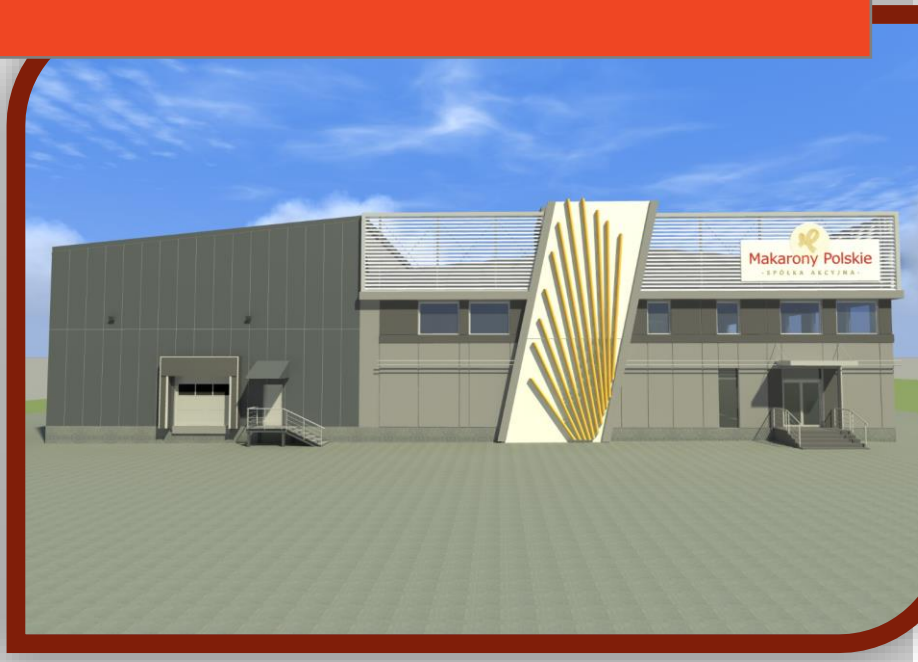
Financial statements of the Makarony Polskie Group in the financial year 2020



Rzeszów, 15 April 2021

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

General

Group Organization

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

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



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

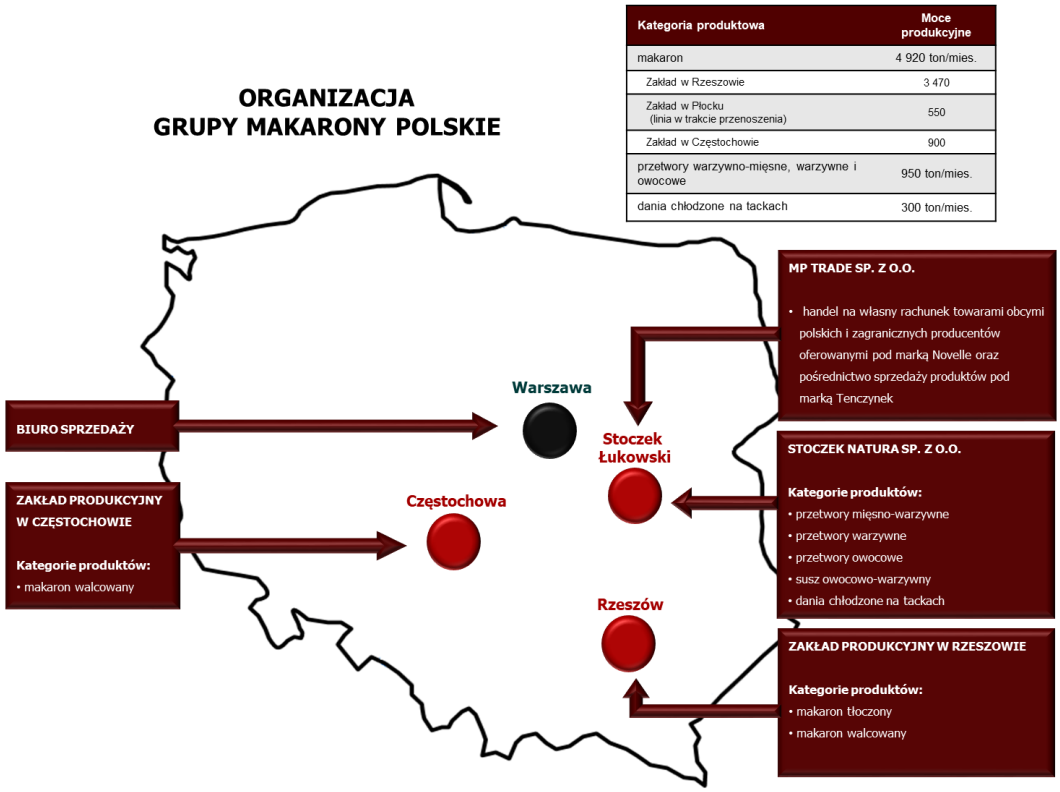
Stoczek Natura Sp. z o.o. is a producer of meat and vegetable preserves (ready meals, pies, lard preserves), vegetable preserves (salads, marinades), processed fruit (jams, plum confectioners) offered under Stoczek, Tenczynek, Męska Rzecz brands, and also the new SoFood brand, which represents the development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

MP Trade Sp. z o.o. develops trade on own account with foreign goods of Polish and foreign producers. The Company's activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makrony Polskie SA in the production of vegetable noodles and other goods produced within the Makarony Polskie Group. The business model adopted by the company creates its value by increasing the brand value, and the production is outsourced.

