Financial Statements of Makarony Polskie SA, in the financial year 2020



Rzeszów, 15 April 2021

Table of Contents

Table of Contents **2**

General **5**

Group Organization **5**

Changes in the organization of the Makarony Polskie Group in 2020. 6

Registration data 6

The employment balance as at 31 December 2020 in the Makarony Polskie SA was as follows: 7

Composition of the Management Board 7

Composition of the Supervisory Board 7

General Assembly of Makarony Polskie SA 9

Publication and approval of the financial statements 12

Basis for preparation of the financial statements **13**

Declaration of compliance and the basis for preparing the statements 13

Basis for valuation 13

Functional and presentation currency 13

Accounting principles applied and the basis for preparing the statements 13

New accounting standards and interpretations 14

Going Concern 18

Uncertainty of estimates 20

Selected financial data - Makarony Polskie SA **22**

Statement on comprehensive income **24**

Statement on comprehensive income 24

Statement of other comprehensive net income - application of hedge accounting 25

Statements of the financial position **26**

Cash flow statement - indirect method **28**

Statement of changes in equity **30**

Additional notes **31**

Notes to the statement of comprehensive income **31**

Note no. 1 Sales revenues 31

Table of Contents

Note no. 2 Basic information about operating segments 32
Note no. 3 Revenues from sale of products, services, goods and materials - geographical structure 33
Note no. 4 Costs of employee benefits and operating costs in a generic manner .. 36
Note no. 5 Costs of sale 37
Note no. 6 Management costs 37
Note no. 7 Other revenues 38
Note no. 8 Other costs 39
Note no. 9 Financial incomes 39
Notes no. 10 Financial costs 40
Note no. 11 Income tax 40
Note no. 12 Deferred income tax 42
Note no. 13 Data regarding the financial result and shares that were used to calculate basic and diluted earnings per share 43
Note no. 14 Explanatory notes to the cash flow statement 44
Note no. 15 Tangible fixed assets 45
Note no. 16 Investment real estate 48
Note no. 17 Other intangible assets 49
Note no. 18 Long-term financial assets 51
Note no. 19 Inventories 51
Note no. 20 Receivables 52
Note no. 21 CIT receivables 54
Note no. 22 Borrowings granted 54
Note no. 23 Cash and cash equivalents 55
Note no. 24 Other assets 55
Note no. 25 Share capital 56
Note no. 26 Supplementary and reserve capital 57
Note no. 27 Result from previous years 58
Note no. 28 Information on loans and sureties obtained as at 31 December 2020 59
Note no. 29 Information on granted and received guaranties 64
Note no. 30 Provision for pensions and similar 64
Note no. 31 Long-term and short-term financial liabilities 65
Note no. 32 Other liabilities 67
Note no. 33 Revenue of future periods 68
Note no. 34 Off-balance items 69
Note no. 35 Transactions with related parties 69
Note no. 36 Other items related to assets, liabilities, equity, revenues, costs and net profit or cash flow statement are not typical due to their nature, amount or scope.. 71
Note no. 37 Material Contracts 71

Table of Contents

Note no. 38 Remuneration of members of the Management Board and Supervisory Board 73

Note no. 39 Significant event in the period from 1 January 2020 to the date of submission of these financial statements 74

Note no. 40 Material accounting principles applied in the preparation of the financial statements 75

Note no. 41 Goals and principles of managing the financial risk..... 100

Note No. 42 Capital management 106

Note No. 43 Financial instruments 107

Note no. 44 Material proceedings pending before a court or an authority competent for arbitration or a public administration authority 107

Note no. 45 Employment in Makarony Polskie..... 107

Note no. 46 Remuneration of the statutory auditor 108

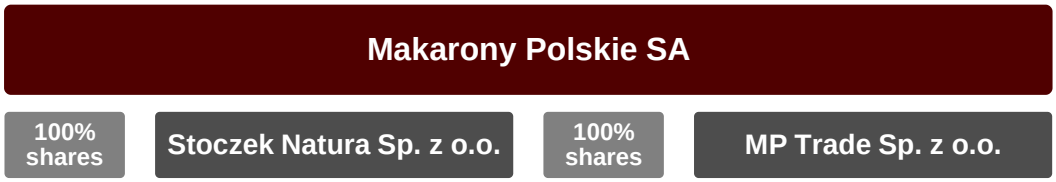
Makarony Polskie Group consists of three companies: two manufacturing and one commercial company.

General

Group Organization

The Makarony Polskie Group ("Group") consists of the following three companies:

- Makarony Polskie SA (the "Company", "parent company")
- Stoczek Natura Sp. z o.o.
- MP Trade Sp. z o. o.



Makarony Polskie SA is a producer of a wide range of pasta, produced in stamped and rolled technology. The Company offers pasta in many different forms, made on the basis of durum flour and wheat flour. In its portfolio, the Company also has products that respond to the trends of pro-health food, such as pasta from spelled, buckwheat, rye flours. The range of products is enriched with large pasta forms for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The company has great opportunities to expand the range of pasta made from rare flours, such as legumes, and the portfolio will be developed in this direction.

The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand z Makarony Polskie).

Stoczek Natura Sp. z o.o. is a producer of meat and vegetable preserves (ready meals, pies, lard preserves), vegetable preserves (salads, marinades), processed fruit (jams, plum confectioners) offered under Stoczek, Tenczynek, Męska Rzecz brands, and also the new SoFood brand, which represents the development category of ready-made dishes on trays. Products that are easy to prepare and can be placed on the so-called dry shelf.

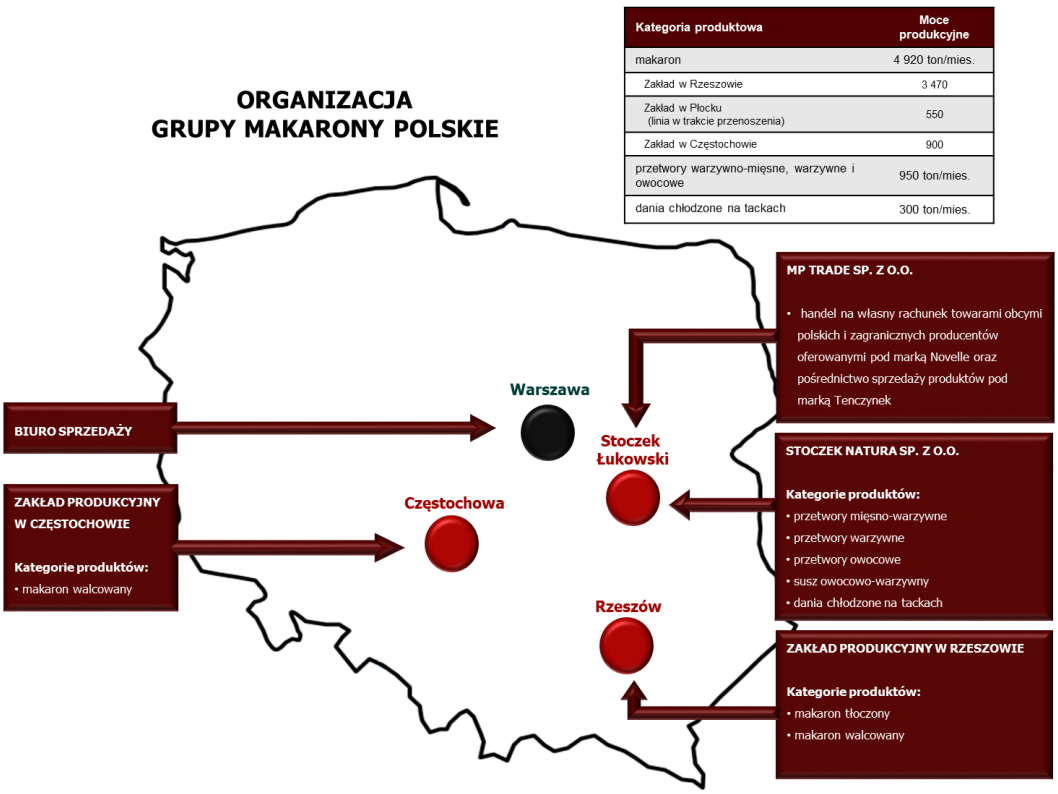
MP Trade Sp. z o.o. develops trade on own account with foreign goods of Polish and foreign producers. The Company's activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makrony Polskie SA in the production

of vegetable noodles and other goods produced within the Makarony Polskie Group. The business model adopted by the company creates its value by increasing the brand value, and the production is outsourced.

Changes in the organization of the Makarony Polskie Group in 2020.

In 2020, there were no changes in the Makarony Polskie Group that would significantly affect the structure or organization of the Group.

Within Makarony Polskie Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services, All transactions are performed under the market terms and conditions.



Registration data

Makarony Polskie SA

Registered Office: 35-082 Rzeszow, ul. Podkarpacka 15A,

District Court in Rzeszow, 12th Commercial Division of the National Court Register

KRS number 0000212001,

Share Capital: PLN 27,750,213 - fully paid-up

REGON (National Business Registry Number): 691674708,

NIP [tax identification number]: 813-32-78-856

www.makarony.pl.

The employment balance as at 31 December 2020 in the Makarony Polskie SA was as follows:

Makarony Polskie SA – 170 employees,

Composition of the Management Board

In the period from 1 January 2020 to the date of publication of these financial statements, the Management Board of the Company has operated as a one-person Management Board. Zenon Daniłowski is the President of the Management Board

Shares held by the Management Board Members

Number and nominal value of the Company's shares held by the Members of the Management Board as at the date of the statements:

Member of the Management Board	year 2020		year 2019	
	number of shares	nominal value	number of shares	nominal value
Zenon Daniłowski*	140,000	420,000	140,000	420,000

* President of the Management Board Zenon Daniłowski is associated with the following companies: Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o., which also hold shares in the Company; the total balance of ownership as at the date of publication of the statements is 2,311,594 shares worth PLN 6,934,782.

In accordance with the information held by the Company, during 2020 and until the date of publication of these statements, there were no changes in the ownership of shares held by the President of the Management Board.

Composition of the Supervisory Board

From 1 January 2020 to 24 September 2020, the Supervisory Board of the 8th term of office operated in the following composition:

- Roman Sobiecki – Chairman of the Supervisory Board

- Samer Abdelfatah Mohamed El Waziri – Vice Chairman of the Supervisory Board,
- Marek Rocki – Member of the Supervisory Board
- Michał Słomkowski – Member of the Supervisory Board
- Wiesław Wasilewski – Member of the Supervisory Board

On 24 September 2020, the Ordinary General Meeting of the Company appointed the Supervisory Board of the 9th term of office. The number of members of the Supervisory Board of the 9th term of office was 6 persons.

The following persons were appointed to the Supervisory Board of the 9th term of office:

- Roman Sobiecki – Chairman of the Supervisory Board
- Ahmed Khalil - Vice Chairman of the Supervisory Board
- Michał Słomkowski – Member of the Supervisory Board
- Wiesław Wasilewski – Member of the Supervisory Board
- Marek Rocki – Member of the Supervisory Board
- Janusz Pierun – Member of the Supervisory Board

Shares held by Members of the Supervisory Board

Number and nominal value of the Company's shares held by the Members of the Supervisory Board as at the date of the statements:

Number and nominal value of the Company's shares held by the Members of the Supervisory Board as at the date of the statements:

Member of the Supervisory Board	year 2020		year 2019	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil *	0	0	-	-
Janusz Pierun *	0	0	-	-
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski	6,550	19,650	6,550	19,650

* Members of the Supervisory Board Ahmed Khalik and Janusz Pierun were appointed to the Supervisory Board of the Company on 24 September 2020.

In accordance with the information held by the Company, during 2020 and until the date of publication of these statements, there were no changes in the ownership of shares held by the Members of the Supervisory Board.

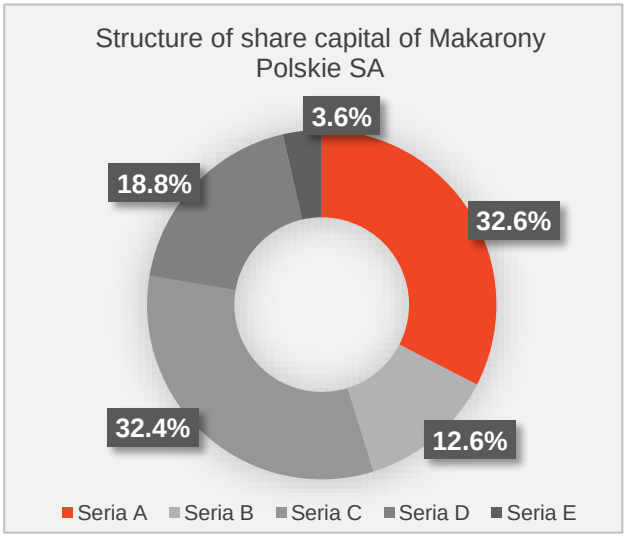
General Assembly of Makarony Polskie SA

Share capital of Makarony Polskie SA:

- amount of share capital PLN 27,750,213,
- total number of shares 9,250,071 shares,
- total number of votes at the General Assembly 9,250,071 votes.

Structure of the Company's share capital:

- 3,013,250 ordinary series A bearer shares,
- 1,169,750 ordinary series B bearer shares,
- 3,000,000 ordinary series C bearer shares,
- 1,735,821 ordinary series D bearer shares,
- 331,250 ordinary series E bearer shares.



The Company's shares are ordinary bearer shares listed on the regulated market operated by the Warsaw Stock Exchange. The company has not issued any securities that grant special controlling rights to any of its shareholders.

There are no restrictions on exercising voting rights in the Company. There are also no restrictions regarding the transfer of ownership of securities issued by the Company.

Shares held by main shareholders (over 5% of share capital)

Shareholders holding directly or indirectly through subsidiaries, at least 5% of votes in the total number of votes at the General Assembly of the Company as at the date of the statements (in accordance with the information available):

Shareholder	Shares in share capital	Votes at the General Assembly

	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, including:	2,311,594	24.99%	2,311,594	24.99%
Praska Giełda Spożywcza SA (former: Agro-Technika SA)	*2,050,000*	*22.16%*	*2,050,000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology&Communications S.A.E. including:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta i Grzegorz Słomkowscy, including:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. "ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Agroma Ltd	950,000	10.27%	950,000	10.27%
Others Shareholders	+3 012 031	32.56%	+3 012 031	32.56%
TOTAL	**9,250,071**	**100.00%**	**9,250,071**	**100.00%**

Changes in shareholding in 2020

On 18 March 2020, the Company received a letter with notification sent by Wojciech Wiśniewski, on its own behalf and on behalf of Agro-Jumal Sp. z o.o. with its registered office in Sieradz, regarding the decrease in the number of shares in Makarony Polskie SA. Mr. Wojciech Wiśniewski, acting on his own behalf, as well as on behalf of Agro-Jumal Sp. z o.o., informed that as a result of his sale on 13 March 2020 on the stock exchange market of hares of Makarony Polskie SA, there was a change to the owned by him and by the company Agro-Jumal Sp. z o.o. share in the total number of votes at the General Meeting of Shareholders of the Company, by reducing it below 5% (hereinafter: Change in Ownership).

Before the Change in Ownership, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o., held a total of 477,562 shares of the Company, which constituted 5.16% of the share capital and entitled to 477,562 of votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 477,562 votes from the Company's shares, of which:

- Mr. Wojciech Wiśniewski held independently 328,962 shares of the Company which constitute 3.56% of the share capital of the Company and entitle to 328,962 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 328,962 votes from the shares of the Company.
- Agro-Jumal Sp. z o.o. holds independently 148,600 shares of the Company which constitute 1.6% of the share capital of the Company and entitle to 148,600 votes in

the total number of votes at the General Meeting of Shareholders, i.e. to exercise 148,600 votes from the shares of the Company.

After the Change in Ownership, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. holds a total of 452,623 shares of the Company which constitute a 4.89% share in the share capital and entitle to 452,623 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 452,623 shares from the Company's shares, of which:

- Mr. Wojciech Wiśniewski holds independently 304,023 shares of the Company which constitute 3.29% of the share capital of the Company and entitle to 304,023 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 304,023 votes from the shares of the Company.
- Agro-Jumal Sp. z o.o. holds independently 148,600 shares of the Company which constitute 1.6% of the share capital of the Company and entitle to 148,600 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 148,600 votes from the shares of the Company.

In addition, Mr. Wojciech Wiśniewski informed that he and Agro Jumal Sp. z o.o.:

- do not have subsidiaries holding the Company's shares,
- they have not concluded the agreement referred to in Article 87 paragraph 1 point 3 item c) of the Act on Public Offering, i.e. a contract the subject of which is the transfer of the right to exercise voting rights,
- they do not have financial instruments which, after the maturity date, unconditionally entitle or oblige their holder to purchase shares with which voting rights are associated, already issued by the Company, as referred to in Article 69b paragraph 1 item 1 of the Act on Public Offering.
- they also do not have financial instruments that relate to the Company's shares directly or indirectly and have economic effects similar to the effects of the financial instruments referred to in the previous sentence referred to in Article 69b paragraph 1 item 2 of the Act on Public Offering.

The Company has no other information that would indicate changes in the number of shares held by material shareholders (holding stakes over 5%) during 2020 and until the date of publication of these statements.

The Company has no knowledge of other contracts (including those concluded after the balance sheet date) as a result of which there may be in the future any changes in the proportions of shares held by the existing shareholders.

Changes in the shareholding after the balance sheet date

The Company has no other information that would indicate changes in the number of shares held by material shareholders (holding stakes over 5%) after the balance sheet date and until the date of publication of these statements.

Publication and approval of the financial statements

These financial statements were audited by an entity authorized to audit financial statements and were approved by the Management Board for publication on 15 April 2021.

The financial statements of the Makarony Polskie for 2019 were approved by the Resolution No. 5 of the Ordinary General Assembly of Makarony Polskie on 24 September 2020.

Basis for preparation of the financial statements

Declaration of compliance and the basis for preparing the statements

These separate Financial Statements have been prepared on the basis of International Accounting Standards as adopted by the European Union (EU) and related interpretations announced in the form of implementing regulations of the European Commission (hereinafter referred to as "IFRS"), published and applicable at the time of preparation of these financial statements.

To the extent not covered by the above standards, these separate financial statements have been prepared in accordance with the requirements of the Act of 29 September 1994 on accounting and implementing regulations issued on its basis.

Basis for valuation

The presented financial statements have been prepared in accordance with the historical cost principle, with the exception of fair value measurement of some assets, i.e. assets acquired as part of the purchase transaction, Abak Sp. z o.o. and investment real estate.

Functional and presentation currency

The measurement currency of the Company, included in these financial statements and the reporting currency of these financial statements is the Polish zloty.

Unless indicated otherwise, the financial data is denominated in PLN k.

Accounting principles applied and the basis for preparing the statements

The accounting principles used to prepare the financial statements are consistent with those applied to the preparation of the annual financial statements for the year ended 31 December 2019 (published on 08 April 2020), except for amendments to standards and new interpretations applicable to annual periods commencing on 1 January 2020.

Duration of the Company operation is unlimited.

The financial year shall be the calendar year.

The financial statements were prepared for the same reporting period using consistent accounting principles.

New accounting standards and interpretations

Declaration of compliance

Polish legal regulations impose on Makarony Polskie SA the obligation to prepare financial statements in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU").

The separate financial statements of Makarony Polskie SA for the 12 months ended 31 December 2020 have been prepared using the accounting principles consistent with the International Financial Reporting Standards approved by the European Union (EU) and were effective as at the date of the financial statements.

The annual separate financial statements are in line with the requirements of the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

These separated financial statements have been prepared with the assumption of going concern in the predictable future, because there are no circumstances indicating a threat to its continuation. They have been prepared using the principles of valuation of assets and liabilities and the measurement of the net financial result determined as at the balance sheet date.

