Makarony Polskie

- SPÓŁKA AKCYJNA -

Financial statements of Makarony Polskie Group for the financial year 2022



Rzeszów, 27 April 2023

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General information

Group's organisational structure

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

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



Makarony Polskie SA is a manufacturer of a wide range of pasta, produced in stamped and rolled technology. 100% of shares The Company offers pasta in many different shapes, made on the basis of durum flour and wheat flour. In its portfolio, the Company also has products that respond to the trends of pro-health food, such as pasta from spelled, buckwheat, rye flours. The product range is diversified with large forms of pasta intended for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The company has considerable scope to expand its range of pasta made from rare flours such as legumes and the portfolio will be developed in this direction.

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

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

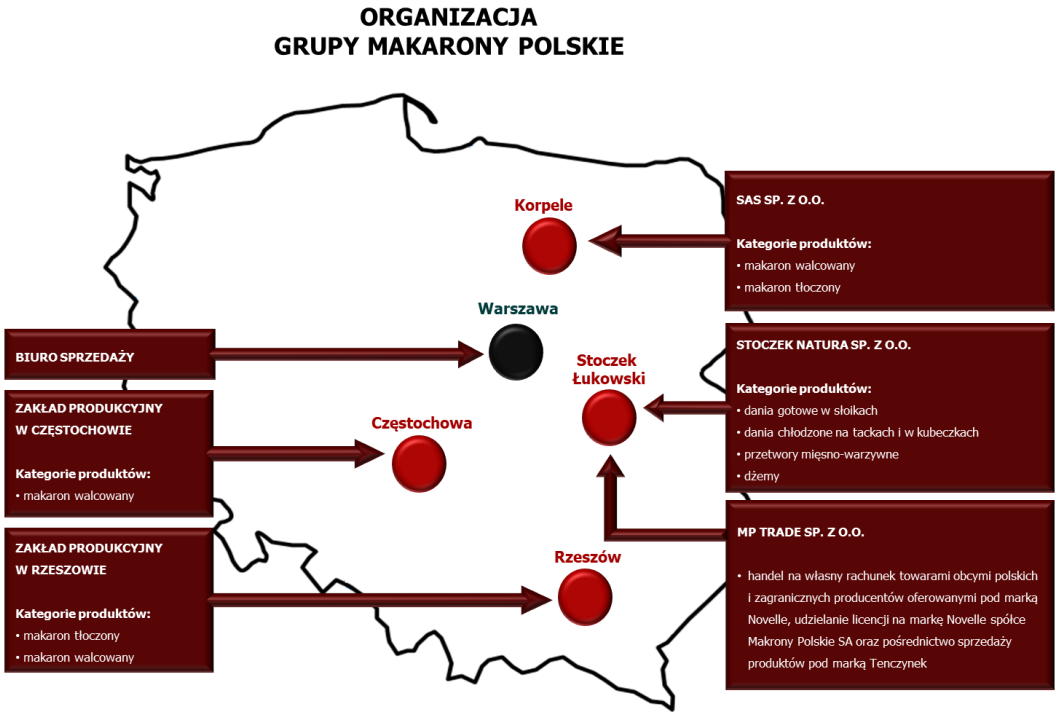
MP Trade Sp. z o.o. develops trade on own account with foreign goods of Polish and foreign producers. The company works in two business fields. The Company's main activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makarony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

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

Changes in the organization of the Makarony Polskie Group in 2022

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

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



Registration data

Makarony Polskie Spółka Akcyjna

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

Country of registration: Poland

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

KRS number: 0000212001,

Share Capital:

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

Regon: 691674708,

NIP: 813-32-78-856,

www.makarony.pl.

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.

SAS Sp. z o.o.

Registered Office: Korpele 60, 12-100 Szczytno,

District Court in Olsztyn, 8th Commercial Department

KRS number: 0000930233,

Share Capital: PLN 10,773,000.00

Regon: 520336157

NIP: 7451856735

http://makaronysas.pl/

Employment

Employment as at 31 December 2022 in the Makarony Polskie Group was the following:

- Makarony Polskie SA – 166 employees,
- Stoczek Natura Sp. z o.o. - 80 employees
- MP Trade Sp. z o.o. - 0 employees
- SAS Sp. z o.o. - 157 employees

Composition of the Parent Company's Management Board

Composition of the Management Board

In the period from 1 January 2022 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	2022		2021	
	number of shares	nominal value	number of shares	nominal value
Zenon Daniłowski*	140,000	420 000	140,000	420 000

* President of the Management Board Zenon Daniłowski is associated with the following companies: Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o., which also hold the Company's shares; the total number of shares in 2022 as at the report publication date is 3,641,594 shares with a value of PLN 10,924,782 and has not changed compared to the shares held as at the date of publication of the interim report for the reporting year 2021.

In accordance with the information held by the Company, during 2022 and until the date of publication of these statements, there were no changes in the ownership of shares held by the President of the Management Board.

Personal composition of the Supervisory Board

Composition of the Supervisory Board

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

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

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

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

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

- Roman Sobiecki - President the Supervisory Board (independent member),
- Mr Ahmed Khalil - Vice-President of the Supervisory Board (dependent member),

- Marek Rocki - Member of the Supervisory Board (dependent member),
- Michał Słomkowski - Member of the Supervisory Board (independent member),
- Wiesław Wasilewski - Member of the Supervisory Board (independent member).

Shares held by members of the Supervisory Board

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

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

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

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

General Meeting of Shareholders of Makarony Polskie SA,

Share capital structure

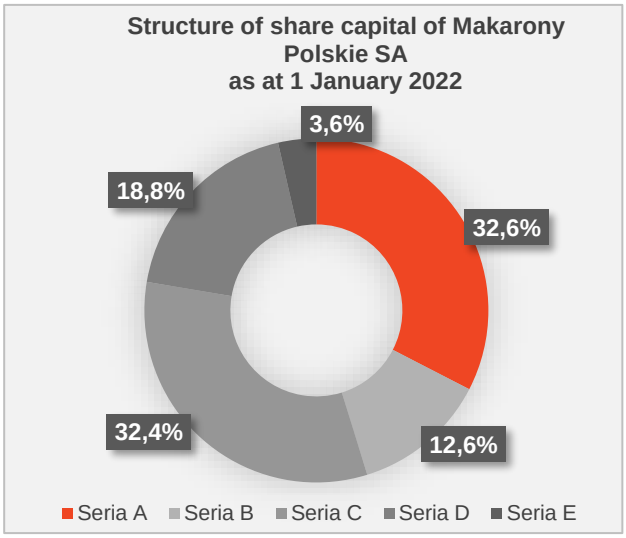
The share capital of Makarony Polskie S.A. as at 1 January 2022:

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

Structure of the Company's share capital:

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

– 331 250 ordinary bearer shares of E series.



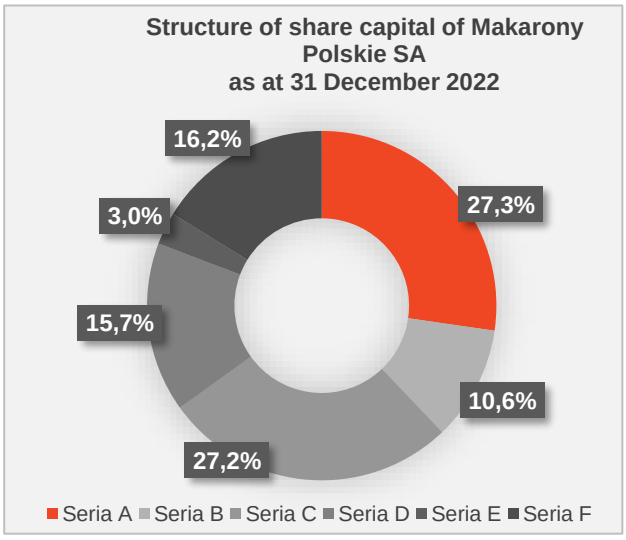
On 4 March 2022, in the register of business entities of the National Court Register, the increase of the share capital of Makarony Polskie SA by issuance of 1,790,000 series F ordinary bearer shares was registered, which means the increase of the share capital by the amount of PLN 5,370,000 to the amount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

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

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

Structure of the Company's share capital:

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



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

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

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

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

Shareholder	Shares in share capital		Votes at the General Meeting	
	number	share in %	number	share in %
Mr. Zenon Daniłowski and entities from Grupa PGS, including:	3,641,594	32,99%	3,641,594	32,99%
Praska Giełda Spożywcza SA (former: Agro-Technika SA)	*3,380,000*	*30,62%*	*3,380,000*	*30,62%*
Zenon Daniłowski	*140,000*	*1,27%*	*140,000*	*1,27%*
Polskie Smaki Sp. z o.o.	*121,594*	*1,10%*	*121,594*	*1,10%*
Raya Holding for Technology & Communications S.A.E., including:	3,254,706	29,48%	3,254,706	29,48%
Madova Sp. z o.o.	*3,254,706*	*29,48%*	*3,254,706*	*29,48%*
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	1,169,750	10,60%	1,169,750	10,60%
Other shareholders	2,974,021	26,94%	2,974,021	26,94%

IN TOTAL	**11,040,071**	**100,00%**	**11,040,071**	**100,00%**

Changes in the shareholding structure during 2022

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

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

- The shareholders of the company Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. informed that there was a direct decrease in the share in Makarony Polskie SA:
  1) Prior to the change in the shareholding of Z.P.H. Elpast Elżbieta and Grzegorz Słomkowscy s.c. held directly 1,169,750 shares of the Company representing 12.65% in the share capital of Makarony Polskie SA entitling to cast 1,169,750 votes representing 12.65% of the total number of votes.

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

– Praska Giełda Spożywcza SA informed that as a result of the acquisition of 590,000 F-series shares, there was a direct and indirect increase in the share in the Company:
1) Prior to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 2,911,594 shares of the Company, accounting for 31.47% of the share capital of Makarony Polskie SA and entitling to cast 2,911,594 votes, accounting for 31.47% of the total number of the votes, of which:
    a. directly – 2,790,000 shares, accounting for 30.16% of the share capital and entitling to cast 2,790,000 votes, accounting for 30.16% of the total number of the votes,
    b. indirectly (by the subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.31% of the share capital and entitling to 121,594 votes, accounting for 1.31% of the total number of the votes.
2) Subsequent to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 3,501,592 shares of the Company, accounting for 31.72% of the share capital of Makarony Polskie SA and entitling to cast 3,501,594 votes, accounting for 31.72% of the total number of the votes, of which:
    a. directly – 3,380,000 shares, accounting for 30.62% of the share capital and entitling to cast 3,380,000 votes, accounting for 30.62% of the total number of the votes,
    b. indirectly (by the subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.10% of the share capital and entitling to 121,594 votes, accounting for 1.10% of the total number of the votes.
3) There are no subsidiaries other than Polskie Smaki Sp. z o.o. of Praska Giełda Spożywcza SA that hold shares in Makarony Polskie SA.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.

