Makarony Polskie

- SPÓŁKA AKCYJNA -

Financial statements of the Makarony Polskie Group for the reporting year 2023



Rzeszów, 23 April 2024

Table of Contents

General information **4**

Group's organisational structure 4

Changes in the organization of the Makarony Polskie Group in 2023 5

Registration data 6

Employment 7

Composition of the Parent Company's Management Board 7

Personal composition of the Supervisory Board 8

General Meeting of Shareholders of Makarony Polskie SA, ... 9

Composition of the Management Board of subsidiaries 10

Shares in subsidiaries 11

Publication and approval of the financial statements 11

Basis for the financial statements **12**

Declaration on compliance 12

Basis for valuation 12

Functional and presentation currency 12

Accounting principles applied and the basis for preparing the statements 13

New accounting standards and interpretations 13

Consolidated entities: 17

Going Concern 17

Uncertainty of estimates 20

Selected financial data Makarony Polskie Group **22**

Consolidated statements of comprehensive revenues **24**

Consolidated statement of financial position **25**

Consolidated statement on cash flow - indirect method **27**

Statement of changes in consolidated equity **29**

Additional notes **30**

Notes to the statement of comprehensive revenues 30

Note 1 Sales revenue 30

Table of Contents

Note 2 Basic information about operating segments: 34
Note3 Employee benefit costs and depreciation expense....35
Note 4 Sales costs 36
Note 5 Administrative costs 36
Note 6 Other income 37
Note 7 Other costs 38
Note 8 Financial income 39
Note 9 Financial costs 39
Note 10 Income tax 40
Note 11 Deffered income tax....41
Note 12 Data regarding the financial result and shares that were used to calculate basic and diluted earnings per share....42
Note 13 Notes to the Consolidated Statement of Cash Flows 43
Notes to the statement of financial position....45
Note 14 Tangible fixed assets....45
Note 15 Investment property 48
Note 16 Company goodwill value....48
Note 17 Other intangible assets....52
Note 18 Long-term financial assets....55
Note 19 Inventory 55
Note 20 Receivables 56
Note 21 Corporate income tax receivables 59
Note 22 Borrowings granted....59
Note 23 Cash and cash equivalents 60
Note 24 Other assets 60
Note 25 Share capital 61
Note 26 Supplementary capital 62
Note 27 Result from previous years 63
Note 28 Information on loans and guarantees obtained. 63
Note 29 Guarantees obtained and granted 68
Note30 Profisions for employe benefits and other provisions 70
Note 31 Long-term and short-term financial liabilities 71
Note 32 Trade and other liabilities 72
Note 33 Deferred income 73
Note 34 Off-balance items 74
Note 35 Transactions with affiliates 75

Table of Contents

Note 36 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 77

Note 37 Significant contracts 77

Note 38 Remuneration of members of the Management Board and Supervisory Board 78

Note 39 Significant event in the period from 01 January 2023 to the date of submission of these financial statements 79

Nota nr 40 Significant accounting policies used in the preparation of the financial statements 84

Note 41 Financial risk management objectives and principles 105

Note 42 Capital management 114

Note 43 Financial instruments 114

Note 44 Material proceedings pending before a court or an authority competent for arbitration or a public administration authority 115

Note 45 Employment in the Makarony Polskie Group 115

Note 46 Auditor's remuneration 115

General information

Group's organisational structure

As at 31 December 2023, the Makarony Polskie Group ("the Group") consisted of three companies:

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



Makarony Polskie SA is a manufacturer of a wide range of pasta, produced in stamped and rolled technology. The Company offers pasta in a wide variety of shapes, made from durum flour and common 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, pâtés, lards, tinned foods), fruit preserves (jams, jam) offered under the Stoczek and Męska Rzecz brands, as well as ready meals in trays and bowls offered under the So Food brand.

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).

Changes in the organization of the Makarony Polskie Group in 2023

During H1 2023, the Makarony Polskie SA Group also included the subsidiary SAS Sp. z o.o. (formerly: Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o., on 2 January 2023 a change of company name was registered in the KRS). A company whose object was the production of a wide range of pasta, manufactured using rolled and pressed technology, including "nests". Makarony Polskie SA held 100% of the shares of SAS Sp. z o.o.

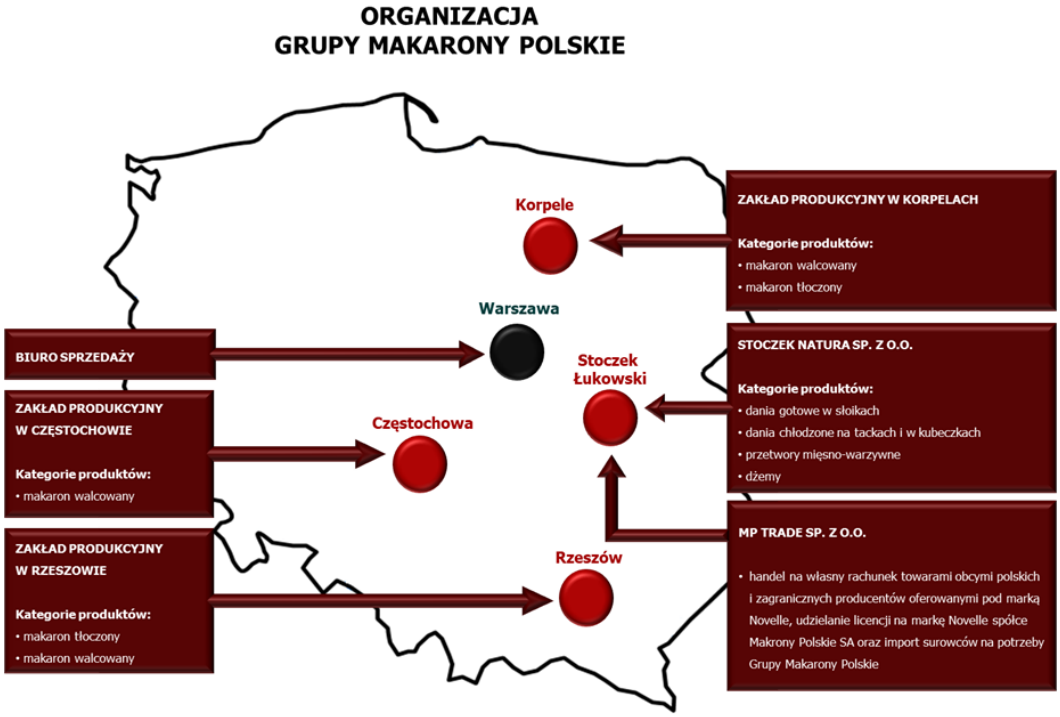
On 26 June 2023, the District Court in Rzeszów, 12th Economic Division of the National Court Register registered the merger of Makarony Polskie S.A. (as the acquiring company), with its subsidiary SAS Sp. z o.o. (as the acquired company).

The merger of the Companies took place based on art. 492 §1 item 1) of the KSH, by transferring all assets of the acquired company (SAS Sp. z o.o.) to the acquiring company (Makarony Polskie SA) - merger by acquisition. Pursuant to Article 514 of the KSH, the merger was made without increasing the share capital of the acquiring company, i.e. Makarony Polskie SA. As a result of the merger, the acquired company (SAS Sp. z o.o.) was dissolved without conducting liquidation proceedings and deleted from the register of companies of the National Court Register, according to art. 493 §1 of the KSH.

Economic considerations, among others, were in favour of the merger. As a result of the merger, it will be possible to:

- reduce of operating costs generated by simultaneous maintenance of two companies - Makarony Polskie S.A. and SAS Sp. z o.o., when the scope of business activities of both entities was the same or very similar and consisted mainly in pasta production,
- achieve the synergy,
- improve the corporate governance of SAS Sp. z o.o.'s assets,
- reduce the costs as a result of the merger of two companies
- integrate the operational processess of both companies.

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: PLN 33,120,213 – paid up in full
Regon: 691674708,
NIP: 813-32-78-856,
www.makarony.pl.

Stoczek Natura Sp. z o.o.

Registered Office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,
Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department

KRS number: 0000050439,

Share Capital: PLN 15,707,800

Regon: 711584640,

NIP: 825-17-27-212,

www.stoczek.com.pl.

MP Trade Sp. z o. o.

Registered Office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,

Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department

KRS number: 0000579926,

Share Capital: PLN 1,500,000

Regon: 362706449,

NIP: 825-21-76-004.

Employment

Employment as at 31 December 2023 in the Makarony Polskie Group was the following:

- Makarony Polskie SA – 322 employees,
- Stoczek Natura Sp. z o.o. - 82 employees
- MP Trade Sp. z o.o. - 0 employees

Composition of the Parent Company's Management Board

Composition of the Management Board

In the period from 01 January 2023 to the publication of these statements, the Management Board of Makarony Polskie SA 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	2023		2022	
	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 2022.

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

Personal composition of the Supervisory Board

Composition of the Supervisory Board

From 01 January 2023 to the date of publication of these statements, the Supervisory Board was composed of:

- Roman Sobiecki - President of the Supervisory Board,
- Ahmed Khalil - Vice-President of the Supervisory Board,
- Marek Rocki - Member of the Supervisory Board,
- Michał Słomkowski - Member of the Supervisory Board,
- Wiesław Wasilewski - Member of the Supervisory Board.

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	2023		2022	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski	26,782	80,346	26,782	80,346

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

General Meeting of Shareholders of Makarony Polskie SA,

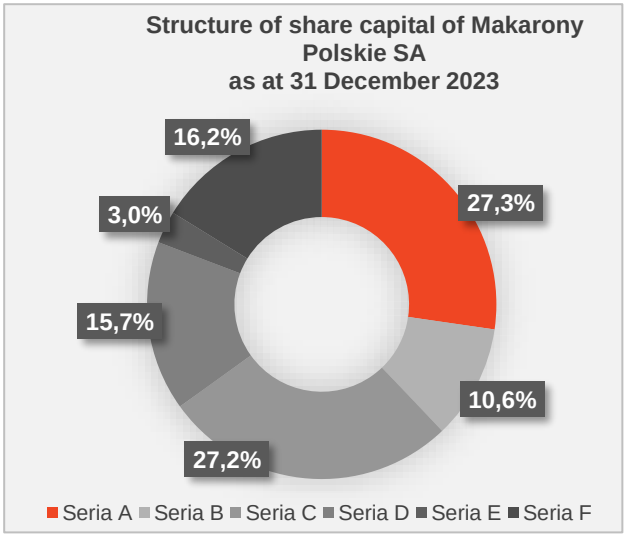
Share capital structure

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 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%**

The Company has no information that would indicate changes in the number of shares held by significant shareholders (with share blocks above 5%) during the reporting period 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.

Composition of the Management Board of subsidiaries

Stoczek Natura Sp. z o.o.

As at 31 December 2023 and the date of publication of these statements, the management board of the subsidiary Stoczek Natura Sp. z o.o. was composed of:

- Adam Ławnik - President of the Management Board,
- Jerzy Krzyżowski - Member of the Management Board.

The function of Proxy in Stoczek Natura Sp. z o.o. is performed by:

- Alicja Hinz - since 05 October 2001.

The commercial power of attorney granted is joint and several, as the commercial proxy may represent the Company only when acting jointly with another commercial proxy or Management Board member.

MP Trade Sp. z o. o.

As at 31 December 2023 and the date of publication of these statements, the management board of the subsidiary Sto Sp. z o.o. was composed of:

- Marcin Zieliński - President of the Management Board.

There were no proxies appointed in MP Trade Sp. z o.o. as at 31 December 2023 and at the date of publication of this report.

Shares in subsidiaries

The managing and supervising persons of Makarony Polskie S.A. do not hold any shares in the subsidiaries of the Makarony Polskie Group.

Publication and approval of the financial statements

These condensed consolidated financial statements were reviewed by an auditing company and approved by the Management Board for publication on 23 April 2024.

The financial statements of the Makarony Polskie Group for 2022 were approved by Resolution No. 6 of the Annual General Meeting of Makarony Polskie on 27 June 2023.

Basis for the financial statements

Declaration on compliance

These Consolidated Financial Statements of the Makarony Polskie Group for the period of 12 months ended 31 December 2023 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 consolidated 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 consolidated 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 Group's financial position and assets as at 31 December 2023.

Basis for valuation

The presented condensed 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.

Functional and presentation currency

The Group'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 consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2022 (published on 27 April 2023) except for the application of amendments to standards and new interpretations effective for annual periods beginning on 01 January 2023.

The duration of the Group companies is not limited.

The company's financial year is the calendar year.

The consolidated 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 Group 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 2023.

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

There are currently three regulations not approved by the EU because the processes regarding the adoption of IFRS 14 and amendments to IFRS 10 and IAS 28 have been suspended.

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.

- 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.

- 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.

- 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 January 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.

- 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 January 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.

- Amendment to IFRS 12 Income Taxes: International Tax Reform - Model Rules Pillar II (Global Minimum Tax) published on 23 May 2023.

The amendments provide companies with a temporary exemption from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development

(OECD) international tax reform. Companies can apply the exemption immediately, but disclosure requirements are required for annual periods beginning on or after 1 January 2023.

The company will apply the change in the standard from 1 January 2024 (2023), but has already adopted it for the necessary disclosures in these financial statements. As at the date of these statements, it is not possible to reliably estimate the impact of applying the new standard.

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

Amendments introduced independently by the Company

The Company has not adjusted the presentation of the comparative data as at 31 December 2022 and for the period of 6 months ended 30 June 2023.

Non-applicable standards (New standards and interpretations)

In these financial statements, the Group 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;

- 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, subsequently modified in July 2020 and finally adopted on 31 October 2022. The amendment is effective for annual periods beginning on or after 1 January 2024. 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 Group will apply the amended standard not sooner than from 01 January 2024. As at the date of these financial statements, it is not possible to reliably estimate the impact of applying the new standard

- Amendment to IFRS 16 Leases 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 Group will apply the amendments to the standard from 1 January 2024. As at the date of these statements, it is not possible to reliably estimate the impact of applying the amended standard

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financing Arrangements published on 25 May 2023.

