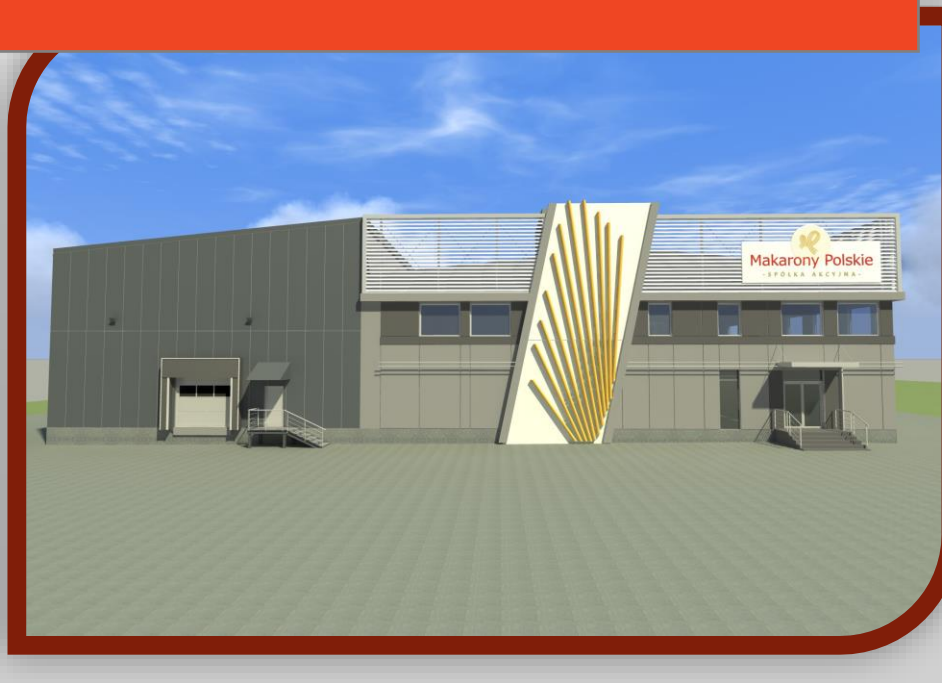
Makarony Polskie

- SPÓŁKA AKCYJNA -

Financial statements of Makarony Polskie SA for the financial year 2022



Rzeszów, 27 April 2023

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General information

Makarony Polskie S.A. is the parent company of the capital group operating in the broadly defined food market.

As at 31 December 2022, the Makarony Polskie Group consisted of four companies: three production and one trading company.

Organisational structure of the Makarony Polskie Company and Group

The Makarony Polskie Group ("the Group") consisted of four companies during the 2022 financial year:

- Makarony Polskie SA („Company", „parent company")
- Stoczek Natura Sp. z o.o.
- MP Trade Sp. z o.o.
- Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski Sp. z o.o. (on 2 January 2023, the change of company name to SAS Sp. z o.o. was registered in the KRS).



Makarony Polskie SA is a manufacturer of a wide range of pasta, produced in stamped and rolled technology. 100% of shares The Company offers pasta in many different shapes, 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 product range is diversified with large forms of pasta intended for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The company has considerable scope to expand its 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 with Makarony Polskie).

Stoczek Natura Sp. z o.o. is a manufacturer 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.

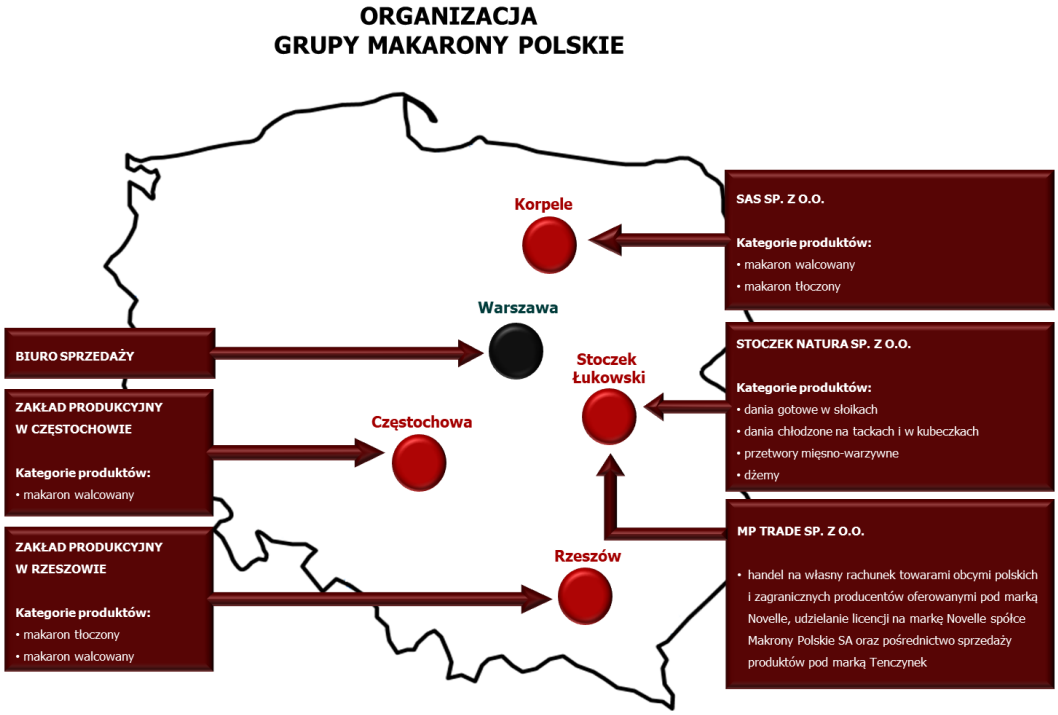
MP Trade Sp. z o.o. develops trade on own account with foreign goods of Polish and foreign producers. The company works in two business fields. The Company's main activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makarony Polskie SA in the production of vegetable noodles and other goods produced within the Makarony Polskie Group. The company also imports raw materials that are used for the Group's needs. The business model adopted by the company creates its value by increasing its brand value on the one hand, and on the other hand develops opportunities for importing raw materials (production is contracted out).

SAS Sp. z o.o. is a producer of a wide range of pasta, manufactured using rolled and pressed technology, including 'nests'. It offers its products in many different forms and combinations of raw materials, both under private label brands and its own brands: Va bene, Makaron Polski SAS and FUKS. The acquisition of SAS was finalised at the beginning of the reporting period.

Changes in the organization of the Makarony Polskie Company and Group in 2022

At the beginning of 2022, Makarony Polskie S.A. finalised the acquisition of the company Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o. (On 2 January 2023, the company changed its name to SAS Sp. z o.o.). A manufacturer of a wide range of pasta, produced in rolled and stamped technology, such as tagliatelle. It offers its products in many different forms and combinations of raw materials, both under private label brands and its own brands: Va bene, Makaron Polski SAS and FUKS.

Within the Makarony Polskie Company, individual companies enter into transactions of purchase and sale of products, goods and services among themselves. All transactions are performed on market terms and conditions.



Registration data

Makarony Polskie Spółka Akcyjna

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

Country of registration: Poland

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

KRS number: 0000212001,

Share Capital:

- as at 31 December 2021: PLN 27,750,213 - paid up in full
- as at 31 December 2022: PLN 33,120,213 – paid up in full

Regon: 691674708,

NIP: 813-32-78-856,

www.makarony.pl.

Employment

The level of employment at Makarony Polskie SA as at 31 December 2022 was - 166 employees.

Composition of the Management Board

In the period from 1 January 2022 to the publication of these statements, the Management Board of the Company was composed of one member. The function of the President of the Management Board is performed by Zenon Daniłowski.

Shares held by Members of the Management Board

Number and nominal value of the shares of the Company owned by Members of the Management Board as at the date of the statements are as follows:

Member of the Management Board	2022		2021	
	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 the Company's shares; the total number of shares in 2022 as at the report publication date is 3,641,594 shares with a value of PLN 10,924,782 and has not changed compared to the shares held as at the date of publication of the interim report for the reporting year 2021.

In accordance with the information held by the Company, during 2022 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.

Personal composition of the Supervisory Board

Since 1 January 2022 to 30 June 2022 the Supervisory Board is composed of:

- Roman Sobiecki - President of the Supervisory Board,
- Ahmed Khalil - Vice-President 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,

On 30 June 2022, in connection with the end of the ninth term of the Supervisory Board, the Annual General Meeting of the Company appointed a Supervisory Board of the tenth term. The number of the Members of the Supervisory Board of the tenth term was determined as 5 people.

The following persons were appointed to the Supervisory Board of 10th term:

- Roman Sobiecki
- Michał Słomkowski
- Wiesław Wasilewski
- Marek Rocki
- Ahmed Khalil

The Supervisory Board of the 10th term was constituted on 19 July 2022. Mr Roman Sobiecki became President of the Supervisory Board and Mr Ahmed Khalil became Vice-President of the Supervisory Board.

From 30 June 2022 to the date of publication of these statements, the Supervisory Board was composed of:

- Roman Sobiecki - President the Supervisory Board (independent member),
- Mr Ahmed Khalil - Vice-President of the Supervisory Board (dependent member),
- Marek Rocki - Member of the Supervisory Board (dependent member),
- Michał Słomkowski - Member of the Supervisory Board (independent member),
- Wiesław Wasilewski - Member of the Supervisory Board (independent member).

Shares held by members of the Supervisory Board

Number and nominal value of the shares of the Company owned by Members of the Supervisory Board as at the date of the statements are as follows:

Member of the Supervisory Board	2022		2021	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil	0	0	0	0
Janusz Pierun – from 30 June 2022	-	-	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski *	26,782	80,346	26,782	80,346

* Mr. Wiesław Wasilewski acquired 20,000 shares of new series F which were acquired in December 2021 and registered in the National Court Register in March 2022.

To the best of the Company's knowledge, there have been no other changes in the shareholdings of the Members of the Supervisory Board during the 2022 and up to the date of publication of this report.

General Meeting of Shareholders of Makarony Polskie SA,

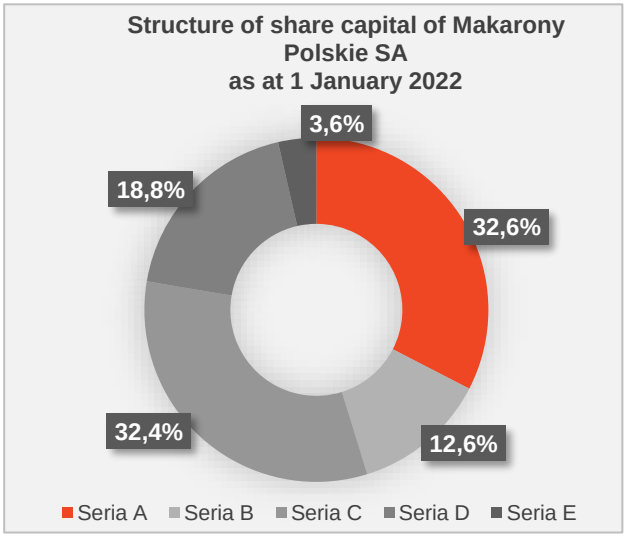
Share capital structure

The share capital of Makarony Polskie S.A. as at 1 January 2022:

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

Structure of the Company's share capital:

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



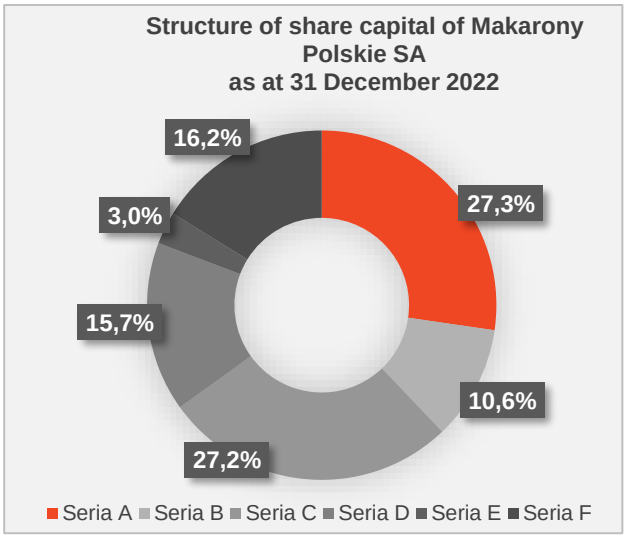
On 4 March 2022, in the register of business entities of the National Court Register, the increase of the share capital of Makarony Polskie SA by issuance of 1,790,000 series F ordinary bearer shares was registered, which means the increase of the share capital by the amount of PLN 5,370,000 to the amount of PLN 33,120,213.

The share capital of Makarony Polskie S.A. as at 31 December 2022:

- amount of share capital PLN 33,120,213
- total number of shares 11,040,071 shares,
- total number of votes at the General Meeting 11,040,071 votes.

Structure of the Company's share capital:

- 3 013 250 ordinary bearer shares of A series,
- 1 169 750 ordinary bearer shares of B series,
- 3 000 000 ordinary bearer shares of C series,
- 1,735,821 ordinary bearer shares of D series,
- 331 250 ordinary bearer shares of E series.
- 1,790,000 ordinary bearer shares of E series.



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

Shares held by major shareholders (above 5% of capital)

Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the votes in the total number of votes at the Company's General Meeting as at the date of the report (according to the information available):

Shareholder	Shares in share capital		Votes at the General Meeting	
	number	share in %	number	share in %
Mr. Zenon Daniłowski and entities from Grupa PGS, including:	3,641,594	32,99%	3,641,594	32,99%
Praska Giełda Spożywcza SA (former: Agro-Technika SA)	*3,380,000*	*30,62%*	*3,380,000*	*30,62%*
Zenon Daniłowski	*140,000*	*1,27%*	*140,000*	*1,27%*

Polskie Smaki Sp. z o.o.	*121,594*	*1,10%*	*121,594*	*1,10%*
Raya Holding for Technology & Communications S.A.E., including:	3,254,706	29,48%	3,254,706	29,48%
Madova Sp. z o.o.	*3,254,706*	*29,48%*	*3,254,706*	*29,48%*
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	1,169,750	10,60%	1,169,750	10,60%
Other shareholders	2,974,021	26,94%	2,974,021	26,94%
IN TOTAL	**11,040,071**	**100,00%**	**11,040,071**	**100,00%**

Changes in the shareholding structure during 2022

As a result of registration in the register of business entities of the National Court Register on 4 March 2022, of an increase in the share capital of Makarony Polskie SA by way of issue of 1,790,000 F-series ordinary bearer shares, i.e. an increase in the share capital by the amount of PLN 5,370,000 to the amount of PLN 33,120,213, the Company received notifications from the shareholders informing about the changes in the share in the share capital and total numer of votes in the Company:

- Madova Sp. z o.o. and Raya Holding For Financial Investments S.A.E. which is a direct parent of Madova, informed that as a result of the acquisition by Madova of 1,000,000 F-series shares, Madova directly exceeded, and Raya Holding indirectly exceeded the threshold of 25% of share in Makarony Polskie SA:
  1) Prior to the Change of Shareholding, Madova directly held, and Raya Holding indirectly held 2,254,706 shares of the Company, accounting for 24.38% of the share capital of Makarony Polskie SA and entitling to cast 2,254,706 votes, i.e. 24.38% of the total number of the votes.
  2) After the change of shareholding Madova holds directly, and Raya Holding holds indirectly, 3,254,706 shares of the Company constituting 29.48% in the share capital of Makarony Polskie S.A. entitling to cast 3,254,706 votes constituting 29.48% of the total number of votes.
  3) There are no subsidiaries of Madova holding shares of Makarony Polskie SA and there are no other subsidiaries of Raya Holding other than Madova holding shares of the Company.
  4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
  5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
  6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

- The shareholders of the company Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. informed that there was a direct decrease in the share in Makarony Polskie SA:

1) Prior to the change in the shareholding of Z.P.H. Elpast Elżbieta and Grzegorz Słomkowscy s.c. held directly 1,169,750 shares of the Company representing 12.65% in the share capital of Makarony Polskie SA entitling to cast 1,169,750 votes representing 12.65% of the total number of votes.
2) After the change in the shareholding of Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. holds directly 1,169,750 shares of the Company constituting 10.60% in the share capital of Makarony Polskie S.A. entitling to cast 1,169,750 votes constituting 10.60% of the total number of votes.
3) There are no subsidiaries of Z.P.H. Elpast Elżbieta and Grzegorz Słomkowscy s.c. holding shares in Makarony Polskie SA.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

– Praska Giełda Spożywcza SA informed that as a result of the acquisition of 590,000 F-series shares, there was a direct and indirect increase in the share in the Company:
1) Prior to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 2,911,594 shares of the Company, accounting for 31.47% of the share capital of Makarony Polskie SA and entitling to cast 2,911,594 votes, accounting for 31.47% of the total number of the votes, of which:
    a. directly – 2,790,000 shares, accounting for 30.16% of the share capital and entitling to cast 2,790,000 votes, accounting for 30.16% of the total number of the votes,
    b. indirectly (by the subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.31% of the share capital and entitling to 121,594 votes, accounting for 1.31% of the total number of the votes.
2) Subsequent to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 3,501,592 shares of the Company, accounting for 31.72% of the share capital of Makarony Polskie SA and entitling to cast 3,501,594 votes, accounting for 31.72% of the total number of the votes, of which:
    a. directly – 3,380,000 shares, accounting for 30.62% of the share capital and entitling to cast 3,380,000 votes, accounting for 30.62% of the total number of the votes,
    b. indirectly (by the subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.10% of the share capital and entitling to 121,594 votes, accounting for 1.10% of the total number of the votes.