The separate financial statements have been prepared using the accounting principles consistent with the International Financial Reporting Standards approved by the European Union (EU) and were effective as at the date of the financial statements, and in matters not regulated, according to the Accounting Act of 29 September 1994.

The presented financial statements correspond to all IFRS requirements adopted by the European Union and also present the financial and property standing of the Company as at 31 December 2020

Effect of application of new accountancy standards and changes of accountancy policy

Basis for preparation of the financial statements

The accountancy principles (policy) applied to prepare this separate financial statement for the fiscal year ended on 31 December 2020 are coherent with those which were applied while preparing the annual separate financial statement for fiscal year ended on 31 December 2019, excluding the changes given below.

The same principles were applied for the current and comparable period.

Changes resulting from IFRS changes

From the beginning of the reporting period, the following new or change standards and interpretations issued by the International Accountancy Standard Board (IASB) or the International Financial Reporting Interpretations Committee apply.

- Amendment to IFRS 3 *Merger of entities*

  The amendment to IFRS 3 was published on 22 October 2018 and applies to annual periods beginning on 1 January 2020 or later. The aim of the change was to clarify the definition of a business and to distinguish acquisitions of "businesses" from groups of assets for the purpose of settling the mergers. An optional "concentration test" has been added to the standard, which simplifies the assessment of whether the acquired assets and activities constitute an undertaking.

- Amendments to IAS 1 and IAS 8: *Definition of the term "material"*

  Amendments to IAS 1 and IAS 8 have been published on 31 October 2018 and apply to annual reporting periods starting from 1 July 2020 or later. The purpose of amendments was to clarify the definition of "materiality" and to facilitate its application in practice.

- Reform of reference interest rates (reference rates) - *Amendments to IFRS 9, IAS 39 and IFRS 7*

  Amendments to IFRS 9, IAS 39 and IFRS 7 have been published on 26 September 2019 and apply to annual reporting periods starting from 1 January 2020 or later.

  The amendments modify the detailed requirements of hedge accounting in order to minimize (eliminate) the potential effects of uncertainty related to the reform of reference (interbank) interest rates. In addition, entities will be required to add additional disclosures about those hedging relationships that are directly affected by the uncertainty related to the reform.

In addition, from 1 June 2020, after adoption by the European Commission in October 2020, the Company applies the Amendment to IFRS 16 *Leases: Covid-19 reliefs.* The amendment was published on 28 May 2020 and is effective for annual periods beginning on or after 1 June 2020, with early application permitted. The amendment introduces a simplification in

IFRS 16, which makes it possible not to recognize a modification of a lease agreement when there have been, for example, changes in payments related to the Covid-19 pandemic.

The implementation of the standards had no significant effect on the Company's financial statements.

Changes introduced by the Company itself

The Company did not correct the presentation of the comparable data as at 31 December 2019 and for the financial year ended 31 December 2020.

Not obligatory standards (new standards and interpretations)

In this financial statement, the Company did not make the decision on early application of published standards and interpretations before they came into force.

The following standards and interpretations were issued by the International Accountancy Standard Board and the International Financial Reporting Interpretations Committee and did not come into force at the balance sheet date.

- IFRS 17 Insurance Contracts

  The new standard was published on 18 May 2017 and then amended on 25 June 2020, and applies to annual periods beginning on 1 January 2023 or later. Its earlier application is allowed (subject to the simultaneous application of IFRS 15 and IFRS 9). The standard replaces the existing regulations regarding insurance contracts (IFRS 4). On 25 June 2020, IFRS 4 was also amended - with regard to the extension of the exemption period for insurers from the application of IFRS 9 Financial Instruments until 1 January 2023.

  The Company shall implement the new standard on 1 January 2023. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of new standard application.

- Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as short-term and long-term liabilities

  The amendment to IAS 1 was published on 23 January 2020, then the effective date was modified in July 2020 and shall apply to annual periods beginning on 1 January 2023 or later.

  The amendment redefines the criteria that must be met to consider the obligation as a short-term obligation. The amendment may change the presentation of liabilities and their reclassification between short-term and long-term liabilities.

The company shall apply the amended standard from 1 January 2023. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of new standard application.

- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to the 2018-2020 standards

  Amendments to those standards were published on 14 May 2020 and apply to annual periods beginning on or after January 1, 2022. The amendments include, among others prohibition of reducing the cost of manufacturing fixed assets by revenues from the sale of test products created in the process of creating/commissioning a fixed asset.

  The company shall apply the amended standards from 1 January 2022. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of changed standards application.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Reform of reference interest rates (reference rates) - Phase 2

  Amendments to those standards were published on 27 August 2020 and supplement the first phase of changes in reporting resulting from the September 2019 reform of interbank reference rates. The amendments apply mostly to periods starting on 1 January 2021 or later The changes in the second phase focus on the impact they will have on the valuation of, for example, financial instruments, leasing liabilities, and the replacement of the existing reference rate with a new rate resulting from the reform.

  The company shall apply the amended standards from 1 January 2021. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of changed standards application.

- Amendments to IAS 1 - Disclosure of Accounting Policies and IAS 8 - Definition of Accounting Estimates

  Amendments to those standards were published on 12 February 2021 and apply to annual periods beginning on or after 1 January 2023. The purpose of those amendments is to place greater emphasis on the disclosure of significant accounting principles and to clarify the nature of the differences between changes in accounting estimates and changes in accounting policies.

The company shall apply the amended standards from 1 January 2023. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of changed standards application.

IFRS in the shape approved by the European Union does not currently significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for

the below standards, interpretations and their changes, which at the day of approving this financial statement for publication have not yet been approved for application by the European Union countries:

- IFRS 17 *Insurance Contracts*, published on May 18, 2017, as amended on 25 June 2020,
- Amendment to IAS 1 *Presentation of Financial Statements*: *Classification of liabilities* as short- and long-term liabilities published on 23 January 2020, as amended on 15 July 2020,
- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to the 2018-2020 standards published on 14 May 2020,
- Amendments to IAS 1 - *Disclosure of Accounting Policies* and IAS 8 - *Definition of Accounting Estimates* published on 12 February 2021.

The implementation of the standards had no significant effect on the Company's financial statements.

Going Concern

The financial statements of the Makarony Polskie have been prepared on the assumption that the business of the company will be continued in the foreseeable future and not significantly reduced. The Company did not conduct operations which were discontinued.

As at the date of preparation of the financial statements of the Management Board of the Company does not state any facts or circumstances indicating a threat to its going concern in the foreseeable future.

In accordance with the adopted strategy, the Company will continue its adopted operational model.

The Makarony Polskie SA will focus its activities on the following directions:

Building a competitive advantage through investments in R&D, product, process and organizational innovations

- investments in new production lines and a research and development center will allow the Group to expand its product range and enter new market segments, both at home and abroad,
- at Makarony Polskie SA, an interdisciplinary team was established, which, in cooperation with scientific institutions, works on developing innovative technologies for the production of new products: functional, health-promoting, low-processed food, easy to prepare,

- the company Stoczek Natura Sp. z o.o. purchased a new technological line, with the help of external experts and technologists, developed and implemented ready-made meals on SoFood trays.

Acquiring funds from the European Union for the implementation of activities and investments planned by the Company

- project entitled "Establishment of the Research and Development Center of Pasta Industry at Makarony Polskie SA", implemented under Measure 2.1 Support for investment in enterprise R&D infrastructure, Intelligent Development Operational Program 2014-2020, assumes establishment of a Research and Development Center of Pasta Industry at the Makarony Polskie SA. The B&R Center will conduct work on innovative products with pro-health features that will ultimately enrich the Company's product offer as well as issues relevant to the entire pasta industry. The Company performs the purchase of fixed assets and construction works, as part of the project. For the needs of the B&R Center, the purchase will include a modern production test line, whose parameters will reflect the conditions prevailing during the industrial production process (that line will be an asset of material value);

Activity development in the private label segment

- The diversification of the product portfolio is a promise of greater efficiency in the private label channel, in 2020 products from a new rolled line were implemented for permanent sale, in subsequent periods the Group plans further implementations both in the area of pasta (pro-health products, e.g. gluten-free and high-protein, pasta suitable for vegans), as well as the products of the company Stoczek Natura Sp. z o.o.,
- activities aimed at improving the profitability of the sales channel.

Development of B2B sales channels and Institutions

- development of the category of pasta, meat and vegetable preserves, vegetable and fruit preparations, adapted to the expectations of the customers of that channel,
- establishing cooperation relations with other producers of pastas and ready meals and producers of complementary goods, in order to supplement the offer for the final recipient,
- individualizing the offer and thus increasing competitiveness,
- using the production potential of Stoczek Natura Sp. z o.o. in the scope of service packaging of products and based on new forms of packaging,

Increase in shares and increase of the distribution level on the domestic market

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie and SoFood brands on the market, redefining the Stoczek Natura, Sorenti and Novelle brands - the Company has developed a plan to support marketing activities in this area,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the Company operates,
- focusing on fast and efficient building of brand availability in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting sales and resale of products and building lasting relationships with customers.

Export development

- focusing on European markets, including in particular Ukraine, where the Company systematically develops its cooperation with networks and distributors,
- systematic increase in the number of customers on foreign markets, especially in the European Union, in the category of dishes on trays,
- acquiring and implementing projects concerning deliveries under the own recipient's brand,
- development of the product offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, buckwheat, vegetable and in the product category, such as ready-made dishes in trays (in particular, vegetarian dishes, which are highly sought after on the market),
- partnership cooperation with other entities that have an offer complementary to the Group's offer in order to increase sales opportunities and make the offer more attractive.

In the opinion of the Management Board of Makarony Polskie SA, the current financial situation of the Company and the Group allows for the implementation of the above-mentioned development directions.

Uncertainty of estimates

The basic assumptions related to the future and other key sources of uncertainties present at the balance sheet date to which the risk of balance sheet assets and liabilities is related in the following fiscal year are presented below

- depreciation rates,

- impairment of assets (including receivables),
- provisions value,
- deferred tax assets (companies recognize assets for deferred tax based on the assumption that a tax profit shall be obtained in the future allowing its utilization; deterioration of the obtained tax results in the future could cause that such assumption would be unjustified.
- valuation of assets with an indefinite useful life.
- estimates related to IFRS-16

As at the date of these statements, there are no indications of impairment of goodwill of Abak brand: The relevant tests, in accordance with the applicable rules, were made as at the end of 31 December 2020.

Assumptions about the future and adopted estimates are consistent with the assumptions and estimates adopted by the Company in the financial statements for 2019.

Selected financial data - Makarony Polskie SA

Selected financial data	31 December 2020	31 December 2019	31 December 2020 (in EUR k)	31 December 2019 (in EUR k)
Revenues from sale of products, services, goods and materials	172,039	151,251	38,451	35,160
Profit (loss) from continued operations	9,896	8,064	2,212	1,875
Gross profit (loss)	8,566	7,034	1 915	1,635
Net profit (loss) from continued operations	6,752	5,586	1,509	1,299
EBIT	9,896	8,064	2,212	1,875
EBITDA (EBIT + depreciation)	15,787	13,292	3,528	3,090
Net cash flows from operating activities	11,706	10,861	2,616	2,525
Net cash flows from investment activities	- 9,522	- 15,992	- 2,128	- 3,718
Net cash flows from financial activities	- 2,518	5,545	- 563	1,289
Total net cash flows	- 334	414	- 75	96
Assets in total	155,836	151,712	33,769	35,626
Liabilities and provisions for liabilities	74,031	74,346	16,042	17,458
Long-term liabilities	32,616	34,449	7,068	8,089
Short-term liabilities	41,415	39,897	8,974	9,369
Equity	81,805	77,366	17,727	18,167
Share capital	27,750	27,750	6,013	6,516
Number of shares (units)	9,250,071	9,250,071	9,250,071	9 250 071
Weighted average number of shares (in units) during the current financial year	9 250 071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (in PLN/EUR) *	0.73	0.60	0.16	0.14
Book value per one share (in PLN/EUR)**	8.84	8.36	1.92	1.96

* Net profit/loss per ordinary share = net result/weighted average number of shares in the period

** Book value per one ordinary share = equity/number of shares at a given balance sheet date

Selected financial data in EUR

Selected financial data for the period 01/01/2020-31/12/2020 and 01/01/2019-31/12/2019 is presented according to the following rules:

- items of the statement of financial position have been converted at the average exchange rate announced by the National Bank of Poland as at the balance sheet date (31 December 2020, EUR 1 = PLN 4,6148; 31 December 2019 EUR 1 = PLN 4.2585),
- items of the statement of comprehensive income and statement of cash flows have been converted at the exchange rate being the arithmetic average of the average rates set by the National Bank of Poland effective on the last day of each month 2020 = PLN 4.4742 and at the end of each month of 2019 = PLN 4.3018

The annual financial statements of Makarony Polskie SA were prepared in accordance with the International Accounting Standards ("IAS") and related interpretations announced in the form of European Commission regulations ("IFRS") using accounting principles consistent with the International Financial Reporting Standards as approved by the European Union (EU) and in accordance with the requirements set out in the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

Statement on comprehensive income

Statement on comprehensive income

FOR THE PERIOD	Note	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Net revenues from sales	**1, 2, 3**	**172,039**	**151,251**
Revenues from sale of other products and services		136,468	120,110
Revenues from sale of goods and materials		35,571	31,141
Own cost	**2**	**138,246**	**118,314**
Production costs of products and services sold		105,979	90,576
Value of goods and materials sold		32,267	27,738
Gross profit (loss) on sales		**33,793**	**32,937**
Costs of sale	5	20,496	20,157
General administrative costs	6	4,990	5,137
Other revenues	7	2,466	1,162
Other costs	8	877	741
Profit (loss) from continued operations		**9,896**	**8,064**
Financial incomes	9	158	110
Financial costs	10	1 488	1,140
Gross profit		**8,566**	**7,034**
Income tax - current part	11	2 123	1 565
Income tax - deferred part	12	- 309	- 117
Net profit (loss) from continued operations		**6,752**	**5,586**
In this attributable to:		6,752	5,586
Shareholders of the parent Company		*6,752*	*5,586*
Non-controlling shares		*0*	*0*
Basic net result per share in PLN	13	0.73	0.60
Diluted net result per share in PLN		0.73	0.60
Other total net income/loss		0	0
Total net income		6,752	5,586

Total net income attributable to:		6,752	5,586
Shareholders of the parent Company		*6,752*	*5,586*
Non-controlling shares		*0*	*0*

Statement of other comprehensive net income - application of hedge accounting

FOR THE PERIOD	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Total net income	6,752	5,586
Profit/loss due to application of hedge accounting	0	0
Total net income	6,752	5,586

Statements of the financial position

ASSETS	Note	01/01/2020-31/12/2020	01/01/2019-31/12/2019
FIXED ASSETS		**116,891**	**113,267**
Tangible fixed assets	15	78,249	73,444
Fixed assets – IFRS-16	31	2,524	4,091
Investment real estate	16	603	603
Goodwill		0	0
Other intangible assets	17	5 390	4,944
Long-term financial assets, including:	18	30,080	30,080
Shares		30,080	30,080
Borrowings granted		0	0
Assets for deferred income tax		0	0
Other long-term assets	24	45	105
CURRENT ASSETS		**38,945**	**38,445**
Inventories	19	15,046	10,655
Short-term receivables	20	21,273	24,825
Income tax receivables	21	0	0
Borrowings granted	22	2,006	2,006
Cash and cash equivalents	23	374	701
Other short-term assets	24	246	258
FIXED ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**155,836**	**151,712**

LIABILITIES	Note	01/01/2020-31/12/2020	01/01/2019-31/12/2019
EQUITY		**81,805**	**77,366**
Share capital	25	27,750	27,750
Supplementary capital	26	35,303	32,362
Reserve capital	26	12,000	12,000
Retained profits/losses (profit/loss from previous years)	27	0	- 332
Net profit/loss	13	6,752	5,586

Statements of the financial position

LONG-TERM LIABILITIES		**32,616**	**34,449**
Provision for deferred income tax	12	2,942	3,250
Long-term bank loans and borrowings	28	7,949	14,772
Long-term financial obligation - Polish Development Fund subsidy		1,104	0
Provision for retirement benefits and similar (short-term) obligations	30	336	300
Revenue of future periods - long-term	33	16,944	11,711
Long-term financial liabilities - leasing	31	1,297	1,141
Long-term financial liabilities - IFRS-16	31	2 044	3,275
SHORT-TERM LIABILITIES		**41,415**	**39,897**
Short-term bank loans and borrowings	28	11,336	10,907
Short-term financial obligation - Polish Development Fund subsidy		368	0
Short-term financial liabilities - leasing	31	826	685
Short-term financial liabilities - IFRS-16	31	555	884
Other short-term liabilities	32	24,999	25,411
Income tax liabilities	32	1,001	426
Revenue from future periods - short-term	33	1 149	885
Provision for retirement benefits and similar (short-term) liabilities	30	1 181	699
Other short-term provisions		0	0
TOTAL LIABILITIES		**74,031**	**74,346**
TOTAL LIABILITIES		**155,836**	**151,712**

Cash flow statement - indirect method

FOR THE PERIOD	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Cash flows from operating activities		
Profit before tax	8,566	7,034
Adjustments by items:	3,140	3,827
Depreciation	5,891	5,228
Profits/losses on exchange differences	- 7	7
Interest expense and income	609	858
Revenues from dividends	0	0
Profit/loss from investing activities	- 727	- 62
Change in provisions	518	88
Change in inventories	- 4,391	712
Change in receivables	3 628	-2,380
Change in liabilities and accruals	- 292	686
Paid/refunded corporate income tax	- 1,547	-1,310
Other adjustments	- 542	0
Cash flows from net operating activities	11,706	10,861
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	1,914	511
Proceeds from sale of financial assets	0	0
Expenses for the purchase of property, plant and equipment and intangible assets	-11,502	-16,569
Expenses for the acquisition of subsidiaries and affiliates	0	0
Interest income	66	66
Proceeds from loans granted	0	0
Borrowings granted	0	0
Others	0	0
Net cash flows from investing activities	- 9,522	-15,992

Cash flow statement - indirect method

Cash flows from financial activities		
Proceeds from loans and borrowings	3,922	15,459
Proceeds - Polish Development Fund subsidy	1,472	0
Repayment of loans and borrowings	-10,316	- 11,490
Payment of liabilities under financial lease agreements	-1,686	- 1,947
Interest paid	- 675	- 924
Dividend paid to shareholders	- 2,313	- 2,313
Expenses for the purchase of financial assets	0	0
Other financial revenues - subsidies	7,078	6,760
Net cash flows from financial activities	-2,518	5,545
Increase/decrease in cash and cash equivalents	**- 334**	**414**
Cash, cash equivalents and overdrafts at the beginning of the period	701	294
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	7	- 7
Cash, cash equivalents and overdrafts at the end of the period	**374**	**701**

Statement of changes in equity

For the period from 1 January 2020 to 31 December 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	27,750	32,362	12,000		5,254	77,366
Distribution of profit/loss coverage		2 941			- 2,941	0
Profit distribution - dividend payment					-2,313	- 2,313
Establishment of reserve capital - own shares						
Other total income						
Net profit/loss in 2020				6,752		6,752
Balance as at 31 December 2020	27,750	35,303	12,000	6,752	0	81,805

For the period from 1 January 2019 to 31 December 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	27,750	32,362	12,000		5,254	74,093
Distribution of profit/loss coverage		2,265			- 2,265	0
Profit distribution - dividend payment					-2,313	- 2,313
Establishment of reserve capital - own shares		- 12,000	12,000			
Other total income						
Net profit/loss in 2019				5,586		5,586
Balance as at 31 December 2019	27,750	32,362	12,000	5,586	- 332	77,366

Additional notes

Notes to the statement of comprehensive income

Note no. 1
Sales revenues

For management purposes, the Company is divided into business units based on the products and services offered.