5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

– Mr. Zenon Daniłowski informed that as a result of the acquisition of 590,000 F-series shares by Praska Giełda Spożywcza, there was an indirect increase in the share in the Company:

1) Prior to the Change of Shareholding, Mr. Zenon Daniłowski held directly and indirectly 3,051,594 shares of the Company, accounting for 32.99% of the share capital of Makarony Polskie SA and entitling to cast 3,051,594 votes, accounting for 32.99% of the total number of the votes, of which:
    a. directly – 140,000 shares, accounting for 1.51% of the share capital and entitling to cast 140,000 votes, accounting for 1.51% of the total number of the votes,
    b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 2,911,594 shares, accounting for 31.47% of the share capital and entitling to 2,911,594 votes, accounting for 31.47% of the total number of the votes.
2) After the change in shareholding, Mr Zenon Daniłowski holds directly and indirectly 3,641,594 shares in the Company representing 32.99% in the share capital of Makarony Polskie SA entitling him to cast 3,641,594 votes representing 32.99% of the total number of votes, of which:
    a. directly – 140,000 shares, accounting for 1.27% of the share capital and entitling to cast 140,000 votes, accounting for 1.27% of the total number of the votes,
    b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 3,501,594 shares, accounting for 31.72% of the share capital and entitling to 3,501,594 votes, accounting for 31.72% of the total number of the votes.
3) There are no subsidiaries other than Polskie Smaki Sp. z o.o. and Praska Giełda Spożywcza SA of Mr Zenon Daniłowski holding shares in Makarony Polskie SA.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

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

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

Composition of the Management Board of subsidiaries

Stoczek Natura Sp. z o.o.

As at 31 December 2022 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 2022 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 2022 and at the date of publication of this report.

SAS Sp. z o.o.

As at 31 December 2022 and the date of publication of these statements, the management board of the subsidiary SAS Sp. z o.o. was composed of:

- Witold Żarek - President of the Management Board.

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

- Magdalena Banach - since January 3, 2022.

During 2022, Mr Leszek Trzcinski also acted as a proxy in SAS Sp. z o.o. - the proxy was revoked by the board of SAS Sp. z o.o. on 8 March 2023.

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 27 April 2023.

The financial statements of the Makarony Polskie Group for 2021 were approved by Resolution No. 6 of the Annual General Meeting of Makarony Polskie on 30 June 2022.

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 2022 were prepared based on the International Accounting Standards in the form approved by the European Union (EU) and the related interpretations announced in the form of executive regulations of the European Commission (hereinafter referred to as "IFRS"), published and binding at the time of preparing these financial statements.

To the extent not covered by the above standards, these 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 2022.

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. and investment land.

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 2021 (published on 28 April 2022) except for the application of amendments to standards and new interpretations effective for annual periods beginning on 1 January 2022.

The duration of the 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 consolidated 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 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 2022.

Effect of applying new accounting standards and changes in accounting policy

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

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

Changes resulting from amendments to IFRS

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

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

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

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

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

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

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;

– IFRS 17 Insurance contracts

  The new standard was published on 18 May 2017, and then amended on 25 June 2020 and applies to annual periods beginning on or after 1 January 2023. It is permitted to be applied earlier (provided that IFRS 15 and IFRS 9 are applied at the same time). The standard replaces the existing regulations regarding insurance contracts (IFRS 4). On 25 June 2020, IFRS 4 was also amended – in terms of extending the period of exemption for insurers from the application of IFRS Financial instruments until 1 January 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated entities:

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,
- activities aimed at cost and process optimization, e.g. implementation of MES software in the production plants will allow for better control of cost and labor intensity of the products and improvement of production-related accounts, while WMS software relating to warehouses will improve warehouse management and the system of stock aging and product flow control,
- at Makarony Polskie SA, an interdisciplinary team was established, which, in cooperation with scientific institutions, works on developing and implementing

innovative technologies for the production of new products: functional, health-promoting, low-processed food, easy to prepare,

- Stoczek Natura Sp. z o.o. has successfully introduced SoFood ready-made dishes on trays and in bowls to its offer, which achieved the position of sales vice-leader in its category (according to the report of Nielsen company), further systematic offer development of SoFood brand in close association with market trends and upward trend of this segment is a good sign for sales increase in the future periods,
- PPH SAS A.Świderski Sp. z o.o. has carried out a number of investment projects aimed at improving the production effectiveness and flexibility and reducing the production costs: the capacity of cold storage rooms has been increased, a semi-automatic wrapping machine for stretching pallets with foil has been installed in order to improve the quality of pallets sent, a system for collection and analysis of data from pass-through checkweighers has been ordered, works to diversify the sources of process heat generation are carried out, the company has also taken steps to sell unused assets, and it plans to use the proceeds from sales for further investment projects in the machine park,
- in all plants of the Group, by the end of 2023, it is planned to invest in photovoltaics - the production processes of pasta and ready meals are characterized by high energy consumption, 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 the cost of production resulting from increases in electricity prices.

Finalization of the acquisition process conducted by the Company

- The Makarony Polskie Group focuses on systematic, long-term organic growth, but also takes advantage of acquisition opportunities if they arise on the market, as in the case of SAS Sp. z o.o., whose acquisition was finalised in early 2022,
- the acquisition of a competitive pasta manufacturer, which is among the top five egg pasta manufacturers in the country, will contribute to increasing the production potential of Makarony Polskie SA and allow it to effectively use this potential, it will enrish the product portfolio with pasta which is very popular on the Polish market, i.e. "nests",
- rolled egg pasta has high taste qualities, it is characterised by a higher selling price, which according to the Company will allow it to increase the revenues and improve the level of sales margins, and, consequently, have a positive impact on the Group's operations in the long term.
- acquisition has strengthened the Group's position as the leader in the field of rolled egg pasta (consumed willingly in Poland and Central Europe e.g. with soups) and the position as the vice-leader among Polish pasta manufacturers,

- on 31 August 2022, the plan of the merger of the companies, Makarony Polskie SA as an acquiring company and PPH SAS A.Świderski Sp. z o.o. as a company being acquired, After the end of the reporting period, on 12 April 2023, the General Meeting of Makarony Polskie S.A. and the General Meeting of Shareholders of SAS Sp. z o.o. passed resolutions concerning the merger of the companies. The merger of the companies is supported by, among other things, economic conditions. As a result of the merger, it will be possible to:
  - reduce the operating costs generated by the simultaneous operations of two companies - Makarony Polskie SA and Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski sp. z o.o in a situation when a range of business activities of both entities is the same or very similar, and consists mainly in pasta production,
  - achieve the synergy,
  - reduce the costs as a result of the merger of two companies
  - integrate the operational processess of both companies.

Activity development in the private label segment

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

Development of B2B sales channels and Institutions

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

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

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie, SoFood and Novelle brands on the market,
- strengthening and developing the product portfolio in line with market trends,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of

international medium and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the 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 offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, buckwheat, vegetable and in the product category, such as ready-made dishes in trays (in particular, vegetarian dishes, which are highly sought after on the market),
- acquiring and implementing projects concerning deliveries under the own recipient's brand,
- partnership cooperation with other entities that have an offer complementary to the 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)

As at the date of this report, there were indications of a write-down of the Tenczynek brand and goodwill. The Group recognised a total write-downof the Tenczynek brand as at 31 December 2022 in the amount of PLN 1,163 thousand. The basis for the aforementioned write-downs was a change in the assessment of the attractiveness and development prospects of the products offered under the brand, related to changes in trends in the food market (departure from vegetable preserves in jars and syrups).

The relevant tests, in accordance with the applicable rules, were performed as at the end of 31 December 2022.

Selected financial data
Makarony Polskie Group

Selected financial data	31 December 2022	31 December 2021	31 December 2022 EUR k)	31 December 2021 EUR k)
Net revenues from sale of products, services, goods and materials	328,922	169,651	70,158	37,062
Profit (loss) from continued operations	33,198	8,544	7,081	1,867
Gross profit (loss)	30,343	7,801	6,472	1,704
Net profit (loss) from continued operations	24,458	6,390	5,217	1,396
EBIT	33,198	8,544	7,081	1,867
EBITDA (EBIT + depreciation)	42,368	16,541	9,037	3,614
Net cash flows from operating activities	22,236	13,498	4,743	2,949
Net cash flows from investment activities	-22,753	- 6,540	- 4,853	-1,429
Net cash flows from financial activities	-17,813	18,794	- 3,799	4,106
Total net cash flows	-18,330	25,752	- 3,909	5,626
Total assets	239,332	205,044	51,031	44,581
Liabilities and provisions for liabilities	116,418	103,390	24,823	22,479
Long-term liabilities	41,745	49,395	8,901	10,739
Short-term liabilities	74,673	53,995	15,922	11,740
Equity	122,914	101,654	26,208	22,102
Revaluation capital	33,120	27,750	7,062	6,033
Number of shares (units)	11,040,071	11,040 071	11,040 071	11,040 071
Weighted average number of shares (in units) during the current financial year	11,040,071	9,348 098	11,040 071	9,348 098
Profit/loss per ordinary share (in PLN/EUR) *	2.22	0.68	0.47	0.15
Book value per one share (in PLN/EUR) **	11.13	9.21	2.37	2.00

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

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

Selected financial data in EUR

Selected financial data for the period 1 January 2022 to 31 December 2022 and 1 January 2021 to 31 December 2021 are presented as follows:

- items of the statement of financial position have been converted at the average exchange rate announced by the National Bank of Poland as at the balance sheet date 31 December 2022, EUR 1= PLN 4.6899; 31 December 2021, EUR 1= PLN 4.5994
- items of the statement of comprehensive income and statement of cash flows have been converted at the exchange rate being the arithmetic average of the average rates set by the National Bank of Poland effective on the last day of each month of 2022 = PLN 4.6883 and at the end of each month of 2021 = PLN 4.5472.

Consolidated statements of comprehensive revenues

For the period	Note	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Net sales revenue	**1.2**	**328,922**	**169,651**
Revenues from sales of other products and services		317,782	163,334
Net revenues from sales of goods and materials		11,140	6,317
Own cost	**2.3**	**255,724**	**138,485**
Production costs of products and services sold		245,571	133,103
Value of goods and materials sold		10,153	5,382
Gross profit (loss) on sales		**73,198**	**31,166**
Costs of sales	4	28,089	20,451
General administrative costs	5	10,159	6,158
Other revenues	6	6,963	5,764
Other costs	7	8,715	1,777
Profit (loss) from continued operations		**33,198**	**8,544**
Financial incomes	8	32	112
Financial costs	9	2,887	855
Gross profit		**30,343**	**7,801**
Income tax	10.11	5,885	1,411
Profit (loss) from continued operations, in this attributable to:		**24,458**	**6,390**
Shareholders of the parent Company		*24,458*	*6,390*
Basic net result per share in PLN	12	2.22	0.68
Diluted net result per share in PLN		2.22	0.68
Total net income, in this attributable to:		**24,458**	**6,390**
Shareholders of the parent Company		*24,458*	*6,390*

Consolidated statement of financial position

ASSETS	Note	01.01.2022-31.12.2022	01.01.2021-31.12.2021
FIXED ASSETS		**144,181**	**132,764**
Fixed tangible assets	14	131,475	116,269
Fixed assets with right of use (IFRS-16)	14	3,699	3,291
Investment real estate 603	15	603	603
47,190	16	2,863	5,949
Other intangible assets	17	5,503	6,588
Assets for deferred income tax		3	0
Other long-term assets	24	35	64
CURRENT ASSETS		**95,151**	**72,280**
Inventories	19	44,481	21,382
Short-term receivables	20	42,412	23,885
Income tax receivables	20.21	0	554
Borrowings granted	22	0	0
Cash and cash equivalents	23	7,828	26,156
Other short-term assets	24	430	303
FIXED ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**239,332**	**205,044**