3) There are no subsidiaries other than Polskie Smaki Sp. z o.o. of Praska Giełda Spożywcza SA that hold shares in Makarony Polskie SA.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

– Mr. Zenon Daniłowski informed that as a result of the acquisition of 590,000 F-series shares by Praska Giełda Spożywcza, there was an indirect increase in the share in the Company:
1) Prior to the Change of Shareholding, Mr. Zenon Daniłowski held directly and indirectly 3,051,594 shares of the Company, accounting for 32.99% of the share capital of Makarony Polskie SA and entitling to cast 3,051,594 votes, accounting for 32.99% of the total number of the votes, of which:
    a. directly – 140,000 shares, accounting for 1.51% of the share capital and entitling to cast 140,000 votes, accounting for 1.51% of the total number of the votes,
    b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 2,911,594 shares, accounting for 31.47% of the share capital and entitling to 2,911,594 votes, accounting for 31.47% of the total number of the votes.
2) After the change in shareholding, Mr Zenon Daniłowski holds directly and indirectly 3,641,594 shares in the Company representing 32.99% in the share capital of Makarony Polskie SA entitling him to cast 3,641,594 votes representing 32.99% of the total number of votes, of which:
    a. directly – 140,000 shares, accounting for 1.27% of the share capital and entitling to cast 140,000 votes, accounting for 1.27% of the total number of the votes,
    b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 3,501,594 shares, accounting for 31.72% of the share capital and entitling to 3,501,594 votes, accounting for 31.72% of the total number of the votes.
3) There are no subsidiaries other than Polskie Smaki Sp. z o.o. and Praska Giełda Spożywcza SA of Mr Zenon Daniłowski holding shares in Makarony Polskie SA.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.

6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

The Company has no other information that would indicate changes in the number of shares held by significant shareholders (with share blocks above 5%) during 2022 and in the period until the date of publication of these statements.

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

Publication and approval of the financial statements

These financial statements were reviewed by an auditing company and approved by the Management Board for publication on 27 April 2023.

The financial statements of the Makarony Polskie SA for 2021 were approved by Resolution No. 4 of the Annual General Meeting of Makarony Polskie on 30 June 2022.

Basis for the financial statements

Declaration on compliance

These Financial Statements of the Makarony Polskie for the period of 12 months ended 31 December 2022 were prepared based on the International Accounting Standards in the form approved by the European Union (EU) and the related interpretations announced in the form of executive regulations of the European Commission (hereinafter referred to as "IFRS"), published and binding at the time of preparing these financial statements.

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

The annual consolidated financial statements comply with the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws 2018, item 757).

The financial statements presented comply with all the requirements of IFRS as adopted by the European Union and give a true and fair view of the Company's financial position and assets as at 31 December 2022.

Basis for valuation

The presented financial statements have been prepared in accordance with the historical cost principle, except for the valuation to fair value of some assets, i.e. assets purchased as part of the purchase transaction of Abak Sp. z o.o. and investment property.

Functional and presentation currency

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

Financial figures, unless otherwise indicated, are given in thousands of PLN.

Basis for the financial statements

Accounting principles applied and the basis for preparing the statements

The accounting policies applied in the preparation of the financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2021 (published on 28 April 2022) except for the application of amendments to standards and new interpretations effective for annual periods beginning on 1 January 2022.

The duration of the Company companies is not limited.

The company's financial year is the calendar year.

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

New accounting standards and interpretations

Applicable standards (new standards and interpretations)

Declaration on compliance

Polish legal regulations require the Makarony Polskie S.A. to prepare its financial statements in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU").

These financial statements were prepared using the principles of valuation of assets and liabilities and measurement of net profit or loss determined as at the balance sheet date.

The financial statements presented comply with all the requirements of IFRS as adopted by the European Union and give a true and fair view of the Company's financial position and assets as at 31 December 2022.

Effect of applying new accounting standards and changes in accounting policy

The accounting principles (policy) used to prepare these single financial statements for the financial year ended 31 December 2022 are consistent with those applied to the preparation of the annual financial statements for the financial year ended 31 December 2021, except for the changes described below.

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

Changes resulting from amendments to IFRS

The following new or amended standards and interpretations issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee apply from the beginning of the reporting period.

- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to standards 2018-2020 (Annual improvements)

  Amendments to these standards were published on 14 May 2020 and are applicable to annual periods beginning on 1 January or later. The amendments relate, among others, to the the introduction of a probition on deducting from the cost of fixed assets production any proceeds from selling test products generated in the process of creating/launching a fixed asset and clarification what costs an entity takes into account when assessing whether a given contract will cause losses.

- Amendment to IFRS 16 Leasing – Concessions connected with Covid-19 granted after 30 June 2021

  The amendment to IFRS 16 was published on 31 March 2021 and applies to annual periods beginning on or after 1 April 2021. The purpose of the standard amendment is to extend by one year (until 30 June 2022) the period during which granting of leasing payment concessions related to Covid-10 does not have to involve a leasing agreement modification. That amendment is closely related to the already effective amendment to IFRS 16 published in May 2020.

  The implementation of the standards did not affect the Company's financial statements..

Non-applicable standards (New standards and interpretations)

In these financial statements, the Company has not decided to apply the published standards and interpretations earlier before their effective date.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not yet effective 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 or after 1 January 2023. It is permitted to be applied earlier (provided that IFRS 15 and IFRS 9 are applied at the same time). The standard replaces the existing regulations regarding insurance contracts (IFRS 4). On 25 June 2020, IFRS 4 was also amended – in terms of

extending the period of exemption for insurers from the application of IFRS Financial instruments until 1 January 2023.

The Company will apply the new standard from 1 January 2023. As at the date of these statements, it is not possible to reliably estimate the impact of applying the new standard.

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

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

The amendment redefines the criteria that must be met so that a liability is considered short-term. The amendment may change the presentation of liabilities and their reclassification between short- and long-term liabilities.

The Company will apply the amended standard from 1 January 2023. As at the date of these statements, it is not possible to reliably estimate the impact of applying the new standard.

– Amendments to IAS 1 – Disclosure of accounting policies and IAS 8 – Definition of estimates

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

The Company will apply the amended standards from 1 January 2023. As at the date of these statements, it is not possible to reliably estimate the impact of applying the amended standards.

– Amendment to IAS 12 Income Tax deferred tax on assets and liabilities arising from a single transaction

The amendment to IFRS 12 was published on 07 May 2021 and applies to annual periods beginning on or after 01 April 2023. The changes clarify that the exemption for the initial recognition of deferred tax does not apply to the transactions where equal amount of negative and positive temporary differences arise at the time of initial recognition and the entities are required to recognize deferred tax on such

transactions, and in doing so, clarify any doubts as to whether this exemption applies to transactions such as leasing and decommissioning liabilities.

The Company will apply the change in the standard from 1 January 2023. As at the date of these statements, it is not possible to reliably estimate the impact of applying the amended standards.

- Amendment to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information

  The amendment to IFRS 17 was published on 09 December 2021 and applies to annual periods beginning on or after 01 April 2023. The amendment included a transitional option for comparative information on financial assets presented on initial application of IFRS 17. The purpose of the amendment is to help the entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

  The Company will apply the change in the standard from 1 January 2023. As at the date of these financial statements, the application of the amended standard will not have any impact on the Company's statements.

- Amendment to IFRS 16: Lease Lease liability in sale and leaseback transactions published on 22 September 2022.

  The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' so that the seller-lessee does not recognise any amount of gain or loss that relates to the right of use retained by the seller-lessee.

  The Company will apply the change in the standard from 01 January 2024. As at the date of these financial statements, the application of the amended standard will not have any impact on the Company's statements.

IFRS as adopted by the EU does not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, interpretations and amendments which as the date of approval of these statements for publication have not yet been adopted for use by the EU countries:

- Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as current and non-current published on 23 January 2020, as later amended,
- Amendment to IFRS 16: Lease Lease liability in sale and leaseback transactions published on 22 September 2022.

First-time Adoption of IFRS 17 and IFRS 9 Comparative Information, published on 9 December 2021The implementation of the standards did not have a material effect on the Company's financial statements.

Going Concern

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

As at the date of preparing the financial statements of the Company, the Management Board of Makarony Polskie S.A. does not identify any facts or circumstances that pose a threat to the continuation of its activities in the foreseeable future.

According to the adopted strategy, the Company will continue the adopted operating model.

Makarony Polskie 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 Company to expand its product range and enter new market segments, both at home and abroad,
- activities aimed at cost and process optimization, e.g. implementation of MES software in the production plants will allow for better control of cost and labor intensity of the products and improvement of production-related accounts, while WMS software relating to warehouses will improve warehouse management and the system of stock aging and product flow control,
- at Makarony Polskie SA, an interdisciplinary team was established, which, in cooperation with scientific institutions, works on developing and implementing innovative technologies for the production of new products: functional, health-promoting, low-processed food, easy to prepare,
- in all plants of the Company, by the end of 2023, it is planned to invest in photovoltaics - the production processes of pasta and are characterized by high energy consumption, investments in "green energy" will allow the Company, on the one hand, to take care of the environment and reduce its carbon footprint and, on the other hand, to reduce the cost of production resulting from increases in electricity prices.

Finalization of the acquisition process conducted by the Company

- The Makarony Polskie Company focuses on systematic, long-term organic growth, but also takes advantage of acquisition opportunities if they arise on the market, as in the case of SAS Sp. z o.o., whose acquisition was finalised in early 2022,
- the acquisition of a competitive pasta manufacturer, which is among the top five egg pasta manufacturers in the country, will contribute to increasing the production potential of Makarony Polskie SA and allow it to effectively use this potential, it will enrish the product portfolio with pasta which is very popular on the Polish market, i.e. "nests",
- rolled egg pasta has high taste qualities, it is characterised by a higher selling price, which according to the Company will allow it to increase the revenues and improve the level of sales margins, and, consequently, have a positive impact on the Company's operations in the long term.
- acquisition has strengthened the Company's position as the leader in the field of rolled egg pasta (consumed willingly in Poland and Central Europe e.g. with soups) and the position as the vice-leader among Polish pasta manufacturers,
- on 31 August 2022, the plan of the merger of the companies, Makarony Polskie SA as an acquiring company and PPH SAS A.Świderski Sp. z o.o. as a company being acquired, After the end of the reporting period, on 12 April 2023, the General Meeting of Makarony Polskie S.A. and the General Meeting of Shareholders of SAS Sp. z o.o. passed resolutions concerning the merger of the companies. The merger of the companies is supported by, among other things, economic conditions. As a result of the merger, it will be possible to:
  - reduce the operating costs generated by the simultaneous operations of two companies - Makarony Polskie SA and Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski sp. z o.o in a situation when a range of business activities of both entities is the same or very similar, and consists mainly in pasta production,
  - achieve the synergy,
  - reduce the costs as a result of the merger of two companies
  - integrate the operational processess of both companies.

Activity development in the private label segment

- diversifying and enriching the offer addressed to new and existing customers with pro-health and functional products (including, for example, gluten-free and high-protein pastas, pasta suitable for vegans), products from the new rolled line, as well as products of Stoczek natura Sp. z o.o. (including ready meals in trays and in bowls),
- activities aimed at improving the profitability of the sales channel, including optimization measures in the area of packaging, taking into account the principles of sustainable development.

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 manufacturers of pastas and ready meals and manufacturers 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 in the distribution level on the domestic market

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie, SoFood and Novelle brands on the market,
- strengthening and developing the product portfolio in line with market trends,
- 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

- a systematic increase in the number of customers in foreign markets - a focus on European markets, where the Company is systematically developing its cooperation with networks and distributors,
- intensification of communication with current and potential customers through the participation, inter alia, in trade fairs and exhibitions and the organization of B2B meetings on target markets,
- 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),
- acquiring and implementing projects concerning deliveries under the own recipient's brand,

- partnership cooperation with other entities that have an offer complementary to the Company'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 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.
- IFRS-16 related estimates

At the date of this report, there is no indication of a write-down of the Abak brand. The relevant tests, in accordance with the applicable rules, were performed as at the end of 31 December 2022.

Selected financial data of Makarony Polskie SA

Selected financial data	31 December 2022	31 December 2021	31 December 2022 EUR k)	31 December 2021 EUR k)
Net revenues from sale of products, services, goods and materials	234,409	155,561	49,999	33,984
Profit (loss) from continued operations	14,678	5,999	3,131	1,311
Gross profit (loss)	12,792	6,038	2,728	1,319
Net profit (loss) from continued operations	10,462	5,034	2,232	1,100
EBIT	14,678	5,999	3,131	1,311
EBITDA (EBIT + depreciation)	20,864	12,109	4,450	2,645
Net cash flows from operating activities	11,421	12,072	2,436	2,637
Net cash flows from investment activities	-21,851	- 6,489	- 4,661	-1,418
Net cash flows from financial activities	-15,235	20,169	-3,250	4,406
Total net cash flows	- 25,665	25,752	-5,474	5,626
Total assets	195,318	182,617	41,647	39,705
Liabilities and provisions for liabilities	91,268	85,717	19,461	18,637
Long-term liabilities	32,963	41,997	7,029	9,131
Short-term liabilities	58,305	43,720	12,432	9,506
Equity	104,050	96,900	22,186	21,068
Revaluation capital	33,120	27,750	7,062	6,033
Number of shares (units)	11,040,071	11,040,071	11,040,071	11,040,071
Weighted average number of shares (in units) during the current financial year	11,040,071	9,348 098	11,040,071	9,348 098
Profit/loss per ordinary share (in PLN/EUR) *	0.95	0.54	0.20	0.12
Book value per one share (in PLN/EUR) **	9.42	8.78	2.01	1.91

* 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 1 January 2022 to 31 December 2022 and 1 January 2021 to 31 December 2021 are presented as follows:

- 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 2022, EUR 1= PLN 4.6899; 31 December 2021, EUR 1= PLN 4.5994
- 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 of 2022 = PLN 4.6883 and at the end of each month of 2021 = PLN 4.5472.

Statements of comprehensive revenues

For the period	Note	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Net sales revenue	**1.2**	**234,409**	**155,561**
Revenues from sales of other products and services		184,184	121,620
Net revenues from sales of goods and materials		50,225	33,941
Own cost	**2.3**	**187,982**	**128,560**
Production costs of products and services sold		142,092	97,794
Value of goods and materials sold		45,890	30,766
Gross profit (loss) on sales		**46,427**	**27,001**
Costs of sales	4	23,228	19,447
General administrative costs	5	6,498	5,016
Other revenues	6	1,693	4,246
Other costs	7	3,716	785
Profit (loss) from continued operations		**14,678**	**5,999**
Financial incomes	8	393	885
Financial costs	9	2,279	846
Gross profit		**12,792**	**6,038**
Income tax	10.11	2,330	1,004
Profit (loss) from continued operations, in this attributable to:		**10,462**	**5,034**
Shareholders of the parent Company		*10,462*	*5,034*
Non-controlling shares		*0*	*0*
Basic net result per share in PLN	12	0.95	0.54
Diluted net result per share in PLN		0.95	0.54
Other total net income/loss		0	0
Total net income, in this attributable to:		**10,462**	**5,034**
Shareholders of the parent Company		*10,462*	*5,034*
Non-controlling shares		*0*	*0*

Statement of financial position

ASSETS	Note	01.01.2022-31.12.2022	01.01.2021-31.12.2021
FIXED ASSETS		**132,805**	**118,828**
Fixed tangible assets	14	76,063	79,465
Fixed assets - IFRS-16	30	3,504	3,291
Investment real estate 603	15	603	603
47,190		0	0
Other intangible assets	16	5,411	5,325
Non-current financial assets of which:	17	47,190	30,080
Shares		47,190	30,080
Borrowings granted		0	0
Assets for deferred income tax		0	0
Other long-term assets	23	34	64
CURRENT ASSETS		**62,513**	**63,789**
Inventories	18	29,809	13,408
Short-term receivables	19	29,915	21,446
Income tax receivables	20	0	554
Borrowings granted	21	2,012	2,003
Cash and cash equivalents	22	461	26,121
Other short-term assets	23	316	257
FIXED ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**195,318**	**182,617**

LIABILITIES	Note	01.01.2022-31.12.2022	01.01.2021-31.12.2021
EQUITY		**104,050**	**96,900**
Revaluation capital	24	33,120	27,750
Supplementary capital	25	48,468	39,228
Reserve capital	25	12,000	24,888
Retained profits/losses (profit/loss from previous years)	12.26	10,462	5,034
LONG-TERM LIABILITIES		**32,963**	**41,997**

Statement of financial position

Provision for deferred income tax	11	2,213	3,065
Long-term bank loans and borrowings	27	11,707	18,027
Other long-term financial liabilities		0	215
Provision for pensions and similar benefits (long-term)	29	340	345
Revenues of future periods - long-term	32	15,332	16,777
Long-term financial liabilities - leasing	30	3,371	3,568
SHORT-TERM LIABILITIES		**58,305**	**43,720**
Short-term bank loans and borrowings	27	8,740	11,432
Other short-term financial liabilities		214	368
Short-term financial liabilities - leasing	30	1,169	1,391
Other short-term liabilities	31	44,108	28,365
Income tax liabilities	31	1,237	0
Revenues of future periods - short-term	32	1,273	1,302
Provision for retirement and similar benefits (short-term)	29	1,564	862
Other short-term provisions		0	0
TOTAL LIABILITIES		**91,268**	**85,717**
TOTAL LIABILITIES		**195,318**	**182,617**

Statement on cash flow - indirect method

For the period	01.01.2022-31.12.2022	01.01.2021 31.12.2021
Cash flows from operational activities		
Profit before tax	12,792	6,038
Adjustments by items:		
Depreciation	6,186	6,110
Profits/losses on exchange differences	-5	5
Interest expense and income	1,635	443
Profit/loss from investing activities	1,340	- 70
Change in provisions	697	- 310
Change in inventories	-16,402	1,639
Change in receivables	- 8,069	- 128
Change in liabilities and other assets and liabilities	14,639	2,372
Other adjustments	0	-1,591
Total adjustments	21	8,470
Proceeds from dividends	0	0
Corporate income tax paid/reimbursed	- 1,392	- 2,436
Cash flows from net operating activities	**11,421**	**12,072**
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	220	521
Proceeds from sales of financial assets 0	0	0
Expenses for the acquisition of fixed tangible assets and intangible assets	- 5,032	-7,050
Expenses for the acquisition of affiliates	-17,110	0
Interest income	71	40
Proceeds from borrowings granted 0	0	0
Borrowings granted	0	0
Other	0	0
Net cash flows from investment activities	**- 21,851**	**- 6,489**

Statement on cash flow - indirect method

Cash flows from financial activities		
Proceeds from loans and borrowings	1,508	20,669
Proceeds from the issue of debt securities	0	12,888
Repayment of loans and borrowings	-10,520	-10,495
Payment of liabilities under financial lease agreements	-1,504	-1,685
Interest paid	- 1,714	- 481
Payment of other financial liabilities	- 368	-153
Dividend paid to shareholders	- 3,312	- 2,775
Dividend received	675	
Expenses for the purchase of financial assets	0	0
Other financial revenue	0	2,201
Net cash flows from financial activities	**- 15,235**	**20,169**
Increase/decrease in cash and cash equivalents	**- 25,665**	**25,752**
Cash, cash equivalents and overdrafts at the beginning of the period	26,121	374
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	5	- 5
Cash, cash equivalents and overdrafts at the end of the period	**461**	**26,121**

Statement of changes in equity

For the period from 01 January 2022 to 31 December 2022

	ore capital	Supplementary capital	Reserve capital	Retained profit/loss	Total
As at 1 January 2022	27,750	39,228	24,888	5,034	96,900
Distribution of profit/loss coverage		1,722		- 1,722	0
Profit distribution - dividend payment 0				- 3,312	- 3,312
Issue of shares F	5,370	7,518	- 12,888		0
Other total income					
Net result in 2022				10,462	10,462
As at 31 December 2022	33,120	48,468	12,000	10,462	104,050

For the period from 01 January 2021 to 31 December 2021

	ore capital	Supplementary capital	Reserve capital	Retained profit/loss	Total
As at 01 January 2021	27,750	35,303	12,000	6,752	81,805
Distribution of profit/loss coverage		3,977		- 3,977	0
Profit distribution - dividend payment 0				- 2,775	- 2,775
Costs of share issue		-52			- 52
Issue of shares F			12,888		12,888
Other total income					
Net result in 2021				5,034	5,034
As at 31 December 2021	27,750	39,228	24,888	5,034	96,900

Additional notes

Notes to the statement of comprehensive revenues

Note 1
Sales revenue

SALES REVENUE - GEOGRAPHICAL STRUCTURE

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Country	205,503	138,971
Exports, including:	28,906	16,590
- European Union countries	6,061	5,078
- other countries	22,845	11,512
Total	**234,409**	**155,561**

The sales markets of the 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).