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

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

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



Registration data

Makarony Polskie SA

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

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

KRS number 0000212001,

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

REGON (National Business Registry Number): 691674708,

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

www.makarony.pl.

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 (National Business Registry Number): 711584640,

NIP [tax identification number]: 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 (National Business Registry Number): 362706449,

NIP [tax identification number]: 825-21-76-004,

www.mp-trade.pl.

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

Makarony Polskie SA – 170 employees,

Stoczek Natura Sp. z o.o. – 43 employees,

MP Trade Sp. z o.o. – 0 employees.

Composition of the Parent's Management Board

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

Shares held by the Management Board Members

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

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

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

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

Composition of the Supervisory Board

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

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

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

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

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

Shares held by Members of the Supervisory Board

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

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

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

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

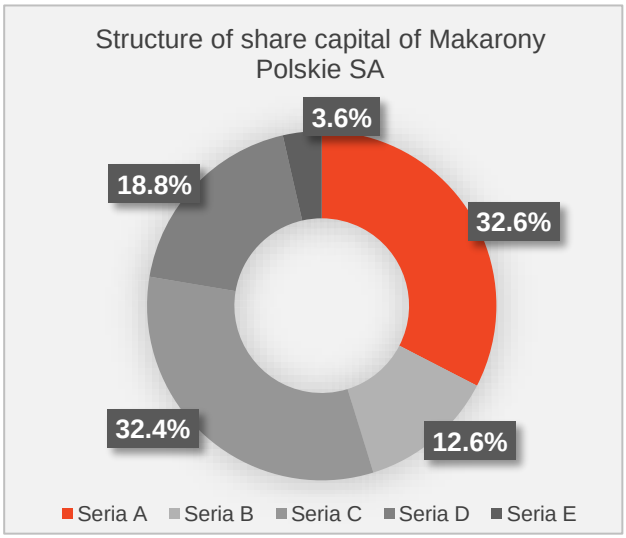
General Assembly of Makarony Polskie SA

Share capital of Makarony Polskie SA:

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

Structure of the Company's share capital:

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



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

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

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

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

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

Changes in shareholding in 2020

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

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

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

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

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

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

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

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

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

Changes in the shareholding after the balance sheet date

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

Composition of the Management Board of subsidiaries

Stoczek Natura Sp. z o.o.

In the period from 1 January 2020 to 16 January 2020, the management board of Stoczek Natura Sp. z o.o. operated in the following composition:

- Rafał Dziobko - President of the Management Board
- Adam Ławnik - Vice President of the Management Board.

On 16 January 2020, Mr. Rafał Dziobko resigned from the position of the President of the Management Board of Stoczek Natura Sp. z o.o. On the same day, the Meeting of Shareholders of Stoczek Natura Sp. z o.o. adopted a resolution on the number of members of the company's management board for one person and appointed Mr. Adam Ławnik as the president of the company's management board.

In the period from 16 January 2020 to the publication of this report, the management board of Stoczek Natura Sp. z o.o. has operated in the following composition:

- Adam Ławnik – President of the Management Board

The function of Proxies in the company Stoczek Natura Sp. z o.o. is performed by:

- Alicja Hinz – from 5 October 2001,
- Jerzy Krzyżowski – from 17 January 2020.

The granted proxies are joint - a proxy may represent the Company only in cooperation with another proxy or a member of the Management Board.

During the financial year, in the period from 17 January 2020 to 10 July 2020, Mr. Dariusz Cylka was the company's proxy.

MP Trade Sp. z o. o.

As at 31 December 2020 and the date of publication of these statements, the management board of the subsidiary was composed of:

- Zenon Daniłowski – President of the Management Board

In MP Trade Sp. z o.o. as at 31 December 2020 and as at the date of publication of these statements, there were no appointed proxies.

Shares in subsidiaries

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

Publication and approval of the financial statements

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

The financial statements of the Makarony Polskie Group for 2019 were approved by the Resolution No. 7 of the Ordinary General Assembly of Makarony Polskie SA on 24 September 2020.

Basis for preparation of the financial statements

Declaration of compliance and the basis for preparing the statements

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

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

Basis for valuation

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

Functional and presentation currency

The measurement currency of the Group, included in these consolidated financial statements and the reporting currency of these financial statements is the Polish zloty.
Unless indicated otherwise, the financial data is denominated in PLN k.

Accounting principles applied and the basis for preparing the statements

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

Duration of the Group operation is not limited.

The financial year shall be the calendar year.