  The amendments are intended to increase transparency about supplier financing arrangements and their impact on a company's liabilities, cash flows and exposure to liquidity risk. The amendments supplement requirements already included in IFRSs and require entities to disclose additional information related to their contracts, including their impact on liquidity risk. The amendments are effective for annual periods beginning on or after 1 January 2024.

  The Group will apply the change in the standard in accordance with the date of first application adopted by the EU. As at the date of these statements, it is not possible to reliably estimate the impact of applying the new standard.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Non-convertibility of Currency issued on 15 August 2023.

  The amendments will require entities to use a consistent approach to assessing whether a currency is convertible into another currency and, when this is not possible, to determine the exchange rate to be used and the disclosures to be made. The amendments are effective for annual periods beginning on or after 01 January 2025.

  The Group will apply the amended standard not sooner than from 01 January 2025. As at the date of these financial statements, it is not possible to reliably estimate the impact of applying the new standard

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:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financing Arrangements published on 25 May 2023.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Non-convertibility of Currency issued on 15 August 2023.

The implementation of the standards did not have a material effect on the Group's financial statements.

Basis for the financial statements

Consolidated entities:

Consolidated entities as at 31 December 2023:

as at 31 December 2023	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o. o.
The nature of the relationship	direct subsidiary	direct subsidiary
Consolidation method	full	full
Date of taking control	01 June 2007	28 September 2015
% of the capital held	100%	100%

Consolidated entities as at 31 December 2022:

as at 31 December 2022	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o. o.	SAS Sp. z o.o.
The nature of the relationship	direct subsidiary	direct subsidiary	direct subsidiary
Consolidation method	full	full	full
Date of taking control	01 June 2007	28 September 2015	03 January 2022
% of the capital held	100%	100%	100%

Going Concern

The consolidated financial statements of the Makarony Polskie Group have been prepared on the assumption that the business companies will be continued in the foreseeable future and not significantly reduced. The Group did not conduct operations which were discontinued in the first half of 2022. The Group did not conduct operations that were discontinued.

As at the date of preparing the consolidated financial statements of the Group, 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 Group will continue the adopted operating model.

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

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

- investments in new production lines and a research and development center will allow the Group to expand its product range and enter new market segments, both at home and abroad,
- cost and process optimisation measures, e.g. the implementation of MES software within production facilities will allow better control of costs and labour intensity of products and improve production accounting, while WMS software within warehouses will improve inventory management and product flow control, CMMS software will improve fleet management and machinery breakdown management,
- carrying out deep automation and robotisation of packaging processes of pasta products, increasing processing capacity and reducing production costs,
- an interdisciplinary team was established at Makarony Polskie S.A., which, in cooperation with scientific institutions, works on developing and implementing innovative technologies of manufacturing new products: functional, pro-health, low-processed, easy-to-cook, responding to market and nutrition trends,
- the further systematic development of the SoFood brand's range of ready meals in trays and bowls and in new soft packaging formats, in close connection with market trends and the upward trend of this segment, is a good proxy for sales growth in future periods,
- investments in photovoltaics are planned to be completed at all Group sites by mid-2024 - pasta and ready meals production processes are characterised by high production energy intensity, investments in "green energy" will allow the Group, on the one hand, to take care of the environment and reduce its carbon footprint and, on the other hand, to reduce production costs resulting from increases in electricity prices.

Finalization of the acquisition process conducted by the Company

- On 26 June 2023, the District Court in Rzeszów, 12th Economic Division of the National Court Register registered the merger of Makarony Polskie S.A. (as the acquiring company), with its subsidiary SAS Sp. z o.o. (as the acquired company), in accordance with the earlier resolutions of the General Meeting of Makarony Polskie S.A. and the Meeting of Shareholders of SAS Sp. z o.o. concerning the merger of the companies and the merger plan, which was agreed upon and signed by the Management Boards of both companies on 31 August 2022,

- 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 maintenance of two companies, when the scope of business activities of both entities was the same or very similar and mainly concerned 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 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),
- special campaigns, seasonal listings of branded products in discount stores,
- 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.
- developing relationships with key customers in this segment through guided joint research projects in the area of new product development.

Development of B2B sales channels and Institutions

- developing the category of pasta, meat and vegetable preparations tailored to the expectations of customers in this channel,
- establishing cooperative relations with other pasta producers and producers of complementary goods, in order to supplement the offer for the final customer,
- individualising the offer and thus increasing competitiveness.

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 Group 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 Group 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 range by offering functional pasta in foreign markets (e.g: Fit, Cardio, Diabetic, legume vegetable) and ready meals in trays and bowls,
- sourcing and implementing private label supply projects,
- partnership cooperation with other entities that have an offer complementary to the Group's offer in order to increase sales opportunities and make the offer more attractive.

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

Uncertainty of estimates

The basic assumptions for the estimates made at the balance sheet date that involve uncertainty are set out 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.
- lease estimates (related to IFRS-16).

Impairment tests were carried out on the Abak brand and the goodwill arising from the acquisition of Stoczek Natura Sp. z o.o. The relevant tests, in accordance with the applicable rules, were performed as at the end of 31 December 2023.

On the basis of the tests carried out, indications for the recognition of an impairment of the ABAK brand and goodwill were identified. The Group recognised a write-down of the ABAK brand as at 31 December 2023 in the amount of PLN 3,928 thousand and goodwill in the amount of PLN 2,674 thousand.

The basis for the write-down of the Abak brand was a change in the assessment of the attractiveness and development prospects of the products offered under this brand, related to changes in trends in the food market.

The main reasons that contributed to the impairment of goodwill:

- changes in consumer preferences: in recent years, significant changes in consumer eating habits can be observed, which affect the ready meals market; growing health consciousness, preference for organic, local products and emphasis on the quality of ingredients negatively affect the sales of traditional ready meals, which do not correspond to these trends,
- rising production costs: 2023 was a period of global perturbations in supply chains, leading to increases in raw material and packaging prices, as well as labour costs; in the FMCG industry, where margins are low, such cost increases significantly affect company profitability,
- regulation and policy: changes in regulation, e.g. stricter product labelling regulations, product composition requirements or taxes on unhealthy products, significantly affect the costs and sales opportunities of ready meals, interest rate increases and financing costs: 2023 also brought with it a tightening of monetary policy in many countries, including an increase in interest rates, for the company this means higher debt servicing costs, which puts a strain on the financial results,
- permanent changes after the Covid-19 pandemic: although most of the restrictions associated with the pandemic have been lifted by 2023, its long-term economic and social impact continues to affect the FMCG sector; changes in consumer behaviour, such as the rise in popularity of online shopping, are changing the market structure to the detriment of the company.

In summary, the permanent loss of 'goodwill' 2023 is the result of a combination of external and internal factors that affect the operational and financial performance of companies.

Selected financial data
Makarony Polskie Group

Selected financial data	31 December 2023	31 December 2022	31 December 2023 in EUR k)	31 December 2022 in EUR k)
Net revenues from sale of products, services, goods and materials	354,844	328,922	78,360	70,158
Profit (loss) from continued operations	43,668	33,198	9,643	7,081
Gross profit (loss)	42,156	30,343	9,309	6,472
Net profit (loss) from continued operations	32,891	24,458	7,263	5,217
EBIT	43,668	33,198	9,643	7,081
EBITDA (EBIT + depreciation)	57,820	42,368	12,768	9,037
Net cash flows from operating activities	52,965	22,236	11,696	4,743
Net cash flows from investment activities	- 6,327	-22,753	- 1,397	- 4,853
Net cash flows from financial activities	- 25,469	-17,813	- 5,624	- 3,799
Total net cash flows	21,169	-18,330	4,675	- 3,909
Total assets	238,088	239,332	54,758	51,031
Liabilities and provisions for liabilities	88,812	116,418	20,426	24,823
Long-term liabilities	35,435	41,745	8,150	8,901
Short-term liabilities	53,377	74,673	12,276	15,922
Equity	149,276	122,914	34,332	26,208
Revaluation capital	33,120	33,120	7,617	7,062
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	11,040 071	11,040 071	11,040 071
Profit/loss per ordinary share (in PLN/EUR) *	2.98	2.22	0.66	0.47
Book value per one share (in PLN/EUR) **	13.52	11.13	3 11	2.37

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

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

Selected financial data in EUR

Selected financial data for the period 01 January 2023 to 31 December 2023 and 01 January 2022 to 31 December 2022 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 2023, EUR 1= PLN 4.3480; 31 December 2022, EUR 1= PLN 4.6899
- 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 2023 = PLN 4.5284 and at the end of each month of 2022 = PLN 4.6883.

Consolidated statements of comprehensive revenues

For the period	Note	01.07.2023-31.12.2023	01.01.2022-31.12.2022
Net sales revenue	**1.2**	**354,844**	**328,922**
Revenues from sales of other products and services		348,354	317,782
Net revenues from sales of goods and materials		6,490	11,140
Own cost	**2.3**	**256,942**	**255,724**
Production costs of products and services sold		251,437	245,571
Value of goods and materials sold		5,505	10,153
Gross profit (loss) on sales		**97,902**	**73,198**
Costs of sales	4	33,812	28,089
General administrative costs	5	11,330	10,159
Other revenues	6	3,352	6,963
Other costs	7	12,444	8,715
Profit (loss) from continued operations		**43,668**	**33,198**
Financial incomes	8	586	32
Financial costs	9	2,098	2,887
Gross profit		**42,156**	**30,343**
Income tax	10.11	9,265	5,885
Profit (loss) from continued operations, in this attributable to:		**32,891**	**24,458**
Shareholders of the parent Company		*32,891*	*24,458*
Basic net result per share in PLN	12	2.98	2.22
Diluted net result per share in PLN		2.98	2.22
Total net income, in this attributable to:		**32,891**	**24,458**
Shareholders of the parent Company		*32,891*	*24,458*

Consolidated statement of financial position

ASSETS	Note	01.01.2023-31.12.2023	01.01.2022-31.12.2022
FIXED ASSETS		**135,644**	**144,181**
Fixed tangible assets	14	126,666	131,475
Fixed assets with right of use (IFRS-16)	14	6,491	3,699
Investment real estate 603	15	0	603
47,190	16	188	2,863
Other intangible assets	17	1,983	5,503
Assets for deferred income tax		310	3
Other long-term assets	24	6	35
CURRENT ASSETS		**102,444**	**95,151**
Inventories	19	28,719	44,481
Short-term receivables	20	44,280	42,412
Income tax receivables	20.21	0	0
Borrowings granted	22	0	0
Cash and cash equivalents	23	29,003	7,828
Other short-term assets	24	442	430
FIXED ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**238,088**	**239,332**

LIABILITIES	Note	01.07.2023-31.12.2023	01.01.2022-31.12.2022
EQUITY		**149,276**	**122,914**
Revaluation capital	25	33,120	33,120
Supplementary capital	26	60,344	53,521
Revaluation capital		0	114
Reserve capital	26	12,000	12,000
Retained profit/loss	27	43,812	24,159
LONG-TERM LIABILITIES		**35,435**	**41,745**

Consolidated statement of financial position

Provision for deferred income tax	11	3,878	5,088
Long-term bank loans and borrowings	28	8,691	13,133
Other long-term financial liabilities	31	0	0
Provision for pensions and similar (long-term)	30	1,065	495
Revenues of future periods - long-term	33	15,885	19,501
Long-term financial liabilities - leasing	31	5,916	3,528
SHORT-TERM LIABILITIES		**53,377**	**74,673**
Short-term bank loans and borrowings	28	3,019	13,220
Other short-term financial liabilities	31	0	807
Short-term financial liabilities - leasing	31	1,508	1,364
Other short-term liabilities	32	33,476	52,886
Income tax liabilities	32	7,867	2,349
Revenues of future periods - short-term	33	2,656	1,555
Provision for retirement and similar benefits (short-term)	30	2,962	2,421
Other short-term provisions	30	1,889	71
TOTAL LIABILITIES		**88,812**	**116,418**
TOTAL LIABILITIES		**238,088**	**239,332**

Consolidated statement on cash flow - indirect method

For the period	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Profit before tax	42,156	**30,343**
Adjustments by items:		
Depreciation	14,152	9,170
Profits/losses on exchange differences	- 6	- 2
Interest expense and income	1,402	2,185
Profit/loss from investing activities	530	1,686
Change in provisions	2,928	1,270
Change in inventories	15,763	- 23,099
Change in receivables	- 3,199	- 17,468
Change in liabilities and other assets and liabilities	-22,180	18,073
Other adjustments	6,386	4,247
Total adjustments	15,776	- 3,938
Proceeds from dividends	0	0
Corporate income tax paid/reimbursed	- 4,967	- 4,169
Cash flows from net operating activities	**52,965**	**22,236**
Proceeds from the sale of fixed assets and intangible assets	150	1,567
Expenses for the acquisition of fixed tangible assets and intangible assets	- 6,924	- 7,210
Expenses for the acquisition of subsidiaries	0	- 17,110
Interest income	447	0
Proceeds from borrowings granted 0	0	0
Borrowings granted	0	0
Other	0	0
Net cash flows from investment activities	**- 6,327**	**- 22,753**
Proceeds from loans and borrowings	3	2,157
Repayment of loans and borrowings	- 14,646	- 11,590
Payment of liabilities under financial lease agreements	- 1,546	- 1,455
Interest paid	- 1,849	- 2,185
Proceeds from the issue of shares	0	0

Consolidated statement on cash flow - indirect method

Dividend paid to shareholders	- 6,624	- 3,312
Repayment of other liabilities	- 807	- 1,428
Other financial revenue	0	0
Net cash flows from financial activities	**- 25,469**	**- 17,813**
Increase/decrease in cash and cash equivalents	**21,169**	**- 18,330**
Cash, cash equivalents and overdrafts at the beginning of the period	7,828	26,156
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	6	2
Cash, cash equivalents and overdrafts at the end of the period	**29,003**	**7,828**

Statement of changes in consolidated equity

For the period from 01 January 2023 to 31 December 2023

	Core capital	Supplementary capital	Reserve capital	Revaluation capital	Retained profit/loss	In total
As at 01 January 2023	33,120	53,521	12,000	114	24,159	122,914
Distribution of profit/loss coverage	0	6,823	0	0	- 6,823	0
Profit distribution - dividend payment	0	0	0	0	- 6,624	- 6,624
Other comprehensive income	0	0	0	0	0	0
Increase in the period	0	0	0	95	0	95
Revaluation surplus carry-over	0	0	0	-209	209	0
Other comprehensive income	0	0	0	0	0	0
Net result in 2023	0	0	0	0	32,891	32,891
As at 31 December 2023	33,120	60,344	12,000	0	43,812	149,276

For the period from 01 January 2022 to 31 December 2022

	Core capital	Supplementary capital	Reserve capital	Revaluation capital	Retained profit/loss	In total
Balance as at 1 January 2022	27,750	43,091	24,888	0	5,925	101,654
Distribution of profit/loss coverage	0	2,912	0	0	- 2,912	0
Profit distribution - dividend payment	0	0	0	0	- 3,312	- 3,312
Creation of reserve capital - own shares	0	0	0	0	0	0
Costs of issuing series F shares	0	0	0	0	0	0
Series F shares issue	5,370	7,518	- 12,888	0	0	0
Increase in the period	0	0	0	114	0	114
Other comprehensive income	0	0	0	0	0	0
Net result in 2022	0	0	0	0	24,458	24,458
As at 31 December 2022	33,120	53,521	12,000	114	24,159	122,914

Additional notes

Notes to the statement of comprehensive revenues

Note 1
Sales revenue

SALES REVENUE - GEOGRAPHICAL STRUCTURE

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Country	334,126	298,287
Exports, including:	20,718	30,635
- European Union countries	12,207	7,736
- other countries	8,511	22,899
Total	**354,844**	**328,922**

The sales markets of the Makarony Polskie Group 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 2023, sales amounted to PLN 354.8 million, including PLN 334.1 million in the domestic market and PLN 20.7 million in exports. In the corresponding period of 2022, these volumes amounted to PLN 328.9 million, PLN 298.3 million and PLN 30.6 million respectively.