In 2022, sales amounted to PLN 234.4 million, including PLN 205.5 million in the domestic market and PLN 28.9 million in exports. In the corresponding period of 2021, these volumes amounted to PLN 155.6 million, PLN 139 million and PLN 16.6 million respectively.

Throughout 2022, the Company's export strategy was directed towards supplying as much pasta as possible to war-affected customers in Ukraine, while aiming to maintain supplies to existing customers within the European Union and in non-EU countries.

The main export market remains Ukraine, where the Company has managed to maintain relationships with major chains and distributors. In 2022, the Company also developed sales to new international institutional customers.

SALES REVENUE BY PRODUCTS AND SERVICES OFFERED

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

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Revenues from sales of products	181,056	117,835
Revenues from the sale of services, including:	3,128	3,785

- from lease and storage	1,192	2,186
- distribution services	100	60
- service production	1,749	1,476
- other services	87	63
Revenues from sale of materials	2,294	2,795
Revenues from sale of goods	47,931	31,146
Total	**234,409**	**155,561**

The Makarony Polskie Company distinguishes the product groups shown in the table below

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Pasta	189,351	121,384
Meat and vegetable preserves	32,771	20,587
Vegetable and fruit preserves	8,468	8,416
Total	3,819	5,174
Total	**234,409**	**155,561**

The sales revenues of Makarony Polskie SA Company in 2022 amounted to PLN 234.4 m and were higher by approx. 50,6% (PLN 78.8 m) than in the corresponding period of 2021.

This is due to the following factors:

- an increase in product prices caused by a sharp rise in production costs. The company, in order to ensure financial security and maintain a healthy level of net profitability, was forced to raise prices. Failure to do so could jeopardise the financial structure of the company,
- the outbreak of war in Ukraine caused a surge in demand for long-life products among both individual and institutional customers.

The value of sales in the pasta category increased by approximately PLN 68 million to PLN 189.3 million in 2022. The increase of approximately 56% compared to 2021 was the result of an increase in demand for pasta in 2022, which was characterised by strongly increased demand for long-life goods due to, among other things, the outbreak of war in Ukraine.

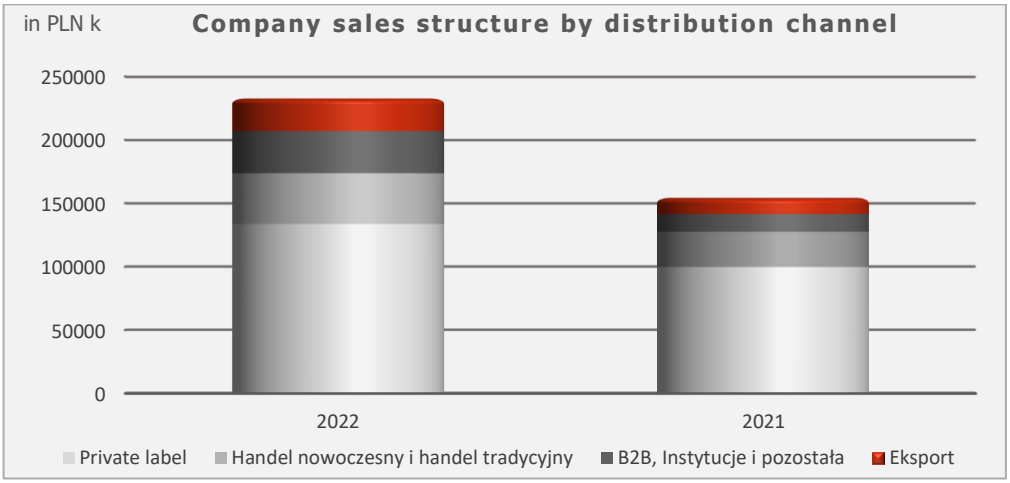
Sales of meat and vegetable preparations increased by approximately PLN 12.2 million in the period under review to approximately PLN 32.8 million. The increase of approximately 59% (2022 vs. 2021) was the result of increased sales under private labels and to retail chains. In the analysed period, sales of the new line of ready meals in trays and bowls

under the So Food brand launched in 2020 developed dynamically. These products have been very well received by customers reaching the position of sales leader in their category in 2022 according to a report by Nielsen. Another factor was the increased demand for goods with a long shelf life due to the panic buying that occurred as a result of the outbreak of war in Ukraine.

The segment in which negative dynamics of change were recorded is the processed fruit and vegetable segment. During the analysed period, revenue remained almost unchanged with a decrease in sales volume.

SALES REVENUE BY DISTRIBUTION CHANNEL

The structure of sales of products and goods by distribution channel is shown in the chart below:



The company achieved the following sales revenues in 2022:

Private label

The largest share of the Company's revenue (57%) was accounted for by the private label (PL) channel, offering products under private labels of domestic and foreign chains (including sales to a Lidl contractor operating within a single Group in Europe

PL (in PLN k)	2022	2021	y/y
Revenues from sales	133,657	99,663	+34,1%

In 2022, the increase in pasta sales in the private label segment was mainly due to price increases triggered by an unprecedented rise in production costs and an inflationary crisis.

Modern and traditional trade

Another significant revenue for the Company at about 17.2%, achieved in the domestic market, is the sale of the Group's brands (brands: Makarony Polskie, Sorenti, Stoczek, Męska Rzecz, Novelle) in modern trade (HN) and traditional trade (HT) channels:

HN and HT (in PLN k)	2022	2021	y/y
Revenues from sales	40,074	27,888	+43,7%

The 43.7% year-on-year increase in branded product sales was driven by increased product ranges in the chains, the outbreak of war in Ukraine and panic buying.

In 2023, the Company aims to further develop partnerships with existing customers, as well as improve sales numbers by attracting new, previously unsupported national and local chains to work with.

B2B and Institutions

B2B and Institutions accounted for approximately 14.3%, of the Company's total revenue:

B2B and Institutions (in PLN k)	2022	2021	y/y
Revenues from sales	33,278	13,942	+138%

Sales in the B2B and Institutions distribution channel in 2022 amounted to approximately PLN 19.3 million and were approximately +138% higher than in 2021. The increase in sales was mainly due to an increase in sales of pasta products in the subcontracting of an institutional contract and an increase in contracts with government institutions.

Exports

Exports in the Company's total revenue for 2022 accounted for approximately 7.2 per cent:

Exports (in PLN k)	2022	2021	y/y
Revenues from sales	25,720	16,590	+55%

The company's export strategy focuses on establishing partnerships with major retail chains - directly, as well as through distributors and official importers. The increase in exports was linked to the outbreak of war in Ukraine and the shopping panic.

The Company's main export market remains Ukraine, where cooperation with new chains and distributors is being systematically developed. However, throughout 2022, export sales were developed in both EU and non-EU markets. New product items were introduced to both existing and new customers in existing as well as new business partners.

Note 2

Basic information about operating segments:

For the period from 01.01 to 31.12.2022	Pasta	Meat and vegetable preserves	Vegetable and fruit preserves	Other	Segments in total
Segments revenues in total	**189,351**	**32,771**	**8,468**	**3,819**	**234,409**
Sales to external customers	189,351	32,771	8,468	3,819	234,409
Sales between segments	0	0	0	0	0
Segment costs	147,192	29,442	7,952	3,396	187,982
Segment profits or losses	**42,159**	**3,329**	**516**	**423**	**46,427**
Costs of sales	0	0	0	0	- 23,228
Administrative costs	0	0	0	0	- 6,498
Other revenues	0	0	0	0	1,693
Other costs	0	0	0	0	- 3,716
Financial incomes	0	0	0	0	393
Financial costs	0	0	0	0	- 2,279
Elimination of profit loss between segments	0	0	0	0	0
Other profit or loss	0	0	0	0	0
Unassigned sums	0	0	0	0	0
Gross profit/loss from continued operations	0	0	0	0	12,792

For the period from 01.01 to 31.12.2021	Pasta	Meat and vegetable preserves	Vegetable and fruit preserves	Other	Segments in total
Segments revenues in total	**121,384**	**20,587**	**8,416**	**5,174**	**155,561**
Sales to external customers	121,384	20,587	8,416	5,174	155,561
Sales between segments	0	0	0	0	0
Segment costs	98,883	18,229	8,097	3,351	128,560
Segment profits or losses	**22,501**	**2,358**	**319**	**1,823**	**27,001**
Costs of sales	0	0	0	0	-19,447
Administrative costs	0	0	0	0	- 5,016
Other revenues	0	0	0	0	4,246
Other costs	0	0	0	0	- 785
Financial incomes	0	0	0	0	885

Financial costs	0	0	0	0	- 846
Elimination of profit loss between segments	0	0	0	0	0
Other profit or loss	0	0	0	0	0
Unassigned sums	0	0	0	0	0
Gross profit/loss from continued operations	0	0	0	0	6,038

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 3

Employee benefit costs and depreciation expense

Employee benefit costs	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Salary costs	13,975	9,734
Social security costs	2,360	1,769
Other employee benefits costs, including:	1,263	306
- termination benefit costs	0	0
- pension costs	28	23
- costs of allowances for leave not taken	47	182
- other benefits	1,188	101
Total	**17,598**	**11,809**

Employee benefits fall into the following categories:

– short-term benefits, which include salaries and wages, social security contributions, compensated absences and non-cash benefits. Short-term benefit costs are recognised in the statement of comprehensive income on an ongoing basis in the period to which they relate. At the end of the reporting period, the remaining expected undiscounted value of short-term benefits for the financial period is recognised by the Company as an element of accrued expenses;,

– post-employment benefits - under this type of benefits, the Company pays severance payments to employees.

A provision is made for future severance payments. This provision is reviewed periodically by an independent actuary using the provisions of IFRS.

Costs of operational activity	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Depreciation	6,186	6,110
Consumption of materials and energy	139,520	79,179
Costs of external services	22,076	20,042
Taxes and fees	933	914
Salaries	14,592	9,939
Employee benefits	3,006	1,871
Other costs	3,208	2,936
Value of goods and materials sold	45,890	30,766
Total	**235,411**	**151,757**

Note4
Costs of sales

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Depreciation	1,085	1,046
Consumption of materials and energy	534	590
Costs of external services	14,383	10,743
Taxes and fees	358	338
Salaries	3,330	3,349
Employee benefits	769	677
Other costs	2,769	2,704
Total	**23,228**	**19,447**

Note 5
Administrative costs

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Depreciation	142	317
Consumption of materials and energy	75	67

Costs of external services	1,066	1,378
Taxes and fees	187	209
Salaries	3,961	2,405
Employee benefits	554	302
Other costs	513	338
Total	**6,498**	**5,016**

Note 6
Other income

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
State subsidies	1,474	2,951
Profit on sale of tangible fixed assets	0	70
Reversal of impairment losses	41	48
Compensation and complaints	58	43
Sale of scrap and waste	14	98
Refund of court and bailiff fees	2	2
Leasing liabilities	0	0
Reimbursement of surplus - of social security contributions	5	17
Surplus inventories	96	16
Liabilities written down	2	100
Contractual penalties	0	898
Total	1	3
Total	**1,693**	**4,246**

Other operational revenues include revenues and profits not directly related to the Company's operating activities. This category includes received subsidies, profits from the sale of tangible fixed assets, received contractual penalties, compensations related to the reimbursement of court costs, overpaid tax liabilities, except for corporate income tax, and received compensations for losses in the companies' property covered by insurance.

Other income also includes reversals of impairment losses on receivables and inventories and impairment losses on fixed assets, as well as inventory surpluses in current assets and the valuation of investment property at fair value.

Note 7

Other costs

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Loss from sale of fixed tangible assets	1,403	0
Donations	19	6
Penalties and fines	29	12
Shortages in current assets	8	2
Advertising sponsorship	73	29
Costs of court and bailiff proceedings	22	3
Liquidation of damaged and expired inventories	335	285
Write-downs of inventories	104	31
Written off receivables - written off uncollectible	125	124
R&D costs	1,593	102
Provisions for liabilities	0	180
Costs of insured repairs	0	2
Total	5	9
Total	**3,716**	**785**

Other operational costs include costs and losses not directly related to the Company's operating activities. This category includes losses on the sale of tangible fixed assets, donations made in kind and in cash to other entities, including public benefit entities, and the effects resulting from concluded commercial agreements, guarantees and sureties granted to other entities.

Other expenses also include, among other things, the costs of write-downs of receivables and inventories, and impairment losses on fixed assets, and uncollectible shortages in current assets.

Note 8

Financial income

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Interest income, including:	86	38
- interest on bank deposits	0	0

- interest on loans	80	38
- interest on receivables	6	0
Other financial income	307	847
- revaluation of short-term investments	0	0
- guarantees	242	73
- dividends and share in profits	0	675
- profits on exchange differences	65	15
- other	0	84
Total	**393**	**885**

Financial income includes income from dividends received, guarantees, interest from investment and investment activities in various forms of financial instruments. Financial activities also include foreign exchange profits.

Note 9
Financial costs

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Interest costs, including those relating to:	1,717	432
- bank loans	1,216	299
- factoring and leasing	386	81
- leasing IFRS -16	112	17
- interest on liabilities	2	34
- budget interest	1	1
Other financial costs, including:	562	414
- loss due to negative exchange rate differences	0	0
- guarantees, sureties	307	183
- bank and factoring fees and commissions	255	231
- other	0	0
Total	**2,279**	**846**

Costs from the use of external financing, interest payable under finance leases to which the Company is a party and other financial costs are classified as finance costs. Also included in financing activities are foreign exchange losses and write-downs of investment properties.

Note 10

Income tax

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Current income tax	3,183	880
Deffered income tax	- 853	124
Tax charge/recognition shown in the statement of comprehensive income, including:	2,330	1,004
- Attributable to continuing operations	2,330	1,004

Reconciliation of income tax on profit before tax with the income tax reported in the statement of comprehensive income:

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Profit before tax from continuing operations	12,792	6,038
Profit/loss before tax from discontinued operations	0	0
Financial result before tax	12,792	6,038
Tax rate (%)	19	19
- tax expenses not constituting balance sheet expenses (-)	- 1,558	- 2,039
balance sheet costs not included in tax costs (+)	6,632	4,325
- income not constituting tax revenue (-)	- 951	- 3,697
- tax revenue not constituting balance sheet revenue (+)	932	6
- subsidies received	0	0
Company's tax base/tax loss	17,847	4,633
Deductions from income :	0	0
R&D tax relief	- 1,096	0
Company's taxable income	16,751	4,633
Income tax recognised in the statement of comprehensive income - current portion	3,183	880

Note 11

Deferred income tax

	Statement of financial position as at 31.12.2022	Statement of financial position as at 31.12.2021	Statement of comprehensive income for the period 01.01 to 31.12.2022	Statement of comprehensive income for the period 01.01 to 31.12.2021
Provision for deferred income tax				
- the difference between the net carrying amount and the tax base of fixed assets	2,555	2,849	- 294	-183
- exchange rate differences	7	4	3	- 5
- difference between the lease liability and the net value of fixed assets	73	192	- 119	55
- interest accrued	2	1	1	0
- valuation of property at fair value	160	160	0	0
- contractual penalties	0	170	- 170	170
- valuation of IRS transaction	0	16	- 16	16
Gross provision for deferred income tax	**2,797**	**3,392**	**- 596**	**53**
Assets for deferred income tax				
- remuneration paid after the balance sheet date	8	3	5	0
Social Security Institution premiums	72	58	14	- 3
- pension benefits and similar	267	229	38	- 59
- interest on financial liabilities - loans	2	5	- 3	- 3
- exchange rate differences	1	6	- 5	- 13
- lease agreement - IFRS-16	5	10	- 5	1
- retro discounts	98	0	98	
- inventory write-down	36	15	21	5
- provisions for salaries	95	0	95	0
- liabilities after the deadline	0	1	- 1	1
Deferred tax assets recognised in the statement of financial position	**584**	**327**	**257**	**- 71**
Deferred tax assets recognised in the statement of financial position	**2,213**	**3,065**	**- 853**	**124**

Deferred tax assets not recognised in the balance sheet

	As at 31.12.2022	As at 31.12.2021
Assets - deductible tax loss	0	0
Deferred tax assets not recognised in the balance sheet	0	0

The current tax burden is calculated on the basis of the applicable tax regulations. The application of these regulations differentiates the tax profit (loss) from the accounting net profit (loss), in connection with the exclusion of non-taxable revenues and costs that are not tax deductible costs and items of costs and revenues that will never be subject to taxation. Tax burdens 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 1 2

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

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Net profit/loss per share	0.95	0.54
Book value per one share in PLN	9.42	8.78

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Net profit/loss from continuing operations attributable to shareholders of the parent company	10,462	5,034
Profit/loss on discontinued operations attributable to shareholders of the parent company	0	0
Net profit/loss attributable to shareholders of the parent company	10,462	5,034
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 - 31.12.2022	For the period from 01.01 - 31.12.2021
Weighted average number of issued ordinary shares applied to calculate basic earnings/loss per share	11,040,071	9,348 098
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 earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the parent company (net of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effect of diluting options). and diluting redeemable preferred shares convertible into ordinary shares). There were no dilutive factors to the company's share capital in 2022 or up to the date of this report.