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Revenues from sales of products	132,001	115,107
Proceeds from the sale of services, including:	4,467	5,004
- from Lease and storage	2,775	2,777
- distribution services	65	60
- service production	1,560	2,056
- other services	67	111
Revenues from sale of materials	5,685	2,457
Revenues from sale of goods	29,886	28,684
Total	**172,039**	**151,251**

Makarony Polskie distinguishes the product groups shown in the table below

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Pasta	135,380	118,217
Meat and vegetable preserves	18,328	18,047
Vegetable preserves and stuffing	1,239	1,098
Fruit preserves	8,457	7 742
Other	8,635	6,147
Total	**172,039**	**151,251**

The sales revenues of the Makarony Polskie SA in 2020 amounted to PLN 172.0 m and were by approx. PLN 20.8 m higher than in the corresponding period of 2019.

The value of sales in the pasta category increased by PLN 17.2 m to PLN 135.4 m in 2020. The increase in the amount of approx. 15% was the result of an increase in sales under the brands of retail chains, the development of the Makarony Polskie brand on the domestic market, and the implementation of a subcontracting agreement in an institutional contract at a higher level compared to the corresponding period of the previous year.

Another segment in which a positive dynamics of changes was noted is the segment of processed fruit. In the analyzed period, it increased by approx. PLN 0.7 m to the amount of nearly PLN 8.5 m, which was caused by an increase in sales in the category of jams and preserves.

Sales of meat and vegetable products increased in the analyzed period by approx. PLN 0.3 m to the amount of PLN 18.3 m. An increase of approx. 2% (2020 vs. 2019) was the result of an increase in sales under private labels and retail chains. In the analyzed period, it was launched a new line of dishes in trays under the SoFood brand.

Sales in the segment of vegetable preserves and stuffing increased in the analyzed period by PLN 0.1 m to the amount of nearly PLN 1.2 m

Note no. 2

Basic information about operating segments

For the period from 01/01 to 31/12/2020	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Total segments revenues	**135,380**	**18,328**	**1,239**	**8,457**	**8,635**	**172,039**
Sales to external customers	135,380	18,328	1,239	8,457	8,635	172,039
Sales between segments	0	0	0	0	0	0
Segment costs	107,269	16,137	913	8,151	5,776	138,246
Profits or losses of segments	**28,111**	**2,191**	**326**	**306**	**2,859**	**33,793**
Costs of sale	0	0	0	0	0	- 20,496
Management costs	0	0	0	0	0	- 4,990
Other revenues	0	0	0	0	0	2,466
Other costs	0	0	0	0	0	- 877
Financial incomes	0	0	0	0	0	158
Financial costs	0	0	0	0	0	- 1,488
Elimination of profit/loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0
Unallocated amounts	0	0	0	0	0	0

Gross profit/loss from continued operation	0	0	0	0	0	8,566

For the period from 01/01 to 31/12/2019	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Total segments revenues	**118,217**	**18,047**	**1,098**	**7,742**	**6,147**	**151,251**
Sales to external customers	118,217	18,047	1,098	7 742	6,147	151,251
Sales between segments	0	0	0	0	0	0
Segment costs	91,239	15,945	870	7,159	3 101	118,314
Profits or losses of segments	**26,978**	**2,102**	**228**	**583**	**3,046**	**32,937**
Costs of sale	0	0	0	0	0	- 20,157
Management costs	0	0	0	0	0	- 5,137
Other revenues	0	0	0	0	0	1,162
Other costs	0	0	0	0	0	- 741
Financial incomes	0	0	0	0	0	110
Financial costs	0	0	0	0	0	- 1,140
Elimination of profit/loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0
Unallocated amounts	0	0	0	0	0	0
Gross profit/loss from continued operation	0	0	0	0	0	7,034

The Company has applied IFRS 8 "Operating Segments". In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on these elements, which are regularly verified by persons deciding on the allocation of resources to a given segment and assessing its financial results. In terms of assets and liabilities, the main bodies responsible for making operational decisions do not analyze data cross-sectioned into operating segments.

Note no. 3

Revenues from sale of products, services, goods and materials - geographical structure

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Country	154,742	137,199
Exports, including:	17,297	14,052
- European Union countries	5,966	3,044
- other countries	11,331	11,008

Total	**172,039**	**151,251**

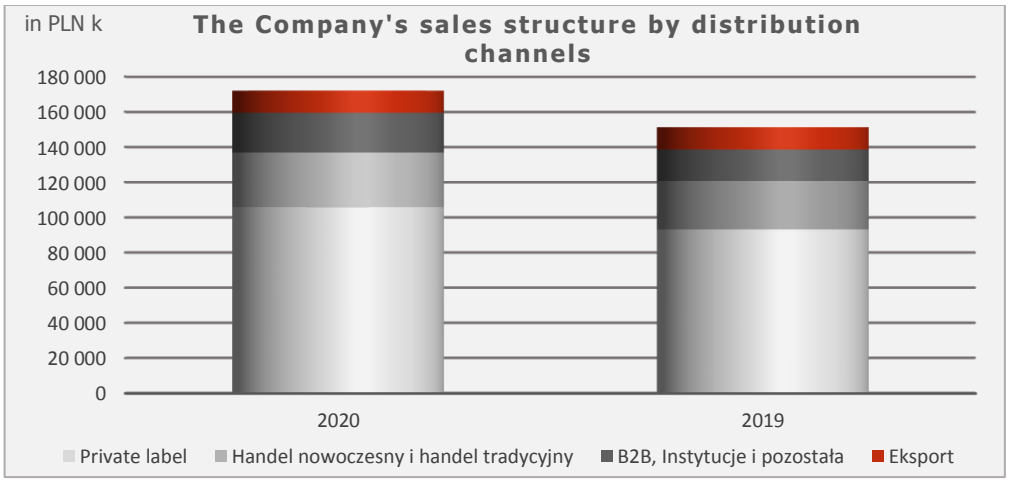
Throughout 2020, the Company's export strategy was aimed at acquiring new customers in the European Union and non-EU countries.

The main export market is Ukraine, where the Company systematically acquires new networks and distributors. In 2020, the Company's export activity was expanded to include countries such as Norway, Belgium and Sweden

The sales markets of Makarony Polskie company can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries). The Company achieved the following sales revenues in 2020:

in PLN k	2020	2019	y/y
Sales revenues	172,039	151,251	13.7%

The sales structure of products and goods, broken down by distribution channels, is shown in the chart below:



Private label

The largest share in the Company's revenues (approx. 61.5%) had a private label channel (PL) offering products under own brands of domestic and foreign networks (including sales to Lidl contractor operating within one Group in Europe).

PL (in PLN k)	2020	2019	y/y
Sales revenues	105,828	93,139	13.6%

The sales markets of Makarony Polskie SA company can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries).

In 2020, the sales growth dynamics of pasta in the private label segment was much faster than the market rate of the entire category year on year. Consumer behavior due to the pandemic was a significant driver of the increase. As a dry category suitable for stockpiling, pasta has grown largely in the wake of the pandemic. Consumers bought less often, but more - while taking care of the budget - they chose cheaper products in private labels of retail chains.

Other growth factors in the private label segment include the development of the product range in attractive, growing areas of the market (healthy, vegetarian, rolled and egg pastas).

Modern trade and traditional trade

The next material revenue for the Company at approx. 18.0%, achieved on the domestic market, is the sale of the Group's brands (brands: Makarony Polskie, Sorenti, Stoczek, Tenczynek, Męska Rzecz, Novelle) in the modern trade channels (HN) and traditional trade (HT):

HN and HT (in PLN k)	2020	2019	y/y
Sales revenues	31,005	27,538	12.6%

The increase in sales of branded products by 12.6% year-on-year was caused both by an increase in turnover with existing customers and the acquisition of new contractors. The achieved increases were also influenced by the situation related to the COVID-19 pandemic and the increased market demand for dry products with a long use-by date.

In 2021, the Company aims to further develop cooperation with current customers, as well as improve the sales number by acquiring new, previously unsupported national and local networks for cooperation.

B2B and Institutions

B2B and Institutions accounted for approx. 13.1%, in comprehensive income of the Company:

B2B and Institutions (in PLN k)	2020	2019	y/y
Sales revenues	22,622	17,876	26.5%

Sales in the B2B distribution channel and Institutions in 2020 amounted to approx. PLN 22.6 m and were lower by nearly PLN 4.7 m (i.e. +26.5%) compared to 2019. The increase in sales resulted mainly from the increase in sales of pasta products under subcontracting as part of the institutional contract.

Export

Exports in the Company's comprehensive income for 2020 accounted for approx. 10%:

Export (in PLN k)	2020	2019	y/y
Sales revenues	17,297	12,698	23.0%

Throughout 2020, the Company's export strategy was aimed at acquiring new customers in the European Union and non-EU countries.

The main export market is Ukraine, where the Company systematically acquires new networks and distributors. In 2020, the Company's export activity was expanded to include countries such as Norway, Belgium and Sweden

Note no. 4

Costs of employee benefits and operating costs in a generic manner

Employee benefits costs	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Payroll costs	10,969	9,096
Social security costs	1 960	1,633
Costs of other employee benefits, including:	1,061	663
- costs of employment termination benefits	35	16
- costs of pension benefits	0	8
- costs of equivalents for unused leave	92	160
- other benefits	934	479
Total	**13,990**	**11,392**

The employee benefits can be divided to the following categories:

- short-term benefits that include wages and salaries, social security contributions, paid absences and non-cash benefits. The costs of short-term benefits are recognized in the statement of comprehensive income on an ongoing basis in the period they relate to. At the end of the reporting period, the expected undiscounted value of short-term benefits for a given financial period remaining to be paid, is recognized by the Company as an element of passive deferral costs;
- post-employment benefits - as part of this type of benefits, the Company pays severance pay to employees.

A provision is created for future payment of retirement benefits. This provision is periodically verified by an independent actuary with the application of IFRS.

Operating expenses	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Depreciation	5,891	5,228
Consumption of materials and energy	89,247	73,417
Costs of external services	22,827	21,074
Taxes and fees	866	897
Wages and salaries	11,550	9,361
Employee benefits	2,440	2,031
Other costs	2,586	2,697
Value of materials and goods sold	32,267	27,738
Total	**167,674**	**142,443**

Note no. 5
Costs of sale

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Depreciation	1 326	1 307
Consumption of materials and energy	369	482
Costs of external services	11,546	11,618
Taxes and fees	311	343
Wages and salaries	3,794	3,420
Employee benefits	812	729
Other costs	2,338	2,258
Total	**20,496**	**20,157**

Note no. 6
Management costs

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Depreciation	307	392
Consumption of materials and energy	55	89
Costs of external services	852	1,137

Taxes and fees	189	207
Wages and salaries	2,812	2,363
Employee benefits	411	433
Other costs	364	516
Total	**4,990**	**5,137**

Note no. 7
Other revenues

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
State subsidies	1,581	921
Profit on the sale of property, plant and equipment	727	62
Valuation of investment real estate at fair value	0	0
Compensation and complaints	29	30
Sales of scrap and waste	76	79
Return of court and bailiff fees	2	3
Leasing liabilities	0	0
Return of overpayment - insurance premiums	27	22
Accrued income from reimbursement of eligible costs - subsidy	0	0
- Inventory surplus	0	43
Liabilities written down	0	0
Other	24	2
Total	**2,466**	**1,162**

Other revenues and unrelated income are classified to other operating income directly with the Company's operating activities. This category includes received subsidies, profits from the sale of property, plant and equipment, compensation received related to the reimbursement of court costs, overpaid tax liabilities, with the exception of corporate income tax and compensation received for losses in the Company’s property that was insured.

Other receivables also include reversals of impairment losses on receivables and inventories as well as impairment losses on property, plant and equipment and inventory surpluses on current assets and valuation of investment real estate at fair value.

Note no. 8
Other costs

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Donations	1	10
Penalties and fines	74	35
Shortages in current assets	1	17
Advertising sponsorship	76	68
Costs of court and bailiff proceedings	9	0
Liquidation of damaged and overdue stocks	459	426
- Impairment loss	-33	42
Write-downs - remitted unrecoverable	290	70
Write-off of booked revenues from 2018 subsidies	0	69
Other	0	4
Total	**877**	**741**

Other operating costs include costs and losses not directly related to the Company's operating activities. This category includes losses on the sale of property, plant and equipment, donations made in kind and in cash to other entities, including public benefit purpose entities and effects resulting from guarantees and sureties granted to other entities.

Other costs also include e.g. costs of impairment losses on receivables and inventories as well as impairment losses on property, plant and equipment and non-culpable shortages on current assets.

Note no. 9
Financial incomes

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Interest revenue, including:	83	82
- interest on bank deposits	0	0
- interest on loans	66	66
- interest on receivables	17	16
Other financial income	75	28
- update of the value of short-term investments	0	0
- sureties	75	19
- other	0	9

Total	**158**	**110**

Financial revenues include income from dividends, sureties and received, interest on investing and investment activities in various forms of financial instruments. Financial activities also include profits due to exchange differences.

Notes no. 10
Financial costs

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Interest expenses, including:	678	925
- bank loans	435	586
- factoring and leasing	97	163
- leasing IFRS -16	143	175
- interests on liabilities	0	0
- budget interest	3	1
Other financial costs, including:	810	215
- loss due to negative exchange rate differences	401	23
- guarantees, sureties	208	32
- banking and factoring fees and commissions	201	160
- other	0	0
Total	**1 488**	**1,140**

Financial costs are classified as costs for the use of external sources of financing, interest payable under financial leasing agreements which the Company is a party to and other financial costs. Loss is also included in financial activities due to exchange rate differences and write-downs on investment properties.

Note no. 11
Income tax

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Current income tax	2 123	1 565
Deferred income tax	- 309	-117
Income/recognition tax charge recognized in the statement of comprehensive revenues, including	1,814	1,448

- assigned to continued operations	1,814	1,448

Reconciliation of income tax on the gross financial result before tax with income tax shown in the statement of comprehensive income:

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Gross financial result before tax from continuing operations	8,566	7,034
Profit/loss before tax on discontinued operations	0	0
Gross financial result before tax	8,566	7,034
Tax rate (in %)	19	19
- tax costs which do not constitute balance sheet costs (-)	- 2,043	- 2,169
balance sheet costs not included in tax costs (+)	5,835	4,342
- revenues not constituting tax revenues (-)	- 1,192	- 980
- tax revenue not constituting balance sheet revenue (+)	6	9
- received subsidies	0	0
Tax base/tax loss of the Company	11,172	8,236
Deductions from earnings:	0	0
Income for taxation of the Company	11,172	8,236
Income tax shown in the statement of comprehensive income - current part	2 123	1 565

Note no. 12

Deferred income tax

	Report on the financial situation as at 31/12/2020	Report on the financial situation as at 31/12/2019	Statement of comprehensive income for the period from 01/01 to 31/12/2020	Statement of comprehensive income for the period from 01/01 to 31/12/2019
Provision for deferred income tax				
- difference between the carrying amount and tax net value of fixed assets	3,032	3,243	- 211	- 12
- foreign exchange differences	9	10	- 1	6
- difference between the commitment under leasing and the net value of fixed assets	138	111	27	- 62
- accrued interest	1	1	0	0
- real estate valuation at fair value	160	160	0	0
Gross provision for deferred income tax	**3,340**	**3,525**	**- 185**	**- 68**
Assets for deferred income tax				
- remuneration paid after the balance sheet date	3	2	1	- 6
- - social security contributions	61	49	12	11
- pension benefits and similar	288	190	98	20
- interest on financial liabilities - loans	8	2	6	2
- foreign exchange differences	19	3	16	1
- lease agreement – IFRS-16 leasing	9	13	- 4	13
- inventory write-downs	10	16	- 6	8
Deferred income tax assets recognized in the statement of financial position	**398**	**274**	**124**	**49**
Deferred tax liability/recognition	**2,942**	**3,250**	**- 309**	**- 117**

Deferred income tax assets not included in the balance sheet

	As at 31/12/2020	As at 31/12/2019
Assets - deductible tax loss	0	0
Deferred income tax assets not included in the balance sheet	0	0

The current tax charge is calculated on the basis of the applicable tax laws. The application of these provisions varies the tax profit (loss) from net accounting profit (loss) before tax, due to the exclusion of non-taxable revenues and the costs of non-deductible expenses and costs

and revenues that will never be subject to tax. The tax charges are calculated based on the tax rates applicable in a given financial year - currently 19%

In terms of income tax, the Company is subject to general regulations in this area. The Company is not part of a tax group, as well as does not operate in a special economic zone, which would differentiate the rules for determining tax charges in relation to general provisions in this respect.

Note no. 13

Data regarding the financial result and shares that were used to calculate basic and diluted earnings per share

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Net profit/loss per share	0.73	0.60
Book value per one share in PLN	8.84	8.36

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Net profit/loss from continuing operations attributable to shareholders of the parent	6,752	5,586
Profit/loss on discontinued operations attributable to shareholders of the parent	0	0
Net profit/loss attributable to equity holders of the parent	6,752	5,586
Net profit/loss attributable to ordinary shareholders applied to calculate diluted profit/loss per share	not applicable	not applicable

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Weighted average number of issued ordinary shares applied to calculate basic earnings/loss per share	9,250,071	9,250,071
Impact of dilution	not applicable	not applicable
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per share	not applicable	not applicable

Net profit falling per one share is calculated by dividing the net profit for the period falling to normal shareholder of the company by average weighed number of issued common shares present in the period.

Diluted profit falling per one share is calculated by dividing net profit in the period falling for normal shareholders of the parent company (after deducting interests on the amortizable preferred shares exchanged to common shares) per average weighed number of issued

common shares present in the period (corrected by the influence of dilutive options and diluting, amortizable preferred shares exchanged to common shares). In the Company in 2020 and in 2019, as well as until the date of these statements, there were no factors diluting the share capital.

Book value per share is the quotient of equity by the number of shares at a given balance sheet date.