The company's export strategy focuses on establishing partnerships with major retail chains - directly, as well as through distributors and official importers.

SALES REVENUE BY PRODUCTS AND SERVICES OFFERED

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

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Revenues from sales of products	**342,444**	**313,120**
Proceeds from the sale of services, including:	**5,910**	**4,662**
- from lease and storage	4,477	2,694

- service production	1,258	1,878
- transportation services	2	0
- distribution services	162	37
- other services	11	53
Revenues from sale of materials	**2,716**	**2,233**
Revenues from sale of goods	**3,774**	**8,907**
Total	**354,844**	**328,922**

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

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Pasta	282,682	259,085
Meat and vegetable preserves	56,176	51,663
Vegetable and fruit preserves	8,319	8,503
Total	7,667	9,671
Total	**354,844**	**328,922**

The sales revenue of the Makarony Polskie Group in 2023 amounted to approximately PLN 354.8 million and was approximately PLN 25.9 million higher compared to the 2022 figure.

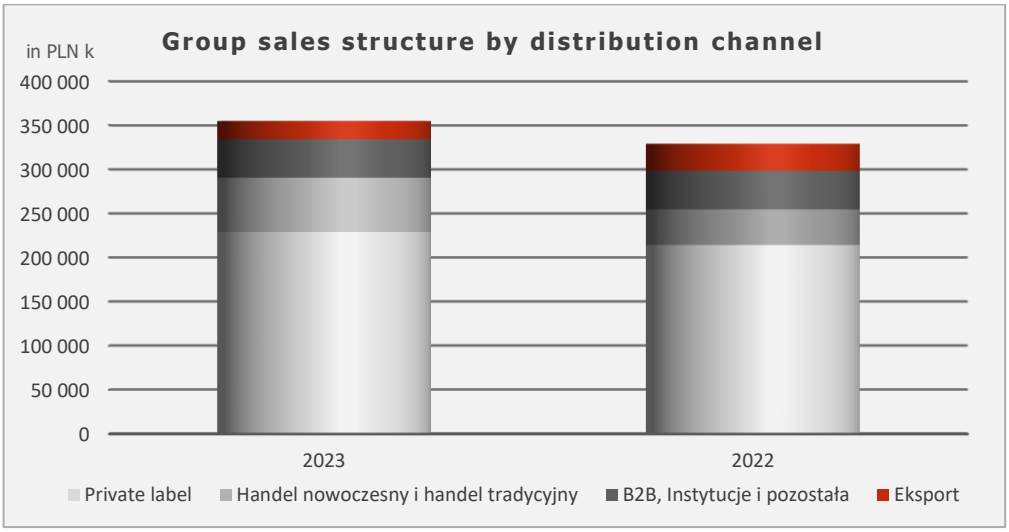
The value of sales in the pasta category increased by approximately PLN 23.6 million to approximately PLN 282.7 million in 2023. The increase of approximately 9.1% compared to 2022 was mainly due to the incorporation of SAS Sp. z o.o. by Makarony Polskie SA and an increase in volumes.

Sales of meat and vegetable preparations increased by approximately PLN 4.5 million in the period under review to approximately PLN 56.2 million. The increase of approximately 8.7% (2023 vs. 2022) 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 SoFood brand launched in 2020 developed dynamically. These products have been very well received by customers - in 2023, they consolidated their position as sales leader in their category for another consecutive year, according to a report by Nielsen.

The segment in which negative dynamics of change were recorded is the processed fruit and vegetable segment. In this segment, the Company is not experiencing growth for another consecutive year, so options for further prospects for a presence in this segment are being analysed. Final decisions should be taken in 2024.

SALES REVENUE BY DISTRIBUTION CHANNEL

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



In 2023, only two customers exceed the threshold of a 10% share of consolidated sales revenue (branded and private label products combined). These are Jeronimo Dystrybucja Polska with a share of approximately 38.0% and the Lidl Group with a share of approximately 14.8%. The Group companies are in no way formally related to the operators of these chains, and the cooperation is based on partnership principles and is beneficial to the Makarony Polskie Group.

Private label

The largest share of the Group's revenue (64.5%) 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)	2023	2022	y/y
Revenues from sales	228,858	214,132	+ 6,9%

The growth of the private label segment in 2023 is mainly due to higher sales volumes at both strategic and other customers, mainly realised through in-out campaigns.

Modern trade and traditional trade

Another significant revenue for the Group at around 17.4%, achieved in the domestic market, is the sales of the Group's brands (brands: Makarony Polskie, So Food, Novelle, Męska Rzecz, Stoczek Natura) in modern trade (HN) and traditional trade (HT) channels:

HN and HT (in PLN k)	2023	2022	y/y
Revenues from sales	61,583	40,434	+52,3%

The level of sales of branded products in 2023 amounted to approximately PLN 61.6 million, which represents approximately 52.3 per cent growth compared to 2022.

The level of revenue in the branded products channel in 2023 was mainly influenced by:

- increased sales of the Novelle and SoFood brands,
- expanded distribution of all branded products - new customers were acquired and new indexes were introduced to existing customers.

In 2024, the Group plans to develop partnerships and acquire new, previously unsupported local networks and increase sales to customers operating in the e-commerce segment. In addition, the Group aims to improve service among existing customers and numbers by acquiring new customers.

B2B and Institutions

B2B and Institutions accounted for approximately 12.3%, of the Group's total revenue:

B2B and Institutions (in PLN k)	2023	2022	y/y
Revenues from sales	43,685	43,721	-0,1%

Sales in the B2B and Institutions distribution channel in 2023 amounted to approximately PLN 43.7 million and were marginally lower than the 2022 figure. This is due to the maintenance of the level of product sales in connection with ongoing institutional contracts.

Exports

Exports accounted for approximately 5.8% of the Group's total revenue:

Exports (in PLN k)	2023	2022	y/y
Revenues from sales	20,718	30,635	-32,4%

The decrease in exports in 2023 by approximately 32.4% year-on-year was related to the war in Ukraine, problems at the border and a temporary lack of transport to Ukraine. In addition, the year before there was a very large influx of humanitarian aid and sales in Ukraine, which resulted in lower demand especially for higher quality products.

Throughout 2023, export sales were mainly developed in the European Union countries. New product items were introduced to both existing and new customers and business partners.

Note 2

Basic information about operating segments:

For the period from 01.01 to 31.12.2023	Pasta	Meat and vegetable preserves	Vegetable and fruit preserves	Other	Segments in total
Segments revenues in total	**282,682**	**56,176**	**8,319**	**7,667**	**354,844**
Sales to external customers	282,682	56,176	8,319	7,667	354,844
Sales between segments	0	0	0	0	0
Segment costs	**199,880**	**45,915**	**7,708**	**3,439**	**256,942**
Segment profits or losses	**82,802**	**10,261**	**611**	**4,228**	**97,902**
Costs of sales	0	0	0	0	- 33,812
Administrative costs	0	0	0	0	- 11,330
Other revenues	0	0	0	0	3,352
Other costs	0	0	0	0	- 12,444
Financial incomes	0	0	0	0	586
Financial costs	0	0	0	0	- 2,098
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	42,156

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	**259,085**	**51,663**	**8,503**	**9,671**	**328,922**
Sales to external customers	259,085	51,663	8,503	9,671	328,922
Sales between segments	0	0	0	0	0
Segment costs	**198,397**	**41,910**	**7,726**	**7,691**	**255,724**
Segment profits or losses	**60,688**	**9,753**	**777**	**1,980**	**73,198**
Costs of sales	0	0	0	0	- 28,089
Administrative costs	0	0	0	0	- 10,159

Other revenues	0	0	0	0	6,963
Other costs	0	0	0	0	- 8,715
Financial incomes	0	0	0	0	32
Financial costs	0	0	0	0	- 2,887
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	30,343

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.

Note3

Employee benefit costs and depreciation expense

Employee benefit costs	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Salary costs	32,137	26,776
Social security costs	5,673	4,787
Other employee benefits costs, including:	2,652	1,950
- termination benefit costs	0	0
- pension costs	84	39
- costs of allowances for leave not taken	183	90
- other benefits	2,385	1,821
Total	**40,462**	**33,513**

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 Group as an element of accrued expenses;

– post-employment benefits - under this type of benefits, the Group 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.

Depreciation costs	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Depreciation	14,152	9,170

Note 4
Sales costs

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Depreciation	1,366	1,190
Consumption of materials and energy	572	587
Costs of external services	22,586	18,225
Taxes and fees	257	203
Salaries	4,744	4,248
Employee benefits	1,119	854
Other costs	3,168	2,782
Total	**33,812**	**28,089**

Note 5
Administrative costs

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Depreciation	235	543
Consumption of materials and energy	214	511
Costs of external services	2,084	2,015
Taxes and fees	361	389
Salaries	6,526	5,378

Employee benefits	976	741
Other costs	934	582
Total	**11,330**	**10,159**

Note 6
Other income

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Subsidies	2,591	1,756
Profit on sale of tangible fixed assets	0	0
Release of other provisions and reversal of impairment losses	159	631
Compensation and complaints	34	73
Sale of scrap and waste	26	21
Refund of court and bailiff fees	0	2
Surplus inventories	126	300
Reimbursement of surplus - of social security contributions	6	5
Contractual penalties	4	0
Liabilities written down	29	2
Turnover discounts	34	0
Profit on occasional acquisition	0	4,103
Write-downs of receivables	56	0
Settlement of the R&D allowance for 2022	216	0
Total	71	70
Total	**3,352**	**6,963**

Other operational revenues include revenues and profits not directly related to the Group's operating activities. This category includes received subsidies, profits from the sale of tangible fixed assets, received 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, as well as impairment losses on fixed assets and inventory surpluses in current assets.

Note 7
Other costs

	For the period from 01.01 - 31.12. 2023	For the period from 01.01 - 31.12. 2022
Donations	24	37
Loss on sale of fixed assets	675	1,515
Penalties and fines	197	42
Shortages in current assets	206	10
Write-down on inventories	657	104
Impairment of the brands' value, write-down of goodwill	6,602	4,249
Write-down of fixed assets , fixed assets under construction	0	170
Costs of court and bailiff proceedings	8	35
Liquidation of damaged and expired inventories	1,163	705
Advertising sponsorship	118	90
Impairment of receivables, other write-downs	75	125
Costs of insured repairs	33	11
Provisions for disputable liabilities	595	12
R&D costs	2,011	1,593
Total	34	17
Receivables written off	46	0
Total	**12,444**	**8,715**

Other operational costs include costs and losses not directly related to the Group'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.

In 2023, the Group made the following write-downs:

- Abak brand amounting to PLN 3,928 k
- goodwill created at the time of purchase of Stoczek Natura Sp. z o.o. (2007) amounting to PLN 2 678 k
- inventories amounting to PLN 845 k

Note 8
Financial income

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Interest income, including:	452	32
- interest on bank deposits	435	0
- interest on loans	0	0
- interest on receivables	17	32
Other financial income, including:	134	0
- profits on exchange differences	130	0
- Other financial income	4	0
Total	**586**	**32**

Financial income includes income from dividends received, 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 - 31.12.2023	For the period from 01.01 - 31.12.2022
Interest costs, including those relating to:	1,856	2,185
- bank loans interest	1,481	1,655
- factoring and leasing interest	230	401
- leasing interest - IFRS -16	138	116
- interest on liabilities	3	8
- budget interest	4	5
Other financial costs, including:	242	702
- loss due to negative exchange rate differences	0	414
- guarantees, sureties	38	33
- bank and factoring fees and commissions	204	255
Total	**2,098**	**2,887**

Costs from the use of external financing, interest payable under finance leases to which the Group 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 - 31.12.2023	For the period from 01.01 - 31.12.2022
Current income tax	10,685	6,761
Deffered income tax	- 1,420	- 876
Tax charge/recognition shown in the statement of comprehensive income, including:	9,265	5,885
- Attributable to continuing operations	9,265	5,885

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 - 31.12.2023	For the period from 01.01 - 31.12.2022
Profit before tax from continuing operations	42,156	30,343
Profit/loss before tax from discontinued operations	0	0
Financial result before tax	42,156	30,343
Tax rate (%)	19	19
- tax expenses not constituting balance sheet expenses (-)	- 2,297	- 1,706
balance sheet costs not included in tax costs (+)	20,674	13,135
- income not constituting tax revenue (-)	-2,513	- 5,750
- tax revenue not constituting balance sheet revenue (+)	- 468	932
- subsidies received	0	0
Group tax base/tax loss	57,552	36,954
Deductions from income :		
- MP trade Sp. z o.o. tax shield 2018	- 69	- 272
- MP trade Sp. z o.o. tax shield 2019	- 161	0
- R&D tax relief	- 936	- 1,096
Group taxable income	56,386	35,586
Tax base 19%	56,103	35,586

Income tax recognised in the statement of comprehensive income - current portion 19%	10,660	6,761
Tax base 9%	283	0
Income tax recognised in the statement of comprehensive income - current portion 9%	25	0
Tax on total income - current portion	10,685	6,761

The Group does not constitute a tax group as a result of which the Group's taxable income is reduced in presentation by the tax shields of the Subsidiaries.