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

Basis for preparation of the financial statements

Declaration of compliance

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

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

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

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

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

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

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

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

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

Changes resulting from IFRS changes

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

- Amendment to IFRS 3 Merger of entities

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

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

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

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

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

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

In addition, from 1 June 2020, after adoption by the European Commission in October 2020, the Group applies the Amendment to IFRS 16 Leases: Covid-19 reliefs. The amendment was published on 28 May 2020 and is effective for annual periods beginning on or after 1 June 2020, with early application permitted. The amendment introduces a simplification in IFRS 16, which makes it possible not to recognize a modification of a lease agreement when there have been, for example, changes in payments related to the Covid-19 pandemic.

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

Changes introduced by the Group independently

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

Not obligatory standards (new standards and interpretations)

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

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

- IFRS 17 Insurance Contracts
  The new standard was published on 18 May 2017 and then amended on 25 June 2020, and applies to annual periods beginning on 1 January 2023 or later. Its earlier application is allowed (subject to the simultaneous application of IFRS 15 and IFRS 9). The standard replaces the existing regulations regarding insurance contracts (IFRS 4). On 25 June 2020, IFRS 4 was also amended - with regard to the extension of the exemption period for insurers from the application of IFRS 9 Financial Instruments until 1 January 2023.

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

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

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

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

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

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

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

  The Group will implement the amended standard from 1 January 2022. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of changed standards application.

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

  Amendments to those standards were published on 27 August 2020 and supplement the first phase of changes in reporting resulting from the September 2019 reform of interbank

reference rates. The amendments apply mostly to periods starting on 1 January 2021 or later. The changes in the second phase focus on the impact they will have on the valuation of, for example, financial instruments, leasing liabilities, and the replacement of the existing reference rate with a new rate resulting from the reform.

The Group will implement the amended standard from 1 January 2021. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of changed standards application.

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

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

  The Group will implement the amended standard from 1 January 2023. At the day of preparing this financial statement, it was not possible to reliably estimate the influence of changed standards application.

IFRS in the shape approved by the European Union does not currently significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards, interpretations and their changes, which at the day of approving this financial statement for publication have not yet been approved for application by the European Union countries:

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

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

Basis for preparation of the financial statements

Entities subject to consolidation

as at 31 December 2020	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o. o.
Type of relationship	a direct subsidiary	a direct subsidiary
Consolidation method	full	full
Date of taking control	1 June 2007	28 September 2015
% held capital	100%	100%

Going Concern

The consolidated financial statements of the Makarony Polskie Group have been prepared on the assumption that the business will be continued in the foreseeable future and not significantly reduced. The Group did not perform any activities that were discontinued. As at the date of preparation of the consolidated financial statements of the Group, the Management Board of Makarony Polskie SA does not state any facts or circumstances indicating a threat to its going concern in the foreseeable future.

In accordance with the adopted strategy, the Group will continue its adopted operational 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,
- at Makarony Polskie SA, an interdisciplinary team was established, which, in cooperation with scientific institutions, works on developing innovative technologies for the production of new products: functional, health-promoting, low-processed food, easy to prepare,
- the company Stoczek Natura Sp. z o.o. purchased a new technological line, with the help of external experts and technologists, developed and implemented ready-made meals on SoFood trays.

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

- project entitled "Establishment of the Research and Development Center of Pasta Industry at Makarony Polskie SA", implemented under Measure 2.1 Support for investment in enterprise R&D infrastructure, Intelligent Development Operational Program 2014-2020, assumes establishment of a Research and Development Center of Pasta Industry at the Makarony Polskie SA. The B&R Center will conduct work on innovative products with pro-health features that will ultimately enrich the Company's product offer as well as issues relevant to the entire pasta industry. The Company performs the purchase of fixed assets and construction works, as part of the project. For the needs of the B&R Center, the purchase will include a modern production test line, whose parameters will reflect the conditions prevailing during the industrial production process (that line will be an asset of material value);
- project of Stoczek Natura Sp. z o.o. entitled "Increase in competitiveness of Stoczek Natura Sp. z o.o.", implemented under measure 3.7 RPO WL 2014-2020, assumes increasing the competitiveness and innovativeness of the Company on the domestic and international market by implementing the results of R&D works possessed and introducing to the production innovations in the form of meat product ready meals technology. The subject of the project is the implementation of innovative solutions through the modernization of the line for the production of ready meals in jars and cans. The implementation of the project will positively affect the improvement of the quality and innovativeness of the offered products, their repeatability and increased production efficiency. In addition, as a result of the project, the Company will be able to introduce new products with pro-health values to the commercial offer, addressed to a new group of consumers. The company completed the investment project covered by the support in February 2020 and submitted an application for the final settlement of the project to the institution granting the support;
- project of Stoczek Natura Sp. z o.o. entitled "Introduction of product innovation to increase the competitiveness of Stoczek Natura Sp. z o.o. ", implemented as part of the Operational Program Eastern Poland for the years 2014-2020 from Measure 1.4. Pattern for competition, assumes the development of the company, increase its competitiveness and innovation, by increasing the company's potential in the skillful management of design and increasing the use of design in business. The planned effect of the project is the introduction of new innovative products on trays to the company's offer, implementation of product, process and marketing innovation, purchase of a modern technological line for the production of ready meals on trays, extension of the customer group, increase in sales revenue, automation of production processes, increase of awareness of design management in organizational structures, consistent company

communication in the field of visual identification for the company and diversification of plant production through the introduction of previously unproduced products. The company has completed the supported investment project in August 2019. The company, fulfilling all the obligations resulting from the co-financing agreement, fully settled the project (including the final refinancing of the incurred expenses), which occured in January 2020. From Q1 2020, the company's offer includes 9 indexes from the category of ready-made dishes on trays. Those are ready-to-eat products, you can reheat them in a microwave or in a traditional way. They were positively received by customers. This new, dynamically developing category, which is ready-made dishes on trays, opens up new opportunities for the company to develop sales, especially on export markets.