Note no. 14

Explanatory notes to the cash flow statement

FOR THE PERIOD	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Change in liabilities and accruals with the exception of loans and borrowings - CF	-292	686
- change in other long-term assets resulting from the balance sheet	60	71
- change in other short-term assets resulting from the balance sheet	12	7
- change in long-term deferred income resulting from the balance sheet	5,233	5,649
change in short-term deferred income resulting from the balance sheet	264	366
- adjustment change in deferred income resulting from the balance sheet - subsidies received in 2020	-6,536	-6760
- change in other short-term liabilities resulting from the balance sheet	-412	1 954
- correction of accrued interest on the loan - balance sheet recognition	0	0
- correction (postponement) of unpaid liabilities regarding investment expenditures	-881	-1968
Adjustment of paid (shift) investment liabilities	1,968	1,367
Other adjustments - CF	-542	0
- subsidies received	-542	0

Note no. 15

Tangible fixed assets

Gross tangible fixed assets:	31/12/2020	31/12/2019
Land, buildings and structures	35,683	35,135
Machines and equipment	70,336	67,567
Means of transport	3,187	3,302
Fixed assets in progress	2,609	10,594
Other	15,129	2,139
Total gross amount	**126,944**	**118,737**

Amortizations and write-downs	31/12/2020	31/12/2019
Land, buildings and structures	9,874	8,563
Machines and equipment	32,097	29,087
Means of transport	2,265	2,039
Other	1,935	1,513
Amortization value at the end of the period	**46,171**	**41,202**
Net value at the end of the period	**80,773**	**77,535**

Changes in fixed assets

For the period from 1 January 2020 to 31 December 2020

	Land, buildings	Machines and devices	Means of transport	Fixed assets in progress	Other	Total
Gross value at the beginning of the period	**35,135**	**67,567**	**3,302**	**10,594**	**2,139**	**118,737**
Increases	1 641	4,220	90	9,878	12,990	28,819
- purchase	1,632	3,235	6	9,878	12,990	27,741
- other	9	985	84	0	0	1 078
Decreases	1,093	1,451	205	17,863	0	20,612
- sale	0	1,451	205	0	0	1,656
- other	1,093	0	0	17,863	0	18,956
Gross value at the end of the period	**35,683**	**70,336**	**3,187**	**2,609**	**15,129**	**126,944**
Amortization value at the beginning of the period	8,563	29,087	2 039	0	1,513	41,202
Increases	1,749	3,274	431	0	422	5 876
Decreases	438	264	205	0	0	907
Amortization value at the end of the period	9,874	32,097	2 265	0	1,935	46,171
Value including amortization and impairment write-down at the end of the period	9,874	32,097	2,265	0	1,935	46,171

Net value at the end of the period	**25,809**	**38,239**	**922**	**2,609**	**13,194**	**80,773**

For the period from 1 January 2019 to 31 December 2019

	Land, buildings	Machines and devices	Means of transport	Fixed assets in progress	Other	Total
Gross value at the beginning of the period	**27,894**	**53,090**	**3,018**	**9,249**	**1,929**	**95,180**
Increases	7,608	14,541	936	18,707	219	42,011
- purchase	2,600	14,541	2	18,698	219	36,060
- other	5 008	0	934	9	0	5,951
Decreases	367	64	652	17,362	9	18,454
- sale	367	21	578	0	8	974
- other	0	43	74	17,362	1	17,480
Gross value at the end of the period	**35,135**	**67,567**	**3,302**	**10,594**	**2,139**	**118,737**
Amortization value at the beginning of the period	6,894	26,161	2,109	0	1,443	36,607
Increases	1,669	2,981	472	0	79	5,201
Decreases	0	55	542	0	9	606
Amortization value at the end of the period	8,563	29,087	2 039	0	1,513	41,202
Value including amortization and impairment write-down at the end of the period	8,563	29,087	2,109	0	1,513	41,202
Net value at the end of the period	**26,572**	**38,480**	**1,263**	**10,594**	**626**	**77,535**

Impairment write-downs are taken into account in other expenses in the statement of comprehensive income. In 2020, the Company did not make write-downs of property, plant and equipment. At the same time, the Company verified the useful life of fixed assets as at 31.12.2020.

The Company has in its use machines, equipment and means of transport under leasing agreements. The carrying amount of property, plant and equipment used under finance lease agreements as at 31 December 2020 was PLN 5,600 k as at 31 December 2019 amounted to PLN 6,500 k.

Fixed assets under construction, are presented in the financial statements at the production cost less recognized impairment losses. The production cost includes fees and, for the relevant assets, costs of external financing capitalized in accordance with IAS 23. The costs of external financing capitalized and included in fixed assets under construction in 2020 amounted to PLN

70 k (interest and commission costs) The Group estimates the borrowing costs according to the actual interest rate for a given financial liability (loan).

The establishment of registered pledges on fixed assets results from the obligations included in the credit agreements described in note No. 28.

The Company estimates the value of liabilities resulting from contracts signed for the supply of fixed assets and construction works at the level of PLN 0.9 m as at 31 December 2020.

Mortgages established or in the course of establishing on the real estate of companies from the company

Real Estate	Balance as at 31/12/2020	Creditor name	Title of liability	Company's liability
Real Estates in Rzeszow KW RZ1Z/00076860/5	PLN 33,000 k	Santander Bank Polska SA	contractual joint mortgage	Overdraft in the amount of PLN 5,000 k concluded by Makarony Polskie SA
Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)				Overdraft in the amount of PLN 13,849 k concluded by Makarony Polskie SA
				Framework contract on the method of concluding and settling transactions
Real Estates in Rzeszow KW RZ1Z/00076860/5	PLN 2,500 k	Santander Bank Polska SA	contractual joint mortgage	EU investment loan agreement amounting to PLN 8,000 k concluded by Makarony Polskie SA
Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)				
Real Estates in Rzeszow KW RZ1Z/00076860/5	PLN 18,182 k	Santander Bank Polska SA	contractual joint mortgage	EU investment loan agreement amounting to PLN 12,121 k concluded by Makarony Polskie SA
Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)				
Real Estates in Rzeszow KW RZ1Z/00076860/5	PLN 373 k	Santander Bank Polska SA	contractual joint mortgage	Contract for granting a bank guarantee of

Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)				PLN 249 k concluded by Makarony Polskie SA
Real Estates in Rzeszow KW RZ1Z/00076860/5	PLN 1,517 k	Santander Bank Polska SA	contractual joint mortgage	Contract for granting a bank guarantee of PLN 1,011 k concluded by Makarony Polskie SA
Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)				
Real Estates in Rzeszow KW RZ1Z/00076860/5	PLN 4,500 k	Santander Bank Polska SA	contractual joint mortgage	Revolving credit agreement in the amount of PLN 3,000 k concluded by Macaroon Polskie SA
Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)				
Real estate in Częstochowa KW CZ1C/00111425/8	PLN 16,500 k	Bank Gospodarstwa Krajowego	contractual joint mortgage	Overdraft in the amount of PLN 6,000 k concluded by Makarony Polskie SA
Real Estates in Stoczek Łukowski LU1U/00022979/2				Non-revolving overdraft in the amount of PLN 5,000 k concluded by Makarony Polskie SA

Note no. 16

Investment real estate

	31/12/2020	31/12/2019
Investment real estate in Rzeszow	603	603
Increases	0	0
- purchase	0	0
- other	0	0
Decreases	0	0
- sale	0	0
- other	0	0

Value at the end of the period	**603**	**603**

The value of the investment property in Makarony Polskie is updated to fair value based on the appraisal reports prepared by independent appraisers. The difference in fluctuations in fair value is recognized by the Company in the profit and loss account.

The last valuation by an independent appraiser was made as at the balance sheet date ended on 31/12/2018. In the opinion of the Management Board, there were no significant changes in the fair value of the disclosed investment property as at 31/12/2020.

Fair value measurements are categorized according to three levels depending on the extent to which input data for fair value measurements are observable and the importance of input data to be measured at fair value as a whole. These levels are shaped as follows:

- Level 1: input data are quoted prices (unadjusted) from active markets for identical assets or liabilities to which the entity has access on the day of the valuation.
- Level 2: input data is data other than quoted prices included in Level 1, which is observable for an asset or liability, directly or indirectly.
- Level 3: input data is unobservable data for the valuation of an asset or liability.

In 2020, the Company did not change the methodology and level of categorization of the valuation (level 3).

Note no. 17
Other intangible assets

Changes in intangible assets

For the period from 1 January 2020 to 31 December 2020

	Other intangible assets				
	Brand value	**Patents, trademarks, development works**	**Computer software**	**Other**	**Total**
Gross value at the beginning of the period	**4,909**	**58**	**1,049**	**464**	**6,480**
Increases	0	0	0	460	460
- purchase	0	0	0	460	460
Decrease	0	0	0	0	0
Gross value at the end of the period	**4,909**	**58**	**1,049**	**924**	**6,940**
Amortization value at the beginning of the period	0	58	1,018	460	1 536
increases	0	0	10	4	14
decreases	0	0	0	0	0

Amortization value at the end of the period	0	58	1 028	464	1,550
Net value at the end of the period	**4,909**	**0**	**21**	**460**	**5,390**

For the period from 1 January 2019 to 31 December 2019

	Other intangible assets				
	Brand value	**Patents, trademarks, development works**	**Computer software**	**Other**	**Total**
Gross value at the beginning of the period	**4,909**	**58**	**1,049**	**464**	**6,480**
Increases	0	0	0	0	0
- purchase	0	0	0	0	0
Decrease	0	0	0	0	0
Gross value at the end of the period	**4,909**	**58**	**1,049**	**464**	**6,480**
Amortization value at the beginning of the period	0	58	1,008	443	1,509
increases	0	0	10	17	27
decreases	0	0	0	0	0
Amortization value at the end of the period	0	58	1,018	460	1 536
Net value at the end of the period	**4,909**	**0**	**31**	**4**	**4,944**

Depreciation of intangible assets for a specified period of use is performed linearly according to amortization rates reflecting the expected period of their use.

The Company does not depreciate intangible assets with an indefinite useful life. They are subjected to annual impairment tests and analysis of whether there are reasons to consider these assets as being used for a specified period of time.

At the end of 2020, the Management Board of the Company assessed that there were no premises indicating the possible impairment of any of the assets subject to impairment tests.

At the end of 2020, obligatory tests for the brand impairment were performed. The tests were carried out using the income method, discounting future hypothetical license fees to the present value, with the following assumptions:

- 5-year forecast period (2021-2025),
- one scenario - realistic,
- financial projections prepared on the basis of historical data taking into account organic plans for the development of Abak brand,
- discount rates have been set at the level of the average post-tax capital cost (WACC) - 5.7%,
- license fee ratio at 5%,

– growth rate after the forecast period - 0%.

The tests performed did not show the need to make write-downs for brand.

For the impairment tests prepared as at 31 December 2020, based on the calculation of the utility value, the sensitivity analysis of key assumptions was performed. The aim of the sensitivity analysis was to examine what value the selected parameters of the model would have to take, so that the estimated utility value of the cash-generating units would be equal to the carrying amount of the center. The conducted tests showed that the adopted values of key assumptions are at safe levels and there is a low probability that the recoverable amount would be below the book value.

Note no. 18
Long-term financial assets

Other long-term financial assets	31/12/2020	31/12/2019
Shares in Stoczek Natura Sp. z o.o.	28,578	28,578
Shares in MP Trade Sp. z o. o.	1,502	1,502
Total long-term financial assets	30,080	30,080

Note no. 19
Inventories

Balance as at 31 December 2020

	Valuation according to the purchase price/production cost	Write-down on OB	Created write-down	Reversed impairment loss	Carrying amount of inventories at the end of the period
Materials	4,446	39	17	39	4,429
Supporting materials	617	0	0	0	617
Products in progress	104	1	0	1	104
Finished goods	9,785	46	26	46	9,759
Goods	146	0	9	0	137
TOTAL	**15,098**	**86**	**52**	**86**	**15,046**

Balance as at 31 December 2019

	Valuation according to the purchase price/production cost	Write-down on OB	Created write-down	Reversed impairment loss	Carrying amount of inventories at the end of the period
Materials	3,679	11	39	11	3,640

Supporting materials	642	0	0	0	642
Products in progress	77	0	1	0	76
Finished goods	6,190	32	46	32	6,144
Goods	153	0	0	0	153
TOTAL	**10,741**	**43**	**86**	**43**	**10,655**

Due to the current inventory rotation, in 2020 the Company plans to use all inventories included in the statement of financial position as at 31 December 2020 in the amount of PLN 15 046 k. Impairment losses on current assets (inventories) are made when a given component is considered non-negotiable, it is physically destroyed, the shelf life of finished products and raw materials makes it impossible to sell or use it and when the cost of manufacturing exceeds its market price.

In 2020, there were reasons to make a partial write-down of inventories in the amount of PLN 52 k.

As at 31 December 2020, the value of registered pledges on inventories of finished goods, materials and goods amounted to PLN 5,000 k, including:

- collateral of Santander loan agreement - PLN 5,000 k

Note no. 20
Receivables

	31/12/2020	31/12/2019
Trade receivables from other entities:	17,483	19,186
- short-term part	17,483	19,186
Receivables from subsidiaries, including:	917	2,885
- trade liabilities	1	103
- short-term part	1	103
- prepayments	916	2,782
- short-term part	916	2,782
Other receivables: from other entities	3,308	2,900
- short-term part	3,308	2,900
Total value of gross receivables	21,708	24,971
Revaluation write-downs for the beginning of the period	146	76
Recognition in the period of impairment loss	289	70
Reversal in the impairment loss period	0	0
Impairment loss at the end of the period	435	146
Net receivables	21,273	24,825

Write downs of receivables

2020	Balance at the beginning of the period	Creation	Use and release	Balance at the end of the period
Allowances for receivables	146	289	0	435

2019	Balance at the beginning of the period	Creation	Use and release	Balance at the end of the period
Allowances for receivables	76	70	0	146

Other short-term receivables: from other entities	31/12/2020	31/12/2019
Current VAT	2,174	1,886
Current VAT postponed	847	758
Other amounts due from employees	0	0
Corporate income tax	0	0
Paid security deposits	91	69
Prepayments	1 065	2 868
Other	47	101
Other gross receivables	4,224	5,682
Write downs of receivables	0	0
Other net receivables	4,224	5,682

Gross receivables - currency structure

Gross short-term receivables	31/12/2020	31/12/2019
- in the Polish currency	19,923	24,318
- in foreign currencies:	1,785	653
a) unit/currency EUR	390	153
in PLN	1,785	653
b) unit/currency USD	0	0
in PLN	0	0
a) unit/currency GBP	0	0
in PLN	0	0
Gross short-term receivables	**21,708**	**24,971**

As at 31 December 2020, the Company has receivables in a foreign currency for which it made a 100% write-down. As at the balance sheet date, they are not subject to balance sheet valuation at the average exchange rate of the National Bank of Poland. Receivables amount EUR 67 k

Receivables from deliveries and services - aging

	31/12/2020	31/12/2019
1) Total current	15,562	14,966
2) Total overdue:	1,922	4,323
a) up to 1 month	1,041	3,811
b) over 1 month up to 3 months	370	81
c) over 3 months up to 6 months	0	61
d) over 6 months up to 1 year	76	236
e) more than 1 year	435	134
Total gross trade receivables	**17,484**	**19,289**
Write downs of supplies and services receivables	435	146
Net trade receivables	17,049	19,143

Trade receivables consist of amounts due from trade transactions made to a large number of customers, distributed among various industries and geographic areas.

The Company is not exposed to material risk of insolvency towards a single counterparty or a group of counterparties. with similar characteristics. Receivables by virtue of supplies and services are not interest bearing and their maturity is usually 45 to 90 days. Revaluation write-downs of receivables are made when the counterparty is put into liquidation and bankruptcy or one that does not pay for more than 12 months after the due date, and its economic and financial situation indicates a high risk of non-payment. Receivables in court are covered by a 100% write-down. The Company has implemented special policy within the scope of making the sales with deferred payment only to verified customers. Transactions with other customers, including most foreign contractors, are covered by receivables insurance. Thanks to this, in the opinion of the management, there is no material credit risk, beyond the level specified by the provision for bad debts applicable to trade receivables in Makarony Polskie SA.

Note no. 21

CIT receivables

	31/12/2020	31/12/2019
CIT receivables	0	0

Note no. 22

Borrowings granted

	31/12/2020	31/12/2019

Balance at the beginning of the period	2,006	2,006
a) Borrowing granted to Stoczek Natura	0	0
Borrowings granted	0	0
Accrued interest and commissions	66	66
Repayment during the period	66	66
Balance at the end of the period	**2,006**	**2,006**

As at December 31 2020, Makarony Polskie SA granted to its subsidiary Stoczek Natura Sp. z o.o. a short-term loan in the amount of PLN 2.00 m with the repayment date falling on 31 December 2021 (one-off repayment to maturity date). The interest rate on the loan was determined based on market conditions.

Note no. 23
Cash and cash equivalents

	31/12/2020	31/12/2019
Cash at bank and in hand	374	701
Total, including:	374	701
- cash at bank and in hand assigned to discontinued operations	not applicable	not applicable

The value of cash and cash equivalents reflects their amount shown in the cash flow statement. The fair value of these funds corresponds to their value in the statement of financial position.

Cash in bank is interest bearing according to variable interest rates which amount depends on the interest rate of one day bank investments. Short term investments are made for different periods, from one day to one month, depending on the current demand of the Company for cash and bear interest according to negotiated interest rates. Cash and cash equivalents at the end of the financial year shown in the statement of cash flows can be agreed to balance sheet items.

Note no. 24
Other assets

Other assets:	31/12/2020	31/12/2019
- long-term part	45	105

- short-term part	246	258

Long-term accruals, as at 31 December 2020, in the amount of PLN 45 k include consultancy services and bank commission.

Short-term prepayments and accruals

Short-term prepayments and accruals	31/12/2020	31/12/2019
- insurances	149	156
- paid subscriptions	23	32
- credit commission	7	0
- consulting services	62	70
- other	5	0
Total	**246**	**258**

Long-term prepayments and accruals

Long-term prepayments and accruals	31/12/2020	31/12/2019
- consulting services	30	92
- commission on investment loan	13	0
- subscriptions	2	13
Total	**45**	**105**

Note no. 25
Share capital

Share capital of Makarony Polskie SA:
- amount of share capital PLN 27,750,213,
- total number of shares 9,250,071 shares,
- total number of votes at the General Assembly 9,250,071 votes.

Structure of the Company's share capital:
- 3,013,250 ordinary series A bearer shares,
- 1,169,750 ordinary series B bearer shares,
- 3,000,000 ordinary series C bearer shares,
- 1 735 821 ordinary series D bearer shares,
- 331 250 ordinary series E bearer shares,

The Company's shares are ordinary bearer shares listed on the regulated market operated by the Warsaw Stock Exchange. The company has not issued any securities that grant special controlling rights to any of its shareholders.

As at 31 December 2020

	Type of share	Type of preference	Number of shares in units	nominal value		Method of capital coverage	Date of registration	Right to dividend (from)
				of one share in PLN	series (issue) in PLN k			
series A	bearer shares	ordinary shares	3,013,250	3	9,040	cash contributions	05.07.2004	01.01.2004
series B	bearer shares	ordinary shares	1,169,750	3	3,509	non-cash contributions	29.10.2004	01.01.2004
series C	bearer shares	ordinary shares	3,000,000	3	9,000	cash contributions	18.04.2007.	01.01.2007
series D	bearer shares	ordinary shares	1,735,821	3	5,207	cash contributions	22.06.2007	01.01.2007
Series E	bearer shares	ordinary shares	331,250	3	994	cash contributions	11.02.2008	01.01.2008
Total			**9 250 071**		**27,750**			

As at 31 December 2019

	Type of share	Type of preference	Number of shares in units	nominal value		Method of capital coverage	Date of registration	Right to dividend (from)
				of one share in PLN	series (issue) in PLN k			
series A	bearer shares	ordinary shares	3,013,250	3	9,040	cash contributions	05.07.2004	01.01.2004
series B	bearer shares	ordinary shares	1,169,750	3	3,509	non-cash contributions	29.10.2004	01.01.2004
series C	bearer shares	ordinary shares	3,000,000	3	9,000	cash contributions	18.04.2007.	01.01.2007
series D	bearer shares	ordinary shares	1,735,821	3	5,207	cash contributions	22.06.2007	01.01.2007
Series E	bearer shares	ordinary shares	331,250	3	994	cash contributions	11.02.2008	01.01.2008
Total			**9 250 071**		**27,750**			

In the period from December 31, 2020 to the date of submitting the statements, Makarony Polskie SA conducted no subsequent issues of shares.

Note no. 26

Supplementary and reserve capital

Supplementary capital	31/12/2020	31/12/2019
Balance at the beginning of the period	32,362	42,097
Changes in accounting principles (policy)	0	0
Balance at the beginning of the period after adjustments (after transformation)	32,362	42,097

- share capital issue	0	0
- other changes in capital	0	0
- profit distribution/loss coverage	2,941	2,265
- creation of reserve capital	0	- 12,000
- supplementary capital	35,303	32,362
- application of hedge accounting	0	0
Supplementary capital at the end of the period	35,303	32,362

Reserve capital	31/12/2020	31/12/2019
Balance at the beginning of the period	12,000	0
- establishment of reserve capital - own shares	0	12,000
Reserve capital at the end of the period	12,000	12,000

Note no. 27

Result from previous years

Profit/loss from previous years	31/12/2020	31/12/2019
Balance at the beginning of the period	5,586	4,246
Mistakes adjustment	- 332	0
Profit/loss from previous years at the beginning of the period	5,254	4,246
-decreases due to transfer to supplementary capital	- 2,941	- 2,265
- dividend payment	- 2,313	- 2,313
Net profit/loss at the end of the period	**0**	**- 332**

In 2019, the Company corrected the financial statements for previous years, due to an error made in earlier periods in the of calculating depreciation write-downs on the right of perpetual usufruct of land, regarding the value of the land realized before 31 December 2018, the amount of PLN 332 k (including PLN 307 k applies to the period to 31 December 2017) - the annual depreciation rate of 1.21%

Note no. 28

Information on loans and sureties obtained as at 31 December 2020.