Note 11

Deffered income tax

	Statement of financial position as at 31.12.2023	Statement of financial position as at 31.12.2022	Statement of comprehensive income for the period 01.01 to 31.12.2023	Statement of comprehensive income for the period 01.01 to 31.12.2022
Provision for deferred income tax				
Revaluation capital	2,560	2,831	- 175	0
- the difference between the net carrying amount and the tax base of fixed assets	2,230	2,811	- 581	- 456
fixed assets	0	0	0	- 15
- exchange rate differences	8	8	0	- 2
- difference between the lease liability and the net value of fixed assets	104	209	- 105	17
- valuation of IRS transaction	0	0	0	- 16
Contractual penalties	0	0	0	- 170
- valuation of investment property	0	160	-160	0
- interest accrued	0	8	- 8	8
Gross provision for deferred income tax	**4,902**	**6,027**	**- 1,029**	**- 634**
Assets for deferred income tax				
- remuneration paid after the balance sheet date	35	23	11	10
Social Security Institution premiums	5	106	- 101	- 9
- pension benefits and similar	648	459	189	78
- interest on liabilities	1	12	- 11	7
- exchange rate differences	10	2	8	- 4
- public-law liability	0	6	- 6	6
- cost of external services	6	5	1	- 1
- inventory write-down	161	37	123	- 92
- GROUP's unrealised margin	9	19	- 10	19

- difference resulting from a write-down	0	7	- 7	7
- lease agreement - IFRS-16	2	5	- 3	- 5
- liabilities after the deadline	0	0	0	-1
- provisions for salaries	130	95	35	95
- leasing liabilities	0	67	- 67	32
- retro discounts	109	98	11	98
- provision for costs	218	0	218	0
Deferred tax assets recognised in the statement of financial position	**1,334**	**943**	**391**	**241**
Deferred tax assets recognised in the statement of financial position	- 3,568	- 5,084	1,420	- 876

Assets for deferred income tax

	As at 31.12.2023	As at 31.12.2022
- deductible tax loss	0	299
Deferred tax assets not recognised in the balance sheet-tax loss of MP Trade	0	27

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% and 9% The regulations do not provide for the differentiation of tax rates for future periods regarding Group's MP Trade.

In terms of income tax, the Group is subject to general regulations in this area.

Note 12

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

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Net profit/loss per share	2.98	2.22
Book value per one share in PLN	13.52	11.13

	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Net profit/loss from continuing operations attributable to shareholders of the parent company	32,891	24,458
Profit/loss on discontinued operations attributable to shareholders of the parent company	0	0
Net profit/loss attributable to shareholders of the parent company	32,891	24,458
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 - 31.12.2023	For the period from 01.01 - 31.12.2022
Weighted average number of issued ordinary shares applied to calculate basic earnings/loss per share	11,040 071	11,040 071
Impact of dilution	not applicable	not applicable
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per share	not applicable	not applicable

Net profit falling per one share is calculated by dividing the net profit for the period falling to normal shareholder of the parent 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 parent company's share capital in 2023 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	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Change in liabilities and other assets and liabilities except for loans and borrowings - CF	**- 22,180**	**18,073**

- change in other long-term assets arising from the balance sheet	29	28
- change in other short -term assets arising from the balance sheet	- 12	-127
- change in long-term deferred income arising from the balance sheet	- 3,616	- 1,726
- change in short-term deferred income arising from the balance sheet	1,101	- 29
- change in other short-term liabilities arising from the balance sheet	- 19,410	19,477
- adjustment accrued interest on loan - balance sheet recognition	0	0
- adjustment (transfer) of unpaid obligations relating to capital expenditure	- 455	- 187
- impact of grants for non-current assets - adjustment of the balance sheet change in deferred income	0	0
adjustment (transfer) of paid commitments relating to capital expenditure from 2022	183	637
Other adjustments - CF	**6,386**	**4,247**
- R&D relief received for 2022 - adjustment	- 216	0
- brands Abak and Tenczynek written down	3,928	1,163
- goodwill written down	2,674	3,086
- other	0	- 2

Notes to the statement of financial position

Note 14 Tangible fixed assets

Gross tangible fixed assets	31/12/2023	31.12.2022
Land, buildings, structures	94,565	90,668
Machinery and equipment	128,217	127,932
Means of transport,	3,966	3,605
Fixed assets under construction	5,332	2,919
Total	16,398	16,143
Gross value at the end of the period	**248,478**	**241,267**

Depreciation and impairment losses	31/12/2023	31.12.2022
Land, buildings, structures	28,873	27,987
Machinery and equipment	78,010	71,010
Means of transport,	3,124	2,971
Fixed assets under construction	63	63
Total	5,251	4,062
Depreciation value and impairment losses	115,321	106,093
Net value at the end of the period	**133,157**	**135,174**

Changes in fixed assets

For the period from 01 January 2023 to 31 December 2023

	Land, buildings	Machinery and equipment	Means of transport,	Fixed assets under construction	Other	In total
Gross value at the beginning of the period	90,668	127,932	3,605	2,919	16,143	241,267
Increases	6,209	3,380	586	8,647	324	19,145
- purchase	1,627	3,380	310	8,645	290	14,251
- other	4,582	0	276	2	34	4,894
Decreases	2,312	3,095	224	6,234	69	11,934
- sales	0	988	211	0	0	1,199
- other	2,312	2,107	13	6,234	69	10,735

Gross value at the end of the period	94,565	128,217	3,966	5,332	16,398	248,478
Depreciation value at the beginning of the period	26,778	70,839	2,971	0	4,062	104,650
Increases	3,038	9,497	369	0	1,259	14,163
Decreases	2,087	2,326	215	0	70	4,698
Depreciation value at the end of the period	27,729	78,010	3,124	0	5,251	114,114
Impairment loss at the beginning of the period	1,210	171	0	63	0	1,444
Impairment loss at the end of the period	1,144	0	0	63	0	1,207
Value including depreciation and impairment losses at the end of the period	28,873	78,010	3,124	63	5,251	115,321
Net value at the end of the period	65,692	50,207	842	5,269	11,147	133,157

For the period from 01 January 2022 to 31 December 2022

	Land, buildings	Machinery and equipment	Means of transport,	Fixed assets under constructi on	Other	In total
Gross value at the beginning of the period	62,955	101,543	3,534	15,525	15,804	199,361
Increases	27,713	31,555	290	5,585	477	65,620
- purchase	13,419	4,264	73	5,585	401	23,742
- 03.01.2022 Date of taking control	13,078	27,291	130	0	76	40,575
- other	1,216	0	87	0	0	1,303
Decreases	0	5,166	219	18,191	138	23,714
- sales	0	2,985	217	0	38	3,240
- other	0	2,181	2	18,191	100	20,474
Gross value at the end of the period	90,668	127,932	3,605	2,919	16,143	241,267
Depreciation value at the beginning of the period	22,693	49,750	2,735	0	3,267	78,445
Increases	2,535	5,453	310	0	886	9,184
03.01.2022 Date of taking control	1,550	19,229	116	0	42	20,937
Decreases	0	3,593	190	0	132	3,915
Depreciation value at the end of the period	26,778	70,839	2,971	0	4,062	104,650
Impairment loss at the beginning of the period	1,274	19	0	63	0	1,356
Impairment loss at the end of the period	1,209	171	0	63	0	1,443
Value including depreciation and impairment losses at the end of the period	27,987	71,010	2,971	63	4,062	106,093

Net value at the end of the period	62,681	56,922	634	2,856	12,081	135,174

Impairment losses are included in other expense items in the statement of comprehensive income. In proportion to the useful life, the Group reverses impairment losses on fixed assets made at the time of the purchase of shares in Stoczek (2007).

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 2023 amounted to PLN 27 thousand (interest and commission costs) The Group estimates borrowing costs in accordance with the actual interest rate for the respective financial liability (loan).

The Group 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 2023 was PLN 7,897 thousand and as at 31 December 2022 was PLN 5,559 thousand.

The establishment of registered pledges on fixed assets results from the commitments contained in the loan agreements described in Note 28.

The Group estimates the value of liabilities arising from signed agreements for the supply of fixed assets and construction works at PLN 16,000 thousand as at 31 December 2023.

Mortgages established or in the process of being established on the real estate of Group companies

Property	As at 31.12.2023	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)				
Property in Rzeszów KW nr RZ1Z/00076860/5	PLN 18,182 k	Santander Bank Polska SA	joint contractual mortgage	Bank guarantee mandate agreement in the amount of PLN 457 thousand

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)				concluded by Makarony Polskie S.A.
Property in Częstochowa KW No 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 thousand concluded by Makarony Polskie S.A.

Note 15 Investment property

	31/12/2023	31.12.2022
Investment property in Rzeszów and in Stoczek Łukowski beginning of period	603	603
Increases	0	0
Purchase	0	0
Other	0	0
Decreases	603	0
Sales	0	0
Other	603	0
Value at the end of the period	**0**	**603**

At 31 December 2023, the Company reclassified the investment property to fixed assets due to a change of use.

Note 16 Company goodwill value

From 01.01.2023 to 31.12.2023	Company goodwill value
Gross value at the beginning of the period	**5,949**
Increases	0

Decreases	0
Gross value at the end of the period	**5,949**
Impairment loss at the beginning of the period	3,086
Recognition of impairment loss in the period	2,675
Impairment loss at the end of the period	5,761
Net value at the end of the period	**188**

From 01.01.2022 to 31.12.2022	**47,190**
Gross value at the beginning of the period	**5,949**
Increases	0
Decreases	0
Gross value at the end of the period	**5,949**
Impairment loss at the beginning of the period	0
Recognition of impairment loss in the period	3,086
Impairment loss at the end of the period	3,086
Net value at the end of the period	**2,863**

The goodwill in the amound of PLN 5,946 k recognized in assets reflects the difference between the purchase price paid for 100% of shares in Stoczek Natura Sp. z o.o. and the fair value of this company's net assets as at 1 June 2007, i.e. the date of the transfer of shares.

In connection with the incorporation of MP Trade Sp. z o.o. in 2015, the Group recognized a positive value between the acquisition value of 100% of the shares and the expenses incurred for taking up shares. The goodwill amounts to PLN 3 k and is not subject to amortization.

The goodwill on the acquisition of a business entity is initially recognized according to the acquisition price, representing the excess of the cost of the business combination over the acquirer's share in the net fair value of the identifiable assets, liabilities and contingent liabilities. Upon preliminary recognition the goodwill is disclosed at the purchase price reduced by any accumulated impairment write-downs. Goodwill is not amortized.

Mandatory impairment tests of 'goodwill' were carried out at the end of 2023. The tests have been carried out using a free cash flow discounting method with the following assumptions:

- 5-year forecast period (2024-2028),
- one scenario – realistic,

- financial projections based on historical data,
- the discount rate was set at a constant WACC of - 8.11%, the discount factor was calculated using the chain-linked method,
- growth rate after the forecasting period - 0%,
- risk-free rate (yield on 10-year government bonds as at 31 December 2023) constant over the forecast period at - 5.25%,
- post-tax cost of debt - constant over the forecast period at - 5.25%,
- share of debt in total equity and debt - constant over the forecast period at - 21.45%,

The tests performed showed the need for impairment loss on goodwill of Stoczek Natura Sp. z o.o. recognised in assets. This result is dictated by the Group's realistic assumptions in the DCF (discounted cash flow) model. This is a method used to value the present value of a company (in this case Stoczek Natura Sp. z o.o.) discounting future cash flows over a specified period of time.

Due to the geopolitical situation and increasing inflationary pressure, the Makarony Polskie Group had to adopt conservative and realistic values for the coefficients in the DCF model, aiming to achieve realistic financial forecasts allowing for long-term planning, for efficient management and profit maximisation.

The model constructed in this way showed that as at 31 December 2023, there was a permanent impairment of 'goodwill' at the level of the consolidated financial statements in the amount of PLN 2,674,356. This is due to the fact that the assets tested as the sum of goodwill (PLN 2,860,143) and the assets of Stoczek Natura Sp. z o.o. (PLN 41 027 005) was higher than the estimated enterprise value of Stoczek Natura Sp. z o.o. as at 31 December 2023 (PLN 41 212 792). After impairment - goodwill in the consolidated financial statements at the end of the period is PLN 185,787.

The main reasons that contributed to the impairment of goodwill:

- changes in consumer preferences: in recent years, significant changes can be observed in consumer eating habits, which affect the ready meals market; growing health awareness, preference for organic, local products and emphasis on the quality of ingredients negatively affect sales of traditional ready meals, which do not match these trends,
- rising production costs: 2023 has witnessed global perturbations in supply chains, leading to increases in raw material and packaging prices, as well as labour costs; in the FMCG industry, where margins are low, such cost increases significantly affect company profitability,

- regulation and policy: changes in regulation, e.g. stricter product labelling regulations, product composition requirements or taxes on unhealthy products, significantly affect the costs and sales opportunities of ready meals, interest rate increases and financing costs: 2023 also brought with it a tightening of monetary policy in many countries, including an increase in interest rates, for the company this means higher debt servicing costs, which puts a strain on the financial results,
- lasting changes after the Covid-19 pandemic: although most of the restrictions associated with the pandemic have been lifted by 2023, its long-term economic and social impact continues to affect the FMCG sector. Changes in consumer behaviour, such as the rise in popularity of online shopping, are changing the market structure to the detriment of the business.

