOR'S OPINION

### for the General Meeting and Supervisory Board of Indykpol S.A.



We have audited the attached consolidated financial statements of the Indykpol Capital Group ("Group") with its dominant entity Indykpol S.A. ("Dominant Entity") having its registered office in Olsztyn at ul. Jesienna 3, consisting of:

- consolidated Statement of Financial Position as at 31 December 2014;
- consolidated Global Income Statement for the accounting year ended on 31 December 2014;
- consolidated Statement of Changes in Shareholders' Equity for the accounting year ended on 31 December 2014;
- consolidated Cash Flow Statement for the accounting year ended on 31 December 2014;
- additional information on the applied accounting principles and other explanatory notes.

The Management Board of the Dominant Entity is responsible for the preparation of consolidated financial statements and the report on operations.

The Management Board of the Dominant Entity and members of the Supervisory Board are required to ensure that the financial statements and the report on operations meet the requirements specified in the Act on Accounting of 29 September 1994 (Journal of Laws of 2013, item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express our opinion on the conformity of the consolidated financial statements with the mandatory accounting principles (policy) of the Group, and on whether they give an accurate and fair view, in all material aspects, of the Group's asset and financial standing and its financial performance.

We have audited the consolidated financial statements in compliance with the provisions of:

1. Chapter 7 of the Accounting Act;
2. the national standards of financial review announced by the National Board of Auditors in Poland.

We had planned and performed the audit of consolidated financial statements so as to obtain reasonable assurance that would allow us to express our opinion on the same. In particular, the audit involved verifying the correctness of the accounting principles (policy) applied by the Dominant Entity and the subsidiaries, and verifying – largely at random – the underlying records documenting the figures and information contained in the consolidated financial statements, as well as their overall assessment.

We believe the audit provided sufficient grounds for expressing an opinion.

In our opinion, the audited consolidated financial statements, in all significant aspects:

- accurately and clearly present all information that is material for the assessment of the asset and financial standing of the Indykpol Capital Group as at 31 December 2014, as well as its financial result for the financial year ended on 31 December 2014;
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards, and the associated interpretations announced in the form of regulations of the European Commission, and to the extent not governed by these standards, in accordance with the requirements of the Accounting Act and its secondary legislation;
- complies with the legislation governing the consolidated financial statements and applicable to the Group.

The report on the Group's operations for the year ended on 31 December 2014 is complete within the meaning of Article 49 par. 2 of the Accounting Act and the Regulation of the Minister of Finance of 28 February 2014 on current and periodic information provided by issuers of securities and the conditions for the equivalent treatment of information required under the legislation of non-member states, and information from the audited consolidated financial statements contained therein corresponds to the report.

Poznań, 20 March 2015

**BDO Sp. z o.o.**

Postępu 12, 02-676 Warsaw

Entity authorised to audit financial statements No. 3355

Key auditor conducting the audit:

**Michał Włodarczyk**

Auditor, reg. No. 12436

Acting on behalf of BDO Sp. z o.o.:

**dr André Helin**

President of the Management Board,

Auditor, reg. No. 90004



## TIMELINE

<b>1951</b>	the Branch of the Egg and Poultry Central Office in Olsztyn was established
<b>1964</b>	establishment of the Olsztyn Poultry Company
<b>1980</b>	the first Polish poultry production plant – the Turkey Breeding Centre of Frednowy – started its activity
<b>1985</b>	a new production plant was started in Olsztyn
<b>1991</b>	the Olsztyn Poultry Company State Enterprise was transformed into a private company Indykpol, the company gained a strategic investor – Rolmex S.A.
<b>12 October 1994</b>	the first quotation of Indykpol stock at the Warsaw Securities Exchange
<b>14 June 1995</b>	gaining of an industry shareholder, Jerome Foods Inc.
<b>17 May 1996</b>	the Company authorities and major shareholders adopted Indykpol Charter, in which the mission, vision and critical success factors were defined
<b>30 March 1998</b>	Indykpol purchased blocks of Eldrob S.A. and Lubdrob S.A. shares, thus forming a capital group of poultry companies
<b>1 August 1999</b>	Indykpol completed implementations of the HACCP system
<b>1 July 2000</b>	Indykpol – Lubdrob fusion
<b>15 August 2003</b>	Indykpol gained the position of the dominant investor in Eldrob S.A.
<b>2004</b>	commencement of implementation of a new marketing strategy based on "Indykpol" brand
<b>16 April 2004</b>	the Company obtained certificates of IFS (International Food Standard) and BRC (British Retail Consortium) systems
<b>11 May 2004</b>	the Company obtained a certificate of the ISO 9001:2000 system
<b>1 July 2004</b>	fusion of Indykpol and the Turkey Breeding Centre Frednowy
<b>31 July 2006</b>	opening of a new hall and starting a hot-dogs flow production line
<b>15 October 2006</b>	introduction of the new line of Jedyunki branded hot-dogs into the market
<b>1 July 2007</b>	implementation of the management analysis system SAS
<b>November 2007</b>	Indykpol receives the "Good Business" title in the Newsweek Polska competition as a socially responsible company
<b>January 2008</b>	The Indykpol brand receives the "Business Superbrands" title
<b>December 2008</b>	Indykpol takes the 1st place in the "National Innovation Leaders 2008" regional competition in the "Innovative Firm" and "Innovative Product" categories
<b>2 January 2009</b>	launching a modern line for slaughter and butchery of chickens in the Lublin plant
<b>1 April 2009</b>	launching the production of heat in a new ecological biomass-fuelled boiler room, at the Olsztyn butchery plant
<b>15 February 2010</b>	launching a modern line for slaughter and butchery of chickens in the Olsztyn plant
<b>30 November 2010</b>	merger of Indykpol S.A. with "Biokonwersja" Sp. z o.o.
<b>7 December 2010</b>	establishment of "Indykpol Brand" Sp. z o.o.
<b>30 March 2011</b>	acquisition of Wytwórnia Pasz w Olsztynku Sp. z o.o. – currently Nutripol Sp. z o.o.
<b>31 August 2011</b>	transformation of "Indykpol Brand" Sp. z o.o. into a limited partnership
<b>20 January 2012</b>	launching the production of chicks in the Poultry Hatching Plant (ZWD) in Brzesko
<b>31 August 2012</b>	obtaining the QAFP Certificate
<b>1 January 2014</b>	implementation of the new organisational model of the Group with two production and sales divisions
<b>2014</b>	Indykpol's thin kabanos sausages awarded the gold medal in the "Best Product – Consumers' Choice 2014" survey
<b>2014</b>	The Indykpol brand receives the „Created in Poland Superbrands 2013/2014" title

INDYKPOL S.A.  
Jesienna 3, 10-370 Olsztyn, Poland

Head Office tel. + 48 89 52 62 222  
Reception tel. + 48 89 52 62 200, fax + 48 89 52 62 223  
Customer Service Office tel. + 48 89 52 62 100, fax + 48 89 52 62 110  
Purchase Logistics Department tel. + 48 89 52 62 309  
Contracts Department tel. + 48 89 52 62 235  
Press Spokesman tel. + 48 89 52 62 315

Office in Warsaw  
Olkuska 7, 02-604 Warsaw  
Reception tel. + 48 22 54 28 280, fax + 48 22 54 28 282

e-mail: [sekretariat@indykpol.pl](mailto:sekretariat@indykpol.pl)  
[www.indykpol.pl](http://www.indykpol.pl)