Long - and short-term loans and borrowings

	31/12/2020	31/12/2019
- long-term part	7,949	14,772
- short-term part	11,336	10,907
Total	**19,285**	**25,679**

The status of loan and factoring agreements in effect as at 31 December 2020, for which Makarony Polskie SA was a party to the agreements, is presented in the tables below:

– Overdraft in Santander Bank Polska SA

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 5 000 k
Loan period	18/10/2013 – 31/05/2021
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 2,899 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – blank promissory note issued by the Company together with a promissory note declaration, – registered pledge on inventories with a value not lower than PLN 5,000 k with the assignment of rights under the pledge insurance policy, – surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

In the first half of 2020, Makarony Polskie SA concluded with Santander Bank Polska SA an annex to the overdraft which introduced the following amendments to the agreement:

- adjusted the value of collateral to the Bank's loan exposure,
- unified the Company's obligations towards the Bank with the obligations arising from other agreements (e.g. unifying the definition of covenants),
- the liability repayment date was extended until 31 May 2021.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 13,849 k
Loan period	18/10/2013 – 30/12/2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,879 k
Repayment schedule	The loan will be repaid in 49 monthly installments, in the following amounts: 48 installments of PLN 105 k each and the last 49 equalizing installments in the amount of PLN 204 k.
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on fixed assets (production lines in the plant in Rzeszów) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 12,121 k
Loan period	07/02/2017 - 28/12/2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 4,274 k
Repayment schedule	The loan will be repaid in 37 monthly installments, in the following amounts: 36 installments in the amount of PLN 50 k, 37th installment PLN 9,061 k, the received EU refinancing will reduce the balloon installment
Loan collateral	– joint mortgage up to PLN 18,200 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on a semi-industrial line for trials and tests along with instrumentation, along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o.,

	– declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

The loan is intended to finance the investment project "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA".

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 8,000 k
Loan period	15/09/2017 - 31/12/2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,234 k
Repayment schedule*	The loan will be repaid in 49 principal installments, including 48 installments in the amount of PLN 33 k, 49th installment in the amount of PLN 79 k.
Loan collateral	– joint mortgage up to PLN 2,500 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on the technological line purchased under the grant project along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

The loan is intended to finance the investment project "Implementation of the results of research and development in the field of functional food at Makarony Polskie SA".

– Revolving loan in Santander Bank Polska SA

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 3 000 k
Loan period	30/09/2019 - 30/09/2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,909 k
Repayment schedule	The loan will be repaid in 33 monthly installments starting from 31 January 2020 in the amount of PLN 0.09 m
Loan collateral	– joint mortgage up to PLN 4,500 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock;

	– registered pledge on fixed assets (production lines in the plant in Rzeszów) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– Overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 6 000 k
Loan period*	14/06/2013 – 30/06/2021
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 5,087 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 16,500 on the following real estates: a) in the Land and Mortgage Register no. CZ1C/00111425/8, located in Częstochowa along with the assignment of rights from the property insurance policy, a) in KW No. LU1U/00022979/2 located in Stoczek Łukowski (property of Stoczek Natura Sp. z o.o.) with the assignment of rights from the property insurance policy; – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Stoczek Natura Sp. z o.o., – statement of the Company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 12 m).

* Makarony Polskie SA concluded with Bank Gospodarstwa Krajowego annex to the overdraft agreement. The annex to the overdraft agreement extends the repayment date of the liability from 30 June 2020 to 30 June 2021.

– Nonrevolving overdraft in Bank Gospodarstwa Krajowego

In the first half of 2020, Makarony Polskie SA used a non-renewable working capital loan in a credit account with a contractual value of PLN 5,000 k. Pursuant to the provisions of the loan agreement, the loan was repaid in due time during the financial year, and the obligations resulting from the agreement between the Company and the bank expired.

– Factoring agreement (full) in Santander Factoring Sp. z o.o.

Terms of the agreement	31 December 2020
Contractual value	PLN 5,500 k
Duration	Agreement concluded for an indefinite period

Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Factoring balance	PLN 2,255 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

Information on granted and received sureties

Makarony Polskie SA granted sureties to the subsidiary company Stoczek Natura Sp. z o.o., and their status as at 31 December 2020 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of secured liabilities in PLN k as at 31/12/2020
Surety of overdraft facility in the amount of PLN 3.0 m	Bank BGK	3,000	16/05/2021	2,973
Surety of investment loan in the amount of PLN 4.8 m	Bank BGK	4,812	08/11/2025	4,634
Bank guarantee in the amount of PLN 0.5 m	Bank BGK	504	13.06.2022	-
Bank guarantee in the amount of PLN 1.5 m	Bank BGK	1,549	15.06.2022	-
Bank guarantee in the amount of PLN 0.7 m	Bank BGK	725	29.02.2024	-

In 2020, Makarony Polskie SA guaranteed a working capital loan in a renewable credit line in the amount of PLN 2.5 m for Stoczek Natura Sp. z o.o. - the surety has expired due to the loan repayment.
Makarony Polskie SA received remuneration for granting sureties.

Stoczek Natura Sp. o.o. granted sureties to the parent Company Makarony Polskie SA, and their status as at 31 December 2020 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 31/12/2020
Credit surety in the current account in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30/12/2026	2 899
Investment loan guarantee in the amount of PLN 13.8 m	Santander Bank Polska SA			3,879
Surety of overdraft facility in the amount of PLN 6.0 m*	Bank BGK	6,000	30/12/2021	5,087
Surety for an EU investment loan in the amount of PLN 12.1 m	Santander Bank Polska SA	12,121	applies until the subsidy is settled	4,274

Stoczek Natura Sp. z o.o. received remuneration for granting sureties.

Note no. 29

Information on granted and received guaranties

The list of guarantees in force at Makarony Polskie SA as at 31 December 2020 is illustrated in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Santander Bank Polska SA	1,011	to 28.12.2021	guarantee securing the Company's obligations under the agreement for sales and storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– joint mortgage up to the amount of PLN 1517 k on real estate marked with KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, – blank promissory note with a promissory note declaration
Santander Bank Polska SA	249	to 22.01.2021	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– joint mortgage up to the amount of PLN 373 k on real estate marked with KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, – blank promissory note with a promissory note declaration
Santander Bank Polska SA	157	until 31/01/2024	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– blank promissory note with a promissory note declaration

Note no. 30

Provision for pensions and similar

Year 2020	Balance at the beginning of the period	Creation	Use	Balance at the end of the period
			and release	
For retirement and similar benefits, including:	999	518	0	1,517
a) long-term	300	36	0	336
b) short-term	699	482	0	1 181
Other provisions, including:	0	0	0	0

a) provision for financial statements auditing	0	0	0	0
b) other	0	0	0	0
Total	**999**	**518**	**0**	**1,517**

Year 2019	Balance at the beginning of the period	Creation	Use	Balance at the end of the period
			and release	
For retirement and similar benefits, including:	911	88	0	999
a) long-term	234	66	0	300
b) short-term	677	22	0	699
Other provisions, including:	0	0	0	0
a) provision for financial statements auditing	0	0	0	0
b) other	0	0	0	0
Total	**911**	**88**	**0**	**999**

The Company pays the retiring employees amounts of severance payments in the amount specified by the Labor Code and internal regulations. In relation to this, based on the assessment performed by actuary, creates a reserve for current amount of liabilities by virtue of severance payments.

The company creates a "provision" (recognized as an element of accruals) for unused holidays, which relate to periods preceding the balance sheet date, and will be used in the future. The amount of the provision depends on the average monthly remuneration and the number of unused holidays due to the employee on the balance sheet date.

Calculation of the provision has been made for people currently employed and does not apply to persons who will be accepted for future work. The right to retirement bonuses is available to every employee who has reached the retirement age. For persons who are already pensioners (who have received a severance payment), the provision is not created.

Note no. 31
Long-term and short-term financial liabilities

Liabilities from finance leasing agreements:

	Total present value of minimum fees	
	as at 31/12/2020	as at 31/12/2019
up to 1 year	826	685

within 1 to 5 years	1,297	1,141
Total	**2 123**	**1,826**

Finance lease liabilities:-IFRS-16

	Total present value of minimum fees	
	as at 31/12/2020	as at 31/12/2019
up to 1 year - lease	551	880
up to 1 year – Perpetual usufruct right to land	4	4
in the period from 1 to 5 years - lease	853	2 080
in the period over one year - PWUG	1,191	1,195
Total	**2,599**	**4,159**

As at 1 January 2019, Makarony Polskie SA introduced disclosures to fixed assets due to the application of IFRS -16, property, plant and equipment used under lease contracts.

The carrying value of property, plant and equipment as at 31 December 2020 was PLN 2,523 k, including for renting premises the amount of PLN 1,355 k and the right of perpetual usufruct of land, the amount of PLN 1,168 k.

Financial obligation - Polish Development Fund subsidy

	as at 31/12/2020	as at 31/12/2019
up to 1 year	368	0
within 1 to 5 years	1,104	0
Total	1,472	0

As part of the financial shield, Makarony Polskie SA received financial support in the form of subsidies from the Polish Development Fund in the amount of PLN 1,472 k.

After meeting the conditions specified in the program, the beneficiary will be partially released from reimbursement (possibility up to 75%).

The Polish Development Fund (PFR) became involved in a government support program (the so-called financial shield) for micro, small and medium-sized enterprises whose financial situation worsened as a result of the SARS-CoV-2 pandemic. The main goal of the program is to help entrepreneurs maintain liquidity and financial stability by providing them with financing on preferential terms.

Note no. 32
Other liabilities

	31/12/2020	31/12/2019
Liabilities for deliveries and services from other entities:	**22,248**	**23,503**
- long-term part	0	0
- short-term part	22,248	23,503
Commitments towards subsidiaries	**936**	**406**
- long-term part		
- short-term part	936	406
Liabilities to other entities		
Prepayments:	**66**	**14**
Other liabilities:	**2,750**	**1,914**
- long-term part		
- short-term part	2 750	1,914
Total liabilities	**26,000**	**25,837**

Liabilities from deliveries and services	31/12/2020	31/12/2019
- towards affiliates	936	406
- towards other entities	22,249	23,503
Total	**23,185**	**23,909**

Public, legal and other obligations	31/12/2020	31/12/2019
- personal income tax	153	125
- corporate income tax - CIT 8	1,001	426
- corporate income tax - CIT -10Z	0	6
- Social security costs	599	509
- wages and salaries	621	559
- State Fund for Rehabilitation of Persons With Disabilities	10	7
- other	366	282
Total	**2,750**	**1,914**

Other liabilities including CIT - currency structure

	31/12/2020	31/12/2019
- in the Polish currency	22,901	19,143
- in foreign currencies:	3,099	6,694
a) unit/currency EUR	672	1,572
in PLN	3,099	6,694

a) unit/currency GBP	0	0
in PLN	0	0
Total	**26,000**	**25,837**

Liabilities for deliveries and services - aging

	31/12/2020	31/12/2019
1) Total current	20,795	20,826
2) Total overdue:	2,390	3,083
a) up to 1 month	2 196	2,712
b) over 1 month up to 3 months	120	281
c) over 3 months up to 6 months	8	8
d) over 6 months up to 1 year	1	54
e) more than 1 year	65	28
Total trade liabilities	**23,185**	**23,909**

Note no. 33
Revenue of future periods

	31/12/2020	31/12/2019
Revenue of future periods	**18,093**	**12,596**
- long-term part	16,944	11,711
- short-term part	1 149	885

Part of the short- and long-term settlements includes subsidies for the purchase of machinery and equipment received by Makarony Polskie SA. The subsidy amounts were granted in 2006, 2009, 2019 and in 2020.

In 2019 and 2020, the company received funding for the following projects:

- the project "Implementation of the results of research and development in the field of functional food at Makarony Polskie SA", is implemented under the Operational Programme of the Podkarpackie Region 2014 - 2020, under Priority Axis I Competitive and innovative economy, Measure 1.4. Support for SMEs, Sub-measure 1.4.1 Direct subsidies. Co-financing of 60% of eligible costs in the amount of PLN 5,500 k.
- the project "Establishment of the Research and Development Center of the Pasta Industry at the company Makarony Polskie SA", is implemented under the Intelligent Development Operational Programme 2014 - 2020, under Measure 2.1. Support for

investment project in R&D infrastructure of enterprises. As part of this project, the company received an advance co-financing in the amount of PLN 6,500 k. in 2020.

The subsidies concern a assets, their fair value is recognized in the deferred income account and then gradually, by equal annual write-downs, written down in the statement of comprehensive income for the estimated useful life of the related asset.

In 2020, the Company released PLN 1132 k from deferred income and recognized it in the other operating revenues item.

Note no. 34
Off-balance items

(in PLN k)	31 December 2020	31 December 2019
1. Contingent assets	**36,904**	**63,881**
- received guarantees and sureties	34,904	61,881
- collaterals on assets	0	0
- bills of exchange	2,000	2,000
2. Contingent liabilities	**134,985**	**159,105**
- for provided guarantees and warranties	12,090	13,090
- collaterals on property	81,167	94,772
- promissory note obligations	41,728	51,243
Total off-balance items	**-98,081**	**-95,224**

The values of guarantees received, collaterals, promissory notes, mortgages and other off-balance sheet liabilities in the table above have been presented at maximum values.

Note no. 35
Transactions with related parties

Dividends paid and proposed for payment

In 2020, the Management Board of the Company decided to recommend to the Ordinary General Assembly that the net profit for the period from 1 January 2019 to 31 December 2019 in the amount of PLN 5 585 should be divided as follows:

- pay a dividend in the amount of PLN 0.25 gross per share, i.e. allocate the amount of PLN 2,312 k to the payment of dividend;
- the remaining part of the profit in the amount of PLN 3,273 k should be allocated to the Company's supplementary capital.

According to Article 382 §3 of the Commercial Companies Code, this recommendation was presented by the Management Board to the Supervisory Board for information and received a positive opinion of the Supervisory Board.

On 24 September 2020, the Ordinary General Meeting of Makarony Polskie SA adopted resolutions on the approval of the financial statements for the financial year 2019 and the distribution of net profit, including the payment of a dividend in the amount of PLN 0.25 gross per share, i.e. PLN 2,312 k.

The dividend record date was set for 1 October 2020. The dividend was paid on 23 October 2020. There were 9,250,071 shares of the Company entitled to the dividend.

In the following financial years, the Management Board of Makarony Polskie SA will also make efforts to recommend the payment of dividend to shareholders to the Ordinary General Assembly, although the possibility of dividend payment will depend on the amount of the achieved profit, current investment objectives and the company's situation.

Settlements with affiliates

In the period of 2020, the Makarony Polskie Group companies did not conclude material transactions with each other under the terms other than market terms.

Within Makarony Polskie Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services, There are agreements between the companies specifying the terms of cooperation, adapted to the Group's organizational structure. All transactions are performed under the market terms and conditions.

Affiliate	Sale to related entities - comprehensive income		Purchases from affiliates	
	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Parent Company - Makarony Polskie S.A.	292	379	26,823	24,909
from/to Stoczek Sp. z o.o.	265	326	25,228	23,565
from/to MP Trade Sp. z o.o.	27	53	1,595	1 344

Affiliate	Receivables from related entities		Liabilities towards affiliates	
	Per day 31/12/2020	Per day 31/12/2019	As at 31/12/2020	As at 31/12/2019

Parent Company - Makarony Polskie S.A.	917	2,885	936	406
- from/to Stoczek Sp. z o.o.	916	2,880	530	7
from/to MP Trade Sp. z o.o.	1	5	406	399

Note no. 36

Other items related to assets, liabilities, equity, revenues, costs and net profit or cash flow statement are not typical due to their nature, amount or scope.

In 2020, there were no unusual items, other than those described in the Company's financial statements, due to their nature, size or scope.

Note no. 37

Material Contracts

Contract with Jeronimo Martins Polska SA

On the basis of an agreement concluded between Makarony Polskie SA and Jeronimo Martins Polska SA, pasta is sold to the Biedronka chain under the own brands of the chain: Pastani, Dobrusia and Makaron Szlachecki.

Agreement with Lidl network

On the basis of agreements concluded between Makarony Polskie SA and Lidl chain, the products offered by the Company are offered in stores of this network.

Contract for co-financing the project entitled "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA"

In the period from April 2017 to December 2020, the Company has been implementing a Contract for co-financing a project entitled "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA". The contract is concluded with the Ministry of Development and Finance (MIiR), and the project received a subsidy under measure 2.1 Support for investment in R&D infrastructure of enterprises, the Intelligent Development Operational Program 2014-2020.

The subject of the concluded grant agreement is the establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA. The B&R Center will

conduct work on innovative products with pro-health features that will ultimately enrich the Company's product offer as well as issues relevant to the entire pasta industry.

The Company performs the purchase of fixed assets and construction works, as part of the project. For the needs of the B&R Center, the purchase will include a modern production test line, whose parameters will reflect the conditions prevailing during the industrial production process.

The total cost of the project is approx. PLN 18.6 m. The total maximum amount of expenditure eligible for support is approximately PLN 15.2 m. Co-financing amounts to approx. PLN 9.1 m.

Terms and conditions of the Agreement do not differ from those commonly used for this type of agreements. The performance bond is a blank promissory note inserted by the Company along with a promissory note declaration.

Annexes to loan agreements with Santander Bank Polska SA and Bank Gospodarstwa Krajowego

During the financial year and after the balance sheet date, Makarony Polskie SA concluded annexes to the loan agreements concluded with Santander Bank Polska SA and Bank Gospodarstwa Krajowego, which are described in detail in the section "Other financial information".

Changes to the surety of the company Stoczek Natura Sp. z o.o. for the company Makarony Polskie SA

- In January 2020, the company Stoczek Natura Sp. z o.o. concluded an annex to the surety agreement for the repayment of credit liabilities incurred by the parent company Makarony Polskie SA at Santander Bank Polska SA.
  The annex to the surety agreement is a consequence of Makarony Polskie SA concluding an annex to the investment loan agreement. Under the concluded annex to the surety agreement, the term of the surety granted by the subsidiary Stoczek Natura Sp. z o.o. The bank may issue an enforcement order up to the amount of debt under the loan until 30 December 2026 (the previous deadline was until 30 September 2021). The surety was limited to the amount of PLN 15.4 m. The detailed conditions of the surety granted do not differ from the market standards applicable in this respect. The remuneration of Stoczek Natura Sp. z o.o. is a commission for granting the surety.
- Due to the conclusion by Makarony Polskie SA of an annex to the overdraft facility agreement with Bank Gospodarstwa Krajowego, the company Stoczek Natura Sp. z o.o. concluded with that bank a surety agreement for the repayment of the parent company's loan obligations.

The surety for the overdraft agreement is valid until 30 December 2021. The detailed conditions of the surety granted do not differ from the market standards applicable in this respect. The remuneration of Stoczek Natura Sp. z o.o. is a commission for granting the surety.