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

Note 13

Notes to the Consolidated Statement of Cash Flows

For the period	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Change in liabilities and other assets and liabilities except for loans and borrowings - CF	14,639	2,372
- change in other long-term assets arising from the balance sheet	30	- 18
- change in other short -term assets arising from the balance sheet	- 59	- 11
- change in long-term revenue deferred income resulting from the balance sheet	-1,445	-167
- change in short-term revenue deferred income resulting from the balance sheet	- 29	153
- adjustment change in deferred income resulting from the balance sheet - subsidies received in 2020	0	- 1,294
- change in other short-term liabilities arising from the balance sheet	15,743	3,366
- adjustment accrued interest on loan - balance sheet recognition	0	0
- adjustment (transfer) of unpaid obligations relating to capital expenditure	-139	-538
Adjustment paid(transfer) investment liabilities	538	881

Other adjustments - CF	0	-1,591
- costs of issuing series F shares	0	52
- Subsidies obtained	0	-1,643

Notes to the statement of financial position

Note 14 Tangible fixed assets

The following tables illustrate changes in property, plant and equipment and rights of use of assets measured in accordance with IFRS 16

Gross tangible fixed assets	31.12.2022	31.12.2021
Land, buildings, structures	42,630	36,706
Machinery and equipment	72,834	72,620
Means of transport,	3,023	3,115
Fixed assets under construction	1,140	6,446
Total	15,280	15,113
Gross in total	**134,907**	**134,000**

Depreciation and impairment losses	31.12.2022	31.12.2021
Land, buildings, structures	12,294	10,737
Machinery and equipment	37,038	35,347
Means of transport,	2,520	2,445
Total	3,488	2,715
Depreciation value at the end of the period	**55,340**	**51,244**
Net value at the end of the period	**79,567**	**82,756**

Changes in fixed assets

For the period from 01 January 2022 to 31 December 2022

	Land, buildings	Machinery and equipment	Means of transport,	Fixed assets under construction	Other	Total
Gross value at the beginning of the period	**36,706**	**72,620**	**3,115**	**6,446**	**15,113**	**134,000**
Increases	5,924	3,555	114	3,440	205	13,238
- purchase	4,925	3,555	27	3,440	205	12,152
- other	999	0	87	0	0	1,086
Decreases	0	3,341	206	8,745	38	12,331
- sales	0	2,985	206	0	38	3,230
- other	0	356	0	8,745	0	9,101
Gross value at the end of the period	**42,630**	**72,834**	**3,023**	**1,141**	**15,280**	**134,907**
Depreciation value at the beginning of the period	10,737	35,347	2,445	0	2,715	51,244
Increases	1,557	3,496	264	0	804	6,121
Decreases	0	1,805	189	0	31	2,025
Depreciation value at the end of the period	12,294	37,038	2,520	0	3,488	55,340
Value including depreciation and impairment losses at the end of the period	12,294	37,038	2,520	0	3,488	55,340
Net value at the end of the period	**30,336**	**35,796**	**503**	**1,141**	**11,792**	**79,567**

For the period from 01 January 2021 to 31 December 2021

	Land, buildings	Machinery and equipment	Means of transport,	Fixed assets under construction	Other	Total
Gross value at the beginning of the period	**35,683**	**70,336**	**3,187**	**2,609**	**15,129**	**126,944**
Increases	1,736	2,977	127	6,750	9	11,599
- purchase	251	2,526	127	6,712	9	9,625
- other	1,485	451	0	38	0	1,974
Decreases	713	693	199	2,913	25	4,543
- sales	0	444	162	0	0	606
- other	713	249	37	2,913	25	3,937
Gross value at the end of the period	**36,706**	**72,620**	**3,115**	**6,446**	**15,113**	**134,000**

Depreciation value at the beginning of the period	9,874	32,097	2,265	0	1,935	46,171
Increases	1,568	3,326	358	0	792	6,044
Decreases	705	76	178	0	12	971
Depreciation value at the end of the period	10,737	35,347	2,445	0	2,715	51,244
Value including depreciation and impairment losses at the end of the period	10,737	35,347	2,445	0	2,715	51,244
Net value at the end of the period	**25,969**	**37,273**	**670**	**6,446**	**12,398**	**82,756**

Impairment losses are included in other expense items in the statement of comprehensive income. The Company did not write down property, plant and equipment in 2022. At the same time, the Company reviewed the useful life of property, plant and equipment as at 31 December 2022.

The Company has machinery, equipment and means of transport in use under lease agreements. The carrying amount of fixed assets used under finance lease agreements as at 31 December 2022 was PLN 4,841 thousand and as at 31 December 2021 was PLN 5,879 thousand.

Fixed assets under construction are presented in the financial statements at cost less recognised impairment losses. The production cost includes fees and, for the relevant assets, borrowing costs capitalised in accordance with IAS 23. Borrowing costs capitalised and recognised on fixed assets under construction in 2022 amounted to PLN 282 thousand (interest and commission costs). The Company estimates borrowing costs in accordance with the actual interest rate for a given financial liability (loan).

The establishment of registered pledges on fixed assets results from the commitments contained in the loan agreements described in Note 27.

The Company estimates the value of liabilities arising from signed agreements for the supply of fixed assets and construction works at PLN 1,560 thousand as at 31 December 2022.

Mortgages established or in the process of being established on the property of the Company

Property	As at 31.12.2022	Creditor's name	Liability title	Company's liability
Property in Rzeszów KW nr RZ1Z/00076860/5	PLN 17,000 k	Santander Bank Polska SA	joint contractual mortgage	Overdraft agreement in the amount of. PLN 5,000 thousand concluded by Makarony Polskie S.A.

Real estate in Płock KW nr PL1P/00094893/6, KW nr PL1P/00097530/5, KW nr PL1P/00114158/9 and KW nr PL1P/00097363/3 (on held shares)				Investment loan agreement in the amount of PLN 13,849 thousand concluded by Makarony Polskie S.A.
Real estate in Rzeszów KW nr RZ1Z/00076860/5 Real estate in Płock KW nr PL1P/00094893/6, KW nr PL1P/00097530/5, KW nr PL1P/00114158/9 and KW nr PL1P/00097363/3 (on held shares)	PLN 2,500 k	Santander Bank Polska SA	joint contractual mortgage	Union investment loan agreement in the amount of PLN 8,000 thousand concluded by Makarony Polskie S.A.
Property in Rzeszów KW nr RZ1Z/00076860/5	PLN 18,182 k	Santander Bank Polska SA	joint contractual mortgage	Union investment loan agreement in the amount of PLN 12,121 thousand concluded by Makarony Polskie S.A.
Real estate in Płock KW nr PL1P/00094893/6, KW nr PL1P/00097530/5, KW nr PL1P/00114158/9 and KW nr PL1P/00097363/3 (on held shares)				Bank guarantee mandate agreement in the amount of PLN 457 k concluded by Makarony Polskie SA
Property in Rzeszów KW nr RZ1Z/00076860/5 Real estate in Płock KW nr PL1P/00094893/6, KW nr PL1P/00097530/5, KW nr PL1P/00114158/9 and KW nr PL1P/00097363/3 (on held shares)	PLN 1,517 k	Santander Bank Polska SA	joint contractual mortgage	Bank guarantee mandate agreement in the amount of PLN 1,011 thousand concluded by Makarony Polskie S.A.
Property in Częstochowa KW nr CZ1C/00111425/8	PLN 10,500 k	BNP Paribas Bank Polska SA	mortgage	Overdraft agreement in the amount of. PLN 7,000 k concluded by Makarony Polskie SA
Property in Korpele KW nr OL1S/00032815/5, KW nr OL1S/00039349/6, KW nr OL1S/00044965/8,	PLN 18,000 k	Santander Bank Polska SA	joint contractual mortgage	Investment loan agreement in the amount of PLN 12,000 k concluded by Makarony Polskie SA*

* In the course of 2022, SAS Sp. z o.o. entered into an agreement with Santander Bank Polska S.A. for unconditional accession to the debt of Makarony Polskie S.A. under the investment loan agreement and made a declaration of submission to enforcement pursuant to Article 777 §1.5 of the Code of Civil Procedure.

Note 15
Investment property

	31.12.2022	31.12.2021
Investment property in Rzeszów	603	603
Increases	0	0
- purchase	0	0
- other	0	0
Decreases	0	0
- sales	0	0
- other	0	0
Value at the end of the period	**603**	**603**

The value of the investment property in Makarony Polskie S.A. is updated to fair value based on appraisal reports prepared by independent experts. The Company recognises the difference of the fair value fluctuation in the income statement.

Fair value measurements are categorised into three levels depending on the extent to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements as a whole. The levels are as follows:

Level 1: inputs are quoted prices (unadjusted) from active markets for identical assets or liabilities that the entity has access to at the measurement date,

Level 2: inputs are data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly,

- Level 3: input data are unobservable data for the valuation of the asset or liability.

In 2022, the Company has not changed the methodology and level of valuation categorisation (Level 3).

Note 16
Other intangible assets

Changes in intangible assets
For the period from 01 January 2022 to 31 December 2022

		Other intangible assets	

	Brand value	Patents, trademarks, development work	Computer software	Other	Total
Gross value at the beginning of the period	**4,909**	**58**	**1,049**	**924**	**6,940**
Increases	0	117	34	0	151
- purchase	0	0	34	0	34
- other	0	117	0	0	117
Decrease	0	0	0	0	0
Gross value at the end of the period	**4,909**	**175**	**1,083**	**924**	**7,091**
Depreciation value at the beginning of the period	0	58	1,038	519	1,615
Increases	0	0	10	55	65
Decreases	0	0	0	0	0
Depreciation value at the end of the period	0	58	1,048	574	1,680
Net value at the end of the period	**4,909**	**117**	**35**	**350**	**5,411**

Changes in intangible assets
For the period from 01 January 2021 to 31 December 2021

	Brand value	Other intangible assets			
		Patents, trademarks, development work	Computer software	Other	Total
Gross value at the beginning of the period	**4,909**	**58**	**1,049**	**924**	**6,940**
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**	**924**	**6,940**
Depreciation value at the beginning of the period	0	58	1,028	464	1,550
Increases	0	0	10	55	65
Decreases	0	0	0	0	0
Depreciation value at the end of the period	0	58	1,038	519	1,615
Net value at the end of the period	**4,909**	**0**	**11**	**405**	**5,325**

Amortisation of intangible assets with finite useful lives is provided on a straight-line basis at amortisation rates reflecting their expected useful lives.

Summary of intangible assets with indefinite useful lives
As at 31 December 2022

	Valuation at cost	Allowance for permanent impairment at BO	Impairment loss recognised	Carrying amount at end of period
Abak brand	4,909	0	0	4,909
IN TOTAL	**4,909**	**0**	**0**	**4,909**

The Company does not amortise intangible assets with indefinite useful lives. These are tested annually for impairment and analysed to determine whether there is any indication that these assets have been in use for a finite period of time.

Mandatory impairment tests of brand 'goodwill' were carried out at the end of 2022.
The impairment test of the brands have been carried out using an income-based valuation method discounting future hypothetical royalties to present value with the following assumptions:

- 5-year forecast period (2023-2027),
- one scenario – realistic,
- financial projections based on historical data taking into account organic brand development plans,
- the discount rate was set at a constant WACC of - 11.46%, the discount factor was calculated using the chain-linked method,
- royalty rate of 5%;
- growth rate after the forecasting period - 0%,
- risk-free rate (yield on 10-year government bonds as at 31 December 2022) constant over the forecast period at - 6.88%,
- post-tax cost of debt - constant over the forecast period at - 8.1%,
- share of debt in total equity and debt - constant over the forecast period at - 19.02%,

For the impairment test of brand goodwill carried out as at 31 December 2022 consisting in the calculation of the value in use, a sensitivity analysis of key assumptions was performed. The purpose of the sensitivity analysis was to examine what value the selected model parameters would have to take so that the estimated value in use of the cash-generating units equals the carrying amount of the unit. The tests carried out showed the assumed values of the key assumptions are at a safe level and there is a low probability that the recoverable value will be below the book value.

The tests carried out did not show the need for impairment losses on the Abak brand.

Note 17
Long-term financial assets

Other long-term financial assets	31.12.2022	31.12.2021
Shares in Stoczek Natura Sp. z o.o.	28,578	28,578
Shares in MP Trade Sp. z. o. o.	1,502	1,502
Shares in SAS Sp. z o.o.	17,110	0
Total long-term financial assets	47,190	30,080

On 12 April 2023, the Extraordinary General Meeting of Makarony Polskie S.A. adopted a resolution on the merger of Makarony Polskie S.A. as the acquiring company and SAS Sp. z o.o. as the acquired company. A resolution on the merger was also adopted by the Extraordinary Meeting of Shareholders of SAS Sp. z o.o. based in Korpele Thus, the meetings of both entities, Makarony Polskie S.A. as the acquiring company and SAS Sp. z o.o. as the acquired company, passed the resolutions necessary for the merger of the companies.

Note 18
Inventory

As at 31 December 2022

	Valuation at cost	Impairment loss on BO	Impairment loss - established	Impairment loss reversed	Inventory carrying amount at end of period
Materials	4,525	3	106	3	4,419
Auxiliary materials	670	0	0	0	670
Products being produced	12	2	0	2	12
Finished products	24,200	78	82	78	24,118
Goods	590	0	0	0	590
IN TOTAL	**29,997**	**83**	**188**	**83**	**29,809**

As at 31 December 2021

	Valuation at cost	Impairment loss on BO	Impairment loss - established	Impairment loss reversed	Inventory carrying amount at end of period
Materials	4,439	17	3	17	4,436
Auxiliary materials	572	0	0	0	572
Products being produced	500	0	2	0	498
Finished products	7,920	26	78	26	7,842

Goods	60	9	0	9	60
IN TOTAL	**13,491**	**52**	**83**	**52**	**13,408**

Due to the current rotation of inventories, the Company plans to use up all inventories that are a component of the statement of financial position as at 31 December 2022 in the amount of PLN 29,809 k in 2023. Impairment losses on current assets (inventories) are recognised when an item is deemed to be non-transferable, undergoes physical deterioration, the useful life in the case of finished goods and raw materials makes it impossible to sell or use and when the cost of production exceeds its market price.

In 2022, there were indications of a partial write-down of inventories in the amount of PLN 188 k

As at 31 December 2022, the value of registered pledges on inventories of finished goods, materials and goods amounted to PLN 5,000 thousand, including:

- collateral for the Santander loan agreement - amount of PLN 5 000 thousand.

Note19
Receivables

	31.12.2022	31.12.2021
Trade receivables from other entities:	24,684	18,185
- short-term part	24,684	18,185
Receivables from subsidiaries, including:	141	734
- from trade liabilities	141	59
- short-term part	141	59
Pre-payments:	0	0
- short-term part	0	0
Other receivables: from subsidiaries	0	675
- Dividend	0	675
Other receivables: from other enities	5,312	3,521
- short-term part	5,312	3,521
Total gross value of receivables	30,137	22,440
Impairment losses at the beginning of the period	440	435
Recognition of impairment losses in the period	114	54
Reversal of impairment loss during the period	332	49

Impairment losses at the end of the period	222	440
Net receivables	29,915	22,000

Impairment loss on receivables value

2022	Balance at the beginning of the period	Creation	Use and release	As at the end of the period
Impairment loss on receivables value	440	114	332	222

2021	Balance at the beginning of the period	Creation	Use and release	As at the end of the period
Impairment loss on receivables value	435	54	49	440

At each balance sheet date, the Company analyses and estimates allowances for all receivables. The Company creates an allowance for the following receivables:

- debtors placed in bankruptcy, liquidation or restructuring,
- disputed by the debtor,
- claimed in court,
- past due or not past due with a high probability of non-collection, in cases justified by the type of business or customer structure.

In addition, allowances for receivables are also made for items whose maturity at the balance sheet date exceeded 365 days.

For the above receivables, whose debtor is in bankruptcy, liquidation and with a high risk of insolvency, a write-down of 100% of the receivables is created. If payment is likely, the Company writes down 50% of the value of the receivables.

With regard to the nominal value of the receivables, the created write-down is recognised under other operating expenses.

The Company estimates expected credit losses based on historical data of receivables for each group of debtors from previous reporting periods.

Other short-term receivables: from other entities	31.12.2022	31.12.2021
Current VAT tax	2,978	1,848
Deferred VAT tax	640	843
Other receivables IRS transaction valuation	0	84
Corporate income tax	0	554
Security deposits paid	492	41

Pre-payments	1,199	112
Total	3	39
Other gross receivables	5,312	3,521
Impairment loss on receivables value	35	0
Other net receivables	5,277	3,521

Gross receivables currency structure

Gross short-term receivables	31.12.2022	31.12.2021
- in Polish currency	29,568	20,119
- in foreign currencies	569	2,321
a) unit/currency EUR	123	509
(in PLN)	569	2,321
a) unit/currency USD	0	0
(in PLN)	0	0
a) unit/currency GBP	0	0
(in PLN)	0	0
Gross short-term receivables	**30,137**	**22,440**

As at 31 December 2022, the Company has receivables in foreign currency for which it has written down 100%. 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. The amount of the receivables 14 thousand. EUR

Trade receivables (gross)

	31.12.2022	31.12.2021
1) current in total	22,939	16,492
2) overdue in total	1,886	1,752
a) up to one month	1,618	1,220
b) between 1 and 3 months	81	4
c) between 3 and 6 months	0	4
d) between 6 months and 1 year	2	63
e) more than one year	185	461
Total trade receivables (gross)	**24,825**	**18,244**
Impairment losses on trade receivables	187	440

Net trade receivables 32,589	24,638	17,804

Trade receivables consist of amounts owed in respect of trade transactions from a large number of customers, dispersed across different industries and geographical areas.