In summary, the permanent loss of 'goodwill' 2023 is the result of a combination of external and internal factors that affect the operational and financial performance of companies.

For the goodwill impairment test, a sensitivity analysis of the amount of the write-down to a change in the level of EBIT and the level of WACC was performed. The sensitivity analysis was performed assuming a 10% increase/decrease in the variables: WACC and EBITDA.

The results of the analysis are presented in the matrix below, showing the impact of a change in the level of WACC and EBIT on the amount of the goodwill impairment charge.

The values in the goodwill test of Stoczek Natura Sp. z o.o. in the consolidated financial statements of the Makarony Polskie Group show the values of the write-down after the parameter change. Values range from - 2,860,143 where '2,860,143' is goodwill in the consolidated financial statements to 0 where '0' represents no write-down.

Goodwill (SSF GMP)		EBITDA		
		-10%	0%	10%
WACC	-10%	- 1 885 623	0	0
	0%	- 2 860 143	- 2,674,356	0
	10%	- 2 860 143	- 2 860 143	- 2 860 143

The test shows that:

- in the case of positive events such as an increase in EBITDA or a decrease in WACC, the goodwill write-down does not occur or is less than in the base case scenario,

– in any other scenario, the goodwill write-down in the consolidated financial statements is higher than that in the base case scenario and results in the recognition of the write-down in full.

Note 17
Other intangible assets

Changes in intangible assets
from 01 January 2023 to 31 December 2023

	Other intangible assets				
	Brand value	Patents, trademarks, development work	Computer software	Other	In total
Gross value at the beginning of the period	**9,134**	**824**	**1,465**	**934**	**12,357**
Increases	0	394	126	0	520
Decrease	0	0	51	0	51
Gross value at the end of the period	**9,134**	**1,218**	**1,540**	**934**	**12,826**
Depreciation value at the beginning of the period	0	261	1,428	582	2,271
Increases	0	41	16	55	112
Decreases	0	0	51	0	51
Depreciation value at the end of the period	0	302	1,393	637	2,332
Impairment loss at the beginning of the period	4,178	405	0	0	4,583
Impairment loss - established	3,928	0	0	0	3,928
Impairment loss at the end of the period	8,106	405	0	0	8,511
Net value at the end of the period	**1,028**	**511**	**147**	**297**	**1,983**

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	In total
Gross value at the beginning of the period	**9,134**	**707**	**1,381**	**934**	**12,156**
Increases	0	117	84	0	201
- purchase	0	117	33	0	150
- 03.01.2022 Date of taking control	0	0	51	0	51

Decrease	0	0	0	0	0
Gross value at the end of the period	**9,134**	**824**	**1,465**	**934**	**12,357**
Depreciation value at the beginning of the period	0	257	1,365	526	2,148
Increases	0	4	12	56	72
- 03.01.2022 Date of taking control	0	0	51	0	51
Decreases	0	0	0	0	0
Depreciation value at the end of the period	0	261	1,428	582	2,271
Impairment loss at the beginning of the period	3,420	0	0	0	3,420
Impairment loss - established	758	405	0	0	1,163
Impairment loss at the end of the period	4,178	405	0	0	4,583
Net value at the end of the period	**4,956**	**158**	**37**	**352**	**5,503**

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 2023

	Valuation at cost	Allowance for permanent impairment at BO	Impairment loss recognised	Carrying amount at end of period
Abak brand	4,909	0	3,928	981
Tenczynek brand and trademark	4,528	4,528	0	0
Deli-Susz brand and trademark	55	55	0	0
SoFood brand	47	0	0	47
IN TOTAL	**9,539**	**4,583**	**3,928**	**1,028**

Group companies do 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 2023.

The impairment tests 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 (2024-2028),
- 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 - 8.11%, 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 2023) constant over the forecast period at - 5.25%,
- post-tax cost of debt - constant over the forecast period at - 5.25%,
- share of debt in total equity and debt - constant over the forecast period at - 21.45%,

The tests carried out showed the need for impairment losses on the Abak brand of PLN 3 928 078.

Brand value is a complex concept, encompassing not only consumer awareness and loyalty, but also the brand's ability to generate revenue. Below, I outline the main reasons that contributed to the impairment of the 'ABAK' brand value in 2023:

- changes in consumer preferences: dynamically changing consumer trends, especially towards healthier eating and organic products, have caused traditional food products to lose their appeal,
- increased competition in the privat lable segment and the shrinking of the traditional channel of trade,
- price pressure and promotions: Increased price competition, often in the form of aggressive promotions and price discounts by competitors, depressing perceived brand value and margins,
- demographic and social changes: Changes in demographic and social structure affect the perception of the brand by the younger generation who are no longer so attached to the brand,
- regulatory and legal pressures: New regulations on product labelling and ingredients for food products make it more difficult to communicate brand value and affect brand perception.

The decline in brand value in 2023 was due to a combination of these factors that influenced consumer decisions and preferences, changing the market landscape for the ABAK brand.

For the impairment tests of the brands made as at 31 December 2023 involving the calculation of value in use, a sensitivity analysis of the change in the amount of the write-down to the change in the level of EBIT and the level of WACC was performed.

The sensitivity analysis was performed assuming a 10% increase/decrease in the variables: WACC and EBITDA.

The values in the ABAK brand impairment test show the write-down values after the parameter change. The values range from - 4 909 000 where '4 909 000' is the carrying value of the brand to 0 where '0' represents no write-down.

Write-down of carrying amount		EBITDA		
		-10%	0%	10%
WACC	-10%	- 4 000 170	- 3 835 884	- 3 728 573
	0%	- 3,972,561	- 3 928 078	- 3 764 463
	10%	- 3 943 196	- 3 899 188	- 3 798 207

The sensitivity analysis shows that potential changes in EBIT and WACC levels (+/- 10%) have a negligible impact on the value of the ABAK brand impairment charge, being within a deviation of less than 2.5%.

Note 18
Long-term financial assets

Other long-term financial assets	31/12/2023	31.12.2022
Total long-term financial assets	0	0

Note 19
Inventory

As at 31 December 2023

	Valuation at purchase price/production cost	Impairment loss on BO	Impairment loss - established	Impairment loss reversed	Inventory carrying amount at end of period
Materials	11,890	115	439	115	11,451
Auxiliary materials	638	0	0	0	638
Products being produced	127	0	0	0	127
Finished products	16,258	82	406	82	15,852
Goods	651	0	0	0	651
IN TOTAL	**29,564**	**197**	**845**	**197**	**28,719**

As at 31 December 2022

	Valuation at purchase price/production cost	Impairment loss on BO	Impairment loss - established	Impairment loss reversed	Inventory carrying amount at end of period
Materials	14,432	133	106	124	14,317
Auxiliary materials	670	0	0	0	670
Products being produced	12	2	0	2	12
Finished products	28,867	180	81	180	28,786
Goods	696	1	0	1	696
IN TOTAL	**44,677**	**316**	**187**	**307**	**44,481**

Due to the current rotation of inventories, the Group plans to use up all inventories that are a component of the statement of financial position as at 31 December 2023 in the amount of PLN 28 719 thousand in 2024. 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 price.

In 2023, there were premises for partial write-down of inventories, the Makarony Polskie Group made a write-down of inventories on finished goods and raw material in the total amount of PLN 845 thousand.

As at 31 December 2023, 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.

Note20
Receivables

	31/12/2023	31.12.2022
Trade receivables from other entities:	35,982	33,932
- short-term part	35,982	33,932
Receivables from affiliates	0	0
- short-term part	0	0
Pre-payments	0	0
- short-term part	0	0

Other receivables: from other enities	8,507	8,707
- short-term part	8,507	8,707
Total gross value of receivables	44,489	42,639
Impairment losses at the beginning of the period	227	541
Recognition of impairment losses in the period	73	114
Reversal of impairment loss during the period	90	428
Impairment losses at the end of the period	209	227
Net receivables	44,280	42,412

Write-downs of receivables

2023	Balance at the beginning of the period	Creation	Use and release	As at the end of the period
Impairment loss on receivables	227	73	91	209

2022	Balance at the beginning of the period	Creation	Use and release	As at the end of the period
Impairment loss on receivables	541	114	428	227

At each balance sheet date, the Group analyses and estimates allowances for all receivables. The Group 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 Group 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 Group estimates expected credit losses based on historical data of receivables for each group of debtors from previous reporting periods.

Other short-term receivables	31/12/2023	31.12.2022

Current VAT tax	5,767	5,639
Deferred VAT tax	986	788
Corporate income tax	0	0
Other receivables IRS transaction valuation	0	0
Security deposits paid	968	1,052
Performance bond	0	0
Pre-payments	721	1,216
Total	65	12
Total other gross receivables	8,507	8,707
Impairment loss on receivables value	73	35
Other net receivables	8,434	8,672

Gross receivables currency structure

Gross short-term receivables	31/12/2023	31.12.2022
- in Polish currency	42,199	42,052
- in foreign currencies	2,290	587
a) unit/currency EUR	412	130
(in PLN)	1,793	587
a) unit/currency USD	126	0
(in PLN)	497	0
a) unit/currency GBP	0	0
(in PLN)	0	0
Gross short-term receivables	44,489	42,639

As at 31 December 2023, the Group 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 EUR 14 thousand.

Trade receivables (gross)

	31/12/2023	31.12.2022
1) current in total	33,601	31,154
2) overdue in total	2,380	2,778
a) up to one month	1,982	2,394
b) between 1 and 3 months	262	192

c) between 3 and 6 months	0	0
d) between 6 months and 1 year	0	2
e) more than one year	136	190
Total trade receivables (gross)	35,981	33,932
Impairment losses on trade receivables	136	192
Net trade receivables 32,589	35,845	33,740

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 Group 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 Group 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 Makarony Polskie Group.

Note 21
Corporate income tax receivables

	31/12/2023	31.12.2022
Corporate income tax receivables	0	0

Note 22
Borrowings granted

	31/12/2023	31.12.2022
Balance at the beginning of the period	0	0
Borrowings granted	0	0
Interest accrued	0	0
Repayment during the period	0	0
As at the end of the period	0	0

As at 31 December 2023, the Makarony Polskie Group did not grant loans to external entities.

Note 23
Cash and cash equivalents

	31/12/2023	31.12.2022
Cash at bank and in hand	29,003	7,828
In total, including:	29,003	7,828
- 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 Group's current cash requirements, and bear interest at the interest rates set for them. As at 31 December 2023, the value of deposits amounted to PLN 14,500 thousand.

Note 24 Other assets

Other assets	31/12/2023	31.12.2022
- long-term part	6	35
- short-term part	442	430

Short-term accruals

Short-term accruals	31/12/2023	31.12.2022
- insurance	249	252
- paid subscriptions	119	81
- loan commissions	0	7
- consultancy services	0	0
R&D costs	7	70
- gas, electricity	55	

- other	12	20
Total	**442**	**430**

Long-term accruals

Long-term accruals	31/12/2023	31.12.2022
- consultancy services	0	0
- subscriptions	3	35
- insurance	3	0
Total	**6**	**35**

Note 25 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 2023

	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
In total			**11,040 071**		**33,120**			

Note 26

Supplementary capital

Supplementary capital	31/12/2023	31.12.2022
As at the beginning of the period	53,521	43,091
Changes in accounting policies	0	0
Opening balance after adjustments(restated)	53,521	43,091
- share capital issue costs	0	0
- Series F shares issue	0	7,518
- Distribution of profit/loss coverage	6,823	2,912
- creation of supplementary capital	0	0
Other capitals at the end of the period	60,344	53,521

Revaluation capital	31/12/2023	31.12.2022
As at the beginning of the period	114	0
- decrease in the period	95	114
- decrease in the period	209	0
Capital at the end of the period	0	114

Reserve capital	31/12/2023	31.12.2022
As at the beginning of the period	12,000	24,888
- Series F shares issue– Core capital	0	5,370
- Series F shares issue– Supplementary capital	0	7,518
Supplementary capital at the end of the period	12,000	12,000

Note 27

Result from previous years

Profit/loss from previous years	31/12/2023	31.12.2022
As at the beginning of the period	24,159	5,925
Error correction	0	0
- Profit/loss from previous years at the beginning of the period	24,159	5,925
-increases during the year	209	0
- decrease due to transfer to supplementary capital	- 6,823	- 2,912
- dividend payment	- 6,624	- 3,312
- Profit/loss from previous years at the end of the period	10,921	- 299

Increase resulting from the settlement of the merger transaction described in note: No. 39

Note 28

Information on loans and guarantees obtained.

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	31/12/2023	31.12.2022
- long-term part	8,691	13,133
- short-term part	3,019	13,220
Total	**11,710**	**26,353**

The balance of loan and factoring agreements in effect as at 31 December 2023, for which Makarony Polskie SA was a party to the agreements, is presented in the tables below:

– Overdraft in Santander Bank Polska SA

Loan terms and conditions	31 December 2023
Loan contractual value	PLN 5,000 k
Loan period	18.10.2013 – 01.06.2024
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 0 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 bill of exchange issued by the Company together with a bill of exchange 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, – Guarantee from Stoczek Natura Sp. z o.o., with the guarantee having expired during the year, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

In the course of 2023, Makarony Polskie S.A. concluded an annex to the open-end overdraft agreement with Santander Bank Polska S.A., which extends the repayment date of the obligation from 1 June 2024 to 2 June 2025, and concluded an annex waiving mutual guarantees between related companies.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2023
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 2,683 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.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2023
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 9,024 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 each.