Note no. 38

Remuneration of members of the Management Board and Supervisory Board

The Management Board

Name and Surname	Function	For the period from 01/01 to 31/12/2020		For the period from 01/01 to 31/12/2019	
		constant	variable	constant	variable
Zenon Daniłowski	President of the Management Board	450*	353	540*	248
	Total	**803***		**788***	

* including remuneration for performing the function of the President of the Management Board in the subsidiary MP Trade Sp. z o.o.: PLN 30 k in 2020 and PLN 120 k in 2019

Supervisory Board

Name and Surname	Function	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Roman Sobiecki	Chairman of the Supervisory Board of the 8th and 9th term of office	26	26
Samer Abdelfatah Mohamed El Waziri	Vice-chairman of the Supervisory Board of the 8th term of office	16	24
Ahmed Khalil *	Vice-chairman of the Supervisory Board of the 9th term of office	8	0
Wiesław Wasilewski	Member of the Supervisory Board of the 8th and 9th term of office	21	21
Janusz Pierun *	Member of the Supervisory Board of the 9th term of office	7	0
Marek Rocki	Member of the Supervisory Board of the 8th and 9th term of office	21	21
Michał Słomkowski	Member of the Supervisory Board of the 8th and 9th term of office	21	21

Total		**120**	**113**

* Members of the Supervisory Board Ahmed Khalik and Janusz Pierun were appointed to the Supervisory Board of the Company on 24 September 2020.
** Member of the Supervisory Board Samer Abdelfatah Mohamed Elwaziri was part of the Supervisory Board of the Company until 24 September 2020.

The company does not have any obligations arising from pensions and benefits of a similar nature for former supervisory staff, nor any obligations incurred in connection with those pensions.

Members of the Supervisory Board receive remuneration for each meeting of the Supervisory Board in which they participate.

Members of the Supervisory Board of Makarony Polskie SA did not receive remuneration in subsidiaries. The President of the Management Board of Makarony Polskie SA receives remuneration for performing the function of the President of the Management Board in MP Trade Sp. z o.o.

The Company did not grant loans to members of the Management Board and Supervisory Board of Makarony Polskie SA.

Note no. 39
Significant event in the period from 1 January 2020 to the date of submission of these financial statements

The impact of the SARS-COV-2 and COVID-19 coronavirus epidemics on the operations of Makarony Polskie SA

The impact of the Covid-19 pandemic, which began at the end of the first quarter of 2020, on the operations and financial results of Makarony Polskie Company is visible in several areas:

- The Company noted an increase in the prices of key raw materials - flour, meat and egg pulp - due to the increase in demand and turbulences in the supply chain (e.g. difficulties in international trade by reintroducing border controls and closing some border crossings).
- Pressure from the business environment, including government authorities to maintain a stable level of prices, as well as the reluctance of key recipients to implement increases under concluded contracts, delayed the implementation of new sales prices, allowing the Company to partially compensate for the increase in cost factors. The above issues

contributed to the reduction of profitability at the level of gross profit on sales from 21.8% in 2019 to 19.6% in 2020.

- Due to the decrease in revenues in the second quarter of 2020 vs the first quarter of 2020 (by PLN 12.9 m), the Company decided to use public aid as part of the anti-crisis shield in order to maintain the level of employment in the subsequent periods. As at the balance sheet date, the support received was: a subsidy from the State Development Fund in the amount of PLN 1.5 m and a working capital subsidy from PAPR in the amount of PLN 0.4 m, received by Makarony Polskie SA.

Immediately after the information about the Covid-19 epidemic approaching to the Polish borders, and before the official announcement of the epidemic in the territory of the Republic of Poland, was published, the Company implemented additional safety procedures and security measures to secure the continuity of production and reduce the risk of virus spreading among the crew members. These procedures are systematically validated and modified depending on the needs and the evolution of the epidemiological situation.

In the opinion of the Management Board, there are no threats in the Company that would make it impossible to pay its liabilities. The company has no problems with the repayment of receivables by its contractors (no changes in the collection of receivables were identified). The Company has not identified an increase in the valuation risks and the deposition of inventories. As at the publication date of the statements, the Company does not identify any significant risks of failure to meet the financial covenants included in loan agreements in connection with the COVID-19 pandemic.

The Management Board of Makarony Polskie SA carefully monitors the situation related to the COVID-19 pandemic and takes steps to minimize the negative impact on the Company's operations in the area of security, financial liquidity and results. In the opinion of the Management Board, the current financial situation of the Company does not threaten the continuation of the Company's operations in the next periods.

After the balance sheet date, there were no other events that could significantly affect the Company's financial statements.

Note no. 40
Material accounting principles applied in the preparation of the financial statements

Transactions in foreign currency and valuation of items denominated in foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entities operate; Polish zloty (PLN) is the functional and reporting currency of

the entity, and all values, unless indicated otherwise, are given in PLN k (thousands of zlotys).

Transactions expressed in currencies other than Polish Zloty are calculated to Polish Zloty using the exchange rate applicable at the transaction day.

At the balance sheet date, cash assets and liabilities expressed in currencies other than Polish Zloty are converted to Polish Zloty using the average exchange rate applicable at the end of the reporting period for the given currency, announced by Narodowy Bank Polski [the National Bank of Poland]. The exchange rate differences caused by the conversion are properly posted in the financial incomes (costs) item or, in cases specified by accounting principles (policy), capitalized in the value of assets. Non-cash assets and liabilities posted according to historical costs expressed in foreign currency are shown by the historical exchange rate at the transaction date. Non-cash assets and liabilities posted according to the fair value expressed in foreign currency are converted at the exchange rate on the day of fair value measurement.

Overriding accounting principles

The Company applies principles that ensure a reliable and clear presentation of the property and financial situation, financial result and profitability.

Principle of continuity - based on the application of continuously adopted accounting principles, including the same grouping of business operations, valuation of assets, including depreciation write-downs, liabilities, determination of the financial result and preparation of financial statements; for each accounting period, the opening balance is equal to the closing balance of the previous period.

Principle of continuation - based on the assumption of the measurement of assets and liabilities and determining the financial result that the entity will continue in the foreseeable future economic activity in not significantly reduced scope, unless it is inconsistent with the actual or legal status.

Principle of accrual - consisting in assigning for the period in question all revenues and related costs, regardless of the date of their payment.

Principle of prudent valuation - involving the reporting in the result, irrespective of its amount, of any decrease in the utility value, any property components, adjustments caused by permanent price changes, recognition of only undoubted remaining revenues and extraordinary profits and all other costs and extraordinary losses incurred.

The Company uses overriding valuation principles based on the historical acquisition, purchase or production price, except for the valuation of financial assets that are measured at fair value in accordance with IFRS.

Reporting obligations resulting from the organizational structure

The entity prepares separate financial statements. The Company has no branches that separately prepare the financial statements and does not prepare joint statements.

Activity segments reporting

In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on these elements, which are regularly verified by persons deciding on the allocation of resources to a given segment and assessing its financial results, the Company operates in the following reporting segments: pasta, meat and vegetable preparations, processed vegetables and stuffing, processed fruit products and others.

Fixed assets held for sale and operations during discontinuation

Fixed assets held for sale and discontinued operations are assets or groups of assets classified in this category, which are recognized in the financial statements at the lower of their carrying amount or fair value less costs to sell. From the moment of assigning the assets held for sale, the Company ceases to make depreciation write-downs.
Fixed assets and net asset groups, classified as held for sale if their carrying amount will be recovered as a result of a sale transaction rather than as a result of their continuing use. A condition for including assets in this group is an active search for a buyer by the entity's management and a high probability of selling those assets within one year from the date of their qualification, as well as the availability of those assets for immediate sale.

Tangible fixed assets

Tangible fixed assets include fixed assets and expenditure on fixed assets under construction, which entities intend to use in their operations and for administrative purposes over a period of more than one year, which in the future will cause economic benefits to entities. They are recognized at purchase prices or costs incurred for their generation, expansion or modernization, decreased by depreciation write-downs made to date, as well as impairment losses. Expenditures on fixed assets include capital expenditure incurred as well as expenditure incurred on future deliveries of machinery, equipment and services related to the generation of fixed assets. The initial value of property, plant and equipment includes their purchase price increased by all costs directly related to the purchase and adaptation of the component to a usable

condition (extension and/or construction, modernization, borrowing). Costs incurred after the date the fixed asset is transferred for utilization, such as maintenance and repair costs, burden the statement of comprehensive income, at the time of incurring them. The subsequent costs are included in the carrying value of a given asset or recognized as a separate asset (where appropriate) only when it is probable that the asset will generate economic benefits to the Company and the cost of the item can be measured reliably.

Tangible fixed assets are depreciated using the straight-line method in the period of expected use of a given fixed asset. Depreciation of fixed assets occurs according to rates reflecting the expected period of their use. Depreciation begins when a fixed asset is available for use, while depreciation ceases on an earlier of the following: when a fixed asset is classified as held for sale or when it is removed from the balance sheet. The depreciation method, depreciation rate and residual value are subject to verification as at each balance sheet date. Any changes resulting from the verification performed are recognized as a change in estimates, in accordance with the guidelines contained in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" or are removed from the balance sheet. Fixed assets with a value of less than PLN 1,000 are amortized on a one-off basis in the month in which they were put into use, with the exception of a group of assets with a unit value of less than PLN 3,500, which are amortized in the period of their economic use, if material.

If in the preparation of the financial statements there are circumstances that indicate that the carrying amount of property, plant and equipment may not be recoverable, the assets are reviewed for impairment. If there are indications that impairment may have occurred, and the carrying amount exceeds the estimated recoverable amount, then the value of these assets or cash-generating means to which these assets belong is reduced to the level of recoverable value. An impairment loss is recognized immediately as an expense in the statement of comprehensive revenues under "Other costs".

A given item of material fixed assets may be removed from the statement of financial situation after its sale or in case when no economical profits resulting from further use of such assets component are expected.
All profits or losses resulting from removing such assets component from the balance sheet (calculated as the difference between possible incomes on sales net and the balance sheet value of the given item) are included in the statement of total income in the period when such removal took place.

The tangible fixed assets include, but are not limited to:

- real estate, i.e., land, buildings and civil engineering structures,
- acquired right to perpetual usufruct of land,

- machines and devices
- means of transport,
- other movable fixed assets.

Depreciation of fixed assets is calculated using the straight-line method to spread their initial value less the residual value over the estimated periods of their use. Verification of final values and periods of use of fixed assets and relevant adjustments is made at least at the end of each financial year; useful lives for individual components of fixed assets are as follows:

- Buildings and structures: from 10 to 40 years
- Machines and devices: from 5 to 25 years
- Means of transport: from 5 to 10 years
- Other fixed assets: from 4 to 25 years

Investments in foreign fixed assets are depreciated for the duration of the lease, but no longer than for the period of their use.

Land is not depreciated.

Depreciation on such values is recognized in profit or loss for the period.

Subsequent outlays on fixed assets increase its book value when it is probable that the Company will obtain economic benefits from this, and the cost of this fixed asset can be reliably estimated.

Tangible fixed assets - Leasing

Fixed assets used under finance lease agreements are depreciated according to the same principles as those applied to own assets. However, if there is not enough certainty that the Company will obtain ownership before the end of the leasing period, then the given component is depreciated in the shorter of the following two periods: estimated period of use of the fixed asset or leasing period.

The lease agreements, according to which the lessor maintains basically all the risk and all benefits resulting from possessing the leased object, are included among the operating lease agreement.

Fixed assets under IFRS-16 lease - used under lease agreements for office and warehouse space and under the acquired right of perpetual usufruct of land, depreciated according to the rules applicable to fixed assets, i.e.:

- for contracts with a specific period of validity and perpetual usufruct right up to the date of validity of the contract or law,
- for indefinite agreements - 5 years period.

Depreciation is calculated using the straight-line method to spread their initial value less the residual value over the periods of their use.

Fixed assets in progress

Fixed assets under construction are deemed to be fixed assets in the period of their construction, assembly or improvement of an already existing fixed asset and are valued at the total amount of costs directly related to their acquisition or production, less any impairment losses.

Fixed assets in progress are not subject to amortization until completion of the construction and transfer of the fixed asset for use.

Fixed assets under construction, are presented in the financial statements at the production cost less any possible impairment losses. The production cost includes fees and, for the relevant assets, costs of external financing capitalized in accordance with IAS 23.

Costs of external financing

Borrowing costs are capitalized as part of the cost of producing fixed assets. The borrowing costs include interest and foreign exchange gains or losses up to the amount corresponding to the adjustment of the interest cost.

Intangible assets

Intangible assets include assets of the Company that have no physical form, are identifiable and can be reliably measured and which are expected to generate economic benefits for the entity in the future.

The following are considered intangible assets:

- property rights (including licenses, computer programs, concessions, proprietary copyrights, related rights),
- rights to inventions, patents, trademarks, utility and decorative designs, know-how,
- goodwill,
- costs of completed development works, the result of which will be used to produce new or improved products or technologies.

Intangible assets purchased from a business entity as part of a separate transaction are capitalized according to the purchase price or manufacturing costs (costs of completed development works). With the exception of development works, intangible assets created

by the entity on its own are not recognized in assets, and expenditures Expenses related to intangible assets that do not result in improvement or extension of their useful life are recognized as costs at the time they are incurred. Otherwise, they are capitalized. Such a determined value is shown in the financial statements in the assets of the statement of financial position in net value, i.e. less accumulated amortization write-downs, as well as write-downs for permanent impairment.

Intangible assets with a limited period of use are subject to depreciation. The depreciation method used reflects the method of consuming economic benefits from an intangible asset by the Company, however, if it is not possible to reliably determine another way of consuming those benefits, the linear method is used. The adopted depreciation method is applied in a continuous manner in subsequent periods, unless there is a change in the expected method of consuming economic benefits.

The period of use of intangible assets, depending on their type, is limited or indefinite.

If it is limited, depreciation of intangible assets is performed at rates reflecting the expected period of their use. Period estimates and depreciation methods are reviewed at the end of each financial year. If the estimated useful life of an asset differs significantly from previous estimates, the amortization period is changed.

Useful periods for specific intangible assets are as follows:

- Software licenses: from 2 years to 5 years
- Property rights: from 2 years to 10 years

The Company does not depreciate intangible assets with an indefinite useful life. They are subjected to annual impairment tests and analysis of whether there are reasons to consider these assets as being used for an indefinite period of time.

The effects of impairment, intangible assets as well as their amortization are recognized in operating expenses.

Impairment of tangible and intangible fixed assets

At each balance sheet date, the Company reviews the carrying amount of fixed assets. If there are premises indicating the possible impairment of property, plant and equipment and intangible assets recoverable amount of a given asset is estimated. The determined amounts of impairment losses reduce the carrying amount of the asset to which they relate and are disclosed in the statement of comprehensive income.

The amount of write-downs is determined as the surplus of the carrying amount of those components over their recoverable amount. The recoverable amount corresponds to the higher
of the following values: net selling price less costs to sell or utility value. When determining the utility value, the estimated future cash flows are discounted to the present value using a gross discount rate reflecting the current market value of money over time and the risk associated with the given asset component.

For assets that do not generate cash flows themselves, the recoverable amount is estimated in proportion to the value of cash-generating means.

The write-downs are reversed if the reasons justifying their creation disappear. The effects of the reversal of write-downs are recognized in the profit and loss account, except for the amounts previously reducing the revaluation reserve, which adjust this capital to the amount of realized decreases.

Valuation of shares in subsidiaries

Shares in subsidiaries included in fixed assets are measured at cost. In the case of permanent impairment, the value of shares is reduced by an appropriate write-down.

Financial assets

Classification of financial assets

Financial assets are classified into the following valuation categories:

- measured at depreciated cost,
- measured at fair value through profit or loss
- measured at fair value through other total income.

The entity classifies a financial asset based on the entity's business model for the management of financial assets and characteristics arising from the cash flows contract for a financial asset (the so-called "SPPI criterion"). The entity reclassifies investments in debt instruments if, and only if, the management model for those assets changes.

Valuation for the moment of initial recognition

With the exception of certain trade receivables, at the moment of initial recognition, an entity measures a financial asset at its fair value which, in the case of financial assets not carried at fair value through profit or loss, it is increased by transaction costs which can be directly attributed to the purchase of those financial assets.

Discontinuation of recognition

Financial assets are excluded from accounting books in the situation when:

- Rights to obtain cash flows from financial assets have expired, or
- Rights to obtain cash flows from financial assets have been transferred and the Company has transferred substantially all the risks and profits related to ownership.

Valuation after initial recognition

For the purpose of valuation after initial recognition, financial assets are classified in one of the following categories:

- Debt instruments are measured at depreciated cost,
- Debt instruments are measured at fair value by other comprehensive income,
- Equity instruments are measured at fair value by other comprehensive income,
- Financial assets at fair value through profit or loss

Debt instruments - financial assets at depreciated cost

A financial asset is measured amortized cost, if both of the following conditions are met:

- the financial asset is maintained in accordance with the business model whose purpose is to maintain financial assets to obtain cash flows arising from the contract, and
- contractual terms relating to a financial asset cause cash flows to occur on specified dates, which are only repayment of the principal and interest on the outstanding principal.

The Company classifies the following as the category of financial assets measured at amortized cost:

- trade receivables.
- loans that meet the SPPI classification test, which, according to the business model, are reported as held to generate cash flows,
- cash and cash equivalents

The interest income is calculated using the effective interest rate method and is shown in the Statement of comprehensive income under "Interest income" item.

Debt instruments - financial assets are measured at fair value by other comprehensive income,

A financial asset is measured at fair value by other comprehensive income if both of the following conditions are met:

- the financial asset is maintained in accordance with the business model, which aims to both receive cash flows resulting from the agreement and the sale of financial assets components; and
- contractual terms relating to a financial asset cause cash flows to occur on specified dates, which are only repayment of the principal and interest on the outstanding principal.

Interest income, foreign exchange differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as financial assets measured at depreciated cost. Other changes in fair value are recognized in other comprehensive income. Upon cessation of the recognition of a financial asset, the total profit or loss previously recognized in other comprehensive income is reclassified from equity to the financial result.

The interest income is calculated using the effective interest rate method and is shown in the Statement of comprehensive income under "Interest income" item.

To the category of debt instruments measured at fair value by other comprehensive income, the Company classifies derivatives.

Capital instruments - financial assets are measured at fair value by other comprehensive income,

At the time of initial recognition, the Company may make an irrevocable choice regarding the recognition in other comprehensive income of subsequent changes in the fair value of investments in an equity instrument that is not intended for trading or is a conditional consideration recognized by the acquiring party in the merger of entities to which IFRS 3 applies. Such selection is made separately for each equity instrument. Accumulated profits or losses previously recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized in the statement of comprehensive income when the entity's right to receive a dividend is established, unless the dividends obviously represent the recovery of part of the investment costs.

Financial assets at fair value through profit or loss

A financial asset that does not meet the measurement criteria at depreciated cost or at fair value through other comprehensive income is measured at fair value by profit or loss.

The profit or loss on the valuation of debt investments at fair value is recognized in the financial result.

Dividends are recognized in the Statement of comprehensive income when the entity's right to receive a dividend is established.

To the category of equity instruments measured at fair value by the financial result, the Company classifies shares of companies listed on an active market.

In a situation where the Company:

- it has a legally enforceable right to compensate the recognized amounts and
- it intends to settle on a net basis or at the same time to realize an asset and perform an obligation

the financial asset and financial liability are compensated and disclosed in the statement of financial position at the net amount.

The framework agreement described in IAS 32.50 does not constitute grounds for compensation if both criteria described above are not met.

Loss of financial assets value - accounting policy

The Group assesses expected credit losses (ECLs) related to debt instruments carried at depreciated cost and fair value by other comprehensive income, regardless of whether there is any indication of impairment.

In the case of trade receivables, the Company applies a simplified approach and measures the write-down for expected credit losses in the amount equal to the expected credit losses over the whole life using the reserve matrix. The Company uses its historical data on credit losses, adjusted by the information about the future, where appropriate.

In the case of other financial assets, the Company measures the write-down for expected credit losses in the amount equal to 12-month expected credit losses. If the credit risk related to a given financial instrument has significantly increased since the initial recognition, the Company measures the write-down for the expected credit losses from the financial instrument in an amount equal to the expected credit losses over the entire lifetime.