Activity development in the private label segment

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

Development of B2B sales channels and Institutions

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

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

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie and SoFood brands on the market, redefining the Stoczek Natura, Sorenti and Novelle brands - the Group has developed a plan to support marketing activities in this area,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium

and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the 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

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

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

Uncertainty of estimates

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

- depreciation rates,
- impairment of assets (including receivables),
- provisions value,
- deferred tax assets (companies recognize assets for deferred tax based on the assumption that a tax profit shall be obtained in the future allowing its utilization; deterioration of the obtained tax results in the future could cause that such assumption would be unjustified.

- valuation of assets with an indefinite useful life.
- estimates related to IFRS-16

As at the date of these statements, there are no indications of impairment of goodwill and the Abak brand: Instead, for the Tenczynek brand, the tests showed the need to make write-downs to the book value in the amount of PLN 0.5 m. The basis for the above write-offs was a change in the assessment of the attractiveness and development prospects of products offered under the brand, related to changes in trends on the food market (departure from vegetable preserves in jars and syrups).

The relevant tests, in accordance with the applicable rules, were made as at the end of 31 December 2020.

Assumptions about the future and adopted estimates are consistent with the assumptions and estimates adopted by the Group in the financial statements for 2020.

Selected financial data - Makarony Polskie Group

Selected financial data	31 December 2020	31 December 2019	31 December 2020 (in EUR k)	31 December 2019 (in EUR k)
Revenues from sale of products, services, goods and materials	187,175	165,588	41,834	38,493
Profit (loss) from continued operations	11,184	6,911	2 500	1,607
Gross profit (loss)	9,608	5,530	2,147	1,286
Net profit (loss) from continued operations	7,528	3,803	1 683	884
EBIT	11,184	6,911	2 500	1,607
EBITDA (EBIT + depreciation)	18,836	13,536	4,210	3,147
Net cash flows from operating activities	12,133	16,062	2,712	3,734
Net cash flows from investment activities	-13,982	-27,945	-3,125	-6,496
Net cash flows from financial activities	1,534	12,247	343	2,847
Total net cash flows	- 315	364	70	85
Assets in total	180,537	173,627	39,121	40,772
Liabilities and provisions for liabilities	95,334	93,639	20,658	21,989
Long-term liabilities	42,439	39,351	9,196	9,241
Short-term liabilities	52,895	54,288	11,462	12,748
Equity	85,203	79,988	18,463	18,783
Share capital	27,750	27,750	6,013	6,516
Number of shares (units)	9,250,071	9,250,071	9,250,071	9 250 071
Weighted average number of shares (in units) during the current financial year	9 250 071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (in PLN/EUR) *	0.81	0.41	0.18	0.10
Book value per one share (in PLN/EUR)**	9.21	8.65	2.00	2.03

* 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 - Makarony Polskie Group

Selected financial data in EUR

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

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

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

Consolidated statement of comprehensive revenues

Total income consolidated statement

FOR THE PERIOD	Note	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Net revenues from sales	**1, 2, 3**	**187,175**	**165,588**
Revenues from sale of other products and services		178,066	158,714
Revenues from sale of goods and materials		9,109	6,874
Own cost	**2**	**149,340**	**128,077**
Production costs of products and services sold		141,316	122,179
Value of goods and materials sold		8,024	5,898
Gross profit (loss) on sales		**37,835**	**37,511**
Costs of sale	5	21,657	21,303
General administrative costs	6	6,413	7 104
Other revenues	7	2,961	1,371
Other costs	8	1,542	3,564
Profit (loss) from continued operations		**11,184**	**6,911**
Financial incomes	9	17	26
Financial costs	10	1,593	1,407
Gross profit		**9,608**	**5,530**
Income tax - current part	11	2,414	1,775
Income tax - deferred part	12	- 334	- 48
Net profit (loss) from continued operations		**7,528**	**3,803**
In this attributable to:		7,528	3,803
Shareholders of the parent Company		7,528	3,803
Non-controlling shares		0	0
Basic net result per share in PLN	13	0.81	0.41
Diluted net result per share in PLN		0.81	0.41
Other total net income/loss		0	0
Total net income		7,528	3,803
Total net income attributable to:		7,528	3,803
Shareholders of the parent Company		7,528	3,803
Non-controlling shares		0	0

Consolidated statement of comprehensive revenues

Consolidated statement of other total net income - application of hedge accounting