Loan collateral	– contractual joint mortgage up to the amount of PLN 18,000 thousand on real estate in Korpele marked with: a) KW No. OL1S/00032815/5, KW No. OL1S/00039349/6, KW No. OL1S/00044965/8 in Korpele together with assignment of rights under the property insurance policy, – a registered pledge on 100% of the shares in SAS Sp. z o.o., with the collateral having expired due to the merger process, – accession to debt by SAS Sp. z o.o., whereby the security has been extinguished due to the merger process, – blank bill of exchange issued by the Company together with a bill of exchange declaration, – the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Overdraft in BNP Paribas Bank Polska SA

Loan terms and conditions	31 December 2023
Loan contractual value	PLN 7,000 k
Loan period	19.11.2021 - 03.11.2025
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 0 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to the amount of PLN 10,500 k on the following real estates: a) KW No. CZ1C/00111425/8 in Częstochowa together with the assignment of rights under the real estate insurance policy, – blank bill of exchange issued by the Company together with a bill of exchange declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

During 2023, Makarony Polskie S.A. concluded an annex to the overdraft agreement with BNP Paribas Bank Polska S.A., which extends the repayment date of the obligation from 31 October 2023 to 3 November 2025.

– Revolving loan in Santander Bank Polska SA

During the reporting period, Makarony Polskie S.A. used a working capital loan of PLN 1,700 thousand granted by Santander Bank Polska S.A..
In accordance with the provisions of the agreement, the loan was repaid by the due date, and therefore the obligations under the agreement between the Company and the Bank expired.

– Investment loan at Santander Bank Polska SA

During the reporting period, Makarony Polskie S.A. used an investment loan of the total value of PLN 13,849 thousand granted by Santander Bank Polska S.A., which was repaid in full, thus all the Company's liabilities towards the Bank expired.

– EU investment loan from Santander Bank Polska S.A.

During the reporting period, Makarony Polskie S.A. used an investment loan of the total value of PLN 12,121 thousand granted by Santander Bank Polska S.A., which was repaid in full, thus all the Company's liabilities towards the Bank expired.

– EU investment loan from Santander Bank Polska S.A.

During the reporting period, Makarony Polskie S.A. used an investment loan of the total value of PLN 8,000 thousand granted by Santander Bank Polska S.A., which was repaid in full, thus all the Company's liabilities towards the Bank expired.

– Factoring agreement (non-recourse) with Santander Factoring Sp. z o.o.

Terms of the agreement	31 December 2023
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 0 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

After the end of the reporting period, Makarony Polskie S.A. concluded an annex with Santander Factoring Sp. z o.o., which extended the factoring limit from 31 January 2024 to 31 January 2025.

During the reporting period, the subsidiary Stoczek Natura Sp. z o.o. changed the entity financing its current operations from Bank Gospodarstwa Krajowego to BNP Paribas Bank Polska SA by concluding an agreement for a multi-option credit line in the amount of PLN 7,200 thousand.

The status of credit agreements in force as at 31 December 2023, for which Stoczek Natura Sp. z o.o. was a party to the agreements, is presented in the tables below:

– Multi-option credit line with BNP Paribas Bank Polska SA with a separate sub-limit for an overdraft facility

Credit terms and conditions	31 December 2023
Loan contractual value	PLN 4,000 k
Loan period*	26.10.2023 – 26.10.2025
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 0 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to PLN 10,800 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank bill of exchange issued by the Company together with a bill of exchange declaration, – the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Overdraft facility with Bank Gospodarstwa Krajowego

During 2023, the subsidiary Stoczek Natura Sp. z o.o. used an overdraft facility with a total limit of PLN 4,000 thousand granted to it by Bank Gospodarstwa Krajowego. The company repaid the loan in full in 2023 and terminated the loan agreement with Bank Gospodarstwa Krajowego, thereby extinguishing all liabilities of this company towards the Bank.

– Investment loan at Bank Gospodarstwa Krajowego*

During 2023, Stoczek Natura Sp. z o.o. benefited from an investment loan with a total value of PLN 4,812 k granted to it by Bank Gospodarstwa Krajowego. The company repaid the investment loan in full in 2023, thereby extinguishing all of its obligations to the Bank.

Information on guarantees granted and received

During 2023, Makarony Polskie S.A. granted sureties to its subsidiary Stoczek Natura Sp. z o.o., which expired in the reporting period due to the full repayment of loan products by the subsidiary and termination of the agreement concluded by that company with Bank Gospodarstwa Krajowego.

Makarony Polskie S.A. received remuneration for granting the guarantees.

During 2023, Stoczek Natura Sp. z o.o. provided sureties to the parent company Makarony Polskie SA and concluded an annex waiving mutual sureties between the related companies.

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

MP Trade Sp. z o.o. did not grant any sureties in 2023.

Note 29
Guarantees obtained and granted

In 2023, only Makarony Polskie SA granted the guarantee to its affiliate SAS Sp. z o.o. Subsidiaries did not provide guarantees.

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 2023 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	– joint mortgage of up to PLN 18,200 thousand on the Company's real estate in Rzeszów (KW no. RZ1Z/00076860/5) and in Płock (KW no. PL1P/00094893/6, KW no. PL1P/00097530/5, KW no. PL1P/00114158/9, KW no. PL1P/00097363/3) together with assignment of rights under the real estate insurance policy; – blank promissory note with a promissory note declaration – the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

Santander Bank Polska SA*	312	do 20.03.2028	guarantee securing the Company's contractual obligations under the institutional contract concluded	– the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

* the guarantee was released after the reporting period due to the completion of the contract.

** the guarantee was established during 2023.

During 2023, Makarony Polskie S.A. granted a guarantee of PLN 800 thousand to its subsidiary SAS Sp. z o.o. securing SAS Sp. z o.o.'s liabilities under the power purchase agreement.

Due to the merger process of the companies, the guarantee expired.

A summary of the guarantees in force at Stoczek Natura Sp. z o.o. as at 31 December 2023 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
BNP Paribas Bank Polska SA*	2,235	until 31.12.2024	guarantee securing the Company's contractual obligations under the institutional contract concluded	– contractual mortgage up to the amount of PLN 10 800 000 on the real estate designated in Land and Mortgage Register No. LU1U/00022979/2 in Stoczek Łukowski together with an assignment of the real estate insurance policy, – blank bill of exchange issued by the company together with a bill of exchange declaration, – declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure in the form of a notarial deed submitted by the company
BNP Paribas Bank Polska SA*	559	until 31.03.2026	guarantee securing the Company's contractual obligations under the institutional contract concluded	

* during 2023, Stoczek Natura Sp. z o.o. changed the Guarantor from Bank Gospodarstwa Krajowego to BNP Paribas Polska SA while maintaining continuity of contractual security in the form of guarantees.

During 2023, the subsidiary Stoczek Natura Sp. z o.o. benefited from a guarantee in the amount of PLN 335 thousand securing the Company's contractual obligations under a concluded institutional contract granted by Bank Gospodarstwa Krajowego, which expired

during the reporting period due to the release of the guarantee and the return of the original documents.

After the balance sheet date, the subsidiary Stoczek Natura Sp. z o.o. concluded a guarantee with BNP Paribas Polska SA in the amount of PLN 604 thousand securing the Company's contractual obligations under the concluded institutional contract.

Note30

Profisions for employee benefits and other provisions

2023	Balance at the beginning of the period	Creation	Use and release	As at the end of the period
For pension and similar benefits, including:	2,916	1,614	503	4,027
a) long-term	495	570	0	1,065
b) short-term	2,421	1,044	503	2,962
Other provisions, including: 0	71	1,889	71	1,889
a) provision for the audit of the financial statements 0	0	0	0	0
b) other	71	1,889	71	1,889
Total	**2,987**	**3,503**	**574**	**5,916**

2022	Balance at the beginning of the period	Status as of 03 January taking over control	Creation	Use and release	As at the end of the period
For pension and similar benefits, including:	1,651	353	980	68	2,916
a) long-term	400	159	0	64	495
b) short-term	1,251	194	980	4	2,421
Other provisions, including: 0	67	0	71	67	71
a) provision for the audit of the financial statements 0	0	0	0	0	0
b) other	67	0	71	67	71
Total	**1,718**	**353**	**1,051**	**135**	**2,987**

The Group 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 Group 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 31
Long-term and short-term financial liabilities

LIABILITIES FROM FINANCE LEASING CONTRACTS

	Total present value of minimum fees	
	as at 31.12.2023	as at 31.12.2022
up to 1 year	358	439
within 1 to 5 years	500	670
Total	**858**	**1,109**

LIABILITIES FROM FINANCIAL LEASING CONTRACTS - IFRS-16

	Total present value of minimum fees	
	as at 31.12.2023	as at 31.12.2022
up to 1 year - lease	1,146	921
up to 1 year – Perpetual usufruct right to land 4	4	4
within 1 to 5 years - lease	4,229	1,666
in the period over one year - Perpetual usufruct right to land	1,187	1,191
Total	**6,566**	**3,782**

The carrying amount of tangible assets as at 31 December 2023 was PLN 7,897 k, including the lease of premises amounting to PLN 5,365 k, the right of perpetual usufruct of land amounting to PLN 1,125 k.. and equipment and means of transport amounting to PLN 1 407 k.

FINANCIAL OBLIGATION - POLISH DEVELOPMENT FUND SUBSIDY

	31/12/2023	31.12.2022
up to 1 year	0	807
within 1 to 5 years	0	0
Total	0	807

Note 32
Trade and other liabilities

	31/12/2023	31.12.2022
Trade liabilities from other entities:	**28,783**	**43,880**
- long-term part	0	0
- short-term part	28,783	43,880
Liabilities to affiliates	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Liabilities to other entities	**0**	**0**
Pre-payments	30	5,797
Other liabilities	**12,530**	**5,558**
- long-term part	0	0
- short-term part	12,530	5,558
Total liabilities	**41,343**	**55,235**

Trade liabilities	31/12/2023	31.12.2022
- to affiliates	0	0
- to other entities	28,783	43,880
Total	**28,783**	**43,880**

Public-law and other liabilities	31/12/2023	31.12.2022
-natural persons income tax	470	305
- Social Security Institution	1,829	1,288
- VAT tax	0	0
- salaries	1,800	1,074
- PFRON	18	17

- corporate income tax- CIT -8	7,867	2,349
- real estate tax	4	31
- other	542	494
Total	**12,530**	**5,558**

Other liabilities including CIT - currency structure

	31/12/2023	31.12.2022
- in Polish currency	35,793	42,842
- in foreign currencies	5,550	12,393
a) unit/currency EUR	1,276	2,642
(in PLN)	5,550	12,393
a) unit/currency GBP	0	0
(in PLN)	0	0
Total	**41,343**	**55,235**

Trade liabilities - aging

	31/12/2023	31.12.2022
1) current in total	26,011	36,919
2) overdue in total	2,772	6,961
a) up to one month	2,598	6,043
b) between 1 and 3 months	170	904
c) between 3 and 6 months	2	3
d) between 6 months and 1 year	2	1
e) more than one year	0	10
Trade liabilities in total	**28,783**	**43,880**

Note 33

Deferred income

	31/12/2023	31.12.2022
Deferred income	**18,541**	**21,056**
- long-term part	15,885	19,501
- short-term part	2,656	1,555

The short- and long-term part of deferred income includes grants received by Group companies 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 2023, the Group released an amount of PLN 2,591 thousand from deferred income and recognised under other operating income.

Note 34
Off-balance items

(in PLN k)	31 December 2023	31 December 2022
1. Contingent assets	**3,942**	**3,243**
- received guarantees and sureties	3,720	3,184
- collaterals on assets	0	0
- promissory notes	222	59
2. Contingent liabilities	**96,073**	**185,337**
- for provided guarantees and warranties	0	0
- collaterals on property	79,482	141,685
- promissory note obligations	16,591	43,652
Total off-balance items	**-92,131**	**-182,094**

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.

The statement does not include sureties between entities within the Group due to the lack of inflows on the balance of off-balance sheet items.

Note 35
Transactions with affiliates

Dividends paid and proposed for payment

In 2023, the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from 01 January 2022 to 31 December 2022 in the amount of PLN 10,462 290.10 should be divided as follows:

- to pay the shareholders a dividend of PLN 0.60 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 27 June 2023, the Annual General Meeting of Makarony Polskie SA adopted resolutions on approving the financial statements for the reporting year 2022 and net profit distribution. By decision of the General Meeting, the net profit for the period from 1 January 2022 to 31 December 2022 was distributed in accordance with the recommendation of the Management Board, i.e. as follows:

- the amount of PLN 6,624,042.60 was earmarked for the payment of dividends to shareholders in the gross amount of PLN 0.60 per share,
- the remaining part of the profit in the amount of PLN 3 838 247.50 was allocated to the Company's supplementary capital.

The dividend date was set for 14 July 2023. The dividend was paid on 21 August 2023. 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 2023, 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 for the period		Purchases from affiliates for the period of	
	from 01.01 to 31.12.2023	from 01.01 to 31.12.2022	from 01.01 to 31.12.2023	from 01.01 to 31.12.2022
Parent company - Makarony Polskie S.A.	1,148	929	57,030	56,085
from/to Stoczek Sp. z o.o.	542	687	48,655	37,896
from/to MP Trade Sp. z.o.o.	29	14	4,314	2,706
from/to SAS Sp. z.o.o.	577	228	4,061	15,483

Affiliate	Receivables from affiliates as at		Amounts due from affiliates as at	
	31/12/2023	31.12.2022	31/12/2023	31.12.2022
Parent company - Makarony Polskie S.A.	96	141	3,692	10,618
- from/to Stoczek Sp. z o.o.	94	102	2,983	7,259
from/to MP Trade Sp. z.o.o.	2	1	709	509
from/to SAS Sp. z.o.o.	0	38	0	2,850

Settlements between subsidiaries

Subsidiaries	Sales between subsidiaries - total revenue for the period		Purchases between subsidiaries for the period	
	from 01.01 to 31.12.2023	from 01.01 to 31.12.2022	from 01.01 to 31.12.2023	from 01.01 to 31.12.2022
Total subsidiary	234	300	234	300
- from/to Stoczek Sp. o.o. 0	4	4	230	296
from/to MP Trade Sp. z.o.o.	230	296	4	4
from/to SAS Sp. z.o.o.	0	0	0	0

Subsidiaries	Receivables between subsidiaries as at		Liabilities between subsidiaries as at	
	31/12/2023	31.12.2022	31/12/2023	31.12.2022
Total subsidiary	0	0	0	0
- from/to Stoczek Sp. o.o. 0	0	0	0	0
from/to MP Trade Sp. z.o.o.	0	0	0	0
from/to SAS Sp. z.o.o.	0	0	0	0

Information on loans granted

During 2023, Makarony Polskie SA granted its subsidiary Stoczek Natura Sp. z o.o. 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. The loan was repaid once on 30 November 2023.