Consolidated statement of financial position

LIABILITIES	Note	01.01.2022-31.12.2022	01.01.2021-31.12.2021
EQUITY		**122,914**	**101,654**
Revaluation capital	25	33,120	27,750
Supplementary capital	26	53,521	43,091
Revaluation capital		114	
Reserve capital	26	12,000	24,888
Retained profit/loss	27	24,159	5,925
LONG-TERM LIABILITIES		**41,745**	**49,395**
Provision for deferred income tax	11	5,088	3,212
Long-term bank loans and borrowings	28	13,133	20,522
Other long-term financial liabilities	31	0	465
Provision for pensions and similar (long-term)	30	495	400
Revenues of future periods - long-term	33	19,501	21,228
Long-term financial liabilities - leasing	31	3,528	3,568
SHORT-TERM LIABILITIES		**74,673**	**53,995**
Short-term bank loans and borrowings	28	13,220	15,238
Other short-term financial liabilities	31	807	744
Short-term financial liabilities - leasing	31	1,364	1,391
Other short-term liabilities	32	52,886	33,409
Income tax liabilities	32	2,349	311
Revenues of future periods - short-term	33	1,555	1,584
Provision for retirement and similar benefits (short-term)	30	2,421	1,251
Other short-term provisions	30	71	67
TOTAL LIABILITIES		**116,418**	**103,390**
TOTAL LIABILITIES		**239,332**	**205,044**

Consolidated statement on cash flow - indirect method

For the period	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Profit before tax	**30 343**	**7,801**
Adjustments by items:		
Depreciation	9,170	7,997
Profits/losses on exchange differences	- 2	6
Interest expense and income	2,185	625
Profit/loss from investing activities	1,686	215
Change in provisions	1,270	- 247
Change in inventories	- 23,099	2,745
Change in receivables	-17,468	- 1,181
Change in liabilities and other assets and liabilities	18,073	712
Other adjustments	4,247	- 2,394
Total adjustments	- 3,938	8,478
Proceeds from dividends	0	0
Corporate income tax paid/reimbursed	- 4,169	- 2,781
Cash flows from net operating activities	**22,236**	**13,498**
Proceeds from the sale of fixed assets and intangible assets	1,567	868
Expenses for the acquisition of fixed tangible assets and intangible assets	- 7,210	- 7,408
Expenses for the acquisition of subsidiaries	-17,110	0
Interest income	0	0
Proceeds from borrowings granted 0	0	0
Borrowings granted	0	0
Other	0	0
Net cash flows from investment activities	**- 22,753**	**- 6,540**
Proceeds from loans and borrowings	2,157	20,669
Repayment of loans and borrowings	- 11,590	- 11,801
Payment of liabilities under financial lease agreements	- 1,455	- 1,704
Interest paid	- 2,185	- 625
Proceeds from the issue of shares	0	12,888

Consolidated statement on cash flow - indirect method

Dividend paid to shareholders	- 3,312	- 2,775
Repayment of other liabilities	- 1,428	- 279
Other financial revenue	0	2,421
Net cash flows from financial activities	**-17,813**	**18,794**
Increase/decrease in cash and cash equivalents	**-18,330**	**25,752**
Cash, cash equivalents and overdrafts at the beginning of the period	26,156	410
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	2	- 6
Cash, cash equivalents and overdrafts at the end of the period	**7,828**	**26,156**

Statement of changes in consolidated equity

For the period from 01 January 2022 to 31 December 2022

	Core capital	Supplementary capital	Capital from capital revaluation	Reserve capital	Retained profit/loss	Total
Balance as at 1 January 2022	27,750	43,091	0	24,888	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	0	- 12,888	0	0
14,139 14,139	0	0	114	0	0	114
Other total 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	114	12,000	24,159	122,914

For the period from 01 January 2021 to 31 December 2021

	Core capital	Supplementary capital	Reserve capital	Retained profit/loss	Total
As at 01 January 2021	27,750	38,490	12,000	6,963	85,203
Distribution of profit/loss coverage	0	4,653	0	- 4,653	0
Profit distribution - dividend payment 0	0	0	0	-2,775	- 2,775
Creation of reserve capital - own shares	0	0	0	0	0
Costs of issuing series F shares		- 52			- 52
Series F shares issue			12,888		12,888
Other total income	0	0	0	0	0
Net result in 2021	0	0	0	6,390	6,390
As at 31 December 2021	27,750	43,091	24,888	5,925	101,654

Additional notes

Notes to the statement of comprehensive revenues

Note 1
Sales revenue

SALES REVENUE - GEOGRAPHICAL STRUCTURE

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Country	298,287	153,061
Exports, including:	30,635	16,590
- European Union countries	7,736	5,078
- other countries	22,899	11,512
Total	**328,922**	**169,651**

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 2022, sales amounted to PLN 328.9 million, including PLN 298.3 million in the domestic market and PLN 30.6 million in exports. In the corresponding period of 2021, these volumes amounted to PLN 169.7 million, PLN 153.1 million and PLN 16.6 million respectively.

Throughout 2022, the Group's export strategy was directed at winning new customers in EU countries for premium products and supplying foreign customers with basic food products as efficiently as possible.

The main export market remains Ukraine, where the Group continues its activities and adapts its offer and mode of operation adequately to the political and economic situation in the market.

Following the outbreak of war in Ukraine, the company decided to stop selling its products on the Belarusian market.

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 - 31.12.2022	For the period from 01.01 - 31.12.2021
Revenues from sales of products	**313,120**	**157,400**
Proceeds from the sale of services, including:	**4,662**	**5,934**
- from lease and storage	2,694	4,367
- service production	1,878	1,511
- transportation services	0	32
- distribution services	37	0
- other services	53	24
Revenues from sale of materials	**2,233**	**3,115**
Revenues from sale of goods	**8,907**	**3,202**
Total	**328,922**	**169,651**

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

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Pasta	259,085	121,369
Meat and vegetable preserves	51,663	32,173
Vegetable and fruit preserves	8,503	8,482
Total	9,671	7,627
Total	**328,922**	**169,651**

The sales revenue of the Makarony Polskie Group in 2022 amounted to approximately PLN 328.9 million and was approximately PLN 159.3 million higher compared to the 2021 figure. This is mainly due to the following factors:

- the acquisition of SAS Sp. z o.o. at the turn of 2021 and 2022 - thanks to this acquisition, both production capacity and sales in the pasta category were significantly increased,
- the outbreak of the war in Ukraine - the related purchasing panic that occurred in the market of products with a long shelf life during the first months of the war in Ukraine, the accumulation of stocks of products with a long shelf life, the increased demand demand resulting from the supply gap that emerged due to the withdrawal of Ukrainian producers from the market, as well as the launch of food aid programmes

for Ukraine by EU institutions, led to an above-normal increase in sales both in the domestic market and in exports,
- increases in the prices of the offered products forced by the shock increase in the levels of producer inflation and the necessity of constant adjustment of sales prices to the level of growing costs of production and sales,
- "underestimation" of base sales revenue in 2021 - a temporary reduction in the level of sales in 2021 was caused by investment works carried out by the Group's companies and the related necessity to temporarily shut down some production areas and production lines; this translated into the necessity to temporarily reduce the scale of production and, consequently, sales revenue.

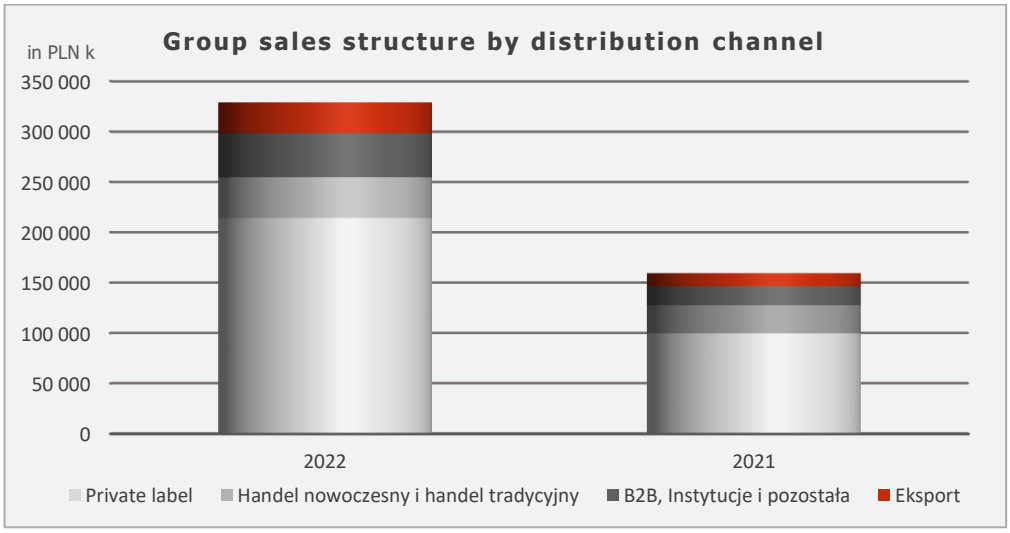
The value of sales in the pasta category increased by approximately PLN 137.7 million to approximately PLN 259.1 million in 2022. The increase of approx. 113.5% was directly linked to the above-mentioned factors, with the acquisition of SAS Sp. z o.o. and the use of synergy effects not only through increased sales volume, but also through cost synergies achieved at a rapid pace.

The segment in which positive dynamics of change were recorded is the processed meat and vegetables segment. Sales of processed meat and vegetables increased in the analysed period by approximately PLN 19.5 million to approximately PLN 51.7 million. The increase of approximately 60.6% in 2022 vs. 2021 was the result of:
- rapidly growing sales of a new line of ready meals in trays and bowls under the SoFood brand launched in 2020. These products have been very well received by customers reaching the position of sales leader in their category in 2022 according to a report by Nielsen. A year earlier, the debut SoFood brand, according to a report by the same company, reached the second position in terms of sales among competitors present on the market for several years,
- a surge in interest in long-life canned products, linked, among other things, to the geopolitical situation,
- increased volume of product orders for the Ukrainian market in 2022,
- organic growth of sales related, among others, to the opening of new outlets by the largest customers of the Makarony Polskie Group.

Sales of vegetable and fruit preserves in the analysed period remain at a similar level, i.e. approx. PLN 8.5 million, which is due to market saturation in the salad and jam categories in the market. These categories have low growth prospects and no or minimal growth is forecast in the future.

SALES REVENUE BY DISTRIBUTION CHANNEL

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



In 2022, 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 34% and the Lidl Group with a share of approximately 10.7%. 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 (65%) was accounted for by the private label (PL) channel, offering products under private labels of domestic and foreign chains (including sales to a Lidl contractor operating within a single Group in Europe

PL (in PLN k)	2022	2021	y/y
Revenues from sales	214,132	99,663	+ 114,9%

The increase in the private label segment in 2022 is mainly due to the acquisition of SAS Sp. z o.o., whose sales focus on the private label market. This translated into a surge in sales of this product category in the Makarony Polskie Group due to the acquisition of new customers and the expansion of cooperation with existing contractors. The increase in volume sales, coupled with an increase in the price levels of the offered assortment resulting from inflation, resulted in the revenue generated in this segment in 2022 being significantly higher than the revenue achieved in 2021.