FOR THE PERIOD	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Total net income	7,528	3,803
Profit/loss due to application of hedge accounting	0	0
Total net income	7,528	3,803

Consolidated statement of financial position

ASSETS	Note	01/01/2020-31/12/2020	01/01/2019-31/12/2019
FIXED ASSETS		**133,058**	**126,942**
Tangible fixed assets	15	117,017	108,814
Fixed assets – IFRS-16	15	2,524	4,091
Investment real estate	16	603	603
Goodwill	17	5,949	5,949
Other intangible assets	18	6 919	7,363
Long-term financial assets	19	0	0
Assets for deferred income tax		1	2
Other long-term assets	25	45	120
CURRENT ASSETS		**47,479**	**46,685**
Inventories	20	24,127	20,515
Short-term receivables	21	22,636	25,074
Receivables from income tax	21.22	0	17
Borrowings granted	23	0	0
Cash and cash equivalents	24	410	718
Other short-term assets	25	306	361
FIXED ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**180,537**	**173,627**

LIABILITIES	Note	01/01/2020-31/12/2020	01/01/2019-31/12/2019
EQUITY		**85,203**	**79,988**
Share capital	**26**	27,750	27,750
Supplementary capital	27	38,490	37,155
Reserve capital	27	12,000	12,000

Retained profits/losses (profit/loss from previous years)	28	- 565	- 720
Net profit/loss		7,528	3,803
LONG-TERM LIABILITIES		**42,439**	**39,351**
Provision for deferred income tax	12	3,187	3 522
Long-term bank loans and borrowings	29	11,514	17,995
Long-term financial obligation - Polish Development Fund subsidy		2,269	0
Provision for pensions and similar (long-term)	31	398	357
Revenue of future periods - long-term	34	21,730	13,042
Long-term financial liabilities - leasing	32	1,297	1 160
Long-term financial liabilities - IFRS -16	32	2 044	3,275
SHORT-TERM LIABILITIES		**52,895**	**54,288**
Short-term bank loans and borrowings	29	15,379	16,500
Short-term financial obligation - Polish Development Fund subsidy		675	0
Short-term financial liabilities - leasing	32	845	762
Short-term financial liability - subsidy to working capital		124	
Short-term financial liabilities - IFRS-16	32	555	884
Other short-term liabilities	33	31,165	33,673
Income tax liabilities	33	1,153	426
Revenue from future periods - short-term	34	1 433	975
Provision for retirement and similar benefits (short-term)	31	1,506	1 055
Other short-term provisions	31	60	13
TOTAL LIABILITIES		**95,334**	**93,639**
TOTAL LIABILITIES		**180,537**	**173,627**

Consolidated statement from cash flows - indirect method

FOR THE PERIOD	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Cash flows from operating activities		
Profit before tax	**9,608**	**5,530**
Adjustments by items:	**2,525**	**10,532**
Depreciation	7,652	6,625
Profits/losses on exchange differences	- 7	5
Interest expense and income	906	1,171
Revenues from dividends	0	0
Profit/loss from investing activities	- 706	- 65
Change in provisions	539	98
Change in inventories	- 3,612	- 2,358
Change in receivables	1,435	- 95
Change in liabilities and accruals	- 1,989	4,097
Paid/refunded corporate income tax	- 1,670	- 1,586
Other adjustments	- 23	2,640
Cash flows from net operating activities	**12,133**	**16,062**
Cash flows from investment activities	0	0
Proceeds from the sale of fixed assets and intangible assets	1,936	523
Proceeds from sale of financial assets	0	0
Expenses for the purchase of property, plant and equipment and intangible assets	- 15,918	- 28,468
Expenses for the acquisition of subsidiaries and affiliates	0	0
Interest income	0	0
Proceeds from loans granted	0	0
Borrowings granted	0	0
Others	0	0
Net cash flows from investing activities	**- 13,982**	**- 27,945**
Cash flows from financial activities		
Proceeds from loans and borrowings	5,392	21,307
Repayment of loans and borrowings	- 12,995	- 11,522

Consolidated statement from cash flows - indirect method

Proceeds - Polish Development Fund subsidy	2,943	0
Payment of liabilities under financial lease agreements	- 1,762	- 2,006
Interest paid	- 906	- 1,171
Dividend paid to shareholders	- 2,313	- 2,313
Expenses for the purchase of financial assets	0	0
Other financial revenues - subsidies	11 175	7,952
Net cash flows from financial activities	**1,534**	**12,247**
Increase/decrease in cash and cash equivalents	**- 315**	**364**
Cash, cash equivalents and overdrafts at the beginning of the period	718	359
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	7	-5
Cash, cash equivalents and overdrafts at the end of the period	**410**	**718**

Report on changes in consolidated equity

For the period from 1 January 2020 to 31 December 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	27,750	37,155	12,000	0	3,083	79,988
Distribution of profit/loss coverage	0	1 335	0	0	- 1,335	0
Profit distribution - dividend payment	0	0	0	0	-2,313	- 2,313
Establishment of reserve capital - own shares	0	0	0	0	0	0
Other total income	0	0	0	0	0	0
Net profit/loss in 2020	0	0	0	7,528	0	7,528
Balance as at 31 December 2020	27,750	38,490	12,000	7,528	- 565	85,203