At the same time, the Company assesses that default occurs when, for example, the delay in payment exceeds 365 days.

Cash and cash equivalents

Case and cash equivalents include cash in bank and cash register and short term investments of initial maturity not exceeding three months.

The balance of cash recognized in the statement of cash flows consists of above specified cash and cash equivalents.

Receivables

As part of receivables, the Company recognizes rights to remuneration in exchange for goods or services which it has provided to the customer, if this right is unconditional (the only condition of remuneration being due is the lapse of a specified period). The Company recognizes the receivables in accordance with IFRS 9. Upon initial recognition of contract receivables, any differences between the measurement of receivables in accordance with IFRS 9 and the corresponding previously recognized amount of revenues are recognized by the Company as an expense (impairment loss).

Receivables are recognized depending on the contractual repayment date as:

- long-term - when the repayment period is longer than one year from the balance sheet date,
- short-term - when the repayment is to take place within a period not longer than one year from the balance sheet date.

Trade receivables are initially recognized at fair value, i.e. according to the amounts initially invoiced, and then they are valued at adjusted purchase price (depreciated cost) using the effective interest rate method, reducing them by write-downs for impairment.

Impairment loss of trade receivables is established when there is objective evidence that the Company will not be able to collect all due amounts resulting from the original sales conditions. The amount of the write-down is the difference between the carrying amount of a given asset and the present value of estimated future cash flows, discounted at the effective interest rate. A write-down is created for other operating or financial expenses in the statement of comprehensive income - depending on the type of receivables to which the write-down relates.

Settlements denominated in foreign currencies during the reporting period are valued at the average exchange rate set for a given currency by the President of the National Bank of Poland, valid on the day of the transaction, unless a different rate has been determined in the customs declaration or other binding Company document.

As at the balance sheet date, receivables expressed in foreign currencies are recognized in the books and are valued at the average exchange rate set for a given currency by the National Bank of Poland valid for a given day.

Borrowings

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans include financial assets created as a result of providing cash, goods or services directly to the other party to the contract, with the exception of financial assets intended for sale in the short term. Loans include loans granted to entities and transactions on "buy sell back" treasury bills. The borrowings are included to current

assets unless their maturity does not exceed 12 months since the balance sheet date. Loans of maturity exceeding 12 months since the balance sheet date are accounted for fixed assets. Loans granted are measured at depreciated cost using the effective interest rate, less any impairment losses. Interest accrued is recognized in financial revenues in the period to which it relates. The Company creates revaluation write-downs for the value of dubious interest accrued at the moment of their charging.

Inventories

Inventories are assets held for sale in the ordinary course of business, being in the process of production for sale and in the form of materials or raw materials used in the production process or in the rendering of services. Inventories include materials, goods, finished products, semi-finished products and work in progress.

Inventories of materials and goods are valued as at the balance sheet date according to the lower of the following two values: the purchase price (production cost) or net realizable value. The net selling price is the selling price in the ordinary course of business, less the estimated costs necessary to make the sale (rebates and discounts, costs related to the adjustment of inventories for sale).

As at the balance sheet date, the valuation of finished products occurs at the level of the actual manufacturing cost, applying the principles of prudent valuation.

If the purchase price or technical production cost of inventories is higher than the net selling price possible to obtain, the entity shall make revaluation write-downs, which will adjust the own cost of sales.

Release of materials, goods and finished products from the warehouse occurs successively at prices (costs) of those assets that the entity acquired (manufactured) at the earliest - fifo method

Financial assets at fair value through profit or loss

Short-term financial assets valued at fair value by profit or loss include assets acquired in order to achieve economic benefits resulting from short-term price changes. Short-term financial assets are initially recognized at purchase price and measured at fair value as at the balance sheet date. Profits or losses on the measurement of financial assets are recognized in the statement of comprehensive income, in financial revenues or expenses.

Investments in securities

Investments in securities are valued at the date of the initial recognition at the purchase price adjusted for transaction costs. If the security is delivered after a strictly defined period of time after the transaction date, investments

in securities are recognized in the books and excluded from the books on the date of the purchase or sale of securities.

As at the balance sheet date, investments in securities are classified as held for trading or available for sale, measured at fair value. When securities are classified as held for trading, gains and losses resulting from changes in fair value are recognized in the statement of comprehensive income for a given period.

In the case of assets available for sale, profits and losses resulting from changes in their fair value are recognized directly in equity until the sale of securities or recognition of impairment. Then the accumulated profits or losses previously recognized in equity shall be recognized in the statement of comprehensive income.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments

and fixed maturity, which the Management Board intends and is able to hold until maturity. Short-term investments to be held until maturity (e.g. bonds, debt certificates) are measured at depreciated acquisition price determined using the effective interest rate method. In determining the depreciated purchase price the discount or bonuses obtained on acquisition of the investment are considered and settled during the period of its life to maturity.

Costs prepayments

The Company activates and settles over time the expenses incurred or the consumption of property components that relate to the periods following the month in which they were incurred.

The Company includes, among others, the following in the prepayments:

- costs and fees related to specific periods (taxes, fees, insurance, subscriptions),
- costs of prepaid public advertising in the media,
- financial costs settled over time (pre-paid interest or bank commissions, expenses related to the purchase of shares and costs of mergers until the investment is settled).

Equities

Equity is created and reported in accordance with the law and the company's articles of association.

The equity consists of:

- the Company's share capital is reported in the nominal value of registered shares, resulting from the Company's Articles of Association and entry into the National Court Register,
- supplementary capital (from the sale of shares above their nominal value, supplementary capital created by law - up to 1/3 of the share capital, supplementary capital created in accordance with the statute derived from the distribution of profit

and
from the transfer of the reserve capital from revaluation of sold and liquidated fixed assets,

- retained earnings/losses, made up of undistributed profit or uncovered loss from previous years,
- net profit or loss.

Share issue costs incurred with the assumption of the Company or increase of the share capital reduce the supplementary capital to the amount of surplus of the issue value over the nominal value of shares, and the remaining part is included in financial costs.

Interest-bearing loans and borrowings

At the moment of initial posting, all bank credits, loans and debt securities shall be posted according to the fair value, reduced by costs related to obtaining the credit or loan.
After the initial posting, the interest bearing credits, loans and debt securities and liabilities are assessed according to the amortised cost using the method of effective interest rate. When establishing the amortized cost, one considers the costs related to obtaining the credit or loan and discounts or premiums obtained while settling the liability.
Income and expenses are recognized in profit or loss when the liability is removed from the balance sheet and as a result of the settlement using the effective interest rate method.

Liabilities and accruals

Liabilities are an obligation, resulting from past events, to provide services with a reliably determined value, which will result in the use of already existing or future assets of the Company.

Short term liabilities by virtue of supplies and services are posted in the depreciated cost. Financial liabilities assessed according to the fair value by the financial result, include financial liabilities held for trading and financial liabilities initially classified as those measured at fair value by profit or loss. Financial liabilities are classified as held for trading if they were acquired for the purpose of selling in the near future. Derivative instruments, including separated embedded instruments, are also classified as held for trading, unless they are hedging instruments.

The financial liabilities assessed in fair value by the financial result are assessed in fair value considering their market value at the balance sheet date, without taking into account the costs of the sale transaction. Changes in the fair value of those instruments are recognized in profit or loss as financial costs or income, except for changes in credit risk for financial

liabilities initially classified to the category measured at fair value by profit or loss, which are recognized in other total income.

Other financial liabilities which are not financial instruments assessed in the fair value by the financial result, are assessed according to the depreciated cost using the method of effective interest rate.

The Company excludes a financial liability from its balance sheet when the liability expired - that is when the obligation specified in the contract has been fulfilled, canceled or expired. Replacement of an existing debt instrument by an instrument with substantially different terms made between the same entities is recognized by the Company as the expiration of the original financial liability and the recognition of a new financial liability.

In the event of a modification of the contractual terms of a financial liability that does not result in the cessation of an existing liability, the gain or loss is recognized immediately in the financial result. Profit or loss is calculated as the difference between the present value of the modified and original cash flows, discounted using the original effective interest rate of the liability.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax, social security, etc., as well as liabilities due to advances received, which will be settled through the delivery of goods, services or fixed assets. Other non-financial liabilities are recognized at the amount due.

Provisions

The reserves are created when the Company is burdened with an obligation (legal or customary) resulting form the past events, and when it is probable that meeting this obligation shall cause the outflow of founds and reliable estimation of the liability amount may be performed.

In case the money in time has a significant impact on the amount of the provision created, value of reserve is set by discounting the expected future cash incomes at the current value, using the gross discount rate reflecting the actual market prices of the value of money in time and possible risk related to the given liability.

In particular, the Company creates provisions for:

- certain or highly probable future liabilities, the amount of which can be reliably estimated, and in particular the losses from business operations in progress, including guarantees granted, sureties, lending operations, effects of pending court proceedings,

- future liabilities due to benefits for employees, in particular for retirement and pension severance pays,
- unused annual leave.

Provisions for employee benefits

The vast majority of employees employed by the Company are entitled to retirement benefits after the employment period. The payer of future retirement benefits is both the Company and separate pension funds. In the case of a pension scheme implemented by a pension fund, the Company's obligation is limited to the payment of fixed contributions.

In the case of a retirement benefit plan implemented by the Company for its employees, the Company is required to provide specific, future retirement benefits in the form of retirement or pension benefits.

Benefits related to the payment of specific contributions, which are transferred to pension funds to employees, are charged to the costs of the core business in the reporting period to which they relate. Difference between the costs incurred in respect of benefits and the value of transferred contributions to pension funds in a given reporting period was recognized in the balance sheet as receivables or liabilities.

The Company uses an actuarial valuation (based on a valuation prepared by an independent actuarial advisor) to determine the present value of future liabilities and the related costs of the current period. The valuation of provisions for employee benefits is based on the projected unit credit method taking into account the requirements of International Financial Reporting Standards and International Accounting Standards, in particular IAS 19.

Provisions are measured based on the present value of future liabilities of entities for employee benefits.

The basis for the valuation are the Company's internal regulations, in particular the Remuneration Regulations and the relevant legal provisions.

Leasing

The financial lease agreements and lease agreements - IFRS -16, which transfer all the risk and all benefits resulting from possessing or lease of the leased item to the Company, are included in the Company’s assets at the date the leasing starts according to the lesser of the below two values: fair value of the fixed asset representing the object of lease or current value of minimum leasing fees. Lease payments are divided into financial costs and reduction

of the balance of lease liabilities in the way that enables obtaining fixed interest rate on the remaining part of the liability. The financial costs are included directly in the statement of comprehensive income. Fixed assets used based on the financial lease agreements are depreciated for one of the below periods: estimated lifetime of the fixed asset or leasing or lease period. The lease agreements, according to which the lessor maintains basically all the risk and all benefits resulting from possessing the leased object, are included among the operating lease agreement. The lease fees under the operating lease and further lease instalments are included as costs in the statement of comprehensive income using the linear method within the period the lease is in force.

Revenues

Revenues from contracts with customers - accounting policy applied

The Company applies IFRS 15 Revenue from contracts with customers to all contracts with customers, with the exception of leasing agreements covered by the scope of IFRS 16 Leases, financial instruments and other contractual rights or obligations falling within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Findings contractual, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The basic principle of IFRS 15 is the recognition of revenues at the moment of the transfer of goods and services to the customer, in a value reflecting the price expected by the entity, in exchange for the transfer of those goods and services. Those rules are applied using the five-step model:

- a contract with a customer has been identified,
- obligations to perform the service under the contract with the customer have been identified,
- transaction price was determined,
- transaction price was allocated to individual obligations to perform the service,
- revenues were recognized when the contractual obligation was fulfilled.

Identification of the contract with the customer

The Company recognizes the contract with the customer only if all of the following criteria are met:

- the parties to the contract have entered into a contract (in writing, or in accordance with other usual commercial practices) and are required to perform their duties;
- The Company is able to identify the rights of each party regarding goods or services to be transferred;

- The Company is able to identify the payment terms for goods or services to be transferred;
- the contract has economic content (i.e. it can be expected that as a result of the contract the risk, schedule or amount of future cash flows of the entity will change); and
- it is probable that the Company will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the customer.

When assessing whether the receipt of the amount of remuneration is probable, the Company only considers the ability and intention to pay the amount of remuneration by the customer in a timely manner. The amount of remuneration that will be due to the Company may be lower than the price specified in the contract, if the remuneration is variable, because the entity may offer the customer a price concession.

Identification of obligations to perform the service

At the time of concluding the contract, the Company evaluates the goods or services promised in the contract with the customer and identifies as a commitment to perform each promise to transfer to the customer the good or service (or bundle of goods or services) that can be separated or groups of separate goods or services, which are basically the same and for which the transfer to the customer is of the same nature.

The good or service promised to the customer is separate if both of the following conditions are met:

- the customer can benefit from the good or service either directly or through links to other resources that are readily available thereto, and
- the Company's obligation to transfer the good or service to the customer can be identified as separate from other obligations specified in the contract.

Determination of the transaction price

In order to determine the transaction price, the Company takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Company's expectation, will be due in exchange for the transfer of the promised goods or services to the customer, with the exception of amounts collected on behalf of third parties (for example, some sales taxes). The remuneration specified in the contract with the customer may include fixed amounts, variable amounts or both.

Variable remuneration

If the remuneration specified in the contract includes a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the customer. The Company estimates the amount of variable remuneration using one of the following methods, depending on which of them allows the Company to more accurately predict the amount of remuneration to which it is entitled:

- expected value - the expected value is the sum of the products of the possible remuneration amounts and the corresponding probabilities of occurrence. The expected value may be an appropriate estimate of the amount of variable remuneration if the Company has a large number of similar contracts.
- the most probable value - the most probable value is the single, most likely amount from the range of possible remuneration amounts (i.e. the single most probable outcome of the contract). The most likely value may be an appropriate estimate of the amount of variable remuneration if the contract has only two possible outcomes (for example, the Company either earns a performance bonus or not).

The Company includes to the transaction price part or all of the variable remuneration only to the extent that it is highly probable that there will be no reversal of a material portion of the previously recognized cumulative revenues when the uncertainty about the amount of variable remuneration has ceased.

Assigning the transaction price to the obligations to perform the service

The Company assigns a transaction price to each obligation to provide the service (or a separate good or separate service) in an amount that reflects the amount of remuneration which, in line with the Company's expectation, is due in exchange for the transfer of the promised goods or services to the customer.

Fulfilling obligations to perform

The Company recognizes revenue when it fulfills (or in the course of fulfilling) the obligation to perform by transferring the promised good or service to the customer. With respect to contracts for continuous services, on the basis of which the Company has the right to receive remuneration from the customer in an amount that directly corresponds to the value of the customer's previous performance, the Company recognizes revenue in the amount it has the right to invoice

Remuneration of the customer and remuneration of the intermediary

If another entity is involved in providing goods or services to the customer, the Company determines whether the nature of the Company's promise is an obligation to provide certain goods or services (in this case, the Company is the principal) or to provide those goods or services on behalf of another entity (in this case, the Company is an intermediary).

The Company is the principal if it exercises control over the promised good or service before it is passed on to the customer. However, an entity does not have to act as principal if it obtains a legal title to the product only temporarily before it is transferred to the customer. An entity appearing in the contract as the principal may itself fulfill the obligation to perform the service or may entrust the fulfillment of this obligation or part thereof to another entity (e.g. subcontractor) on its behalf. In such a situation, the Company recognizes revenues in the amount of gross remuneration to which it is expected to be entitled in exchange for goods or services transferred.

The Company acts as an intermediary if its obligation to perform the service consists in ensuring delivery of goods or services by another entity. In such a case, the Company recognizes revenue in the amount of any fee or commission to which it is expected to be entitled in exchange for ensuring delivery of goods or services by another entity.

Variable remuneration

Some contracts with customers include variable amounts of remuneration in connection with the granting of discounts and rebates.

If the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the customer and includes part or all of the variable remuneration in the transaction price only to the extent that it is highly probable that there will be no reversal of a material part of the amount of previously recognized accumulated revenues when the uncertainty about the amount of variable remuneration has ceased.

The entity estimates the amount of variable remuneration using the expected value method.

Important component of financing

In the case of contracts with customers for which the period between the transfer of the promised good or service to the customer and the moment of payment for the good or service exceeds one year, the Company assessed that the agreements contain a material element of financing. In order to determine the transaction price, the Company adjusts the promised amount of remuneration by an important component of financing using a discount rate that

would be applied if a separate financing transaction was concluded between the entity and its customer at the time the contract was concluded.

The company decided not to correct the promised amount of remuneration by the impact of a material element of financing, if at the time of contract it is expected, that the period from the transfer of the promised good or service to the customer until payment for the good or service by the customer will not be more than one year. Therefore, the Company did not separate a material element of financing, for short-term advances.

Non-cash remuneration

In the case of contracts in which the customer undertook to pay remuneration in a form other than cash, the Company measures the non-monetary remuneration (or the promise to pay non-cash remuneration) at fair value in order to determine the transaction price. In a situation where the Company cannot rationally estimate the fair value of non-cash remuneration, it measures them indirectly by reference to the individual selling price of goods or services promised to the customer (or customer class) in return for remuneration.

Guarantees

The Company provides a guarantee for sold products, which is to assure the customer that the product complies with the specifications set by the parties. The Company recognizes such guarantees in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Some non-standard customer contracts contain extended guarantees. Such guarantees constitute a separate service - recognized as a commitment to perform the service to which a part of the transaction price is assigned.

Activated costs of making concluding a contract

The Company recognizes the additional costs of making concluding a contract with the customer as an asset, if it is expected that it will recover it. The additional costs of concluding a contract are costs incurred by the entity in order to make conclude a contract with the customer that the entity would not incur if the contract was not concluded. Additional costs of concluding a contract include, for example, costs of advisory services. The costs of making the contract concluded incurred regardless of whether the contract has been concluded are recognized as costs at the time they are incurred, unless the costs are clearly borne by the customer regardless of whether the contract is concluded. The Company recognizes additional costs of concluding a contract as costs when incurred, if the depreciation period of an asset that would otherwise have been recognized by the Company is one year or less.

The asset is systematically depreciated, taking into account the period of transferring goods or services to the customer with which it is associated. The Company updates the depreciation period to reflect a material change in the expected period of transferring to the customer goods or services to which the asset relates.

Assets under the contract

As part of the assets under the contract, the Company recognizes rights to remuneration in exchange for goods or services which it has provided to the customer, if this right depends on a condition other than the lapse of time (for example from the future benefits of the entity). The Company assesses whether the asset of the contract has not been impaired in the same manner as in the case of a financial asset in accordance with IFRS 9.

Receivables

As part of receivables, the Company recognizes rights to remuneration in exchange for goods or services which it has provided to the customer, if this right is unconditional (the only condition of remuneration being due is the lapse of a specified period). The Company recognizes the receivables in accordance with IFRS 9. Upon initial recognition of contract receivables, any differences between the measurement of receivables in accordance with IFRS 9 and the corresponding previously recognized amount of revenues are recognized by the Company as an expense (impairment loss).

Liabilities under the contract

As part of the contractual obligations, the Company recognizes the remuneration received or due from the customer, which involves the obligation to provide the customer with goods or services.

Assets due to the right of return

As part of the assets under the right of return, the Company recognizes the right to recover products from customers after fulfilling the obligation to return the payment.

Obligation to return remuneration

The Company recognizes the obligation to return the remuneration if after receiving it expects to return part or all of it to the customer. The obligation to pay the remuneration is measured in the amount of remuneration (or receivable) received, to which - according to the entity's expectation - it is not entitled (i.e. in the amount is not included in the transaction price). The liability to return the remuneration (and the relevant change in the transaction

price and the resulting change in the contractual obligation) is updated at the end of each reporting period due to changes in circumstances.

Dividends

Dividends are posted at the moment of establishing the rights of shareholders until their collection.