Modern and traditional trade

Another significant revenue for the Group at 12.3%, achieved in the domestic market, is the sale 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)	2022	2021	y/y
Revenues from sales	40,434	27,888	+45,0%

The level of sales of branded products in 2022 was approximately PLN 40.4 million, which represents approximately 45% growth compared to 2021, and is similar to the level of sales generated in this channel in 2020, when sales peaks during the first period of the Covid-19 pandemic significantly impacted sales levels.

Revenue levels in the branded products channel in 2022 were mainly impacted by:

- above-normal sales peaks caused by the panic buying associated with the outbreak of war in Ukraine, which, particularly in the first half of 2022, increased sales significantly,
- an increase in the level of prices of branded products offered by the Group due to inflation and the need to realign the selling prices of products with their manufacturing costs.

In 2023, the Group plans to develop cooperation 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 13.3%, of the Group's total revenue:

B2B and Institutions (in PLN k)	2022	2021	y/y
Revenues from sales	43,721	19,031	+130%

Sales in the B2B and Institutions distribution channel in 2022 amounted to approximately PLN 43.7 million and were approximately 130% higher than in 2021. The increase in sales was mainly due to increased sales of pasta products in connection with institutional contracts.

Exports

Exports accounted for 9.3% of the Group's total revenue:

Exports (in PLN k)	2022	2021	y/y
Revenues from sales	30,635	16,590	+85%

The company's export strategy focuses on establishing partnerships with major retail chains - directly, as well as through distributors and companies specialising in importing products.

The 85% year-on-year increase in exports in 2022 was related to the outbreak of war in Ukraine, as well as increased sales to other European markets due to the panic caused by the conflict.

The main export market for the Makarony Polskie Group remains Ukraine, where cooperation with new networks and distributors is systematically developed. However, export sales were also 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 31.12.2022	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

For the period from 01.01 to 31.12.2021	Pasta	Meat and vegetable preserves	Vegetable and fruit preserves	Other	Segments in total
Segments revenues in total	**121,369**	**32,173**	**8,482**	**7,627**	**169,651**
Sales to external customers	121,369	32,173	8,482	7,627	169,651
Sales between segments	0	0	0	0	0
Segment costs	**98,719**	**28,111**	**8,004**	**3,651**	**138,485**
Segment profits or losses	**22,650**	**4,062**	**478**	**3,976**	**31,166**
Costs of sales	0	0	0	0	- 20,451
Administrative costs	0	0	0	0	- 6,158
Other revenues	0	0	0	0	5,764
Other costs	0	0	0	0	- 1,777
Financial incomes	0	0	0	0	112
Financial costs	0	0	0	0	- 855
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	7,801

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 - 31.12.2022	For the period from 01.01 - 31.12.2021
Salary costs	26,776	13,077
Social security costs	4,787	2,403
Other employee benefits costs, including:	1,950	445
- termination benefit costs	0	0
- pension costs	39	34
- costs of allowances for leave not taken	90	193
- other benefits	1,821	218
Total	**33,513**	**15,925**

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 - 31.12.2022	For the period from 01.01 - 31.12.2021
Depreciation	9,170	7,997

Note 4
Sales costs

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Depreciation	1,190	1,128
Consumption of materials and energy	587	604
Costs of external services	18,225	11,405
Taxes and fees	203	282
Salaries	4,248	3,572

Employee benefits	854	719
Other costs	2,782	2,741
Total	**28,089**	**20,451**

Note 5
Administrative costs

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Depreciation	543	369
Consumption of materials and energy	511	97
Costs of external services	2,015	1,733
Taxes and fees	389	284
Salaries	5,378	2,888
Employee benefits	741	385
Other costs	582	402
Total	**10,159**	**6,158**

Note 6
Other income

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Subsidies	1,756	4,296
Profit on sale of tangible fixed assets	0	0
Release of other provisions and reversal of impairment losses	631	204
Compensation and complaints	73	52
Sale of scrap and waste	21	103
Refund of court and bailiff fees	2	2
Surplus inventories	300	47
Reimbursement of surplus - of social security contributions	5	17
Contractual penalties	0	896
Liabilities written down	2	100

Turnover discounts	0	22
Profit on occasional acquisition	4,103	0
Total	70	25
Total	**6,963**	**5,764**

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.

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

As a result of the finalized transaction, since 3 January 2022, the Company has become the owner of all 107,730 shares, with a total nominal value of PLN 10,773 k, in the share capital of SAS (100% of the share capital, representing 100% of the votes at the shareholders' meeting) for a total purchase price of approx. PLN 17.0 m. As at the date of taking over„SAS" sp. z o.o. and transition to IFRS, a valuation of fixed tangible assets to fair value was carried out by an independent expect. As a result of the transaction settlement in the Group's consolidated statements, a profit was generated on occasional purchase adjusted for share acquisition costs amounting to PLN 4,103 k. which was directly recognized as the operating revenues.

Note 7
Other costs

	For the period from 01.01 - 31.12. 2022	For the period from 01.01 - 31.12. 2021
Donations	37	17
Loss on sale of fixed assets	1,515	152
Penalties and fines	42	12
Shortages in current assets	10	2

Write-down on inventories	104	263
Impairment of the Tenczynek brand, write-down of goodwill	4,249	260
Write-down of fixed assets , fixed assets under construction	170	63
Costs of court and bailiff proceedings	35	3
Liquidation of damaged and expired inventories	705	411
Advertising sponsorship	90	42
Impairment of receivables, other write-downs	125	124
Costs of insured repairs	11	11
Provisions for disputable liabilities	12	304
R&D costs	1,593	102
Total	17	11
Total	**8,715**	**1,777**

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 2022, the Group made the following write-downs:

- fixed assets amounting to PLN 170 thousand,
- Tenczynek brand the amount of PLN 1 163 thousand,
- goodwill created at the time of purchase of Stoczek Natura Sp. z o.o. (2007) amounting to PLN 3 086 thousand.

Note 8
Financial income

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Interest income, including:	0	0
- interest on bank deposits	0	0
- interest on receivables	32	0
Profits on exchange differences	0	27

Other financial income, including:	0	85
- Other financial income	0	85
Total	**32**	**112**

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 - 31.12.2022	For the period from 01.01 - 31.12.2021
Interest costs, including those relating to:	2,185	580
- bank loans interest	1,655	442
- factoring and leasing interest	401	81
- leasing interest - IFRS -16	116	18
- interest on liabilities	8	34
- budget interest	5	5
Other financial costs, including:	702	275
- loss due to negative exchange rate differences	414	0
- guarantees, sureties	33	43
- bank and factoring fees and commissions	255	232
Total	**2,887**	**855**

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 - 31.12.2022	For the period from 01.01 - 31.12.2021
Current income tax	6,761	1,385

Deffered income tax	- 876	26
Tax charge/recognition shown in the statement of comprehensive income, including:	5,885	1,411
- Attributable to continuing operations	5,885	1,411

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

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Profit before tax from continuing operations	30,343	7,801
Profit/loss before tax from discontinued operations	0	0
Financial result before tax	30,343	7,801
Tax rate (%)	19	19
- tax expenses not constituting balance sheet expenses (-)	- 1,706	- 2,219
balance sheet costs not included in tax costs (+)	13,135	6,068
- income not constituting tax revenue (-)	- 5,750	- 4,215
- tax revenue not constituting balance sheet revenue (+)	932	0
- subsidies received	0	0
Group tax base/tax loss	36,954	7,435
Deductions from income :		
- MP trade Sp. z o.o. tax shield 2017	- 272	- 148
- R&D tax relief	- 1,096	0
Group taxable income	35,586	7,287
Tax base	35,586	7,287
Income tax recognised in the statement of comprehensive income - current portion	6,761	1,385

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 Parent Company and the Subsidiaries.

Note 11

Deffered income tax

	Statement of financial position as at 31.12.2022	03.01.2022 - assumption of control	Statement of financial position as at 31.12.2021	Statement of comprehensive income for the period 01.01 to 31.12.2022	Statement of comprehensive income for the period 01.01 to 31.12.2021
Provision for deferred income tax					
Revaluation capital	2,831	2,945	0	0	0
- the difference between the net carrying amount and the tax base of fixed assets	2,811	112	3,156	- 456	- 252
fixed assets	0	15	0	-15	0
- exchange rate differences	8		10	-2	1
- difference between the lease liability and the net value of fixed assets	209	0	192	17	52
- valuation of IRS transaction	0	0	16	- 16	16
Contractual penalties	0	0	170	-170	170
- valuation of investment property	160	0	160	0	0
- interest accrued	8	0	0	8	0
Gross provision for deferred income tax	6,027	3,072	3,704	- 634	- 13
Assets for deferred income tax					
- remuneration paid after the balance sheet date	22	0	12	10	4
Social Security Institution premiums	106	37	79	- 9	4
- pension benefits and similar	459	67	314	78	- 48
- interest on liabilities	12	0	5	7	- 3
- exchange rate differences	2	0	6	- 4	-18
- public-law liability	6	0	0	6	0
- cost of external services	5	0	5	- 1	- 1
- inventory write-down	37	70	60	- 92	22
- GROUP's unrealised margin	20	0	1	19	0
- difference resulting from a write-down	7	0	0	7	0
- lease agreement - IFRS-16	5	0	10	- 5	1
- liabilities after the deadline	0	0	1	-1	1

- provisions for salaries	95	0	0	95	0
- leasing liabilities	67	35	0	33	0
- retro discounts	98	0	0	98	0
Deferred tax assets recognised in the statement of financial position	942	208	493	241	- 39
Deferred tax assets recognised in the statement of financial position	- 5,085	- 2,863	-3,221	- 876	- 26

Assets for deferred income tax

	As at 31.12.2022	As at 31.12.2021
- deductible tax loss	299	639
Deferred tax assets not recognised in the balance sheet-tax loss of MP Trade	27	58

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 - 31.12.2022	For the period from 01.01 - 31.12.2021
Net profit/loss per share	2.22	0.68
Book value per one share in PLN	11.13	9.21

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021

Net profit/loss from continuing operations attributable to shareholders of the parent company	24,458	6,390
Profit/loss on discontinued operations attributable to shareholders of the parent company	0	0
Net profit/loss attributable to shareholders of the parent company	24,458	6,390
Net profit/loss attributable to ordinary shareholders applied to calculate diluted profit/loss per share	not applicable	not applicable

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Weighted average number of issued ordinary shares applied to calculate basic earnings/loss per share	11,040,071	9,348 098
Impact of dilution	not applicable	not applicable
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per share	not applicable	not applicable

Net profit falling per one share is calculated by dividing the net profit for the period falling to normal shareholder of the 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 2022 or up to the date of this report.