For the period from 1 January 2019 to 31 December 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	27,750	46,095	0	0	4,653	78,498
Distribution of profit/loss coverage	0	3,060	0	0	- 3,060	0
Profit distribution - dividend payment	0	0	0	0	-2,313	- 2,313
Establishment of reserve capital - own shares	0	- 12,000	12,000	0	0	0
Other total income	0	0	0	0	0	0
Net profit/loss in 2019	0	0	0	3,803	0	3,803
Balance as at 31 December 2019	27,750	37,155	12,000	3,803	- 720	79,988

Additional notes

Notes to the statement of comprehensive income

Note no. 1
Sales revenues

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

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Revenues from sales of products	170,568	151,161
Proceeds from the sale of services, including:	7,498	7,553
- from Lease and storage	5,800	5,393
- Service production	1,637	2,150
- Transportation services	34	0
- Other services	27	10
Revenues from sale of materials	5,793	3,804
Revenues from sale of goods	3,316	3 070
Total	**187,175**	**165,588**

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

(in PLN k)	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Pasta	135,343	118,194
Meat and vegetable preserves	29,672	26,775
Vegetable preserves and stuffing	1 590	1 969
Fruit preserves	8,821	8,632
Other	11,749	10,018
Total	**187,175**	**165,588**

The sales revenues of the Makarony Polskie Group in 2020 amounted to PLN 187.2 m and were by approx. PLN 21.6 m higher than in the value of 2019.

The value of sales in the pasta category increased by PLN 17.1 m to PLN 135.3 m in 2020. The increase in the amount of approx. 15% was the result of an increase in sales under the brands of retail chains, the development of the Makarony Polskie brand on the domestic

market, and the implementation of a subcontracting agreement in an institutional contract at a higher level compared to the corresponding period of the previous year.

Another segment in which a positive dynamics of changes was noted is the segment of processed fruit. Sales of meat and vegetable products increased in the analyzed period by approx. PLN 2.9 m to the amount of PLN 29.7 m. An increase of approx. 11% (2020 vs. 2019) was the result of an increase in sales under private labels and retail chains. In the analyzed period, the Group launched a new line of dishes in trays under the SoFood brand which was very well received by customers.

Sales of fruit products in the analyzed period amounted to nearly PLN 8.8 m and were higher by PLN 0.2 m, i.e. 2% compared to 2019, which was caused by an increase in sales in the category of jams and preserves.

The segment of vegetable preserves and stuffing decreased in the analyzed period by PLN 0.4 m to the amount of approx. PLN 1.6 m The decrease was the result of a decrease in orders in the stuffing segment and products under the Tenczynek brand.

Note no. 2

Basic information about operating segments

For the period from 01/01 to 31/12/2020	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Total segments revenues	**135,343**	**29,672**	**1,590**	**8,821**	**11,749**	**187,175**
Sales to external customers	135,343	29,672	1 590	8,821	11,749	187,175
Sales between segments	0	0	0	0	0	0
Segment costs	**107,122**	**27,005**	**1,081**	**8,242**	**5,890**	**149,340**
Profits or losses of segments	**28,221**	**2,667**	**509**	**579**	**5,859**	**37,835**
Costs of sale	0	0	0	0	0	- 21,657
Management costs	0	0	0	0	0	- 6,413
Other revenues	0	0	0	0	0	2,961
Other costs	0	0	0	0	0	- 1,542
Financial incomes	0	0	0	0	0	17
Financial costs	0	0	0	0	0	- 1,593
Elimination of profit/loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0

Unallocated amounts	0	0	0	0	0	0
Gross profit/loss from continued operation	0	0	0	0	0	9,608

For the period from 01/01 to 31/12/2019	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Total segments revenues	**118,194**	**26,775**	**1,969**	**8,632**	**10,018**	**165,588**
Sales to external customers	118,194	26,775	1 969	8,632	10,018	165,588
Sales between segments	0	0	0	0	0	0
Segment costs	**91,167**	**23,778**	**1,533**	**7,109**	**4,490**	**128,077**
Profits or losses of segments	**27,027**	**2,997**	**436**	**1,523**	**5,528**	**37,511**
Costs of sale	0	0	0	0	0	- 21,303
Management costs	0	0	0	0	0	- 7,104
Other revenues	0	0	0	0	0	1,371
Other costs	0	0	0	0	0	- 3,564
Financial incomes	0	0	0	0	0	26
Financial costs	0	0	0	0	0	- 1,407
Elimination of profit/loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0
Unallocated amounts	0	0	0	0	0	0
Gross profit/loss from continued operation	0	0	0	0	0	5,530

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

Note no. 3

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

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Country	169,874	151,403

Exports, including:	17,301	14,185
- European Union countries	5,970	3,097
- other countries	11,331	11,088
Total	**187,175**	**165,588**