The Company is not exposed to significant credit risk to any single contractors or group of contractors with similar characteristics. Trade receivables are non-interest bearing and typically have a payment term of 45 to 90 days. The Company has an appropriate policy to make deferred payment sales only to verified customers. Transactions with other customers, including most foreign counterparties, are covered by receivables insurance. As a result, in the opinion of the management, there is no significant credit risk above the level determined by the bad debt provision specific to trade receivables in the Company

Note 20
Corporate income tax receivables

	31.12.2022	31.12.2021
Corporate income tax receivables	0	554

Note 21
Borrowings granted

	31.12.2022	31.12.2021
Balance at the beginning of the period	2,003	2,006
a) Loan granted to Stoczek Natura	0	0
Borrowings granted	0	0
Interest and commissions accrued	80	38
Repayment during the period	71	41
As at the end of the period	**2,012**	**2,003**

As at 31 December 2022, Makarony Polskie SA granted 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 2023 (one-off repayment until the maturity date of the liability). The interest rate on the loan was set based on market conditions.

Note 22
Cash and cash equivalents

	31.12.2022	31.12.2021
Cash at bank and in hand	461	26,121
In total, including:	461	26,121
- Cash at bank and in hand asigned to the discontinued activities	not applicable	not applicable

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

Cash at the bank bears interest at variable rates, which depend on the interest rate on one-day bank deposits. Short-term deposits are made for various periods ranging from one day to one month, depending on the Company's current cash requirements, and bear interest at the interest rates set for them.

Note 23 Other assets

Other assets	31.12.2022	31.12.2021
- long-term part	34	64
- short-term part	316	257

Long-term accruals as at 31 December 2022 of PLN 34k include paid subscriptions.

Short-term accruals

Short-term accruals	31.12.2022	31.12.2021
- insurance	159	156
- paid subscriptions	73	61
- loan commissions	7	7
- consultancy services	0	29
R&D costs	70	0
- other	7	4
Total	**316**	**257**

Long-term accruals

Long-term accruals	31.12.2022	31.12.2021

- consultancy services	0	0
- investment loan commissions	0	7
- subscriptions	34	57
Total	**34**	**64**

Note 24 Share capital

Share Capital of Makarony Polskie SA,

- amount of share capital PLN 33,120,213
- total number of shares 11,040,071 shares,
- total number of votes at the General Meeting 11,040,071 votes.

Structure of the Company's share capital:

- 3 013 250 ordinary bearer shares of A series,
- 1 169 750 ordinary bearer shares of B series,
- 3 000 000 ordinary bearer shares of C series,
- 1,735,821 ordinary bearer shares of D series,
- 331 250 ordinary bearer shares of E series.
- 1,790 000 ordinary bearer shares of F series.

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 2022

	Type of share	Type of privilege	Number of shares in units	Nominal value		Method of capital coverage	Date of registration	Right to dividend (from)
				1 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
Series F	bearer shares	ordinary shares	1,790 000	3	5,370	cash contributions	04.03.2022	01.01.2021
Total			**11,040,071**		**33,120**			

as at 31 December 2021

	Type of share	Type of privilege	Number of shares in units	Nominal value		Method of capital coverage	Date of registration	Right to dividend (from)
				1 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**			

The changes in the share capital result from the share purchase agreements concluded in the period from 24 November 2021 to 30 November 2021. Series F shares were taken up solely in exchange for cash contributions which were paid into the Company's bank account.

On 4 March 2022, in the register of business entities of the National Court Register, an increase in the share capital of Makarony Polskie SA was registered by way of issuing 1,790,000 series F bearer shares, i.e. increase in the share capital by the amount of PLN 5,370,000 to the amount of PLN 33,120,213.

Note 25
supplementary and reserve capital

Supplementary capital	31.12.2022	31.12.2021
As at the beginning of the period	39,228	35,303
Changes in accounting policies	0	0
Opening balance after adjustments(restated)	39,228	35,303
- share capital issue costs	0	- 52
- Series F shares issue	7,518	0
- Distribution of profit/loss coverage	1,722	3,977
- creation of supplementary capital	0	0
- supplementary capital	48,468	39,228
- application of hedge accounting	0	0
Supplementary capital at the end of the period	48,468	39,228

Reserve capital	31/12/2022	31/12/2021
As at the beginning of the period	24,888	12,000

- Series F shares issue– Core capital	5,370	0
- Series F shares issue– Supplementary capital	7,518	12,888
Supplementary capital at the end of the period	12,000	24,888

The changes in the supplementary capital result from the share purchase agreements concluded in the period from 24 November 2021 to 30 November 2021.

Note 26

Result from previous years

Profit/loss from previous years	31.12.2022	31.12.2021
As at the beginning of the period	5,034	6,752
Error correction	0	0
Profit/loss from previous years at the beginning of the period	5,034	6,752
- decrease due to transfer to supplementary capital	- 1,722	-3,977
- dividend payment	- 3,312	- 2,775
Profit/loss at the end of the period	**0**	**0**

Note 27

Information on loans and guarantees obtained as at 31 December 2022.

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	31.12.2022	31.12.2021
- long-term part	11,707	18,027
- short-term part	8,740	11,432
Total	**20,447**	**29,459**

The status of loan and factoring agreements in effect as at 31 December 2022, for which Makarony Polskie SA was a party to the agreements, is presented in the tables below:

– Overdraft in Santander Bank Polska SA

EU investment loan at Santander Bank Polska SA	31 December 2022
Loan contractual value	PLN 5,000 k
Loan period	18.10.2013 – 31.05.2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 261 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.

During 2022, Makarony Polskie SA concluded an annex to the overdraft facility agreement with Santander Bank Polska which:

- extends the liability repayment date from 31 May 2022 to 31 May 2023;
- adjusts the margin to current market conditions;
- makes the Company's obligations toward the Bank consistent with the obligations resulting from other agreements.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 13,849 k
Loan period	18.10.2013 – 30.12.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,359 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.

During 2022, Makarony Polskie S.A. concluded an annex to the investment loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
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 1,780 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, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

During 2022, Makarony Polskie S.A. concluded an annex to the investment union loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
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 442 k
Repayment schedule*	The loan will be repaid in 49 principal installments, including 48 installments in the amount of PLN 33 k PLN, 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".

During 2022, Makarony Polskie S.A. concluded an annex to the investment union loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 4,400 k
Loan period	10.06.2021 – 30.01.2026
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,971 k
Repayment schedule	The loan will be repaid in 41 equal monthly installments in the amount of 107 k each
Loan collateral	– de minimis guarantee in the amount of 80% of the Loan amount; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed. – blank promissory note issued by the Company together with a promissory note declaration, as colateral for the de minimis guarantee.

During 2022, Makarony Polskie SA concluded a annexes to the investment loan agreement with Santander Bank Polska SA atimed at:

- extension of the loan availability period,
- change of loan repayment schedule.

- the unification of the company's obligations towards the bank.

- Revolving loan in Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 1,700 k
Loan period	10.06.2021 – 30.05.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,700 k
Repayment schedule	once on the liability maturity date
Loan collateral	– de minimis guarantee in the amount of 80% of the Loan amount; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed. – blank promissory note issued by the Company together with a promissory note declaration, as colateral for the de minimis guarantee.

During 2022, Makarony Polskie S.A. concluded an annex to the revolving loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

- Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 12,000 k
Loan period	07.12.2021 – 31.03.2029
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 10,752 k
Repayment schedule	The loan will be repaid in 82 monthly installments in the following amounts: 81 installments of PLN 144 k each and the last 82 equalizing installments in the amount of PLN 96 k.
Loan collateral	– – a contractual joint mortgage up to the amount of PLN 18,000 k on the following real estates of SAS Sp. z o.o. in Korpele: KW No. OL1S/00032815/5, KW No. OL1S/00039349/6, KW No. OL1S/00044965/8 together with the assignment of rights under the real estate insurance policy; – registered pledge on 100% of shares in SAS Sp. z o.o.; – accession to debt by SAS Sp. z o.o.; – blank promissory note issued by the Company together with a promissory note declaration; – statement of the Company and SAS Sp. z o.o. 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

During 2022, Makarony Polskie SA and SAS Sp. z o.o. performed actions establishing future collateral to the investment loan agreement at Santander Bank Polska SA, i.e.:

- SAS Sp. z o.o. concluded an agreement with the bank on unconditional accession to the debt of Makarony Polskie S.A. arising from the investment loan agreement and made a declaration of submission to enforcement pursuant to art. 777 §1.5 of the Code of Civil Procedure, and also concluded an agreement on joint contractual mortgage up to the amount of PLN 18.0 million on the real estate of SAS located in Korpele along with an agreement on assignment of receivables from the insurance agreement for buildings and structures on the above mentioned real estate,
- Makarony Polskie SA, as the sole shareholder of the SAS company, entered into a registered pledge agreement with the bank for up to the amount of PLN 18.0 m on 107,730 shares in the SAS company, with a nominal value of PLN 10.773 m, representing 100% of the share capital of that company and 100% of the votes at the Shareholders' Meeting of that company.

During 2022, Makarony Polskie SA concluded an annex to the investment loan agreement with Santander Bank Polska SA, as a result of which a loan repayment schedule have changed, in connection with the use of the loan amount of PLN 11,760 k against the limit of PLN 12,000 k that Makarony Polskie SA could have used.

- Overdraft in BNP Paribas Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 7,000 k
Loan period	19.11.2021 - 31.10.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 182 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to the amount of PLN 10,500 thousand on real estate in Częstochowa marked with KW no. CZ1C/00111425/8 together with assignment of rights from the real estate insurance policy, – 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.

– Revolving loan in Santander Bank Polska SA

During 2022, the Company benefited from a working capital loan totalling PLN 3,000 thousand granted to it by Santander Bank Polska SA. In accordance with the provisions of the agreement, the loan was repaid on the due date and therefore the obligations under the agreement between the Company and the Bank were extinguished.

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

Terms of the agreement	31 December 2022
Contractual value	PLN 7,500 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 6,532 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

During 2022, Makarony Polskie SA concluded an annex to the factoring agreement with Santander Factoring Sp. z o.o., which:

- increased the factoring limit from PLN 5.5 million to PLN 7.5 million,
- extended the term of the factoring limit from 31 March 2022 to 31 March 2023,
- adjusted the margin to market conditions.

Subsequent to the end of the reporting period, the Company entered into an annex to the factoring agreement with Santander Factoring Sp. z o.o., which extended the term of the factoring limit by a further year.

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 2022 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of secured liabilities in PLN k as at 31.12.2022
Surety of overdraft facility in the amount of PLN 4.0 m Surety of investment loan in the amount of PLN 13.8 m	Bank BGK	6,000	15/05/2025	3,385
Surety of investment loan in the amount of PLN 4.8 m	Bank BGK	4,812	08/11/2025	2,495
Bank guarantee in the amount of PLN 1.5 m	Bank BGK	335	16/07/2026	-

Bank guarantee in the amount of PLN 2,2 m	Bank BGK	2,235	30/06/2025	-

During 2022, Makarony Polskie S.A. concluded an annex to the guarantee agreement for the open-end credit in the current account of Stoczek Natura Sp. z o.o. with Bank BGK, as a result of which the amount of the guarantee was increased from PLN 4.5 million to PLN 6.0 million.

In 2022, Makarony Polskie S.A. granted two sureties to Stoczek Natura Sp. z o.o., which expired in the reporting period due to the release of the guarantees by the beneficiaries and the return of the original guarantee documents. The sureties secured two bank guarantees of PLN 0.5 million and PLN 1.5 million granted to the subsidiary by Bank BGK.

Makarony Polskie SA received remuneration for granting sureties.

Stoczek Natura Sp. z o.o. granted sureties to the parent company Makarony Polskie SA, and their status as at 31 December 2022 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 31.12.2022
Surety of overdraft facility in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30/12/2026	261
Surety of investment loan in the amount of Surety of investment loan in the amount of PLN 13.8 m	Santander Bank Polska SA			1,359

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

Note 28
Guarantees obtained and granted

In 2022, Makarony Polskie SA granted the guarantee to its affiliate SAS Sp. z o.o. The guarantees received were used by Makarony Polskie SA, Stoczek Natura Sp. z o.o. and SAS Sp. z o.o.

The list of guarantees in force at Makarony Polskie SA as at 31 December 2022 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	157	until 31.01.2024	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note with a promissory note declaration
Santander Bank Polska SA	457	until 31/03/2027	guarantee securing the Company's contractual obligations under the institutional contract concluded	– a joint mortgage of up to PLN 18 200 thousand on the Company's real estate in Rzeszów (Land and Mortgage Register No. RZ1Z/00076860/5) and in Płock (Land and Mortgage Register No. PL1P/00094893/6, Land and Mortgage Register No. PL1P/00097530/5, Land and Mortgage Register No. PL1P/00114158/9, Land and Mortgage Register No. PL1P/00097363/3), together with an assignment of rights under the real estate insurance policy, which is a future obligation to be established in accordance with the agreement; – blank promissory note with a promissory note declaration; – the Company's statement of submission to enforcement made under Article 777 of the Code of Civil Procedure in the form of a notarial deed, with this being a future obligation to be established in accordance with the contract

In 2022, Makarony Polskie S.A. used a guarantee of PLN 1,011 thousand securing the Company's contractual obligations under a concluded institutional contract, granted by Santander Bank Polska, which expired in the reporting period due to the release of the guarantee by the beneficiary and the return of the original guarantee documents.

Note29

Profisions for employe benefits and other provisions

2022	Creation	Use

	Balance at the beginning of the period		and release	As at the end of the period
For retirement and similar benefits, including:	1,207	706	9	1,904
a) long-term	345	0	5	340
b) short-term	862	706	4	1,564
Other provisions, including: 0	0	0	0	0
a) provision for the audit of the financial statements 0	0	0	0	0
b) other	0	0	0	0
Total	**1,207**	**706**	**9**	**1,904**

2021	Balance at the beginning of the period	Creation	Use	As at the end of the period
			and release	
For retirement and similar benefits, including:	1,517	9	319	1,207
a) long-term	336	9	0	345
b) short-term	1,181	0	319	862
Other provisions, including: 0	0	0	0	0
a) provision for the audit of the financial statements 0	0	0	0	0
b) other	0	0	0	0
Total	**1,517**	**9**	**319**	**1,207**

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 recognises a "provision" (recognised as an element of accrued expenses) for unused holidays that relate to periods prior to the balance sheet date but will be used in the future. The amount of the provision depends on the average monthly remuneration and the number of unused days of leave to which the employee is entitled at 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 30
Long-term and short-term financial liabilities

LIABILITIES FROM FINANCE LEASING CONTRACTS:

	Total present value of minimum fees	
	as at 31.12.2022	as at 31.12.2021
up to 1 year	285	681
within 1 to 5 years	670	895
Total	**955**	**1,576**

LIABILITIES FROM FINANCIAL LEASING CONTRACTS - IFRS-16

	Total present value of minimum fees	
	as at 31.12.2022	as at 31.12.2021
up to 1 year - lease	880	706
up to 1 year – Perpetual usufruct right to land 4	4	4
within 1 to 5 years - lease	1,510	1,486
in the period over one year - Perpetual usufruct right to land	1,191	1,187
Total	**3,584**	**3,383**

The carrying amount of tangible assets as at 31 December 2022 was PLN 4,841 k, including the lease of premises amounting to PLN 2,361 k, the right of perpetual usufruct of land amounting to PLN 1,143 k.. and equipment and means of transport amounting to PLN 1 337 k.

FINANCIAL OBLIGATION - POLISH DEVELOPMENT FUND SUBSIDY

	31.12.2022	31.12.2021
up to 1 year	214	368
within 1 to 5 years	0	215
Total	214	583

Note 31
Trade and other liabilities

	31.12.2022	31.12.2021
Trade liabilities from other entities:	**25,717**	**22,852**
- long-term part	0	0
- short-term part	25,717	22,852
Liabilities to affiliates	**10,619**	**3,532**
- long-term part		

- short-term part	10,619	3,532
Liabilities to other entities		
Pre-payments	**5,798**	**24**
Other liabilities	**3,211**	**1,957**
- long-term part		
- short-term part	3,211	1,957
Total liabilities	**45,345**	**28,365**

Trade liabilities	31/12/2022	31/12/2021
- to affiliates	10,619	3,532
- to other entities	25,717	22,852
Total	**36,336**	**26,384**

Public-law and other liabilities	31.12.2022	31.12.2021
-natural persons income tax	227	178
- corporate income tax- CIT 8	1,237	0
- Social Security Institution	748	607
- salaries	724	657
- PFRON	7	8
- other	268	507
Total	**3,211**	**1,957**

Other liabilities including CIT - currency structure

	31.12.2022	31.12.2021
- in Polish currency	35,177	25,664
- in foreign currencies	10,168	2,701
a) unit/currency EUR	2,168	587
(in PLN)	10,168	2,701
a) unit/currency GBP	0	0
(in PLN)	0	0
Total	**45,345**	**28,365**

Trade liabilities - aging

	31.12.2022	31.12.2021
1) current in total	33,409	24,459
2) overdue in total	2,927	1,925
a) up to one month	2,747	1,784
b) between 1 and 3 months	166	73

c) between 3 and 6 months	3	1
d) between 6 months and 1 year	1	2
e) more than one year	10	65
Trade liabilities in total	**36,336**	**26,384**

Note 32
Deferred income

	31.12.2022	31.12.2021
Deferred income	**16,605**	**18,079**
- long-term part	15,332	16,777
- short-term part	1,273	1,302

The short-term and long-term part of accruals includes subsidies received by Makarony Polskie S.A. for the purchase of machinery and equipment. The grant amounts were awarded in 2006, 2009, 2019, 2020 and 2021.

The grants relate to non-current assets, their fair value is recognised in the deferred income account and then gradually written off, by way of equal annual write-downs, in the statement of comprehensive income over the estimated useful life of the related asset.

In 2022, the Company released an amount of PLN 1,474 thousand from deferred income and recognised under other operating income.