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

Note 13

Notes to the Consolidated Statement of Cash Flows

For the period	01.01.2021-31.12.2022	01.01.2021-31.12.2021
Change in liabilities and other assets and liabilities except for loans and borrowings - CF	**18,073**	**712**
- change in other long-term assets arising from the balance sheet	28	- 18
- change in other short -term assets arising from the balance sheet	-127	3

- change in long-term deferred income arising from the balance sheet	- 1,726	- 473
- change in short-term deferred income arising from the balance sheet	- 29	121
- change in other short-term liabilities arising from the balance sheet	19,477	2,245
- adjustment accrued interest on loan - balance sheet recognition	0	0
- adjustment (transfer) of unpaid obligations relating to capital expenditure	- 187	- 637
- impact of grants for non-current assets - adjustment of the balance sheet change in deferred income	0	-1,294
adjustment (transfer) of paid commitments relating to capital expenditure from 2021	637	765
Other adjustments - CF	**4,247**	**-2,394**
- costs of issuing series F shares		52
- brand Tenczynek written down	1,163	260
- Subsidies obtained	0	-2,706
- goodwill written down	3,086	
- other	- 2	0

Notes to the statement of financial position

Note 14 Tangible fixed assets

Gross tangible fixed assets	31.12.2022	31.12.2021
Land, buildings, structures	90,668	62,955
Machinery and equipment	127,932	101,543
Means of transport,	3,605	3,534
Fixed assets under construction	2,919	15,525
Total	16,143	15,804
Gross value at the end of the period	**241,267**	**199,361**

Depreciation and impairment losses	31.12.2022	31.12.2021
Land, buildings, structures	27,987	23,967
Machinery and equipment	71,010	49,769
Means of transport,	2,971	2,735
Fixed assets under construction	63	63
Total	4,062	3,267
Depreciation value and impairment losses	106,093	79,801
Net value at the end of the period	**135,174**	**119,560**

Changes in fixed assets

For the period from 01 January 2022 to 31 December 2022

	Land, buildings	Machinery and equipment	Means of transport,	Fixed assets under construction	Other	Total
Gross value at the beginning of the period	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

For the period from 01 January 2021 to 31 December 2021

	Land, buildings	Machinery and equipment	Means of transport,	Fixed assets under construction	Other	Total
Gross value at the beginning of the period	61,931	99,256	3,640	12,330	15,850	193,007
Increases	1,737	4,158	129	7,295	11	13,330
- purchase	251	3,707	129	7,257	11	11,355
- other	1,486	451	0	38	0	1,975
Decreases	713	1,871	235	4,100	57	6,976
- sales	0	1,343	198	0	0	1,541
- other	713	528	37	4,100	57	5,435
Gross value at the end of the period	62,955	101,543	3,534	15,525	15,804	199,361
Depreciation value at the beginning of the period	21,180	45,898	2,541	0	2,458	72,077
Increases	2,219	4,537	407	0	853	8,016
Decreases	706	685	213	0	44	1,648
Depreciation value at the end of the period	22,693	49,750	2,735	0	3,267	78,445
Impairment loss at the beginning of the period	1,339	50	0	0	0	1,389
Impairment loss at the end of the period	1,274	19	0	63	0	1,356
Value including depreciation and impairment losses at the end of the period	23,967	49,769	2,735	63	3,267	79,801
Net value at the end of the period	38,988	51,774	799	15,462	12,537	119,560

Impairment losses are included in other expense items in the statement of comprehensive income. In 2022, the Group recognised an impairment loss on fixed assets amounting to PLN 170 thousand. 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 2022 amounted to PLN 330 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 2022 was PLN 5,559 thousand and as at 31 December 2021 was PLN 5,879 thousand.

As at 31 December 2022, in the subsidiary Stoczek Natura Sp. z o.o., the value of registered pledges on machinery and equipment amounted to PLN 17 429, including:

- collateral for BGK loan agreements - amount of PLN 17 429 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 3,960 thousand as at 31 December 2022.

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

Property	As at 31.12.2022	Creditor's name	Liability title	Company's liability
Property in Rzeszów KW nr RZ1Z/00076860/5	PLN 17,000 k	Santander Bank Polska SA	joint contractual mortgage	Overdraft agreement in the amount of. PLN 5,000 thousand concluded by Makarony Polskie S.A.
Real estate in Płock KW nr PL1P/00094893/6, KW nr PL1P/00097530/5, KW nr PL1P/00114158/9 and KW nr PL1P/00097363/3 (on held shares)				Investment loan agreement in the amount of PLN 13,849 thousand concluded by Makarony Polskie S.A.

Real estate in Rzeszów KW nr RZ1Z/00076860/5	PLN 2,500 k	Santander Bank Polska SA	joint contractual mortgage	Union investment loan agreement in the amount of PLN 8,000 thousand concluded by Makarony Polskie S.A.
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	Union investment loan agreement in the amount of PLN 12,121 thousand concluded by Makarony Polskie S.A.
Real estate in Płock KW nr PL1P/00094893/6, KW nr PL1P/00097530/5, KW nr PL1P/00114158/9 and KW nr PL1P/00097363/3 (on held shares)				Bank guarantee mandate agreement in the amount of PLN 457 k concluded by Makarony Polskie SA
Property in Rzeszów KW nr RZ1Z/00076860/5	PLN 1,517 k	Santander Bank Polska SA	joint contractual mortgage	Bank guarantee mandate agreement in the amount of PLN 1,011 thousand concluded by Makarony Polskie S.A.
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 Częstochowa KW nr CZ1C/00111425/8	PLN 10,500 k	BNP Paribas Bank Polska SA	mortgage	Overdraft agreement in the amount of. PLN 7,000 k concluded by Makarony Polskie SA
Property in Stoczek Łukowski KW nr LU1U/00022979/2	PLN 10,629 k	Bank Gospodarstwa Krajowego	mortgage	Investment loan agreement in the amount of PLN 4,812 thousand concluded by Stoczek Natura Sp. z o.o.
				Guarantee agreement amounting to PLN 1,549 thousand concluded by Stoczek Natura Sp. z o.o.
				Guarantee agreement amounting to PLN 725 thousand concluded by Stoczek Natura Sp. z o.o.

Property in Stoczek Łukowski KW nr LU1U/00022979/2	PLN 6,000 k	Bank Gospodarstwa Krajowego	mortgage	Overdraft agreement in the amount of. PLN 4,000 thousand concluded by Stoczek Natura Sp. z o.o.
Property in Korpele KW nr OL1S/00032815/5, KW nr OL1S/00039349/6, KW nr OL1S/00044965/8,	PLN 18,000 k	Santander Bank Polska SA	joint contractual mortgage	Investment loan agreement in the amount of PLN 12,000 k concluded by Makarony Polskie SA*

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

Note 15 Investment property

	31.12.2022	31.12.2021
Investment property in Rzeszów and in Stoczek Łukowski beginning of period	603	603
Increases	0	0
Purchase	0	0
Other	0	0
Decreases	0	0
Sales	0	0
Other	0	0
Value at the end of the period	**603**	**603**

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

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

- Level 1: inputs are quoted prices (unadjusted) from active markets for identical assets or liabilities that the entity has access to at the measurement date,
- Level 2: inputs are data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly,

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

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

Note 16 Company goodwill value

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**

From 01.01.2021 to 31.12.2021	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	0
Impairment loss at the end of the period	0
Net value at the end of the period	**5,949**

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 2022. The tests have been carried out using a free cash flow discounting method with the following assumptions:

- 5-year forecast period (2023-2027),
- one scenario – realistic,
- financial projections based on historical data taking into account organic brand development plans,
- the discount rate was set at a constant WACC of - 11.46%, the discount factor was calculated using the chain-linked method,
- growth rate after the forecasting period - 0%,
- risk-free rate (yield on 10-year government bonds as at 31 December 2022) constant over the forecast period at - 6.88%,
- post-tax cost of debt - constant over the forecast period at - 8.1%,
- share of debt in total equity and debt - constant over the forecast period at - 19.02%,
- the discount rate used in the tests prepared as at 31 December 2021 was 6.7%.

The tests performed showed the need for impairment losses 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 there was a permanent impairment of 'goodwill' at the level of the consolidated financial statements in the amount of PLN 3 086 thousand as at 31 December 2022. This is due to the fact that the tested assets as the sum of goodwill (PLN 5,946 thousand) and the assets of Stoczek Natura Sp. z o.o. (PLN 44,378 thousand) was higher than the estimated enterprise value of Stoczek Natura Sp. z

o.o. as at 31 December 2022 (PLN 47,238 thousand). After impairment allowance - goodwill at the end of the period amounts to PLN 2,860 thousand.

At the individual level, Stoczek Natura Sp. z o.o. shows no impairment of non-current assets. It also does not cause a decrease in the value of shares in the separate financial statements of Makarony Polskie SA.

Note 17
Other intangible assets

Changes in intangible assets

from 1 January 2022 to 31 December 2022

	Other intangible assets				Total
	Brand value	Patents, trademarks, development work	Computer software	Other	
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**

Changes in intangible assets

For the period from 01 January 2021 to 31 December 2021

	Other intangible assets	

	Brand value	Patents, trademarks, development work	Computer software	Other	Total
Gross value at the beginning of the period	**9,134**	**702**	**1,381**	**934**	**12,151**
Increases	0	5	0	0	5
- purchase	0	5	0	0	5
Decrease	0	0	0	0	0
Gross value at the end of the period	**9,134**	**707**	**1,381**	**934**	**12,156**
Depreciation value at the beginning of the period	0	253	1,352	467	2,072
Increases	0	4	12	59	75
Decreases	0	0	0	0	0
Depreciation value at the end of the period	0	257	1,364	526	2,147
Impairment loss at the beginning of the period	3,160	0	0	0	3,160
Impairment loss - established	260	0	0	0	260
Impairment loss at the end of the period	3,420	0	0	0	3,420
Net value at the end of the period	**5,714**	**450**	**16**	**408**	**6,588**

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

Summary of intangible assets with indefinite useful lives

As at 31 December 2022

	Valuation at cost	Allowance for permanent impairment at BO	Impairment loss recognised	Carrying amount at end of period
Abak brand	4,909	0	0	4,909
Tenczynek brand and trademark	4,528	3,365	1,163	0
Deli-Susz brand and trademark	55	55	0	0
SoFood brand	47	0	0	47
IN TOTAL	**9,539**	**3,420**	**1,163**	**4,956**

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 2022.

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

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

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

Note 18
Long-term financial assets

Other long-term financial assets	31.12.2022	31.12.2021
Total long-term financial assets	0	0

Note 19
Inventory

As at 31 December 2022

	Valuation at cost	Impairment loss on BO	Impairment loss - established	Impairment loss reversed	Inventory carrying amount at end of period
Materials	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**

As at 31 December 2021

	Valuation at cost	Impairment loss on BO	Impairment loss - established	Impairment loss reversed	Inventory carrying amount at end of period
Materials	10,313	78	133	78	10,180
Auxiliary materials	573	0	0	0	573
Products being produced	500	0	2	0	498
Finished products	9,844	75	180	75	9,664
Goods	468	9	1	9	467
IN TOTAL	**21,698**	**162**	**316**	**162**	**21,382**

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 2022 in the amount of PLN 44 481 thousand in 2023. Impairment losses on current assets (inventories) are recognised when an item is deemed to be non-transferable, undergoes physical deterioration, the useful life in the case of finished goods and raw materials makes it impossible to sell or use and when the cost of production exceeds its price.

In 2022, 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 188 thousand.