SALES REVENUES BROKEN DOWN INTO OUTLETS

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

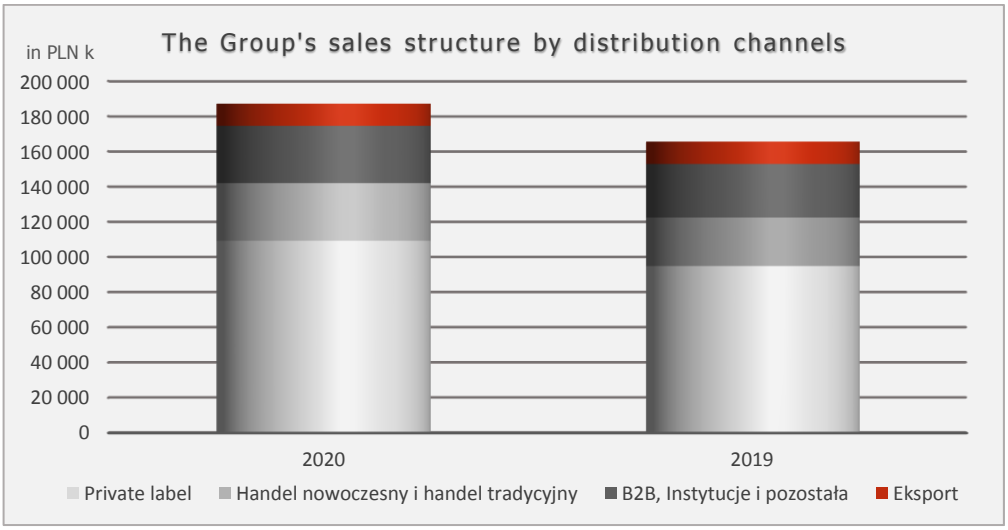
The main export market is Ukraine, where the Company systematically acquires new networks and distributors. In 2020, the Company's export activity was expanded to include countries such as Norway, Belgium and Sweden

The sales markets of Makarony Polskie 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 2020,, the value of sales amounted to PLN 187.2 m, including PLN 174,6 m on the domestic market and PLN 12.6 m in export. In the corresponding period of 2019, these amounts were PLN 165.6 m, PLN 152,9 m and PLN 12.7 m, respectively.

in PLN k	2020	2019	y/y
Sales revenues	187,175	165,588	13.0%

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



The sales markets of 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 2020, only two customers exceeded the threshold of 10% share in consolidated sales revenues (including brand products and private label). Those are Jeronimo Dystrybucja Polska with a share of approximately 22.9% and the Lidl Group with a share of approximately 16.1%. The Group's companies are in no formal way connected with the operators of this network, and the cooperation takes place on a partnership basis and is beneficial for the Makarony Polskie Group.

Private label

The largest share in the Group's revenues (58.3%) had a private label channel (PL) offering products under own brands of domestic and foreign networks (including sales to Lidl contractor operating within one Group in Europe).

PL (in PLN k)	2020	2019	y/y
Sales revenues	109,217	94,842	15.2%

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

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

Modern trade and traditional trade

The next material revenue for the Group at 17.5%, achieved on the domestic market, is the sale of the Group's brands (brands: Makarony Polskie, Sorenti, Stoczek, Tenczynek, Męska Rzecz, Novelle) in the modern trade channels (HN) and traditional trade (HT):

HN and HT (in PLN k)	2020	2019	y/y
Sales revenues	32,774	27,550	19.0%

The increase in sales of branded products by approx. 19% year-on-year was caused by the situation related to the COVID-19 pandemic, which, especially in the first half of the year, significantly increased sales. Maintaining brand sales in the second half of the year and competing in the market where the price pressure of retail chains was high was a big challenge.

The main export market of Makarony Polskie Group is Ukraine, nevertheless, throughout 2020, export sales were developed both in the European Union and on non-EU markets.

In 2021, the Group plans to develop cooperation and acquire new, previously unsupported, domestic and local networks. In addition, the Group aims to improve service among current customers and numbers by acquiring new customers.

B2B and Institutions

B2B and Institutions accounted for approx. 17.4%, in comprehensive income of the Group:

B2B and Institutions (in PLN k)	2020	2019	y/y
Sales revenues	32,580	30,497	6.8%

Sales in the B2B distribution channel and Institutions in 2020 amounted to approx. PLN 32.6 m and were lower by approx. PLN 2.1 m (i.e. +6.8%) compared to 2019. The increase in sales resulted mainly from the increase in sales of pasta products under subcontracting as part of the institutional contract.

Export

Exports in the Group's total revenues accounted for 6.7%:

Export (in PLN k)	2020	2019	y/y
Sales revenues	12,604	14,185	-0.7%

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

The main export market of Makarony Polskie Group is Ukraine, where cooperation with new chains and distributors is systematically developed. Nevertheless, throughout 2020, export sales were developed both in the European Union and on non-EU markets. New product items were introduced to both existing and new customers in Germany, Latvia, Romania, the Czech Republic, Serbia, the United States, Sweden, Belarus, Ukraine and Moldova. The Makarony Polskie Group has also acquired new business partners on the markets of countries such as: Norway, Belgium, Sweden, Latvia, Lithuania, Estonia and Ukraine.