Note 33
Off-balance items

(in PLN k)	31.12.2022	31 December 2021
1. Contingent assets	**18,039**	**18,534**
- received guarantees and sureties	15,980	16,534
- collaterals on assets	0	0
- promissory notes	2,059	2,000
2. Contingent liabilities	**134,753**	**121,911**
- for provided guarantees and warranties	14,182	11,365
- collaterals on property	93,038	70,555
- promissory note obligations	27,533	39,991
Total off-balance items	**- 116,714**	**- 103,377**

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 34
Transactions with affiliates

Dividends paid and proposed for payment

In 2022, the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from 1 January 2021 to 31 December 2021 in the amount of PLN 5,034 360.73 should be divided as follows:

- to pay the shareholders a dividend of PLN 0.30 gross per share,
- the remaining part of the profit will 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 30 June 2022, the Annual General Meeting of Makarony Polskie SA adopted resolutions on approving the financial statements for the reporting year 2021 and net profit distribution, including a dividend in the amount of PLN 0.30 gross per share. Due to the error in calculation regarding a total value of the dividifent paid from the Company's net profit for 2021, in the resolution adopted by the General Meeting on 30 June 2022, on 1 August 2022 the Extraordinary General Meeting clarified a total value of the dividend paid for 2021 and indicated a correct total value of the dividend, i.e. PLN 3,312,021.30.

The Management Board of the Company decided that the net profit for the period from 1 January 2021 to 31 December 2021 in the amount of PLN 5,034,360.73 should be divided as follows:

- the amount of PLN 0.30 gross per share, i.e. a total of PLN 3,312,021.30 will be allocated to the dividend payment for the shareholders,
- the remaining part of the net profit in the amount of PLN 1,722,339.43 will be allocated to the Company's supplementary capital.

The dividend record date was set for 15 July 2022. The dividend was paid on 30 September 2022. 11,040,071 Company shares were entitled to the dividend.

The Management Board of Makarony Polskie SA decided that in the next financial years it would also try to recommend to the Annual General Meeting the payment of dividends to

shareholders, although each time the possibility of paying a dividend will depend on the amount of profit achieved, current investment objectives and the situation.

Settlements with affiliates

During 2022, the companies of the Makarony Polskie Company did not conclude any significant transactions with each other under the terms other than market terms.

Within the Makarony Polskie Company, individual companies enter into transactions of purchase and sale of products, goods and services among themselves. 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	Sales to affiliates- comprehensive income		Purchases from affiliates	
	For the period from 01.01 to 31.12.2022	For the period from 01.01 to 31.12.2021	For the period from 01.01 to 31.12.2022	For the period from 01.01 to 31.12.2021
Parent company - Makarony Polskie S.A.	929	323	56,085	27,912
from/to Stoczek Sp. z o.o.	687	309	37,896	26,105
from/to MP Trade Sp. z.o.o.	14	14	2,706	1,807
from/to SAS Sp. z.o.o.	228	0	15,483	0

Affiliate	Receivables from affiliates		Liabilities towards affiliates	
	As at 31.12.2022	As at 31/12/2021	As at 31.12.2022	As at 31.12.2021
Parent company - Makarony Polskie S.A.	141	734	10,618	3,531
- from/to Stoczek Sp. z o.o.	102	733	7,259	3,058
from/to MP Trade Sp. z.o.o.	1	1	509	473
from/to SAS Sp. z.o.o.	38	0	2,850	0

Note 35

Other items affecting assets, liabilities, equity, income, expenses and net income or cash flow statement that are unusual because of their nature, size or extent

There were no unusual items in 2022 due to their nature, size or extent other than those described in the Comapny’s financial statements.

Note 3 3
Significant contracts

Acquisition finalization

At the beginning of 2022, Makarony Polskie SA finalized the acquisition of „SAS" Sp. z o.o. with its registered office in Korpele, established as a result of transformation of the enterprise, previously run as a sole proprietorship on the basis of the entry in the Business Activity Central Register and Information Record, into a single-person limited liability company.

As a result of the finalized transaction, since 3 January 2022, the Company has become the owner of all 107,730 shares, with a total nominal value of PLN 10,773 k, in the share capital of SAS (100% of the share capital, representing 100% of the votes at the shareholders' meeting) for a total purchase price of approx. PLN 17.0 m.

The acquisition was partially financed from the funds obtained as a result of the increase in the Company's share capital through the issue of series F shares in the amount of PLN 5.25 m, and partially from the investment loan in the amount of PLN 11.76 m.

Disclosures regarding the acquisition of SAS Sp. z o.o.

The basic reason for purchasing SAS Sp. z o.o. the Makarony Polskie Group's development by way of increasing its economic potential based on the acquisition of the competitive company with a similar business profile, and thus, increasing production capacities. The additional production capacities of the plant taken over will allow for selling through the Makarony Polskie Group approximately 50 k tons of a finished product, with the possibility of expanding the acquired plant with additional production lines in the future. This will result in a better competitie position on the nation-wide pasta sales market, in particular due to more favorable conditions for the purchase of raw materials (flour, egg pulp) for pasta production thanks to scale effect.

There were three main factors in favor of the takeover:

1. good price - SAS Sp. z o.o. was a family business run on the basis of an entry in the Business Activity Central Register and Information Record, in which there was a problem of generational succession as the entrepreneur running that business reached the retirement age in 2021, while his descendants were not interested in running the business. This created conditions favourable for negotiating a fair price based on the Company' market value without taking into account the sentimental value for the seller;
2. The speed and efficiency of increasing the Group's production capacities - SAS Sp. z o.o is a well-organized production enterprise. The manner of running the plant is

very similar to the standards implemented in the Makarony Polskie Group. The purchase of SAS plant allowed for obtaining a fully functioning plant with a well-trained staff, which significantly reduces the costs and time that would be required to achieve comparable results if the Company was to expand its capacity in an organic manner;

3. Acquisition of a significant competitor and its clients – the purchase of SAS Sp. z o.o. allowed the Company to acquire new clients and to maintain balance on the pasta market, undertsood as not increasing the production capacities on the pasta market which could lead to price pressure.

Signing a letter of intent between Makarony Polskie SA and KSG Agro SA

In July 2022, a letter of intent was signed between the Company and KSG Agro SA ("Letter of intent"), concerning the determination of the principles of establishing business cooperation by the parties in the field of trade in rapeseed and sunflower oils and grains, as well as cooperation in other areas of agricultural production.

The intention of the parties is, in particular, to establish cooperation regarding the import of rapeseed oil and sunflower oil from Ukraine, their processing and marketing in Poland and/or in third countries.

The letter of intent does not constitute a binding agreement, but only expresses the will to start talks on mutual cooperation of the parties within the scope and on the terms set out therein. The validity period of the Letter of Intent referred to above has not been specified.

Agreements with Jeronimo Martins Polska SA and the Lidl chain

As part of the cooperation between the companies of the Makarony Polskie Group and the Biedronka (Jeronimo Martins Polska SA) and Lidl chains, various types of products produced by the Group are offered in the shops of these chains.

Note 3 3

Remuneration of members of the Management Board and Supervisory Board

Management Board

First name and surname	Function	For the period from 01.01 - 31.12.2022		For the period from 01.01 - 31.12.2021	
		fixed	variable	fixed	variable
Zenon Daniłowski	President of the Board	600	854	507	479
	Total	**1,454**		**986**	

The remuneration system of the President of the Management Board is based on a fixed part (basic remuneration under the employment contract) and an incentive variable part.

During 2022, the variable part of the remuneration for the function was calculated based on the EBITDA result /operating profit+amortisation/ generated by the Makarony Polskie Group in the quarter to which the remuneration pertained, disclosed in the published periodical reports covering the given quarter.

The President of the Management Board of Makarony Polskie S.A. did not receive any remuneration in the subsidiary companies.

In the period covered by these financial statements, the Group's companies did not conclude any agreements with the managing persons providing for compensation in the event of their resignation or dismissal from their positions without a valid reason or if their dismissal or dismissal would occur due to a company merger by acquisition.

In FY2022, as well as in the period up to the publication date of this report, Makarony Polskie S.A. did not run any employee share schemes.

The Company did not grant any loans to the members of the Management Board of Makarony Polskie S.A.

Supervisory Board

First name and surname	Function	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Roman Sobiecki	President of the Supervisory Board of the 9th and 10th terms	35	26
Ahmed Khalil	Vice-President of the Supervisory Board of the 9th and 10th terms	33	24
Wiesław Wasilewski	Member of the Supervisory Board of the 9th and 10th terms	29	21
Janusz Pierun	Member of the Supervisory Board of the 9th term	14	21
Marek Rocki	Member of the Supervisory Board of the 9th and 10th terms	29	21
Michał Słomkowski	Member of the Supervisory Board of the 9th and 10th terms	29	21
Total		**169**	**134**

In 2022, members of the Supervisory Board received remuneration in accordance with the remuneration system adopted:

- by Resolution No. 25 of the Ordinary General Meeting of 24 September 2020 - for each Supervisory Board meeting attended in the period from 1 January to 30 June 2022,
- by Resolution No. 23 of the Annual General Meeting of 30 June 2022 - at a fixed monthly rate for the period from 30 June 2022 to 31 December 2022.

The company has no liabilities arising from pensions or benefits of a similar nature for former supervisors or liabilities incurred in connection with such pensions.

Members of the Supervisory Board of Makarony Polskie SA did not receive any remuneration from subsidiaries.

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

Note 38
Significant event in the period from 1 January 2022 to the date of submission of these financial statements

The impact of inflation on consumer behaviour and the food market

The year 2022 was a difficult one for food companies due to the outbreak of war in Ukraine, which manifested itself in great inflationary pressure on the side of more expensive raw materials, especially soft wheat flour and semolina. Market operators were affected by a lot of turbulence related to the disruption of the raw material market, from shortages to periodically very high prices. Pasta packaging film and paper packaging became more expensive. Towards the end of the year, the pasta market was heavily influenced by worsening inflation, rising fuel, gas and electricity prices. The increasing cost of living also affected the financial expectations of employees, who asked for pay raise.

The 'anti-inflation shield' introduced by the government and the zero VAT on certain food products, had the effect of blocking the possibility to negotiate prices with the large retail chains, with a consequent impact on production costs.

Inflation affected the purchasing behaviour of consumers, who, fearing further increases, bought products such as pasta, to stock up. An additional market element was the aggressive promotional activities of many retail chains aimed at increasing demand at the expense of retail margins.

Impact of the political and economic situation in Ukraine on the activities of Makarony Polskie S.A.

The impact of the political and economic situation in Ukraine on the business and financial performance of Makarony Polskie Company is visible in several areas:

- price increases and the emergence of problems with the availability of certain key raw materials and materials (e.g. flours, egg pulp, foil and cardboard packaging) - due to the increase in demand and turbulence in the supply chain (e.g. difficulties in trade with Ukraine) may have a negative impact on the effectiveness of current operating activities. Previously – alternately – one cost component was increasing, another was decreasing, while the third one was stable, therefore price fluctuations could be amortized and in the long term thet price increase, if any, was of a few percent. Factors and risks with a significant impact on the financial results in the first half of 2022 and in subsequent periods
- price increases of energy, gas and fossil fuels due to the global situation (the ongoing "energy crisis"),
- absence among the staff – the war outbreak have caused many Ukrainians (both men and women) who were working in Poland to decide to return to their homeland – to the front or to their families left behind. It was a challenge for companies to find a replacement for them in a short time. Currently, the risk has been partially mitigated by the Polish government's decision to allow the Ukrainian refugees to enter the Polish labor market,
- pressure from the business environment has forced the Group to renegotiate contracts and change the way it determines the prices for B2B clients – since the outbreak of the war in Ukraine, the Group's company have adopted a strategy of setting prices in one- or maximum two-week periods with the possibility of maintaining sales prices in subsequent periods provided that the market prices of raw materials and packaging are stabilized,
- insurance institutions are withdrawing from insuring contracts with Ukrainian clients, which results in limited possibilities of granting trade credit for Ukrainian clients and imposes cooperation on prepayment basis.
- increased demand of Ukrainian clients for pasta and other products with a long shelf-life - the products offered by the Company belong to this group of goods.
- significant currency market fluctuations present the company with the unprecedented challenge of planning a long-term strategy for purchasing and trading foreign currency in euros (EUR) and dollars (USD).

Immediately after the outbreak of war in Ukraine, in the Company additional procedures were implemented to secure the production continuity and reduce the risk relating to a

lack of raw materials, packaging and staff shortages. These procedures are systematically validated and modified depending on the needs and situation in Ukraine.

The Management Board of Makarony Polskie SA closely monitors the situation related to the war in Ukraine in order to takes steps to minimize the negative impact on the functioning of the Company in the area of security, financial liquidity and achieved results. In the opinion of the Management Board, the Company's current financial situation does not threaten the continuation of its operations in future periods.

The situation in Ukraine has not significantly affected the Company's operations. The share of the Ukrainian market in total sales revenues of the Company amounts to approx. 11%. In the opinion of the Management Board, there are no risks in the Company that would prevent it from settling its liabilities. The Company is not experiencing problems with the repayment of receivables by its contractors (no changes in the collection of receivables have been identified). The Company has not identified an increase in risks in the valuation and backlog of inventories. As at the publication date of the statements, the Group does not identify any significant risks of failure to meet the financial covenants included in loan agreements in connection with the war in Ukraine.

At this moment, despite the war that has been going on for many months, it is difficult to predict a further escalation of the war situation in Ukraine and its impact on the situation of the Company.

Finalization of the acquisition process conducted by the Company

- The acquisition at the beginning of 2022 of SAS Sp. z o.o., a competitive pasta producer, which is among the five largest egg pasta producers in the country, contributed to increasing the production potential of Makarony Polskie S.A., will allow this potential to be used effectively, and will enrich the product portfolio with "nest" pasta, which is very popular on the Polish market,
- Egg-rolled pasta has a better taste than pressed pasta (Italian style) and has a higher selling price, which the Company believes will allow it to increase revenue and improve its sales margins, and consequently positively impact the Company's operations in the long term.
- acquisition has strengthened the Company's position as the leader in the field of rolled egg pasta (consumed willingly in Poland and Central Europe e.g. with soups) and the position as the vice-leader among Polish pasta manufacturers,

Note39

Significant accounting policies used in the preparation of the financial statements

The Company applies, on an ongoing basis, principles that ensure a true and fair presentation of its assets and financial position, financial performance and profitability:

- The going concern principle - which is based on the assumption, in the valuation of assets and liabilities and in the determination of the financial result, that the entity will continue in the foreseeable future to carry on its business activities in a substantially unabated manner, unless this is inconsistent with the factual or legal situation.
- The accrual basis of accounting - which is the recognition of all income earned and related expenses in a given period, regardless of the timing of their payment.

Foreign currency transactions 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; the Polish zloty (PLN) is the entity's functional and reporting currency and all values, unless otherwise indicated, are given in thousands of zlotys (PLN k).

Transactions expressed in currencies other than the Polish zloty are translated into the Polish zloty using the exchange rate prevailing at the date of the transaction.

At the balance sheet date, monetary assets and liabilities expressed in currencies other than the Polish zloty are translated into the Polish zloty using the average exchange rate for the currency in question set by the National Bank of Poland, respectively, in force at the end of the reporting period. Exchange rate differences resulting from the translation are recognised respectively under financial income (expenses) or, in cases defined in accounting principles (policies), capitalised in the value of assets. Non-monetary assets and liabilities recognised at historical cost expressed in a foreign currency are stated at the historical exchange rate on the transaction date. Non-monetary assets and liabilities recognised at fair value expressed in a foreign currency are translated at the exchange rate at the date of measurement to fair value.

Segment reporting

As required by IFRS 8, operating segments should be identified based on internal reports on these elements, which are regularly reviewed by those deciding on the allocation of resources to the segment and assessing its financial performance The Company operates in the following reportable segments: pasta, meat and vegetable preparations, vegetable preparations and stuffing, fruit preparations and other.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are classified assets or groups of assets that are recognised in the financial statements at the lower of carrying amount or fair value less costs to sell. Once assets held for sale are classified, the Company ceases depreciation.

Non-current assets and net asset groups are classified as held for sale when their carrying amount will be recovered through a sale transaction rather than through their continued use. The condition for assets to be classified in this group is that the entity's management actively seeks a buyer and it is highly probable that the assets will be disposed of within one year of their classification and that the assets are available for immediate sale.

Property, plant and equipment

Property, plant and equipment comprise fixed assets and expenditures on fixed assets under construction that entities intend to use in their operations and for administrative purposes over a period of more than one year, which will result in future inflows of economic benefits to the entities. They are recognised at acquisition cost or cost incurred for their construction, extension or modernisation, less depreciation and impairment losses to date. Expenditure on property, plant and equipment includes capital expenditure incurred, as well as expenditure on future supplies of machinery, equipment and services related to the production of property, plant and equipment. The initial value of an item of property, plant and equipment comprises its purchase price plus all costs directly attributable to the purchase and bringing the item into working order (extension and/or construction, modernisation, borrowing costs). Costs incurred after the date the fixed asset is placed in service, such as maintenance and repair costs, are charged to the statement of comprehensive income as they are incurred. Subsequent expenditure is included in the carrying amount of an item of property, plant and equipment or recognised as a separate item of property, plant and equipment (where appropriate) only when it is probable that future economic benefits will flow to the Company from the item and the cost of the item can be measured reliably.

Tangible fixed assets include:

- real estate, i.e. land, buildings and civil and water engineering structures,
- acquired right of perpetual usufruct of land,
- machinery and equipment
- means of transport,
- other movable fixed assets.

Property, plant and equipment are depreciated using the straight-line method over the expected useful life of the asset. Depreciation of fixed assets is carried out at rates reflecting their expected useful life. Depreciation commences when the fixed asset is

available for use, while depreciation ceases at the earlier of the date the fixed asset is classified as held for sale or when it is derecognised in accordance with the guidance in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' or is removed from the balance sheet records. The depreciation method, depreciation rate and residual value are reviewed at each balance sheet date. Any changes resulting from the verification are recognised as a change in estimates, Fixed assets with a value of less than PLN 1,000 are depreciated once in the month in which they are put into use, with the exception of a group of assets with a unit value of less than PLN 3,500, which are depreciated over their useful economic life, if material.

Depreciation of fixed assets is calculated using the straight-line method to spread their initial value, less their residual value, over their estimated useful lives. The residual values and useful lives of fixed assets are reviewed and appropriate adjustments made at least at the end of each financial year. The useful lives for the various components of fixed assets are as follows:

- buildings and structures: 10 to 40 years
- machinery and equipment: 5 to 25 years
- means of transport: 5 to 10 years
- other fixed assets: 4 to 25 years.

Investments in third-party fixed assets are depreciated over the term of the lease, but no longer than their useful life.

Land is not depreciated.

Depreciation on the values so determined is recognised in profit or loss for the period.