During 2023, SAS Sp. z o.o. provided a short-term loan to its related company MP Trade Sp. z o.o. in the total amount of PLN 3.7 million with a repayment date of 30 December 2023. The interest rate on the loan was set based on market conditions. The loan was fully repaid during 2023.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not provide loans during 2023.

Note 36
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 2023 due to their nature, size or extent other than those described in the Group financial statements.

Note 37
Significant contracts

Conclusion of banking product agreements with Bank BNP Paribas Bank Polska SA

In October 2023, the Group companies: Makarony Polskie SA and Stoczek Natura Sp. z o.o. concluded an agreement with Bank BNP Paribas Bank Polska SA (hereinafter: "the Bank") an agreement and an annex to the banking products agreement, which together met the criteria of a significant agreement, including contributing to the diversification of the Group's sources of financing.

The agreement of the highest materiality was the multi-option credit line agreement concluded by the subsidiary on 26 October 2023, which included an overdraft facility and guarantee/credit lines. The agreement specified the terms and conditions of financing during the current availability period and the amount of the main line limit of PLN 7.2 million, under which: the overdraft sub-limit is PLN 4.0 million (with repayment until 26 October 2025), the guarantee line sub-limit is PLN 3.2 million (with a maximum validity period of 36 months from the date of issuance or amendment of the guarantee). The

agreement also specified a possible letter of credit sub-limit of PLN 3.0 million with a maximum term of 12 months from the date of opening or amending the letter of credit.

The provisions of the Agreement do not deviate from the terms commonly used by the Bank for this type of agreement. The interest rate on the loan was determined on the basis of WIBOR 3M plus the Bank's margin, while a commission applies to guarantees and letters of credit.

The Agreement is secured by:

- a blank bill of exchange issued by the Company together with a bill of exchange declaration,
- declaration of the Company on submitting to execution by way of a notarial deed pursuant to Art. 777 §1 item 5 of the Code of Civil Procedure,
- contractual mortgage up to the amount of PLN 10.8 million on the real estate located in Stoczek Łukowski, for which the land and mortgage register No. LU1U/00022979/2 is maintained, together with assignment of receivables under the insurance agreement for buildings/structures on the above real estate.

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 38

Remuneration of members of the Management Board and Supervisory Board

Management Board

First name and surname	Function	For the period from 01.01 - 31.12.2023		For the period from 01.01 - 31.12.2022	
		fixed	variable	fixed	variable
Zenon Daniłowski	President of the Board	780	1,217	600	854
	Total	**1,997**		**1,454**	

Supervisory Board

First name and surname	Function	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Roman Sobiecki	President of the Supervisory Board of the 9th and 10th terms	36	35
Ahmed Khalil	Vice-President of the Supervisory Board of the 9th and 10th terms	35	33
Wiesław Wasilewski	Member of the Supervisory Board of the 9th and 10th terms	30	29
Marek Rocki	Member of the Supervisory Board of the 9th and 10th terms	30	29
Michał Słomkowski	Member of the Supervisory Board of the 9th and 10th terms	30	29
Janusz Pierun	Member of the Supervisory Board of the 9th term	0	14
Total		**161**	**169**

In 2023, members of the Supervisory Board received remuneration in accordance with the remuneration system adopted by Resolution No. 23 of the Annual General Meeting of 30 June 2022 - at a fixed monthly rate.

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 Management Board and Supervisory Board of Makarony Polskie SA.

Note 39
Significant event in the period from 01 January 2023 to the date of submission of these financial statements

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

During H1 2023, the Makarony Polskie Group included the subsidiary SAS Sp. z o.o. (formerly: Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o., on 2 January 2023 a change of company name was registered in the KRS). A company whose object was the production of a wide range of pasta, manufactured using rolled and pressed technology, including "nests". Makarony Polskie SA held 100% of the shares of SAS Sp. z o.o.

On 26 June 2023, the District Court in Rzeszów, 12th Economic Division of the National Court Register registered the merger of Makarony Polskie S.A. (as the acquiring company), with its subsidiary SAS Sp. z o.o. (as the acquired company).

The merger of the Companies took place based on art. 492 §1 item 1) of the KSH, by transferring all assets of the acquired company (SAS Sp. z o.o.) to the acquiring company (Makarony Polskie SA) - merger by acquisition. Pursuant to Article 514 of the KSH, the merger was made without increasing the share capital of the acquiring company, i.e. Makarony Polskie SA. As a result of the merger, the acquired company (SAS Sp. z o.o.) was dissolved without conducting liquidation proceedings and deleted from the register of companies of the National Court Register, according to art. 493 §1 of the KSH.

Economic considerations, among others, were in favour of the merger. As a result of the merger, it will be possible to:

- reduce of operating costs generated by simultaneous maintenance of two companies - Makarony Polskie S.A. and SAS Sp. z o.o., when the scope of business activities of both entities was the same or very similar and consisted mainly in pasta production,
- achieve the synergy,
- improve the corporate governance of SAS Sp. z o.o.'s assets,
- reduce the costs as a result of the merger of two companies
- integrate the operational processess of both companies.

The following is the Statement of Financial Position of SAS Sp. z o.o. as at the merger date, i.e. 26.June 2023.

ASSETS (in PLN)	26 June 2023
FIXED ASSETS	**18,753 799.83**
Intangible assets	0
Fixed tangible assets	18,686 895.83
Long-term receivables	0
Long-term investments	0
Long-term accruals	66,904.00
CURRENT ASSETS	**30,587 000.46**
Inventories	6,414,567.48
Short-term receivables	10,791 618.95
including the affiliates	1,117,871.86
Short-term investments	13,359 704.74
Short-term accruals	21,109.29

Assets for sale	0
TOTAL ASSETS	**49,340 800.29**

LIABILITIES (in PLN)	26 June 2023
EQUITY (FUND)	**36,923,309.18**
Share capital (fund)	10,773,000.00
Called-up share capital not paid (negative value)	0
Own shares (negative value)	0
Supplementary capital (fund)	7,743 003.85
Revaluation reserve (fund)	12,763 000.62
Other reserve capitals (funds)	0
Profit (loss) from previous years	0
Net profit (loss)	**5,644,304.71**
Net profit write-offs during the financial year (negative value)	
LIABILITIES AND PROVISIONS FOR LIABILITIES	**12,417,491.11**
Provisions for liabilities	3,087,124.67
Long-term liabilities	0
Short-term liabilities	9,330 366.44
including the affiliates	1,716.26
Accruals	0
TOTAL LIABILITIES	**49,340,800.29**

Settlement of the merger transaction at the acquiring company Makarony Polskie SA

On 3 January 2022, Makarony Polskie took control of SAS Sp. z o.o. by acquiring 100% of its shares. At the time of taking control, the company measured the net assets to fair value. The effect of the valuation was the recognition of a gain on bargain purchase in the amount of PLN 4 102 663.07.

Due to the lack of regulation in IFRS of a merger under common control, the Company applied the method of merger with the subsidiary described below.

The merger was based on the valuation of net assets at the time of obtaining control, while the cumulative effect of the change in net assets since then was recognised in retained earnings. The approach used was driven by the best possible representation of the Company's and Group's operations since the acquisition of control.

The cumulative impact recognised in retained earnings arises from:

- Gain on bargain purchase arising in the transaction of obtaining control of PLN 4,102,663.07,
- Profit for 2022 (from gaining control) PLN 9,856,617.40
- Profit for 2023: PLN 5,853,928.71

Retained earnings arising from the merger consist of the retained earnings generated by SAS Sp. z o.o. from the date of acquisition of control to the date of merger in the amount of PLN 15,711 thousand and the difference between the consideration transferred for the acquired shares in SAS Sp. z o.o. and the net assets of SAS measured at fair value determined at the date of acquisition of control in the amount of PLN 4,103 thousand.

The impact of inflation on consumer behaviour and the food market

2023 was a difficult year for food companies due to the continuation of the war in Ukraine, which manifested itself in a continuation of inflationary pressures from the previous year. Towards the end of the year, the pasta market was heavily influenced by the aggressive pricing policies of retail chains and increasing pressure on producers. The increasing cost of living also affected the financial expectations of employees, who asked for increases.

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 operations and financial results of the Makarony Polskie Group is visible in several areas:

- in connection with unrestricted inflow of raw materials and materials, a ban on the import of grain and grain products, e.g. flour, from the territory of Ukraine was introduced, which closed for a certain period the possibility of developing cooperation with suppliers from the Ukrainian market in the situation of products for which there is no alternative on the domestic market.
- The ongoing hostilities and the situation on the Polish-Ukrainian border have also resulted in a decline in trade with Ukrainian customers, which is reflected in a decline in exports to this market.

Immediately after the outbreak of war in Ukraine, additional procedures were implemented in the Makarony Polskie Group to secure continuity of production and reduce the risk of lack of raw material, 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 and the Group in the area of security, financial liquidity and achieved results. In the opinion of the Management Board, the current financial situation of the Company and the Group does not threaten the continuation of the Group's operations in the next periods.

The situation in Ukraine has not materially affected the Group's operations to date. In the opinion of the Management Board, there are no threats in the Group that would make it impossible to pay its liabilities. The Group has no problems with the repayment of receivables by its contractors (no changes in the collection of receivables were identified). The Group has not identified an increase in the valuation risks and the deposition 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 the further situation in Ukraine and its impact on the situation of the Company and the Makarony Polskie Group, but it should be stated that as of today, the impact, both in the area of export sales and purchase of raw materials, is not significant. Other factors, such as turbulence on the energy and gas market and inflation, have a much greater impact on the situation of the food business in Poland.

Intention of the Management Board of Makarony Polskie S.A. regarding payment of dividend for 2023

On 4 April 2024, the Company's Board of Directors announced that, in view of the good earnings estimates for the 2023 financial year, it intends to recommend to the Company's Annual General Meeting ("AGM") the payment of a dividend for 2023 of PLN 0.75 per share.

The amount of the recommended dividend per share will be the highest in the Company's history. The dividend will be paid on 11,040,071 shares.

At the same time, the Company informed that the formal proposal of the Management Board regarding the distribution of net profit for the financial year 2023 will be addressed to the General Meeting of Shareholders, as required by the Code of Commercial Companies, based on the final financial results included in the Annual Separate Financial Report of Makarony Polskie S.A. for 2023, scheduled for publication on 23 April 2024.

In 2024 and up to the date of submission of these financial statements, there were no material events or transactions other than those described that require disclosure in these consolidated financial statements.

Nota nr 40
Significant accounting policies used in the preparation of the financial statements

The Group 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 consolidated 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group 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, Group companies review 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.

The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group:

- 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 Group 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 Group 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 Group uses its historical credit loss data, adjusted for the impact of forward-looking information where appropriate.

For other financial assets, the Group 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 Group

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 Group 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 Group recognises rights to remuneration in exchange for goods or services that it has provided to a customer, if the right is unconditional (the only condition for the remuneration to be due is that a certain period of time has passed). The Group 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 Group 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 Group.

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 Group 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 Group 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 Group acquired (produced) earliest - the fifo method.

Prepaid expenses

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

In the case of a pension plan operated by the Group 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 Group 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 Group'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 Group, are recognised in the Group'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 Group 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 Consolidated 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 Group 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 Group is able to identify the rights of each party regarding the goods or services to be transferred;
- the Group 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 Group 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 Group 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 Group 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 Group'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 Group takes into account the terms of the contract and its customary business practices. The transaction price is the amount of consideration that the Group 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 Group estimates the amount of remuneration to which it will be entitled in return for transferring the promised goods or services to the client. The Group 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 Group 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 Group 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 Group 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 Group estimates the amount of variable remuneration using the expected value method.

Allocation of transaction price to performance obligations

The Group 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 Group 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 Group 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 Group 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 Group determines whether the nature of the Group'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 Group is a principal if it has control over the promised good or service before transferring it to the customer. However, the Group need not act as a principal if it obtains title to the product only temporarily before it is transferred to the customer. The Group 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 Group recognises revenue at the gross consideration to which it expects to be entitled in exchange for the goods or services transferred.

The Group 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 Group 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 Group has assessed that the contracts contain a significant financing component. To determine the transaction price, the Group 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 Group 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 Group 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 Group measures non-monetary consideration (or a promise to pay non-monetary consideration) at fair value to determine the transaction price. Where the Group 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 Group provides warranties for the products sold, which represent the customer's assurance that the product conforms to the specifications agreed by the parties. The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group assesses whether a contract asset is impaired on the same basis as for a financial asset under IFRS 9.

Receivables

Within receivables, the Group 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 Group 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 Group as an expense (impairment loss).

Contract liabilities

As part of contract liabilities, the Group 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 Group recognises the right to reclaim products from customers upon fulfilment of the obligation to return consideration.

Payback obligation

The Group 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 41
Financial risk management objectives and principles

The current financial situation of the Group, 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 and Middle East conflict) situation. For example, the impoverishment of society as a result of a steady rise in prices and everyday costs can result in an increased demand for cheaper and low-margin products, forcing producers and suppliers to compete aggressively on price, while an increase in the wealth of society can redirect purchasing decisions towards more expensive and high-margin products.

After a two-year period of dynamic inflationary increases and a reduction in consumers' real purchasing power, the inflationary situation is now slowing down. There is a trend towards a stabilisation or even decrease in the prices of many food products, including pasta.

Market trends are monitored on an ongoing basis. The Group's companies quickly and flexibly match their offer to them, both in terms of the products themselves and their

production technology. The Group's current product offering is modified in line with market trends.