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

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

Note20
Receivables

	31.12.2022	
Trade receivables from other entities:	33,932	20,364
- short-term part	33,932	20,364
Receivables from affiliates	0	0
- short-term part	0	0
Pre-payments	0	0
- short-term part	0	0
Other receivables: from other enities	8,707	4,616
- short-term part	8,707	4,616
Total gross value of receivables	42,639	24,980
Impairment losses at the beginning of the period	541	535
Recognition of impairment losses in the period	114	54
Reversal of impairment loss during the period	428	48
Impairment losses at the end of the period	227	541
Net receivables	42,412	24,439

Write-downs of receivables

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

2021	Balance at the beginning of the period	Creation	Use and release	As at the end of the period
Impairment loss on receivables	535	54	48	541

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	31.12.2022	31.12.2021
Current VAT tax	5,639	2,464
Deferred VAT tax	788	944
Corporate income tax	0	554
Other receivables IRS transaction valuation	0	84
Security deposits paid	1,052	395
Pre-payments	1,216	135
Total	12	40
Total other gross receivables	8,707	4,616
Impairment loss on receivables value	35	0
Other net receivables	8,672	4,616

Gross receivables currency structure

Gross short-term receivables	31.12.2022	31.12.2021
- in Polish currency	42,052	22,532
- in foreign currencies	587	2,448
a) unit/currency EUR	130	538
(in PLN)	587	2,448
a) unit/currency USD	0	0
(in PLN)	0	0
a) unit/currency GBP	0	0
(in PLN)	0	0
Gross short-term receivables	42,639	24,980

As at 31 December 2022, 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 14 thousand. EUR k)

Trade receivables (gross)

	31.12.2022	31.12.2021
1) current in total	31,154	18,351
2) overdue in total	2,778	2,013
a) up to one month	2,394	1,379
b) between 1 and 3 months	192	5
c) between 3 and 6 months	0	4
d) between 6 months and 1 year	2	63
e) more than one year	190	562
Total trade receivables (gross)	**33,932**	**20,364**
Impairment losses on trade receivables	192	541
Net trade receivables 32,589	33,740	19,823

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

	31.12.2022	31.12.2021
Corporate income tax receivables	0	554

Note 22
Borrowings granted

	31.12.2022	31.12.2021
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 2022, the Makarony Polskie Group did not grant loans to external entities.

Note 23
Cash and cash equivalents

	31.12.2022	31.12.2021
Cash at bank and in hand	7,828	26,156
In total, including:	7,828	26,156
- 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.

Note 24 Other assets

Other assets	31.12.2022	31.12.2021
- long-term part	35	64
- short-term part	430	303

Short-term accruals

Short-term accruals	31.12.2022	31.12.2021
- insurance	252	198
- paid subscriptions	81	61
- loan commissions	7	7
- consultancy services	0	29
R&D costs	70	0
- other	20	8
Total	**430**	**303**

Long-term accruals

Long-term accruals	31.12.2022	31.12.2021
- consultancy services	0	0
- subscriptions	35	57
- loan commissions	0	7
Total	**35**	**64**

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 2022

	Type of share	Type of privilege	Number of shares in units	Nominal value		Method of capital coverage	Date of registration	Right to dividend (from)
				1 share in PLN	series (issue) in PLN k			
Series A	bearer shares	ordinary shares	3,013,250	3	9,040	cash contributions	05.07.2004	01/01/2004
Series B	bearer shares	ordinary shares	1,169,750	3	3,509	non-cash contributions	29.10.2004	01/01/2004
Series C	bearer shares	ordinary shares	3,000,000	3	9,000	cash contributions	18/04/2007	01.01.2007
Series D	bearer shares	ordinary shares	1,735,821	3	5,207	cash contributions	22.06.2007	01/01/2007
Series E	bearer shares	ordinary shares	331,250	3	994	cash contributions	11.02.2008	01/01/2008
Series F	bearer shares	ordinary shares	1,790 000	3	5,370	cash contributions	04.03.2022	01/01/2021
Total			**11,040,071**		**33,120**			

as at 31 December 2021

	Type of share	Type of privilege	Number of shares in units	Nominal value		Method of capital coverage	Date of registration	Right to dividend (from)
				1 share in PLN	series (issue) in PLN k			
Series A	bearer shares	ordinary shares	3,013,250	3	9,040	cash contributions	05.07.2004	01/01/2004
Series B	bearer shares	ordinary shares	1,169,750	3	3,509	non-cash contributions	29.10.2004	01/01/2004
Series C	bearer shares	ordinary shares	3,000,000	3	9,000	cash contributions	18/04/2007	01.01.2007
Series D	bearer shares	ordinary shares	1,735,821	3	5,207	cash contributions	22.06.2007	01/01/2007
Series E	bearer shares	ordinary shares	331,250	3	994	cash contributions	11.02.2008	01/01/2008
Total			**9,250,071**		**27,750**			

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

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

Note 26
Supplementary capital

Supplementary capital	31.12.2022	31.12.2021
As at the beginning of the period	43,091	38,490
Changes in accounting policies	0	0
Opening balance after adjustments(restated)	43,091	38,490
- share capital issue costs	0	- 52
- Series F shares issue	7,518	0
- Distribution of profit/loss coverage	2,912	4,653
- creation of supplementary capital	0	0
Other capitals at the end of the period	53,521	43,091

Revaluation capital	31.12.2022	31.12.2021
As at the beginning of the period	0	0
- decrease in the period	114	0
Capital at the end of the period	114	0

Reserve capital	31/12/2022	31/12/2021
As at the beginning of the period	24,888	12,000
- Series F shares issue– Core capital	5,370	0
- Series F shares issue– Supplementary capital	7,518	12,888
Supplementary capital at the end of the period	12,000	24,888

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

Note 27
Result from previous years

Profit/loss from previous years	31.12.2022	31.12.2021
As at the beginning of the period	5,925	6,963
Error correction	0	0
- Profit/loss from previous years at the beginning of the period	5,925	6,963
- decrease due to transfer to supplementary capital	- 2,912	- 4,653

- dividend payment	- 3,312	- 2,775
- Profit/loss from previous years at the end of the period	- 299	- 465

Note 28

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

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	31.12.2022	31.12.2021
- long-term part	13,133	20,522
- short-term part	13,220	15,238
Total	**26,353**	**35,760**

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

– Overdraft in Santander Bank Polska SA

EU investment loan at Santander Bank Polska SA	31 December 2022
Loan contractual value	PLN 5,000 k
Loan period	18.10.2013 – 31.05.2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 261 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – blank promissory note issued by the Company together with a promissory note declaration, – registered pledge on inventories with a value not lower than PLN 5,000 k with the assignment of rights under the pledge insurance policy, – surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

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

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 13,849 k
Loan period	18.10.2013 – 30.12.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,359 k
Repayment schedule	The loan will be repaid in 49 monthly installments in the following amounts: 48 installments of PLN 105 k each and the last 49 equalizing installments in the amount of PLN 204 k.
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on fixed assets (production lines in the plant in Rzeszów) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 12,121 k
Loan period	07.02.2017 - 28.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,780 k
Repayment schedule	The loan will be repaid in 37 monthly installments, in the following amounts: 36 installments in the amount of PLN 50 k, 37th installment PLN 9,061 k, the received EU refinancing will reduce the balloon installment

Loan collateral	– joint mortgage up to PLN 18,200 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on a semi-industrial line for trials and tests along with instrumentation, along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

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

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 8 000 k
Loan period	15.09.2017 - 31.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 442 k
Repayment schedule*	The loan will be repaid in 49 principal installments, including 48 installments in the amount of PLN 33 k PLN, 49th installment in the amount of PLN 79 k.
Loan collateral	– joint mortgage up to PLN 2,500 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on the technological line purchased under the grant project along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

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

– Investment loan at Santander Bank Polska SA

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

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

- extension of the loan availability period,
- change of loan repayment schedule.
- the unification of the company's obligations towards the bank.

– Revolving loan in Santander Bank Polska SA

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

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

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 12,000 k
Loan period	07.12.2021 – 31.03.2029
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 10,752 k
Repayment schedule	The loan will be repaid in 82 monthly installments in the following amounts: 81 installments of PLN 144 k each and the last 82 equalizing installments in the amount of PLN 96 k.
Loan collateral	– – a contractual joint mortgage up to the amount of PLN 18,000 k on the following real estates of SAS Sp. z o.o. in Korpele: KW No. OL1S/00032815/5, KW No. OL1S/00039349/6, KW No. OL1S/00044965/8 together with the assignment of rights under the real estate insurance policy; – registered pledge on 100% of shares in SAS Sp. z o.o.; – accession to debt by SAS Sp. z o.o.; – blank promissory note issued by the Company together with a promissory note declaration; – statement of the Company and SAS Sp. z o.o. and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed

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

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

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

– Overdraft in BNP Paribas Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 7,000 k
Loan period	19.11.2021 - 31.10.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 182 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to the amount of PLN 10,500 thousand on real estate in Częstochowa marked with KW no. CZ1C/00111425/8 together with assignment of rights from the real estate insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– Revolving loan in Santander Bank Polska SA

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

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

Terms of the agreement	31 December 2022
Contractual value	PLN 7,500 k
Duration	Agreement concluded for an indefinite period
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Factoring balance	PLN 6,532 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

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

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

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

The status of loan agreements in effect as at 31 December 2022, for which Stoczek Natura Sp. z o.o. was a party to the agreements, is presented in the tables below:

- Overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 4,000 k
Loan period*	16.11.2017 – 15.11.2024
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,385 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to PLN 6,000 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, – authorization to a current account kept at the Bank, – registered pledge on the set of machines and devices (located in the plant in Stoczek Łukowski), along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – surety of Makarony Polskie SA, – statement of the Company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

During the 2022 financial year, Stoczek Natura Sp. z o.o. concluded annexes to the open-end overdraft agreement with Bank Gospodarstwa Krajowego, which:

- increased the amount of the credit limit from PLN 3 million to PLN 4 million,
- adjusted the amount of collateral to the Bank's current credit exposure,
- adjusted the margin to current market conditions;
- extended the liability repayment date from 16 November 2022 to 15 November 2024;

– Investment loan at Bank Gospodarstwa Krajowego*

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 4,812 k
Loan period	08.07.2019 – 08.05.2025
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 2,495 k
Repayment schedule	in 54 monthly installments in the amount of 89 k each
Loan collateral	– contractual mortgage up to PLN 7,218 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, – authorization to a current account kept at the Bank, – registered pledge on the set of machines and devices (located in the plant in Stoczek Łukowski), along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – surety of Makarony Polskie SA, – statement of the Company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

* The loans taken by Stoczek Natura Sp. z o.o. at Bank Gospodarstwa Krajowego in July 2019 were intended to finance an investment related to the project entitled "Increasing the competitiveness of Stoczek Natura Sp. z o.o. of implementing innovative solutions by modernising the production line for ready meals in jars and cans and introducing new, innovative products on trays to the company's offer. As part of the project, Stoczek Natura Sp. z o.o. carried out the purchase of fixed assets and the modernisation of production premises.

INFORMATION ON GRANTED AND RECEIVED SURETIES

Makarony Polskie SA granted sureties to the subsidiary company Stoczek Natura Sp. z o.o., and their status as at 31 December 2022 is presented below:

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

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

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

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

Makarony Polskie SA received remuneration for granting sureties.

Stoczek Natura Sp. z o.o. granted sureties to the parent company Makarony Polskie SA, and their status as at 31 December 2022 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 31.12.2022
Surety of overdraft facility in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30/12/2026	261
Surety of investment loan in the amount of Surety of investment loan in the amount of PLN 13.8 m	Santander Bank Polska SA			1,359

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

Note 29
Guarantees obtained and granted

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

The list of guarantees in force at Makarony Polskie SA as at 31 December 2022 is illustrated in the table below:

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

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

Statement of guarantees applicable in Stoczek Natura Sp. z o.o. as at 31 December 2022 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	335	until 16.01.2026	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note issued by the Company together with a promissory note declaration; – authorization to a current account kept at the Bank; – surety of Makarony Polskie SA,; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed
Bank Gospodarstwa Krajowego	2,235	until 31/12/2024	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note issued by the Company together with a promissory note declaration; – authorization to a current account kept at the Bank; – surety of Makarony Polskie SA,; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed

In 2022, Stoczek Natura Sp. z o.o. benefited from three guarantees in the amount of PLN 504 thousand, PLN 24 thousand and PLN 1,549 thousand, securing the company's contractual obligations arising from concluded institutional contracts, granted by Bank Gospodarstwa Krajowego, which expired in the reporting period due to the release of the guarantees and the return of the original guarantee documents.