Current tax

Liabilities and receivables by virtue of current tax for the current period and previous periods are assessed in the amount of expected payment in aid of tax bodies (subject to return from the tax bodies) using the tax rates and regulations which legally or factually were in force at the balance sheet date.

The current tax burden is calculated on the basis of the tax result (tax base) of a given financial year. The tax base differs from gross profit (loss) in connection with the exclusion of taxable income and costs that are tax deductible costs in the following years and items of costs and revenues that will never be included in the tax return. The tax charges are calculated based on the provisions and tax rates applicable in a given financial year.

Deferred tax

For financial reporting purposes, income tax is calculated using the method of balance sheet liabilities in relation to all temporary differences present at the balance sheet date between the tax value of assets and liabilities and their balance sheet value shown in the financial statement.

Reserve for the deferred tax is posted in relation to all positive temporary differences:

- except the situation where the provisions for deferred tax is created as a result of the initial posting of the goodwill and initial posting of assets component of liability during transaction that does not represent the merge of economic entities and when it is concluded, they have no effect either on the gross financial result, taxable income or tax loss, and
- in case of negative temporary differences resulting from the investment in subsidiaries, except the situation where the period of inverting the temporary differences are subject to the investor's control and where it is probable that in the predictable future, the temporary differences shall not invert.

Assets by virtue of deferred tax are posted in relation to all negative temporary differences as well as not used reliefs and not used tax losses transferred to the following years in the amount in which it is probable that the taxable income shall be obtained that shall allow to use the above mentioned difference, reliefs and losses:

- except the situation where the assets by virtue of the deferred tax related to negative temporary differences are created as a result of the initial posting of the assets or liabilities component during transaction that does not represent the merge of economic entities
  and when it is concluded, they have no effect either on the gross financial result, taxable income or tax loss, and
- in case of negative temporary differences by virtue of the investment in subsidiaries, assets component by virtue of deferred tax is posted in the balance sheet only in the amount in which it is probable that in the predictable future, the above mentioned differences shall invert and taxable income shall be obtained that shall allow deducting negative temporary differences.

The balance sheet value of the assets component by virtue of deferred tax is verified at each balance sheet date and is subject to gradual reduction by the amount which is no longer probable to obtain the taxable income sufficient to partially or completely execute the assets component by virtue of deferred income tax.

Assets by virtue of the deferred income tax and the provisions for the deferred tax are assessed using the tax rates which according to expectations shall be in force during the period when the assets component shall be executed or provisions settled, assuming as the base the tax rates (and tax regulations) applicable at the balance sheet date or which applicability in the future is sure at the balance sheet date.

The income tax related to the items posted directly in equity is posted in the equity, not in the statement of comprehensive income.

Goods and services tax

Incomes, costs, assets are posted after reducing by the goods and services tax value, except:

- when the goods and services tax paid during the purchase of assets or services is not possible to be recovered from the tax bodies; then it is posted appropriately as a part of the purchase price of assets component or as a part of cost item

- - receivables and liabilities which are disclosed in the statements considering the goods and services tax amount.

The goods and services tax amount that is possible to be recovered or payable in aid of the tax bodies is posted in the statement of financial position as a part of receivables or liabilities.

Note no. 41

Goals and principles of managing the financial risk

The current financial situation of the Company, its production potential and market position create opportunities for further development, however, there are many factors, especially those of an external nature, which may directly or indirectly affect the financial results achieved in subsequent years.

The risk of changes in market trends

The risk may be a possible change in shopping and eating habits of consumers, e.g. caused by the coronavirus pandemic, rising prices or widely published information on the health benefits of a given product category.

Current market trends are monitored on a regular basis. The Company quickly and flexibly match their offer to them, both in terms of the products themselves and their production technology. The current product range of the Company is modified in line with market trends, e.g. health-related products, "Fit", products for vegans and vegetarians, products with reduced gluten content, pasta with flavors and ancient cereals (e.g. spelled, buckwheat), products based on, or with addition, vegetable flour are systematically developed, we are developing a line of products with a "clean label". In the first half of the year, the Company's offer included pasta made of quail eggs and ready-made dishes on trays offered on the dry shelf.

Risk related to competition

All areas of Makarony Polskie Company's operations belong to highly competitive segments. There is a risk that the intensified actions of competitors, manifested mainly in the deterioration of trading conditions will affect the profitability and revenues of the Company, may affect the achievement of objectives assumed by the Company. All activities of the competitive environment are monitored and analyzed on an ongoing basis, which allows for quick response in the area of possible threats. The Company attempts to minimize this risk

by diversifying its activities and developing innovative products (there are teams whose goal is to conduct R&D projects).

Risk of dependence on recipients

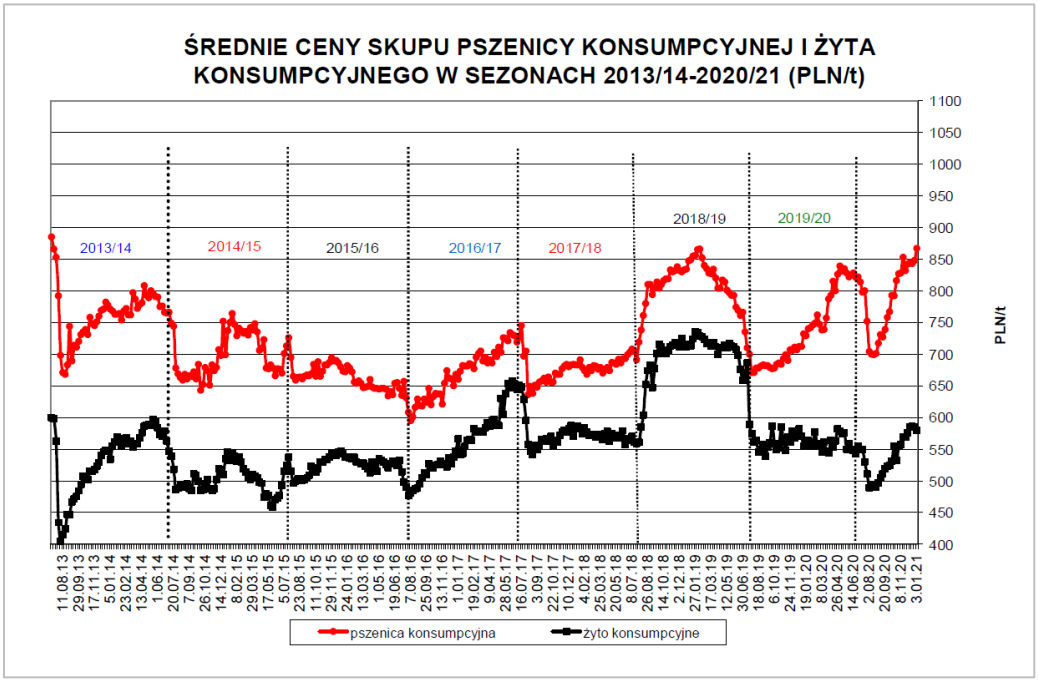
Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase contracts in annual and half-year periods, which helps to prevent material decreases in the profitability of the pasta produced. With regard to the current situation on the cereal market, the Company also regularly monitors forecasts concerning both the domestic market and prices of wheat on global markets.

In the first quarter of 2020, the prices of purchase of flour were stable, they remained at a medium level, similar to that from the fourth quarter of 2019 The outbreak of the Sars-Cov-2 coronavirus in Europe in the second half of the first quarter caused nervousness on the market. Increased demand for products with a long shelf life, including flour, and difficulties in international trade (e.g. reintroduction of border controls and closure of some border crossings, extended/uncertain delivery times) translated into an increase in prices on the cereals and flour markets, which lasted until the harvest, i.e. Q3 2020. In August 2020, following information from European and non-European cereal markets with very good quantified harvest forecasts, a short-term decline in prices for soft wheat and flour could be noticed on the market. However, already in the first decade of September, wheat prices increased again, caused by the significant interest of exporters in Polish wheat. According to forecasts, the upward price trend on the cereal market will continue at least until the second half of the Q2 2021 due to the very high exports of Polish wheat, as well as the increased market demand for products with a long shelf life (including flour and flour products) in connection with successive waves of the Covid-19 epidemic.

In the second half of 2020, the upward trend in prices also continued on the durum wheat flour market, which was mainly related to the poor harvest in the 2020/2021 harvest season.

Makarony Polskie SA is aware that wheat production is highly sensitive to unpredictable weather conditions, therefore prices are subject to increases due to possible speculations or natural disasters. At the turn of the third and fourth quarter of 2020, the Company concluded several long-term contracts for the supply of both soft flour and durum wheat flour. Those contracts do not fully meet the company's needs, but allow to limit the negative impact of the increase in raw material prices on the efficiency of operating activities in subsequent periods. The Company constantly monitors the current forecasts for both the domestic market and the prices of consumer wheat on world markets and will continue to undertake activities aimed at securing the purchase prices of raw materials for concluded sales contracts, taking into account the current trends.

The chart below presents the prices of soft cereal in Poland in recent years:



Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 01/2021, Sparks Polska

Egg pulp prices at the end of Q4 2019, they amounted to PLN 3.8-4.5 k for one ton of egg pulp. In Q1 2020 there was an increase in prices, which resulted, among others, from the increased demand for eggs before Easter and local outbreaks of avian flu. Prices of the egg pulp on the market were at the level of PLN 4.2-5.0 k for one ton of egg pulp. In the following months, prices increased to the level of PLN 4.5-6.0 k per one ton of eggs pulp, which was caused by the outbreak of the coronavirus epidemic and remained at this level until the end of the first half of 2020. In the third and fourth quarter of 2020, the market calmed down, but the price spread was still large and amounted to PLN 3.7-4.6 k for one ton of egg pulp.

In the first quarter of 2021, the prices of eggs and egg pulp increased significantly (even to the level of PLN 6.0-7.0 k per one ton) due to signals of a large epidemic of avian influenza and a significant reduction in planting of young hens. However, according to the Company's estimates, on an annual basis, these increases should not have a significant impact on the profitability of products. In the following months of 2021, especially after Easter, prices should calm down and return to a level similar to the level in the fourth quarter of 2020.

Stoczek Natura Sp. z o.o. is a producer of fruit and vegetable preserves (including jams) and ready meals. The prices of fruit and vegetables are strongly dependent on weather conditions. The Company cooperates with domestic fruit and vegetable suppliers, it also has an extensive database of foreign suppliers of key raw materials, which gives the Company greater opportunities to obtain cheap, good quality raw materials. Purchase of fruit and vegetables is

performed seasonally, in months in which their prices are the lowest. If necessary, purchased raw materials are stored in Company warehouses and cold stores.

One of the key raw materials is meat. In 2020, the meat market was stable. In addition, the limitations of Covid-19 related to the functioning of the catering industry resulted in a lower demand for this raw material. With the exception of the first quarter, the remaining months of 2020 were characterized by a stabilization of prices with a downward trend. The company has been monitoring the European market in the field of meat for years, which allows it to effectively forecast the dynamics of changes. Having our own warehouses and freezers gives the possibility of an earlier reaction to the changing market environment in this regard. In the case of periodic price increases, it is possible to strategically purchase and store meat raw materials.

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes, especially in the era of the current COVID-19 epidemic, when the law is substantially changed from day to day, the activities of companies, including Makarony Polskie Group companies, are subject to a great deal of uncertainty. This is a negative factor for economic activity and entails high risk.

The protection of the interests of the Company in terms of legal changes is supervised by legal teams that in due course take appropriate actions aimed at minimizing the possible effects of these changes. Quality teams keep track of all legal regulations regarding products and packaging, and the changes required by law are implemented without unnecessary delay.

Risk related to changes in exchange rates

The Makarony Polskie SA Company is a semolina importer and exporter of finished products. The sales prices of the Company's products are each time determined and take into account the current value of exchange rates so as to ensure satisfactory sales profitability.

The weakening of the zloty may have a negative impact on the profitability level of operations conducted by the Company as an importer. To minimize the risk of changes in foreign exchange rates, the funds obtained by the Company from export sales are used to purchase raw materials outside Poland.

The table presents the currency structure for given classes of financial instruments as at 31 December 2020:

Groups/categories of financial instruments	Balance sheet value as at 31/12/2020 PLN k	Currency exposure as at 31/12/2020 PLN k	EUR PLN k	USD PLN k
Financial assets	0	0	0	0
Cash and cash equivalents	374	41	4	37
Trade receivables	17,048	1 489	1 489	0

Financial liabilities	0	0	0	0
Liabilities from deliveries and services	22,248	2,905	2,905	0

The table presents the currency structure for given classes of financial instruments as at 31 December 2019:

Groups/categories of financial instruments	Balance sheet value as at 31/12/2019 PLN k	Currency exposure as at 31/12/2019 PLN k	EUR PLN k	USD PLN k
Financial assets	0	0	0	0
Cash and cash equivalents	701	311	307	4
Trade receivables	24,825	653	653	0
Financial liabilities	0	0	0	0
Liabilities from deliveries and services	25,411	6,591	6,591	0

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 31 December 2020:

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	Impact on the financial result PLN k		Impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	0.2	- 0.2	1.9	-1.9
Trade receivables (gross)	74.4	- 74.4	-	-
Financial liabilities				
Liabilities from deliveries and services	- 145.3	145.3	-	-

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 31 December 2019:

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	Impact on the financial result PLN k		Impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	15.3	-15.3	0.2	-0.2
Trade receivables (gross)	32.7	-32.7	-	-
Financial liabilities				
Liabilities from deliveries and services	- 329.6	329.6	-	-

Interest rate risk

Interest rate risk is the risk of incurring losses as a result of changes in market interest rates and changes in statutory interest rates. Both the amount of revenues and costs of the Company are sensitive to changes in the level of market interest rates.

To a large extent, the Company finances its operations with loans, which increases its sensitivity to the risk caused by interest rate changes in both long-term and short-term financial liabilities.

In 2020, the Company used external financing in the form of bank loans: current, investment and overdrafts.

As at 31 December 2020, the Company had a liability due to loans taken out, in the amount of PLN 19,285 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	19,285	11,336	7,949

The Company has liabilities due to loans for which interest is calculated on the basis of a variable interest rate, and therefore there is a risk of an increase in these rates in relation to the conclusion of the contract.

The structure of financial instruments exposed to the risk of changes in interest rates as at 31 December 2020 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31/12/2020 PLN k	Value at risk as at 31/12/2020 PLN k	WIBOR PLN k
Financial assets			
Borrowings granted	2,000	-	-
Cash in hand and at bank	374	-	-
Financial liabilities			
Bank loans	19,285	19,285	19,285
Other financial liabilities	2 123	2 123	2 123

The structure of financial instruments exposed to the risk of changes in interest rates as at 31 December 2019 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31/12/2019 PLN k	Value at risk as at 31/12/2019 PLN k	WIBOR PLN k
Financial assets			
Borrowings granted	2,000	-	-
Cash in hand and at bank	701	-	-
Financial liabilities			
Bank loans	25,679	25,680	25,680
Other financial liabilities	1,826	1,826	1,826

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 December 2020:

Interest rate	Deviation assumptions (in percentage points) 31 December 2020		Value at risk as at 31/12/2020 PLN k	Impact on the financial result 31 December 2020	
				PLN k	PLN k
WIBOR	1%	-1%	19,285	- 192.9	192.9

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 December 2019:

Interest rate	Deviation assumptions (in percentage points) 31 December 2019		Value at risk as at 31/12/2019 PLN k	Impact on the financial result 31 December 2019	
				PLN k	PLN k
WIBOR	1%	-1%	27,506	- 275.1	275.1

Risk of insolvency of business partners

Credit risk means the risk that the Company's contractors will default on their obligations. The Company applies the principle of making transactions with counterparties whose creditworthiness has been verified and of obtaining, if necessary, an appropriate security as a tool to mitigate the risk of financial loss arising from a breach of agreement. The Group uses financial information available to the public and its own transaction data, assessing the financial condition of its main customers.

The Company's exposure to the risk of contractors' insolvency is constantly monitored. The control of the risk of insolvency is possible thanks to the credit limits which are verified and approved on an ongoing basis within the controlling structures in the Company. In addition, the Company has covered the selected counterparties by trade receivables insurance granted by one of the major insurers operating in this area on the Polish market.

The Company is not exposed to material risk of insolvency towards a single counterparty or a group of counterparties.

Note No. 42
Capital management

The main objective of the company's capital management is to maintain the credit rating and secure capital ratios that would support operational activity and increase the value for its shareholders.

The Company manages the capital structure and introduces changes to it as a result of changes in economic conditions.

In 2020, activities in the area of financing sources were continued, the aim of them was to achieve higher efficiency of their use and reduce the costs of their acquisition. The Company used a wide range of financial instruments:

- bank loans - short- and medium-term and investment loans,
- purchase of receivables (factoring),
- groups of fixed assets

The structure of financing sources has been subordinated to a demand for flexibility postulates, i.e. so that in the periods when financial surpluses arise, the level of indebtedness (overdraft facilities, receivables purchase balances) decreases, and during periods of increased demand for funds provides a stable level of financing of current operations.

In 2020, the Company performed planned repayment of interest-bearing liabilities in a timely manner.

Note No. 43
Financial instruments

Financial instruments have the largest share in the structure of the financial position statement, which includes trade and financial liabilities.

On the asset side, the main financial instruments highlighted are receivables mainly due to product deliveries, loans and cash.

As at 31 December 2020, the Company does not use financial instruments to hedge the value of assets and liabilities and, as a result, does not apply formal hedge accounting. A detailed description of accounting principles and applied valuation methods for particular categories of financial assets and liabilities was included in the previously described accounting principles.

Note no. 44
Material proceedings pending before a court or an authority competent for arbitration or a public administration authority

In 2020, proceedings regarding liabilities and receivables of Makarony Polskie SA whose total value would account for at least 10% of equity of Makarony Polskie SA were not brought before any court, arbitration tribunal or public administration authority.

Note no. 45
Employment in Makarony Polskie

Employment as at:	31/12/2020	31/12/2019
Production	122	119
Administration Department	20	16
Sales.	28	27
Total	**170.**	**162**

Note no. 46
Remuneration of the statutory auditor

The Supervisory Board of Makarony Polskie SA chose BDO Spółka z ograniczoną odpowiedzialnością sp.k. (earlier: BDO Spółka z ograniczoną odpowiedzialnością) with its registered office in Warsaw as statutory auditor to review financial statements of Makarony Polskie Group companies for the first half of the financial year and to audit financial statements of Makarony Polskie Group companies for the financial year 2020-2022.

Firma BDO Spółka z ograniczoną odpowiedzialnością sp.k. is entered on the list of auditing companies kept by the National Council of Statutory Auditors under number 3355 and entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register under number 0000729684.

The companies of the Makarony Polskie Group have previously used the services of BDO Spółka z ograniczoną odpowiedzialnością sp.k. in the scope of auditing annual statements for the financial years 2018-2019.

Makarony Polskie SA on 20 August 2020 concluded with the above the auditor the agreement regarding the review of the condensed financial statements for the first half of the financial year and audits of the Company and the Group's financial statements for the financial year 2020-2022.

Remuneration payable to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of financial statements for the financial year 2020 in Makarony Polskie SA amounts to a total of PLN 114.2 k (PLN 37.3 k for the review of the separate and consolidated semi-annual statements, PLN 76.9 k for the audit of the financial statements of Makarony Polskie SA and Makarony Polskie Group for 2020).

Remuneration payable to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of financial statements for the financial year 2019 in Makarony Polskie SA amounts to a total of PLN 80.6 k (PLN 26.3 k for the review of the separate and consolidated semi-annual statements, PLN 54.3 k for the audit of the financial statements of Makarony Polskie SA and Makarony Polskie Group for 2019).

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Management Board

Rzeszow, 15 April 2021

The source of data in these statements, unless otherwise indicated, is Makarony Polskie SA