If, at the time of preparing the financial statements, circumstances arise that indicate that the carrying amount of property, plant and equipment may not be recoverable, these assets are reviewed for possible impairment. If there is an indication that an impairment may have occurred and the carrying amount exceeds the estimated recoverable amount, then the value of those assets or the cash-generating units to which those assets belong is reduced to the recoverable amount. Impairment losses are recognised in the statement of comprehensive income under 'other expenses'.

An item of property, plant and equipment may be removed from the statement of financial position upon disposal or when no economic benefits are expected from the continued use of such an asset. Any gain or loss arising from the derecognition of an asset (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is recognised in the statement of comprehensive income in the period in which the derecognition occurs.

Subsequent expenditure on a fixed asset increases its book value when it is probable that economic benefits will flow to the Company and the cost of the asset can be measured reliably.

Property, plant and equipment - leases

Fixed assets used under finance leases are depreciated according to the same principles as those applied for own assets. However, when there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases under which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

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

- 'for contracts with a definite term and perpetual usufruct rights up to the term of the contract or right,
- for perpetual leases -' to the best of Management's knowledge of the expected lease term',
- The Company applies a single discount rate to lease portfolios with sufficiently similar characteristics,
- leases with a term of less than 12 months are not recognised as leases.

Depreciation is calculated using the straight-line method to spread their initial value, less residual value, over their useful lives.

Fixed assets under construction

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

Fixed assets under construction are not depreciated until construction is completed and commissioning of the fixed asset.

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

Borrowing costs

Borrowing costs are capitalised as part of the cost of fixed assets. Borrowing costs comprise interest and foreign exchange gains or losses to the extent of an adjustment to interest expense.

Intangible assets

Intangible assets comprise the Company's assets that have no physical form, are identifiable, can be measured reliably and will result in future economic benefits to the entity.

Intangible assets are considered to be:

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

Intangible assets acquired from an entity in a separate transaction are capitalised at cost (costs of completed development). With the exception of development work, internally generated intangible assets are not recognised as assets, and expenditure on intangible assets that do not result in an improvement or extension of their useful life is recognised as an expense when incurred. Otherwise, they are capitalised. The value so determined is shown in the financial statements in the assets of the statement of financial position at net value, i.e. net of accumulated amortisation and depreciation, as well as impairment losses.

The useful life of intangible assets, depending on their type, is either finite or indefinite.

Where limited, intangible assets are amortised at rates that reflect their expected useful lives. Estimates of the amortisation period and method are reviewed at the end of each financial year. If the projected useful life of an asset differs significantly from previous estimates, the amortisation period is revised.

The useful lives for individual intangible assets are as follows:

- software licences: 2 years to 5 years,
- property rights: 2 years to 10 years.

The Company does not amortise intangible assets with indefinite useful lives. They are tested annually for impairment and analysed whether there is any indication that these assets are used for an indefinite period.

The effects of impairment, intangible assets as well as their amortisation are charged to operating expenses.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying value of fixed assets. If there are indications of possible impairment of tangible and intangible assets held, the recoverable amount of the asset is estimated. The amounts of impairment losses determined reduce the carrying amount of the asset to which they relate and are recognised in the statement of comprehensive income.

The amount of impairment losses is determined as the excess of the carrying amount of these assets over their recoverable amount. The recoverable amount corresponds to the higher of
of the following values: net selling price less costs to sell or value in use. In determining value in use, estimated future cash flows are discounted to present value using a gross discount rate reflecting the current market time value of money and the risks associated with the asset.

For assets that do not generate cash flows on their own, the recoverable amount is estimated as a proportion of cash-generating units.

Impairment losses recognised are reversed when the reasons justifying them cease to exist. The effects of the reversal of impairment losses are recognised in the income statement, with the exception of amounts previously reducing the revaluation reserve, which adjust it to the amount of the reductions made.

Financial assets

Classification of financial assets

Financial assets are classified into the following measurement categories:

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

An entity classifies a financial asset based on the entity's business model for managing financial assets and the characteristics of the contractual cash flows for the financial asset (the so-called 'SPPI criterion'). The entity reclassifies investments in debt instruments if and only if the management model of these assets changes.

Measurement at initial recognition

With the exception of certain trade receivables, at initial recognition an entity measures a financial asset at its fair value, which, in the case of financial assets not at fair value

through profit or loss, is increased by transaction costs directly attributable to the acquisition of those financial assets.

Discontinuation of recognition

Financial assets are derecognised when:

- the rights to receive cash flows from the financial assets have expired, or
- the rights to receive cash flows from the financial assets have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement after initial recognition

For the purposes of measurement after initial recognition, financial assets are classified into one of four categories:

- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income,
- equity instruments measured at fair value through other comprehensive income,
- financial assets at fair value through profit or loss.

Debt instruments - financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held in accordance with a business model that seeks to hold the financial asset to earn contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

In the category of financial assets measured at amortised cost, the Company classifies:

- trade receivables,
- loans that meet the SPPI classification test and which, in accordance with the business model, are reported as held for cash flows,
- cash and cash equivalents.

Interest income is calculated using the effective interest rate method and is reported in the Statement of Comprehensive Income under 'Interest income'.

Debt instruments - financial assets at fair value through other comprehensive income

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

- the financial asset is held in accordance with a business model that is designed to both receive contractual cash flows and sell financial assets; and

- the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

Interest income, exchange differences and impairment gains and losses are recognised in profit or loss and calculated in the same way as for financial assets measured at amortised cost. Other changes in fair value are recognised through other comprehensive income. When a financial asset is no longer recognised, the total gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Interest income is calculated using the effective interest rate method and is reported in the Statement of Comprehensive Income under 'Interest income'.

The Company classifies derivatives into the category of debt instruments at fair value through other comprehensive income.

Equity instruments - financial assets at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election to recognise in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by the acquiring entity in a business combination to which IFRS 3 applies. Such an election is made separately for each equity instrument. Accumulated gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss. Dividends are recognised in the Statement of Comprehensive Income when an entity's entitlement to receive dividends arises, unless the dividends clearly represent the recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss

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

The gain or loss on the fair value measurement of debt investments is recognised in profit or loss.

Dividends are recognised in the Statement of Comprehensive Income when an entity's entitlement to receive dividends arises.

The Company classifies shares of companies listed on an active market into the category of equity instruments at fair value through profit or loss.

In situations where the Company:

- has a valid legal right to set off the recognised amounts and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

the financial asset and the financial liability are offset and reported on a net basis in the statement of financial position.

The master agreement described in IAS 32.50 does not provide a basis for offsetting unless both criteria described above are met.

Impairment of financial assets - accounting policy

The Company assesses expected credit losses ('ECL') associated with debt instruments measured at amortised cost and fair value through other comprehensive income, regardless of whether there is an indication of impairment.

For trade receivables, the Company uses a simplified approach and measures the allowance for expected credit losses at an amount equal to expected lifetime credit losses using a provision matrix. The Company uses its historical credit loss data, adjusted for the impact of forward-looking information where appropriate.

For other financial assets, the Company measures the allowance for expected credit losses at an amount equal to 12 months of expected credit losses. If the credit risk associated with a financial instrument has increased significantly since initial recognition, the Company measures the allowance for expected credit losses on the financial instrument at an amount equal to the lifetime expected credit losses.

At the same time, the Company assesses a debtor's default when the delay in repayment exceeds 365 days.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

The cash balance shown in the statement of cash flows consists of cash and cash equivalents as defined above.

Receivables

Within receivables, the Company recognises rights to remuneration in exchange for goods or services it has provided to a customer if the right is unconditional (the only condition for the remuneration to be due is the passage of a specified period of time). The Company recognises the receivable in accordance with IFRS 9. Upon initial recognition of a contract receivable, any difference between the measurement of the

receivable in accordance with IFRS 9 and the corresponding previously recognised amount of revenue is recognised by the Company as an expense (impairment loss).

Receivables are recognised depending on the contractually expected repayment date as:

- long-term - when the repayment term is more than one year from the balance sheet date,
- short-term - when repayment is to be made within one year from the balance sheet date.

Trade receivables are initially recognised at fair value, i.e. at the amounts initially invoiced, and are subsequently measured at adjusted cost (amortised cost) using the effective interest rate method, less any impairment losses.

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 (NBP), valid on the day of the transaction, unless a different exchange rate was set in a customs declaration or other document binding on the Company.

As at the balance sheet date, receivables denominated in foreign currencies are recognised and measured at the average exchange rate set for a given currency by the National Bank of Poland prevailing on that date.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans include financial assets arising from the issue of cash, goods or services directly to the other party to a contract, with the exception of financial assets held for sale in the short term. Loans include loans granted to entities and buy-sell-back transactions on treasury bills. Loans are classified as current assets provided their maturity does not exceed 12 months from the balance sheet date. Loans with a maturity of more than 12 months from the balance sheet date are included in non-current assets. Loans granted are measured at amortised cost using the effective interest rate, net of impairment losses. Accrued interest is recognised in finance income in the period to which it relates. The Company recognises an allowance for doubtful accrued interest as it accrues.

Inventories

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

Inventories of materials and goods are valued at the balance sheet date at the lower of cost and net realisable value. The net selling price represents the selling price in the ordinary course of business, less the estimated costs necessary to make the sale (discounts and rebates, costs related to the adaptation of inventories for sale).

At the balance sheet date, finished goods are valued at actual cost using prudent valuation principles.

If the purchase price or technical production cost of inventories is higher than the net realisable sales price, the entity makes write-downs that adjust the cost of sales.

Disposals of materials, goods and finished goods from the warehouse are made sequentially at the prices (costs) of those assets that the entity acquired (produced) earliest - the fifo method.

Prepaid expenses

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

The Company's prepaid expenses include:

- costs and charges relating to specific periods (taxes, fees, insurance, subscriptions,),
- prepaid costs of public advertising in the media,
- deferred financial costs (prepaid interest or bank commissions, expenses related to the acquisition of shares and call costs until settlement of investments).

Equity

Shareholders' equity is established and disclosed in accordance with the law and the Company's articles of association/contracts.

Shareholders' equity consists of:

- the Company's share capital, shown at the nominal value of the registered shares as shown in the Company's articles of association and entry in the National Court Register,
- supplementary capital (from the sale of shares above their nominal value, statutorily created supplementary capital - up to 1/3 of the share capital, supplementary capital created in accordance with the Articles of Association from profit distribution and from the transfer of reserve capital from the revaluation of sold and liquidated fixed assets,
- retained earnings/losses, consisting of undistributed profit or uncovered loss from previous years,
- net profit or loss.

Share issue costs incurred at the time of the Company's incorporation or share capital increase reduce the share premium and the remainder is classified as finance costs.

Interest-bearing loans and borrowings

Upon initial recognition, all bank loans, borrowings and debt securities are recognised at fair value, less costs associated with obtaining the loan or borrowing.

Subsequent to initial recognition, interest-bearing loans, borrowings and debt securities are measured at amortised cost, using the effective interest rate method, In determining amortised cost, the costs associated with obtaining the loan or borrowing and discounts or premiums received in respect of the liability are taken into account.

Income and expenses are recognised in profit or loss when the liability is derecognised and as a result of settlement using the effective interest method.

Payables and accruals

Current trade payables are stated at amortised cost. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities originally classified as measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss are measured at fair value, taking into account their market value at the balance sheet date net of transaction costs. Changes in the fair value of these instruments are recognised in profit or loss as finance costs or income, except for changes in own credit risk for financial liabilities originally classified as at fair value through profit or loss, which are recognised in other comprehensive income.

Other financial liabilities that are not financial instruments measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability from its balance sheet when the obligation is extinguished - that is, when the obligation specified in the contract is discharged, cancelled or expired. The replacement of an existing debt instrument by an instrument with substantially different terms made between the same parties. The Company recognises as the expiry of the original financial liability and the recognition of a new financial liability.

When the contractual terms of a financial liability are modified but the existing liability is no longer recognised, a gain or loss is recognised immediately in profit or loss. The gain 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 for value added tax, Social Security, etc., and liabilities for advance payments received that will be settled through the delivery of goods, services or fixed assets. Other non-financial liabilities are recognised at the amount payable.

Provisions

Provisions are recognised when the Company has an existing obligation (legal or constructive) as a result of past events and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the consideration.

Where the effect of the time value of money has a material effect on the amount of a provision recognised, the amount of the provision is determined by discounting the projected future cash flows to present value, using a gross discount rate reflecting current market prices for the time value of money, and any risks associated with the liability.

In particular, the Company makes provisions for:

- certain or highly probable future liabilities, the amount of which can be reliably estimated, and in particular for losses from business operations in progress, including guarantees, sureties, credit operations, the effects of pending litigation,
- future liabilities for employee benefits, in particular for retirement and disability severance pay,
- unused holidays.

Provisions for employee benefits

The vast majority of the Company's employees are entitled to post-employment retirement benefits. The payer of future pension benefits is both the Company and separate pension funds. In the case of a pension plan operated by a pension fund, the Company’s liability's is limited to the payment of fixed contributions.

In the case of a pension plan operated by the Company for the benefit of its employees, the Group is obliged to provide strictly defined future pension benefits in the form of severance or disability payments.

Benefits related to the payment of defined contributions, which are transferred to the pension funds for the benefit of the employees, are charged to the costs of the underlying operations
in the reporting period to which they relate. The difference between the accrued costs for benefits and the value of the contributions transferred to the pension funds in the reporting period was recognised as a receivable or payable in the balance sheet.

The Company uses an actuarial valuation (based on a valuation prepared by an independent actuarial consultant) to determine the present value of future liabilities and the related current period costs. The valuation of provisions for employee benefits is carried out on the basis of 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 the entities' future employee benefit obligations.

The valuation is based on the Company's internal regulations, in particular the Remuneration Regulations and relevant legislation.

Leases

Finance leases, and leases -MSSF -16 that transfer substantially all the risks and rewards of owning or leasing an asset to the Company, are recognised in the Company's assets at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reductions in the balance of the lease liability so as to produce a constant rate of interest on the outstanding liability. Finance costs are charged directly to the statement of comprehensive income. Fixed assets used under finance leases are depreciated over one of two periods: the estimated useful life of the asset or the lease or rental period.

Revenues

Revenue from contracts with customers - accounting policy applied

The Company applies IFRS 15 Revenue from Contracts with Customers to all contracts with customers, except for leases within the scope of IFRS 16 Leases, financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The basic principle of IFRS 15 is to recognise revenue when goods and services are transferred to the customer, at a value that reflects the price expected by the entity, in exchange for the transfer of those goods and services. These principles are applied using a five-step model:

- the contract with the customer is identified,
- performance obligations under the contract with the customer are identified,
- the transaction price is identified,

- an allocation of the transaction price to the individual performance obligations is made,
- revenue is recognised when the performance obligation under the contract is met.

Identification of a contract with a customer

The Company recognises a contract with a customer only when all of the following criteria are met:

- the parties to the contract have entered into an agreement (whether in writing, orally or in accordance with other customary commercial practices) and are obliged to perform their obligations;
- The Company is able to identify the rights of each party regarding the goods or services to be transferred;
- the Company is able to identify the terms of payment for the goods or services to be transferred;
- the contract has economic substance (i.e. the risk, time distribution or amount of the entity's future cash flows can be expected to change as a result of the contract); and
- it is probable that the Company will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

In assessing whether it is probable that the amount of consideration will be received, the Company considers only the ability and intention of the customer to pay the amount of consideration in a timely manner. The amount of remuneration to which the Company will be entitled may be lower than the price specified in the contract if the remuneration is variable, as the entity may offer a price concession to the customer.

Identification of performance obligations

At the inception of a contract, the Company assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer a good or service (or bundle of goods or services) that is separable or a group of separate goods or services that are substantially the same and for which the transfer to the customer is of the same nature.

A good or service promised to a customer is distinct if both of the following conditions are met:

- the customer can benefit from the good or service either directly or through a link to other resources that are readily available to the customer, and
- the Company’ s obligation to provide the good or service to the customer can be identified as distinct from other obligations set out in the contract.

Determination of the transaction price

To determine the transaction price, the Company takes into account the terms of the contract and its customary business practices. The transaction price is the amount of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the contract with the client 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 return for transferring the promised goods or services to the client. The Company estimates the amount of variable remuneration using one of the following methods, whichever allows the Company to more accurately predict the amount of remuneration to which it is entitled:

- expected value - expected value is the sum of the products of the possible remuneration amounts and the corresponding probabilities of occurrence. Expected value may be an appropriate estimate of the amount of variable remuneration if the Company has a large number of similar contracts.
- most likely value - the most likely value is the single most likely amount within the range of possible remuneration amounts (i.e. the single most likely 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 part or all of the amount of variable remuneration in the transaction price only to the extent that it is highly probable that a significant portion of the amount of previously recognised cumulative revenue will not be reversed when uncertainty about the amount of variable remuneration ceases.

Some contracts with customers include variable amounts of remuneration in connection with the granting of discounts, 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 transferring the promised goods or services to the customer and includes in the transaction price part or all of the variable remuneration amount only to the extent that it is highly probable that a significant portion of the amount of previously recognised cumulative revenue will not be reversed when uncertainty about the amount of the variable remuneration ceases.

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

Allocation of transaction price to performance obligations

The Company attributes a transaction price to each performance obligation (or to a distinct good or distinct service) in an amount that reflects the amount of consideration the Group expects to be entitled to in exchange for transferring the promised goods or services to the customer.

Fulfilment of performance obligations

The Company recognises revenue when it has fulfilled (or is in the process of fulfilling) its performance obligation by transferring the promised goods or services to the customer. With regard to contracts for continuing services, under which the Company has the right to receive remuneration from the customer in an amount that corresponds directly to the value to the customer of the service provided to date, the Company recognises revenue at the amount it is entitled to invoice.

Principal's remuneration vs. intermediary's remuneration

Where another party is involved in the provision of goods or services to the customer, the Company determines whether the nature of the Company's promise is a performance obligation to provide the specified goods or services (in which case the Group is a principal) or to have another party provide those goods or services (in which case the Group is an intermediary).

The Company is a principal if it has control over the promised good or service before transferring it to the customer. However, an entity need not act as a principal if it obtains title to the product only temporarily before it is transferred to the customer. An entity acting as a principal in a contract may fulfil the performance obligation itself, or it may delegate the fulfilment of that obligation or part of it to another entity (such as a subcontractor) on its behalf. In such a situation, the Company recognises revenue at the gross consideration to which it expects to be entitled in exchange for the goods or services transferred.

The Company acts as an intermediary if its performance obligation is to secure the provision of goods or services by another party. In such a case, the Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for the provision of goods or services by another party.