Statement of guarantees applicable in SAS Sp. z o.o. as at 31 December 2022 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Makarony Polskie SA	800	until 30/06/2025	guarantee securing SAS's obligations under its power purchase agreement	–

Note30

Profisions for employe benefits and other provisions

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**

2021	Balance at the beginning of the period	Creation	Use and release	As at the end of the period
For retirement and similar benefits, including:	1,904	69	322	1,651
a) long-term	398	2	0	400
b) short-term	1,506	67	322	1,251
Other provisions, including: 0	60	67	60	67
a) provision for the audit of the financial statements 0	0	0	0	0
b) other	60	67	60	67
Total	**1,964**	**136**	**382**	**1,718**

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 31.12.2022	as at 31.12.2021
up to 1 year	439	681
within 1 to 5 years	670	895
Total	**1,109**	**1,576**

LIABILITIES FROM FINANCIAL LEASING CONTRACTS - IFRS-16

	Total present value of minimum fees	
	as at 31.12.2022	as at 31.12.2021
up to 1 year - lease	921	706
up to 1 year – Perpetual usufruct right to land 4	4	4
within 1 to 5 years - lease	1,666	1,486
in the period over one year - Perpetual usufruct right to land	1,191	1,187
Total	**3,782**	**3,383**

The carrying amount of fixed assets as at 31 December 2022 was PLN 3,699 thousand, including PLN 2,556 thousand from the lease of premises and PLN 1,143 thousand from the right of perpetual usufruct of land.

FINANCIAL OBLIGATION - POLISH DEVELOPMENT FUND SUBSIDY

	31.12.2022	31.12.2021
up to 1 year	807	744
within 1 to 5 years	0	465
Total	807	1,209

Note 32

Trade and other liabilities

	31.12.2022	31.12.2021
Trade liabilities from other entities:	**43,880**	**30,792**
- long-term part	0	0
- short-term part	43,880	30,792
Liabilities to affiliates	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Liabilities to other entities	**0**	**0**
Pre-payments	5,797	24
Other liabilities	**5,558**	**2,904**
- long-term part	0	0
- short-term part	5,558	2,904
Total liabilities	**55,235**	**33,720**

Trade liabilities	31/12/2022	31/12/2021
- to affiliates	0	0
- to other entities	43,880	30,792
Total	**43,880**	**30,792**

Public-law and other liabilities	31.12.2022	31.12.2021
-natural persons income tax	305	221
- Social Security Institution	1,288	823
- VAT tax	0	3
- salaries	1,074	875
- PFRON	17	13
- corporate income tax- CIT -8	2,349	311
- real estate tax	31	0
- other	494	658
Total	**5,558**	**2,904**

Other liabilities including CIT - currency structure

	31.12.2022	31.12.2021
- in Polish currency	42,842	30,123
- in foreign currencies	12,393	3,597
a) unit/currency EUR	2,642	782
(in PLN)	12,393	3,597
a) unit/currency GBP	0	0
(in PLN)	0	0
Total	**55,235**	**33,720**

Trade liabilities - aging

	31.12.2022	31.12.2021
1) current in total	36,919	25,345
2) overdue in total	6,961	5,447
a) up to one month	6,043	4,070
b) between 1 and 3 months	904	1,302
c) between 3 and 6 months	3	8
d) between 6 months and 1 year	1	2
e) more than one year	10	65
Trade liabilities in total	**43,880**	**30,792**

Note 33
Deferred income

	31.12.2022	31.12.2021
Deferred income	**21,056**	**22,812**
- long-term part	19,501	21,228
- short-term part	1,555	1,584

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 2022, the Group released an amount of PLN 1,756 thousand from deferred income and recognised under other operating income.

Note 34
Off-balance items

(in PLN k)	31 December 2022	31 December 2021
1. Contingent assets	**3,243**	**3,245**
- received guarantees and sureties	3,184	3,245
- collaterals on assets	0	0
- promissory notes	59	0
2. Contingent liabilities	**185,337**	**158,845**
- for provided guarantees and warranties	0	0
- collaterals on property	141,685	98,869
- promissory note obligations	43,652	59,976
Total off-balance items	**-182,094**	**-155,600**

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

- to pay the shareholders a dividend of PLN 0.30 gross per share,

- the remaining part of the profit will be allocated to the Company's supplementary capital.

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

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

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

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

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

The Management Board of Makarony Polskie SA decided that in the next financial years it would also try to recommend to the Annual General Meeting the payment of dividends to shareholders, although each time the possibility of paying a dividend will depend on the amount of profit achieved, current investment objectives and the situation.

Settlements with affiliates

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

Within the Makarony Polskie Company, individual companies enter into transactions of purchase and sale of products, goods and services among themselves. There are agreements between the companies specifying the terms of cooperation, adapted to the Group's organizational structure. All transactions are performed under the market terms and conditions.

Affiliate	Sales to affiliates- comprehensive income		Purchases from affiliates	
	For the period from 01.01 to 31.12.2022	For the period from 01.01 to 31.12.2021	For the period from 01.01 to 31.12.2022	For the period from 01.01 to 31.12.2021
Parent company - Makarony Polskie S.A.	929	323	56,085	27,912
from/to Stoczek Sp. z o.o.	687	309	37,896	26,105
from/to MP Trade Sp. z.o.o.	14	14	2,706	1,807
from/to SAS Sp. z.o.o.	228	0	15,483	0

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

Settlements between subsidiaries

Subsidiaries	Sales between subsidiaries - total revenues		Purchases between subsidiaries	
	For the period from 01.01 to 31.12.2022	For the period from 01.01 to 31.12.2021	For the period from 01.01 to 31.12.2022	For the period from 01.01 to 31.12.2021
Total subsidiary	300	7	300	7
- from/to Stoczek Sp. o.o. 0	4	4	296	3
from/to MP Trade Sp. z.o.o.	296	3	4	4
from/to SAS Sp. z.o.o.	0	0	0	0

Subsidiaries	Receivables between subsidiaries		Riabilities between subsidiaries	
	As at 31.12.2022	As at 31/12/2021	As at 31.12.2022	As at 31.12.2021
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

As at 31 December 2022, 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 determined based on market conditions.

During 2022, SAS Sp. z o.o. granted 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 final repayment date of 30 December 2023. As at 31 December 2022, the outstanding amount of the loan was PLN 1.0 million. The interest rate on the loan was set based on market conditions. The loan was repaid by MP Trade Sp. z o.o. after the end of the reporting period - in April 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 2022 due to their nature, size or extent other than those described in the Group financial statements.

Note 37
Significant contracts

Acquisition finalization

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

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

As at the date of taking over SAS sp. z o.o. and transition to IFRS, a valuation of fixed tangible assets to fair value was carried out by an independent expect. As a result of the transaction settlement in the Group's consolidated statements, a profit was generated on occasional purchase adjusted for share acquisition costs amounting to PLN 4,103 k.

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

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

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

There were three main factors in favor of the takeover:

1. good price - SAS Sp. z o.o. was a family business run on the basis of an entry in the Business Activity Central Register and Information Record, in which there was a problem of generational succession as the entrepreneur running that business reached the retirement age in 2021, while his descendants were not interested in running the business. This created conditions favourable for negotiating a fair price based on the Company' market value without taking into account the sentimental value for the seller;
2. The speed and efficiency of increasing the Group's production capacities - SAS Sp. z o.o is a well-organized production enterprise. The manner of running the plant is very similar to the standards implemented in the Makarony Polskie Group. The purchase of SAS plant allowed for obtaining a fully functioning plant with a well-trained staff, which significantly reduces the costs and time that would be required to achieve comparable results if the Group was to expand its capacity in an organic manner;
3. Acquisition of a significant competitor and its clients – the purchase of SAS Sp. z o.o. allowed the Group to acquire new clients and to maintain balance on the pasta market, undertsood as not increasing the production capacities on the pasta market which could lead to price pressure.

As of 31 December 2022, the Makarony Polskie Group, which includes SAS Sp. z o.o., generated approximately PLN 328.9 m in revenue and a profit of approximately PLN 24,5 m. SAS Sp. z o.o., since the date of acquisition, has generated revenues of PLN 85,2 m, at the same time generating a profit of PLN 9,8 m. Due to the fact that the acquisition

took place on 3 January 2022, it was assumed that the above values reflect the generated revenue and net profit of the company for 2022.

As of 1 January 2022, SAS changed its accounting policy and introduced the International Financial Reporting Standards. It resulted in a valuation of non-current assets at fair value which showed an increase in the value of fixed assets valued at market prices. As a result of the acquisition of SAS Sp. z o.o. The Makarony Polskie Group generated an extraordinary profit of PLN 4.1 m.

Below there is a statement of financial position of SAS Sp. z o.o.:

ASSETS (in PLN)	03 January 2022
FIXED ASSETS	**19,638,288.84**
Intangible assets	-
Fixed tangible assets	19,638,288.84
Long-term receivables	-
Long-term investments	-
Long-term accruals	-
CURRENT ASSETS	**10,400,051.27**
Inventories	3,053,653.85
Short-term receivables	5,795,585.18
Short-term investments	118,010.44
Short-term accruals	23,982.00
Assets for sale	1,408,819.80
TOTAL ASSETS	**30,038,340.11**

LIABILITIES (in PLN)	03 January 2022
EQUITY (FUND)	**21,212,763.07**
Share capital (fund)	10,773,000.00
Called-up share capital not paid (negative value)	-
Own shares (negative value)	-
Supplementary capital (fund)	-
Revaluation reserve (fund)	12,553,376.62
Other reserve capitals (funds)	-
Profit (loss) from previous years	- 1,768,449.36
Net profit (loss)	- 345,164.19

Net profit write-offs during the financial year (negative value)	
LIABILITIES AND PROVISIONS FOR LIABILITIES	**8,825,577.04**
Provisions for liabilities	3,216,602.06
Long-term liabilities	495,733.22
Short-term liabilities	5,059,520.07
Accruals	53,721.69
TOTAL LIABILITIES	**30,038,340.11**

In the period from 3 January 2022 to 31 December 2022, SAS Sp. z o.o. generated the following revenues and net profit:

(in PLN)	from 3 January 2022 to 31 December 2022
Net revenues from sales of products, goods and materials, including	85,237 135.75
Net profit	9,856 617.40

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

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

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

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

Agreements with Jeronimo Martins Polska SA and the Lidl chain

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

Note 38

Remuneration of members of the Management Board and Supervisory Board

Management Board

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

Supervisory Board

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

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.

Supervisory Board members receive remuneration for each Supervisory Board meeting they attend.

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

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 1 January 2022 to the date of submission of these financial statements

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:

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

- significant currency market fluctuations present the company with the unprecedented challenge of planning a long-term strategy for purchasing and trading foreign currency in euros (EUR) and dollars (USD).