Risk related to competition

All areas of Makarony Polskie Group'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 Group, may affect the achievement of objectives assumed by the Group. 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 year 2023 will see stagnation and even a reduction in consumption in some segments of the food market, including pasta. A commercial risk is the increasing pressure on producers to balance their supply capacity with demand. This results in an aggressive pricing policy that is not correlated with the cost level and the dynamically changing market environment, especially in the group of the so-called 'standard products'. This phenomenon has been visible in the market since the second half of 2023 and is estimated to continue at least until mid-2024. The Group minimises this risk by diversifying its business and developing innovative products, including through ongoing R&D projects. This strategy allowed the Group to increase production volumes in 2023 despite unfavourable market trends.

Risk of dependence on recipients

A large part of revenues is generated by the Group 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 of the commercial contracts do not contain a strictly defined volume of estimated purchases that the customer will make during the contract period, which has been a fairly common market practice to date. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in the inability to meet demand or incomplete use of production capacity, which will have an impact on the results. In an effort to minimise such a risk, the Group is developing its own analytical tools and participating in projects, jointly with customers or suppliers, aimed at systematically improving the entire supply chain.

In terms of contracting, the market has not returned to annual periods due to cost dynamics, while pricing periods have lengthened from a monthly to a three-month or even six-month cycle compared to 2022.

The stagnant market is forcing shops and retail chains to take aggressive measures to stimulate consumption and attract customers through promotions, shelf price reductions,

often against the level of producer inflation. The gap between market expectations and producers' expectations may cause changes in the utilisation of production potentials and the flow of production and sales volumes in short-term periods on a more significant scale than was the case in the corresponding period of 2022.

In the Group's opinion, the risk of dependence on customers is not significant, as the Group companies are systematically working towards diversifying their customers and increasing the number of so-called medium-sized customers.

Risk related to changes in raw material and material prices

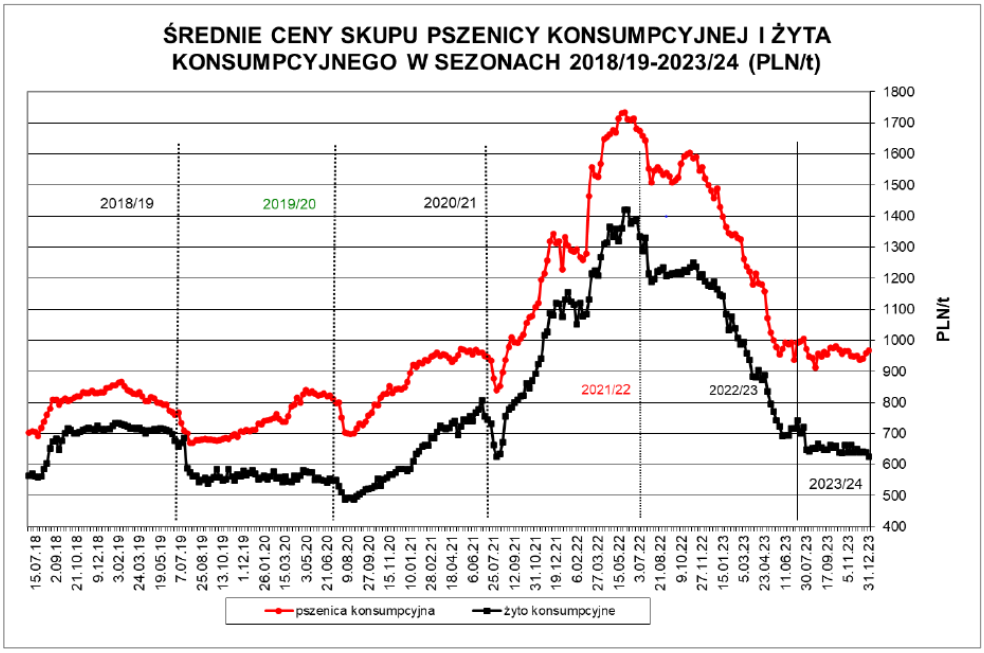
Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase agreements in annual and half-year periods, which helps to limit material decreases in the profitability of the pasta produced. Unfortunately, the current dynamic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

Despite the ongoing hostilities in Ukraine, the situation on the wheat market was rather stable in the first and second quarters of 2023. Towards the end of the second quarter, Russia threatened not to extend the agreement with Ukraine to sell grain after 15 July 2023, which translated into price increases on European markets. The Polish market is currently seeing Polish farmers stockpiling grain due to anticipated price rises. However, the situation is being stabilised on the European market. Elements that may translate into price changes in subsequent periods are possible, in particular electricity prices, wage costs and Russia's continued aggressive sales policy for soft cereals. Factors destabilising the supply-demand balance were imports of agricultural products from Ukraine including cereals with often low quality parameters. The situation caused an increase in tensions in the agricultural segment which resulted in blocking actions by state authorities.

Despite the embargo, signals of so-called uncontrolled entry of goods across the Polish-Ukrainian border were confirmed. This issue is the cause of further social tensions not only in Poland, but throughout Europe, and will require intervention at European Union level.

It is worth noting that, despite the successful wheat harvest in terms of quantity in the 2023/24 season, the available volume of consumption wheat meeting the appropriate and key quality parameters for the correct pasta production process is limited. This means that the pasta industry needs to select suppliers ensuring good quality of the final product with greater commitment and organisational effort.

The graph below shows the development of soft cereal prices in Poland in recent years:



Consumer rye Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 01/2024, Sparks Polska

Prices on the durum wheat market remained fairly stable, albeit at a high level, until the end of the fourth quarter of 2023. At the same time, there has been an increase in demand on the European market for durum wheat and semolina flour which, according to forecasts, will result in the lowest level of stocks of this raw material in several years at the end of the cereal season - this may result in a price increase for suppliers.

In the first quarter of 2023, the prices of eggs and egg pulp to reach very high levels, unprecedented in the history of the trade in these raw materials. A slight calming of the market did not occur until the end of March 2023. There was a gentle downward trend in Q2 2023, which also continued during the holiday period characterised by a cyclical reduction in demand for eggs. However, the third quarter again saw an increase in egg consumption and thus an increase in prices. The fourth quarter saw a calming of the market and a slight decrease in egg prices. The situation in subsequent periods will be influenced by factors such as the dynamics of the spread of avian influenza outbreaks, increased demand for Polish eggs in Western European countries and EU policy on imports from Ukraine.

In the foil and cardboard packaging market in Q1-Q4 2023, the market remained stable with slight price adjustments depending on the business situation of suppliers. In the following periods, due to an increase in costs (wages, fuel, etc.), an increase in prices of foil and cardboard packaging is expected. The Makarony Polskie Group constantly monitors the market situation of raw materials and production materials, expands the group of

suppliers due to diversification of potential risks, to increase material security of production plants and to ensure wide and authoritative market discernment.

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

In 2023, fruit prices were at a good level for processing, allowing satisfactory sales results . Purchasing of fruit and vegetables is carried out seasonally, in the months when their prices are lowest. Purchased raw materials are stored at optimum prices in the company's warehouses and cold stores.

Meat is the main raw material influencing the prices of the company's products. In 2023, meat prices tended to remain higher, which was a challenge for the company. The company seeks to secure stocks of this raw material for a period of several months, taking advantage of price decreases in the forecast cycles and thus mitigating the negative impact of increases on its operations. It thus gained time to adjust the sales prices of finished products to the increased production costs, which is particularly important in the case of retail chains, where the process of implementing price increases is stretched over time. Poultry meat prices in 2023 were characterised by price stabilisation, which had a positive impact on the company's assumed sales margins.

Despite the stabilisation of prices of utilities such as gas and electricity in 2023, the Group continues to monitor price forecasts for key raw materials and packaging. It is estimated that the prices of some raw materials and packaging will fall and inflation will no longer be as high as it was in 2022 or in 2022, nevertheless markets will still take a long time to stabilise after the disruption caused by the Covid-19 pandemic and the outbreak of war in Ukraine. 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 characterised by frequent changes, with legal regulations being significantly altered basically from one day to the next (e.g. during the Covid-19

epidemic, after the outbreak of war in Ukraine), which makes the activities of companies, including the companies of the Makarony Polskie Group, burdened with very high uncertainty. This is an unfavourable factor for business activity and carries a high risk.

In the nearest future, legal factors that will have impact on the Group's and the entire food industry's operations will be both changes in national law, e.g. issues related to the settlement of VAT rates for foodstuffs, and legal changes resulting from regulations implemented at the European Union level, e.g. implementation of Single Used Plastic, CSRD directives.

The Group's interests in the area of legal changes are safeguarded by legal teams, which take appropriate and timely action to minimise the potential 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 of wage pressure

Systematic increases in the level of the minimum wage and the minimum hourly rate on civil law contracts, mean that wage pressure is building up among employees and potential job applicants. This phenomenon is compounded by the fact that, in recent times, the labour market has increasingly become an employee market. Employers, including Group companies, are increasingly finding it difficult to find suitable candidates for vacant positions, both among specialists and managers, as well as among unqualified people.

Aiming to minimise staff turnover, particularly among key employees and specialists, the Group seeks to systematically implement incentive-based remuneration systems (linked, inter alia, to production and sales performance), which, by closely linking the performance of individual teams/individuals with the effectiveness of achieving the Group's objectives set for those teams/employees, make it possible to combine a remuneration level that satisfies employees with the profitability of the company's operations. In order to increase motivation and build employee loyalty towards the employer, the Group's companies also systematically diversify the package of non-wage benefits, such as sports cards, group insurance, Christmas cards or private medical care, in order to best match it to the needs and expectations of employees.

Risk related to changes in exchange rates

The Makarony Polskie Group is a semolina importer and exporter of finished products. The sales prices of the Groups'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 Group as an importer. To minimize the risk of changes in foreign exchange rates, the funds obtained by the Group 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 2023:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2023 PLN k	Currency exposure as at 31.12.2023 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	29,003	2,120	2,120	0
Trade receivables	35,845	1,731	1,731	0
Financial liabilities				
Trade liabilities in total (including advanced payments)	28,812	5,546	5,546	0

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				
Cash and cash equivalents	7,828	1,090	1,090	0
Trade receivables	33,740	520	520	0
Financial liabilities				
Trade liabilities	49,678	12,339	12,339	0

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 31 December 2023:

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	106.0	-106.0	0	0
Trade receivables (gross)	86.6	-86.6	0	0
Financial liabilities				
Trade liabilities	-277.3	277.3	0	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	54.5	- 54.5	0	0
Trade receivables (gross)	26	- 26	0	0
Financial liabilities				
Trade liabilities	- 620	620	0	0

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 Group's revenue and cost levels in 2023 did not generate undue sensitivity to changes in the level of market interest rates.

In 2023, the Group used external financing in the form of bank loans: working capital loans, overdrafts and investment loans.

As at 31 December 2023, the Group had a borrowing liability of PLN 11,710 thousand:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
(in PLN)	WIBOR + bank's margin	11,710	3,019	8,691

As at 31 December 2022, the Group had a borrowing liability of PLN 35,760 thousand:

Currency	Interest	Loans balance	Including loans	
			provisions	Long-term
(in PLN)	WIBOR + bank's margin	26,353	13,220	13,133

The Group has loan commitments for which interest is calculated on a floating rate basis, and therefore there is a risk of these rates increasing relative to the time of the agreement, while the current level of inflation suggests that interest rate levels should trend downwards in future periods.

The structure of financial instruments exposed to interest rate risk as at 31 December 2023 is shown in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2023	Value at risk as at 31.12.2023	WIBOR

Financial assets			
Cash in hand and at bank	29,003	-	-
Financial liabilities			
Bank loans	11,710	11,710	11,710
Other financial liabilities	857	857	857

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	Value at risk as at 31.12.2022	WIBOR
Financial assets			
Cash in hand and at bank	7,828	-	-
Financial liabilities			
Bank loans	26,353	26,353	26,353
Other financial liabilities	1,109	1,109	1,109

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 December 2023:

Interest rate	Deviation assumptions (in percentage points) 31/12/2023		Value at risk as at 31.12.2023 PLN k	Impact on the financial result 31/12/2023	
				PLN k	PLN k
WIBOR	1%	-1%	11,710	-117.1	117.1

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) 31.12.2022		Value at risk as at 31.12.2022 PLN k	Impact on the financial result 31.12.2022	
				PLN k	PLN k
WIBOR	1%	-1%	27,462	-274.6	274.6

Risk of insolvency

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

The Group's exposure to the risk of contractors' insolvency is constantly monitored; the credit risk control is enabled by limits verified and approved on an ongoing basis within the control structures of the Group. In addition, the Group 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 Group is not exposed to material risk of insolvency towards a single contractors or a group of contractors.

Note 42
Capital management

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

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

In 2023, 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 Group 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 2023, the Group made scheduled repayments of interest-bearing liabilities on time.

Note 43
Financial instruments

The largest share in the structure of the Group'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 2023, the Group 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 44

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

In the period 2023, there were no proceedings pending before any court, arbitration body or public administration authority concerning liabilities and receivables of Makarony Polskie SA or its subsidiaries of a total value of at least 10% of the equity of Makarony Polskie SA.

Note 45

Employment in the Makarony Polskie Group

Employment as at	31/12/2023	31.12.2022
Production	363	352
Administration	24	30
Sales	17	21
In total	404	403

Note 46

Auditor's remuneration

The Supervisory Board of Makarony Polskie S.A. elected BDO Spółka z ograniczoną odpowiedzialnością sp.k. based in Warsaw as the statutory auditor to review and statutorily audit the financial statements of the companies of the Makarony Polskie Group in the financial years 2023-2024.

BDO Spółka z ograniczoną odpowiedzialnością sp.k. is registered on the list of audit firms kept by the Polish Audit Supervision Agency under number 3355 and entered in the register of entrepreneurs of the National Court Register under number KRS 0000729684.

Additional notes

The companies of the Makarony Polskie Group have previously used the services of BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the annual reports in the financial years 2018-2022.

On 28 June 2023, 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 2023-2024.

The fees payable to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the financial statements for the financial year 2023 in Makarony Polskie S.A. amounts to PLN 202.0 thousand in total (PLN 81.0 thousand for the review of the standalone and consolidated semi-annual report, PLN 121 thousand for the audit of the financial statements of Makarony Polskie S.A. and the Makarony Polskie Group for 2023).

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. amounted 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).

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Board

Additional notes

Rzeszów, 23 April 2024

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