Significant financing component

For contracts with customers for which the period between the transfer of the promised good or service to the customer and the time of payment for the good or service exceeds one year, the Company has assessed that the contracts contain a significant

financing component. To determine the transaction price, the Company adjusts the promised consideration for the significant financing component by applying the discount rate that would have been applied if a separate financing transaction had been entered into between the entity and its customer at the time the contract was entered into.

The Company has elected not to adjust the promised consideration for the impact of the material financing component if, at the time of entering into the contract, it expects that the period from the time the promised good or service is transferred to the customer to the time the customer pays for the good or service will be no more than one year. Therefore, for short-term advances, the Company has not identified a significant financing element.

Non-monetary consideration

For contracts in which the customer has agreed to pay consideration in a form other than cash, the Company measures non-monetary consideration (or a promise to pay non-monetary consideration) at fair value to determine the transaction price. Where the Company cannot reasonably estimate the fair value of the non-monetary consideration, it measures it indirectly by reference to the individual selling price of the goods or services promised to the customer (or class of customers) in exchange for the consideration.

Guarantees

The Company provides warranties for the products sold, which represent the customer's assurance that the product conforms to the specifications agreed by the parties. The Company recognises such guarantees in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Some non-standard contracts with customers include extended warranties. Such warranties constitute a separate service - recognised as a performance obligation to which a portion of the transaction price is allocated.

Capitalised contract formation costs

The Company recognises additional costs of bringing a customer to a contract as an asset when it expects to recover the costs. Additional bringing costs are costs incurred by an entity to bring about a contract with a customer that would not have been incurred if the contract had not been entered into. Additional bringing-to-contract costs include, for example, consultancy services. The costs of bringing a contract to a conclusion, whether or not the contract is concluded, are recognised as an expense when incurred, unless the costs are specifically charged to the customer regardless of whether the contract is concluded. The Company recognises additional costs of bringing a contract to contract as an expense when incurred if the depreciation period of the

asset that would otherwise be recognised by the Company is one year or less. The asset is depreciated on a systematic basis, taking into account the period over which the goods or services to which it relates are transferred to the customer. The Company updates the amortisation period to reflect a significant change in the expected period of transfer to the customer of the goods or services with which the asset is associated.

Contract assets

As part of a contract asset, the Company recognises rights to consideration in exchange for goods or services that it has transferred to a customer, if the right is contingent on a condition other than the passage of time (for example, the entity's future services). The Company assesses whether a contract asset is impaired on the same basis as for a financial asset under IFRS 9.

Receivables

Within receivables, the Company recognises rights to remuneration in exchange for goods or services it has provided to a customer if the right is unconditional (the only condition for the remuneration to be due is the passage of a specified period of time). The Company recognises the receivable in accordance with IFRS 9. Upon initial recognition of a contract receivable, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding previously recognised amount of revenue is recognised by the Company as an expense (impairment loss).

Contract liabilities

As part of contract liabilities, the Company recognises consideration received or receivable from a customer that involves an obligation to provide goods or services to the customer.

Right of return assets

Within right of return assets, the Company recognises the right to reclaim products from customers upon fulfilment of the obligation to return consideration.

Payback obligation

The Company recognises a liability to return remuneration if, upon receipt, it expects to return some or all of it to the customer. The remuneration reimbursement liability is measured at the amount of remuneration received (or receivable) to which the entity expects it is not entitled (i.e. amounts not included in the transaction price). The remuneration reimbursement liability (and the corresponding change in the transaction price and the resulting change in the contract liability) is updated at the end of each reporting period due to changes in circumstances.

Dividends

Dividends are recognised when the shareholders' rights to receive them are established.

Current tax

Current tax liabilities and receivables for the current and prior periods are measured at the amounts expected to be paid to the tax authorities (subject to reimbursement from the tax authorities) using the tax rates and tax laws that were already legally or effectively in force at the balance sheet date.

The current tax charge is calculated on the basis of the tax result (tax base) of the relevant financial year. The tax base differs from gross profit (loss) due to the exclusion of taxable income and tax-deductible expenses in future years, as well as cost and revenue items that will never be included in the tax settlement. Tax expense is calculated based on the tax laws and rates in force for the financial year.

Deferred tax

For financial reporting purposes, income tax is calculated using the balance sheet liability method in respect of all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts as reported in the financial statements.

Deferred tax liabilities are recognised in respect of all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination
  and, at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss; and
- in the case of taxable temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the investor and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, credits and losses can be utilised:

- except where deferred tax assets relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss; and
- in the case of deductible temporary differences associated with investments in subsidiaries, a deferred tax asset is only recognised in the balance sheet to the extent that it is probable that the temporary differences will reverse in the

foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced accordingly to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) in force at the balance sheet date or those that are certain to apply in the future at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity rather than in the statement of comprehensive income.

Goods and services tax

Revenues, expenses and assets are recognised net of value added tax, except:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; it is recognised as part of the cost of the asset or as part of an expense item, as appropriate; and
- receivables and payables, which are reported with the amount of value added tax included.

The amount of value added tax recoverable from, or payable to, the tax authorities is included in the statement of financial position as part of receivables or payables.

Note 40
Financial risk management objectives and principles

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 consist in any possible changes of purchasing and eating habits of the consumers caused by, for example, macroeconomic (inflation) or geopolitical (outbreak of the war in Ukraine) situation. For example, the impoverishment of the society as a result of continuous increase in prices and costs of everyday functioning may lead to the increase

in demand for the cheaper and low-margin products and force the manufacturers and suppliers to aggressive price competition.

Current market trends are monitored on a regular basis. The Company quickly and flexibly matches its offer to them, both in terms of the products themselves and their production technology. The Company's current product offering is modified in line with market trends.

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 carefully analysed 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 (teams whose goal is to conduct R&D projects were appointed).

Risk of dependence on recipients

A large part of revenues is generated by the Company through cooperation with organized and centrally-decisive retail chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial agreements do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted bythe Company . This may result in the inability to meet demand or incomplete use of production capacity, which will have an impact on the results.

In the Company's opinion, the risk of becoming dependent on customers is not significant because the Company conducts systematic actions towards the diversification of customers and increasing the number of so-called medium-sized customers.

Risk related to changes in raw material and material prices

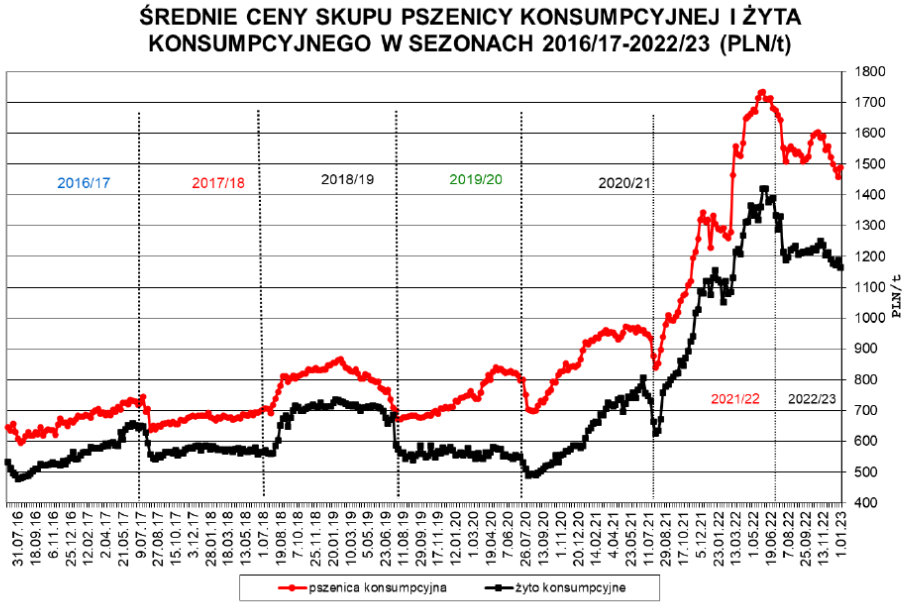
Makarony Polskie Company consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase agreements in annual and half-year periods, which helps to limit material decreases in the profitability of the pasta produced. Unfortunately, the current dynamic changes of prices on the global markets make the suppliers more careful and reluctant to enter into such contracts.

The purchase prices of soft wheat flours were continuously increasing throughout 2021. The price increases continued in 2022 as well, based on wheat price increases. The price of wheat on the Paris exchange rose from Eur209.25/t in April 2021 (01.04.2021) to

Eur280.00/t at the end of the fourth quarter of 2021 (30.12.2021). At the start of hostilities in Ukraine, at the end of March 2022, wheat prices rose sharply to Eur 384.50/t reaching levels unmatched in earlier years. Despite a successful harvest, high prices on cereal markets persisted until the end of 2022, reaching a level of around Eur 315/1t at the end of December (27.12.2022). The news of further increases in the price of energy carriers, means that cereal producers have become very rigid about selling their grain. Thus, the price of flour remained high.

Thus, the price of flour remains high. High prices also remain on the durum wheat flour market – the prices of semolina are reaching an unprecedented level. Ahead of the 2022/2023 harvest, demand for durum wheat, and thus semolina, exceeded supply, leading to price increases. Confirmed news of good harvest forecasts, particularly in Canada, had a positive effect on stabilising the price of durum wheat flour for the following season, with price stabilisation occurring at a high level. A slight decrease in prices is forecast for durum wheat and thus for semolina. The element that could effectively disrupt the price stability in the durum wheat market in the H1 of 2023 is a significant increase in freight and energy carriers costs.

AVERAGE PURCHASE PRICES OF CONSUMER WHEAT AND RYE IN THE SEASONS 2016/17-2022/23 (PLN/t) Consumer wheat



Consumer rye Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 1/2023, Sparks Polska

In the first months of 2022, due to, among other things, an increase in costs associated with the breeding process, such as wages, electricity and fuel, as well as the lack of egg exports from Ukraine (the farms were destroyed as a result of the hostilities), the purchase

prices of egg pulp increased by approximately 90% in the short term, which translated negatively into the profitability of egg noodle production and forced Group companies to revise their commercial terms. In Q.2, 2022, egg prices remained at the high level of Q.1, 2022. Undoubtedly, it will be greatly influenced by the war in Ukraine and significant increases in the prices of feed and energy carriers. After a slight calming of the market at high price levels, September 2022 saw another systematic increase in the price of egg pulp due to strong demand and the detection of further outbreaks of avian influenza. All these elements caused the end of 2022 and the beginning of 2023 to see prices for eggs and egg pulp unprecedentedly high in the history of the trade in these commodities.

Significant price increases also occurred in 2022 in the foil and cardboard packaging market. Price increase in Q2 of 2022 compared to prices in Q4 of 2021 amounted to approximately 140%. This high price level was maintained until the middle of Q4 of 2022. At the end of 2022, the market could see stabilisation and even gentle decreases in the prices of paper, cardboard and foil. These decreases were the result of reduced demand for packaging due to reduced consumption. Packaging prices are forecast to stabilise at a high level, which is related to the high prices of energy carriers.

All of the above cost drivers and their high dynamics, and often unpredictability and uncertainty, make 2022 a very challenging year for manufacturers. Due attention to operational optimisation, systematic monitoring of process efficiency and cost levels, as well as rapid adjustment of product selling prices to the rising costs of their manufacture, are becoming crucial. This radically changes the business relationship between business partners, e.g. the reluctance of suppliers to set fixed commercial terms for longer contract periods (e.g. one year) translates the risk of operating in the short term and the 'uncertainty of tomorrow' into customers.

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes, laws are significantly changed basically day to day (e.g. during the COVID-19 epidemic, after introducing the Polish Order, or after the outbreak of the war in Ukraine), which makes the activities of the companies, including the Makarony Polskie Company, burdened with a very high degree of uncertainty. This is a detrimental factor for business activity which involves a lot of 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 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 2022:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2022 PLN k	Currency exposure as at 31.12.2022 PLN k	EUR PLN k	USD PLN k
Financial assets	0	0	0	0
Cash and cash equivalents	461	131	131	0
Trade receivables 32,589	24,638	507	507	0
Financial liabilities	0	0	0	0
Trade liabilities in total (including advanced payments)	42,134	10,160	10,160	0

The table presents the currency structure for given classes of financial instruments as at 31 December 2021:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2021 PLN k	Currency exposure as at 31.12.2021 PLN k	EUR PLN k	USD PLN k
Financial assets	0	0	0	0
Cash and cash equivalents	26,121	923	923	0
Trade receivables 32,589	17,804	2,458	2,458	0
Financial liabilities	0	0	0	0
Trade liabilities	26,384	2,438	2,438	0

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 31 December 2022:

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	6.5	- 6.5	0	0
Trade receivables (gross)	25.4	-25.4	-	-
Financial liabilities				
Trade liabilities	- 508.0	508.0	-	-

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 31 December 2021:

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	46.1	- 46.1	0	0
Trade receivables (gross)	122.9	- 122.9	-	-
Financial liabilities				
Trade liabilities	- 121.9	121.9	-	-

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

Significantly, 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 2022, the Company used external financing in the form of bank loans: working capital loans, overdrafts and investment loans.

As at 31 December 2022, the Company had a liability due to loans taken out, in the amount of PLN 20,447 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	20,447	8,740	11,707

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 2022 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2022 PLN k	Value at risk as at 31.12.2022 PLN k	WIBOR PLN k
Financial assets			
Borrowings granted	2,000	-	-
Cash in hand and at bank	461	-	-
Financial liabilities			
Bank loans	20,447	20,447	20,447
Other financial liabilities	955	955	955

The structure of financial instruments exposed to the risk of changes in interest rates as at 31 December 2021 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2021 PLN k	Value at risk as at 31.12.2022 PLN k	WIBOR PLN k
Financial assets			
Borrowings granted	2,000	-	-
Cash in hand and at bank	26,121	-	-
Financial liabilities			
Bank loans	29,459	29,459	29,459
Other financial liabilities	1,576	1,576	1,576

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 December 2022:

Interest rate	Deviation assumptions (in percentage points) 31 December 2022		Value at risk as at 31.12.2022 PLN k	Impact on the financial result 31 December 2022	
				PLN k	PLN k
WIBOR	1%	-1%	20,447	- 204.5	204.5

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 December 2021:

Interest rate	Deviation assumptions (in percentage points) 31 December 2021		Value at risk as at 31.12.2022 PLN k	Impact on the financial result 31 December 2021	
				PLN k	PLN k
WIBOR	1%	-1%	29,459	- 294.6	294.6

Risk of insolvency

Credit risk means the risk that the Company's contractors will default on their obligations. The Company applies the principle of making transactions with contractors 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 Company 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 contractor insolvency risk is continuously monitored. The risk of insolvency is controlled by credit limits that are reviewed and approved on an ongoing basis within the Company's control structures. In addition, the Company has covered the selected contractors 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 contractors or a group of contractors.

Note 41
Capital management

The main objective of the Company's capital management is to maintain credit ratings and safe capital ratios that would support its operations and increase value for its shareholders.

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

In 2022, efforts continued in the area of sources of finance with the aim of achieving higher efficiency in their use and lowering the cost of obtaining them. The Company used a wide range of financial instruments:

- bank loans - short and medium-term and investment loans,
- debt repurchase (factoring),
- leasing of fixed assets.

The structure of the sources of financing was subordinated to the postulate of flexibility, i.e. so that in periods of financial surpluses the level of debt (overdrafts, the balance of debt repurchase) decreases, and in periods of increased demand for funds ensures a stable level of financing of current operations.

In 2022, the Company made scheduled repayments of interest-bearing liabilities on time.

Note 42
Financial instruments

The largest share in the structure of the Company's statement of financial position is represented by financial instruments, which on the liabilities side include trade payables and financial liabilities.

On the asset side, the main financial instruments highlighted are receivables arising mainly from the supply of products, loans and cash.

As at 31 December 2022, the Company does not use financial instruments to hedge the value of assets and liabilities and thus does not apply formal hedge accounting. A detailed description of the accounting policies and valuation methods used for the different categories of financial assets and liabilities is included in the previously described accounting policies.

Note 43
Material proceedings pending before a court or an authority competent for arbitration or a public administration authority

In the period 2022, there were no proceedings pending before any court, arbitration body or public administration authority concerning liabilities and receivables of Makarony Polskie S.A. of a total value of at least 10% of the equity of Makarony Polskie S.A.

Note44
Employment in the Makarony Polskie Group SA

Employment as at	31.12.2022	31.12.2021
Production	130	131
Administration	18	19
Sales	18	20

In total	**166**	**170**

Note 45
Auditor's remuneration

The Supervisory Board of Makarony Polskie SA has selected BDO Spółka z ograniczoną odpowiedzialnością sp.k. (formerly: BDO Spółka z ograniczoną odpowiedzialnością) based in Warsaw as the auditor to review the financial statements of the companies of the Makarony Polskie Group for the first half of the financial year and to audit the financial statements of the companies of the Makarony Polskie Group for the financial year 2020-2022.

BDO Spółka z ograniczoną odpowiedzialnością sp.k. is entered on the list of audit firms kept by the National Audit Office (KRBR) under number 3355 and registered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 13th Business Division of the National Court Register under number 0000729684.

Companies of the Makarony Polskie Group previously used the services of BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the annual reports in the financial years 2018-2019.

On 20 August 2020, Makarony Polskie S.A. concluded an agreement with the aforementioned auditor concerning the review of the condensed financial statements for the first half of the financial year and the audit of the Company's and the Group's financial statements for the financial year 2020-2022.

The fees payable to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the financial statements for the financial year 2022 in Makarony Polskie S.A. amounts to PLN 145.2 thousand in total (PLN 42.3 thousand for the review of the standalone and consolidated semi-annual report, PLN 102.9 thousand for the audit of the financial statements of Makarony Polskie S.A. and the Makarony Polskie Group for 2022).

Remuneration due to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the financial statements for the financial year 2021 in Makarony Polskie S.A. amounted to PLN 130.2 thousand in total (PLN 37.3 thousand for the review of the standalone and consolidated semi-annual report, PLN 92.9 thousand for the audit of the financial statements of Makarony Polskie S.A. and the Makarony Polskie Group for 2021).

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Grażyna Kozielec
Chief Accountant

.....
Zenon Daniłowski
President of the Board

Rzeszów, 27 April 2023

The source of data in this report, unless otherwise indicated, is Makarony Polskie S.A.