Immediately after the outbreak of war in Ukraine, in the Makarony Polskie Group additional procedures were implemented to secure the production continuity and reduce the risk relating to a lack of raw materials, packaging and staff shortages. These procedures are systematically validated and modified depending on the needs and situation in Ukraine.

The Management Board of Makarony Polskie SA closely monitors the situation related to the war in Ukraine in order to takes steps to minimize the negative impact on the functioning of the Company 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 significantly affected the Company's operations. The share of the Ukrainian market in total sales revenues of the Company amounts to approx. 11%. In the opinion of the Management Board, there are no 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 a further escalation of the war situation in Ukraine and its impact on the situation of Makarony Polskie SA. Company and Group.

Finalization of the acquisition process conducted by the Company

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

- acquisition has strengthened the Group's position as the leader in the field of rolled egg pasta (consumed willingly in Poland and Central Europe e.g. with soups) and the position as the vice-leader among Polish pasta manufacturers,
- As at the date of taking over„SAS" sp. z o.o. and transition to IFRS, a valuation of fixed tangible assets to fair value was carried out by an independent expect. As a result of the transaction settlement in the Group's consolidated statements, a profit was generated on occasional purchase adjusted for share acquisition costs amounting to PLN 4,103 k.

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.

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

Measurement at initial recognition

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

Discontinuation of recognition

Financial assets are derecognised when:

- the rights to receive cash flows from the financial assets have expired, or
- the rights to receive cash flows from the financial assets have been transferred and the 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 entity makes write-downs that adjust the cost of sales.

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

Prepaid expenses

The 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 Group includes part or all of the amount of variable remuneration in the transaction price only to the extent that it is highly probable that a significant portion of the amount of previously recognised cumulative revenue will not be reversed when uncertainty about the amount of variable remuneration ceases.

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

If the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for transferring the promised goods or services to the customer and includes in the transaction price part or all of the variable remuneration amount only to the extent that it is highly probable that a significant portion of the amount of previously recognised cumulative revenue will not be reversed when uncertainty about the amount of the variable remuneration ceases.

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

Allocation of transaction price to performance obligations

The 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, an entity need not act as a principal if it obtains title to the product only temporarily before it is transferred to the customer. An entity acting as a principal in a contract may fulfil the performance obligation itself, or it may delegate the fulfilment of that obligation or part of it to another entity (such as a subcontractor) on its behalf. In such a situation, the 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) situation. For example, the impoverishment of the society as a result of continuous increase in prices and costs of everyday functioning may lead to the increase in demand for the cheaper and low-margin products and force the manufacturers and suppliers to aggressive price competition.

Current market trends are monitored on a regular basis. The 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 Group attempts to minimize

this risk by diversifying its activities and developing innovative products (teams whose goal is to conduct R&D projects were appointed).

Risk of dependence on recipients

A large part of revenues is generated by the 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 commercial agreements do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted 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 the Group's opinion, the risk of becoming dependent on customers is not significant because the Group companies conduct systematic actions towards the diversification of customers and increasing the number of so-called medium-sized customers.

Risk related to changes in raw material and material prices

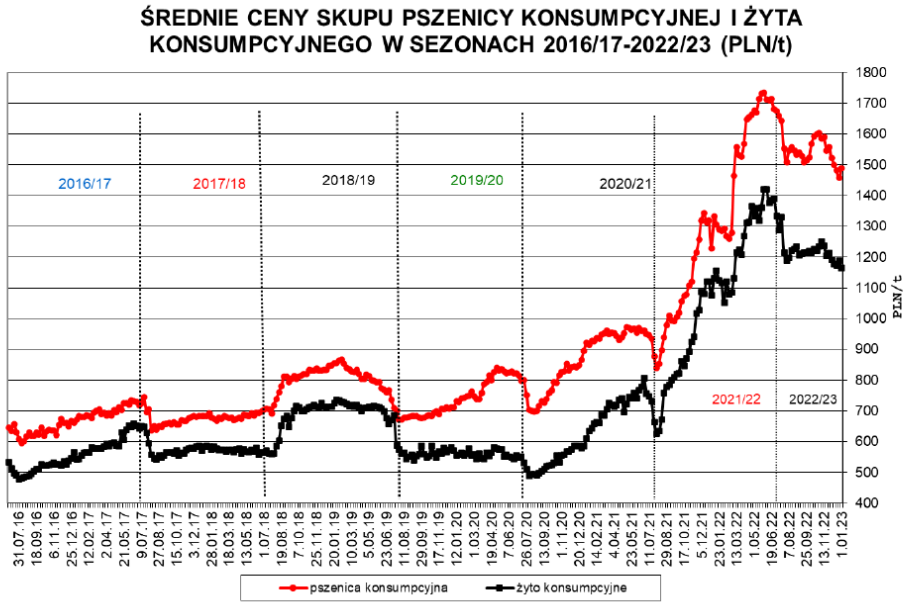
Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase agreements in annual and half-year periods, which helps to limit material decreases in the profitability of the pasta produced. Unfortunately, the current dynamic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

The purchase prices of soft wheat flours were continuously increasing throughout 2021. The price increases continued in 2022 as well, based on wheat price increases. The price of wheat on the Paris exchange rose from Eur209.25/t in April 2021 (01.04.2021) to Eur280.00/t at the end of the fourth quarter of 2021 (30.12.2021). At the start of hostilities in Ukraine, at the end of March 2022, wheat prices rose sharply to Eur 384.50/t reaching levels unmatched in earlier years. Despite a successful harvest, high prices on cereal markets persisted until the end of 2022, reaching a level of around Eur 315/1t at the end of December (27.12.2022). The news of further increases in the price of energy carriers, means that cereal producers have become very rigid about selling their grain. Thus, the price of flour remained high.

Thus, the price of flour remains high. High prices also remain on the durum wheat flour market – the prices of semolina are reaching an unprecedented level. Ahead of the 2022/2023 harvest, demand for durum wheat, and thus semolina, exceeded supply, leading to price increases. Confirmed news of good harvest forecasts, particularly in Canada, had a positive effect on stabilising the price of durum wheat flour for the following

season, with price stabilisation occurring at a high level. A slight decrease in prices is forecast for durum wheat and thus for semolina. The element that could effectively disrupt the price stability in the durum wheat market in the H1 of 2023 is a significant increase in freight and energy carriers costs.

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



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

In the first months of 2022, due to, among other things, an increase in costs associated with the breeding process, such as wages, electricity and fuel, as well as the lack of egg exports from Ukraine (the farms were destroyed as a result of the hostilities), the purchase prices of egg pulp increased by approximately 90% in the short term, which translated negatively into the profitability of egg noodle production and forced Group companies to revise their commercial terms. In Q.2, 2022, egg prices remained at the high level of Q.1, 2022. Undoubtedly, it will be greatly influenced by the war in Ukraine and significant increases in the prices of feed and energy carriers. After a slight calming of the market at high price levels, September 2022 saw another systematic increase in the price of egg pulp due to strong demand and the detection of further outbreaks of avian influenza. All these elements caused the end of 2022 and the beginning of 2023 to see prices for eggs and egg pulp unprecedentedly high in the history of the trade in these commodities.

Significant price increases also occurred in 2022 in the foil and cardboard packaging market. Price increase in Q2 of 2022 compared to prices in Q4 of 2021 amounted to

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

Stoczek Natura Sp. z o.o. is a manufacturer 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. Purchasing of fruit and vegetables is carried out seasonally, in the months when their prices are lowest. If necessary, the purchased raw materials are stored in company warehouses and cold stores.

The situation on the fruit market in 2022 had an upward trend due to the pandemic situation and due to Russia's aggression against Ukraine. In 2022, fruit and vegetable prices increased on average by around 20-30%. This increase was fuelled by the higher cost of fertilisers and plant protection products, which are necessary for fruit and vegetable production technology. The increased cost of fuel was also a significant factor affecting prices.

One of the key raw materials for Stoczek Natura Sp. z o.o. is meat and meat raw materials. Russia’s military attack on Ukraine in February 2022 caused a lot of perturbations on this market. Meat prices increased by several dozens of percent because a very large part of the raw meat, previously the basis of production for the domestic market, has been trasferred to Ukraine, which significantly increased the prices of the entire meat components. The increase in the price of individual elements averaged 30%-60%.

Stoczek Natura Sp. z o.o. has its own cold stores in order to purchase raw material at the optimum time and price, but the significant increases in electricity prices currently occurring on the market and forecast for subsequent periods significantly increase the cost of such storage.

Price increases of several percent in 2022 also occurred in the market for most other raw materials and packaging. Increased demand for processed products and simultaneously rising production costs are making both metal and glass packaging more expensive and there is no clear prospect of stabilization in this area For example, jar prices have increased by 70%-100% from 2021.

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

Risk of variable legal and tax environment

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

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

Risk related to changes in exchange rates

The Makarony Polskie 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 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 32,589	33,740	520	520	0
Financial liabilities				
Trade liabilities in total (including advanced payments)	49,678	12,339	12,339	0

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

Groups/categories of financial instruments	Balance sheet value as at 31.12.2021 PLN k	Currency exposure as at 31.12.2021 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	26,156	924	924	0
Trade receivables 32,589	19,823	2,491	2,491	0
Financial liabilities				
Trade liabilities	30,792	3,605	3,605	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	-	-
Financial liabilities				
Trade liabilities	- 620	620	-	-

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

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	46.2	-46.2	0	0
Trade receivables (gross)	124.6	-124.6	-	-
Financial liabilities				
Trade liabilities	-180.3	180.3	-	-

Interest rate risk

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

Significantly, the Group finances its operations with loans, which increases its sensitivity to the risk caused by interest rate changes in both long-term and short-term financial liabilities.

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

As at 31 December 2022, the Group had a borrowing liability of PLN 26,353 thousand:

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

As at 31 December 2021, the Group had a borrowing liability of PLN 35,760 thousand:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	35,760	15,238	20,522

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

The structure of financial instruments exposed to the risk of changes in interest rates as at 31 December 2022 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2022	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 structure of financial instruments exposed to the risk of changes in interest rates as at 31 December 2021 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2021	Value at risk as at 31.12.2021	WIBOR
Financial assets			
Cash in hand and at bank	26,156	-	-
Financial liabilities			
Bank loans	35,760	35,760	35,760
Other financial liabilities	1,576	1,576	1,576

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

Interest rate	Deviation assumptions (in percentage points) 31/12/2022		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

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

Interest rate	Deviation assumptions (in percentage points) 31/12/2021		Value at risk as at 31.12.2021 PLN k	Impact on the financial result 31.12.2021	
				PLN k	PLN k
WIBOR	1%	-1%	37,336	-373.4	373.4

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 2022, efforts continued in the area of sources of finance with the aim of achieving higher efficiency in their use and lowering the cost of obtaining them. The 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 2022, 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 2022, 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 2022, there were no proceedings pending before any court, arbitration body or public administration authority concerning liabilities and receivables of Makarony Polskie S.A. or its subsidiaries of a total value of at least 10% of the equity of Makarony Polskie S.A.

Note 45
Employment in the Makarony Polskie Group

Employment as at	31.12.2022	31.12.2021
Production	352	179
Administration	30	23
Sales	21	22
In total	403	224

Note 46
Auditor's remuneration

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

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

Additional notes

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

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

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

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

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Board

Rzeszów, 27 April 2023

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