Costs of employee benefits and depreciation costs

Employee benefits costs	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Payroll costs	13,962	12,303
Social security costs	2 501	2,160
Costs of other employee benefits, including:	1,176	775
- costs of employment termination benefits	35	16
- costs of pension benefits	3	20
- costs of equivalents for unused leave	106	160
- other benefits	1,032	579
Total	**17,639**	**15,238**

The employee benefits can be divided to the following categories:

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

– post-employment benefits - as part of this type of benefits, the Group pays severance pay to employees.

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

Depreciation costs	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Depreciation	7,652	6,625

Note no. 5
Costs of sale

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Depreciation	1,407	1 389
Consumption of materials and energy	384	509
Costs of external services	12,236	12,284
Taxes and fees	281	329

Wages and salaries	4,075	3,712
Employee benefits	868	773
Other costs	2,406	2,307
Total	**21,657**	**21,303**

Note no. 6

Management costs

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Depreciation	373	456
Consumption of materials and energy	87	131
Costs of external services	1 403	1,793
Taxes and fees	262	296
Wages and salaries	3,348	3 258
Employee benefits	488	550
Other costs	452	620
Total	**6,413**	**7,104**

Note no. 7

Other revenues

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
State subsidies	1,904	1,056
Profit on the sale of property, plant and equipment	706	66
Release of other provisions and reversal of impairment losses	0	0
Compensation and complaints	28	50
Sales of scrap and waste	77	83
Return of court and bailiff fees	2	3
- Inventory surplus	6	58
Return of overpayment - insurance premiums	27	22
Accrued income from Return of eligible costs - subsidy	0	0
Liabilities written down	0	0
Sales discounts	24	29
Support under the Social Security Authority "Anti-Crisis Shield"	163	0
Other	24	4
Total	**2,961**	**1,371**

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

Other receivables also include reversals of impairment losses on receivables and inventories as well as impairment losses on property, plant and equipment and inventory surpluses on current assets.

In the first half of 2020, as part of the "Anti-Crisis Shield", the company Stoczek Natura Sp. z o.o. received support from the Social Security Authority in the amount of PLN 146 k. Exemption from contributions for March, April and May 2020 for people conducting a business, companies registering for social insurance for less than 50 people.

Note no. 8
Other costs

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Donations	7	25
Loss on the sale of fixed assets	0	0
Penalties and fines	74	35
Shortages in current assets	4	18
Write-down of inventories	76	89
Revaluation write-off of Deli Susz and Tenczynek brands	519	2 641
Costs of court and bailiff proceedings	9	0
Liquidation of damaged and overdue stocks	463	475
Advertising sponsorship	94	86
Write-down for receivables, other write-downs	295	70
Costs of repairs covered by insurance	0	22
Reversal of revenue earned in 2018 from co-financing from the EU subsidy	0	99
Write-downs - remitted unrecoverable	0	0
Other	1	4
Total	**1,542**	**3,564**

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

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

Note no. 9
Financial incomes

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Interest revenue, including:	17	17
- interest on bank deposits	0	0
- interest on loans	0	0
- interest on receivables	17	17
Foreign exchange profits	0	0
Other financial incomes, including:	0	9
- update of the value of short-term investments	0	0
- other financial revenues	0	9
- profit from disposal of financial assets	0	0
Total	**17**	**26**

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

Note no. 10
Financial costs

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Interest expenses, including:	912	1,179
- interest on bank loans	664	829
- factoring and leasing interest	99	167
- IFRS -16 leasing interest	143	175

- interests on liabilities	3	4
- budget interest	3	4
Other financial costs, including:	681	228
- loss due to negative exchange rate differences	447	28
- guarantees, sureties	34	40
- banking and factoring fees and commissions	200	160
Total	**1,593**	**1,407**

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

Note no. 11
Income tax

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Current income tax	2,414	1,775
Deferred income tax	- 334	- 48
Income/recognition tax charge recognized in the statement of comprehensive revenues, including	2 080	1,727
- assigned to continued operations	2 080	1,727

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

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Gross financial result before tax from continuing operations	9,608	5,530
Profit/loss before tax on discontinued operations	0	0
Gross financial result before tax	9,608	5,530
Tax rate (in %)	19	19
- tax costs which do not constitute balance sheet costs (-)	- 2,289	- 2,394
balance sheet costs not included in tax costs (+)	7,146	7,399
- revenues not constituting tax revenues (-)	-1,688	- 1,045

- tax revenue not constituting balance sheet revenue (+)	0	10
- received subsidies	0	0
Tax base/tax loss of the Group	12,777	9,500
Deductions from earnings:		
- tax shield MP trade Sp. z o.o. year 2017	- 70	- 317
Income for taxation of the Group	12,707	9,183
Tax base	12,707	9,344
Income tax shown in the statement of comprehensive income - current part	2,414	1,775

The Group is not a tax group of companies, as a result of which the income of the Group for taxation is reduced by presentation of the tax shields of the Parent Company and Subsidiaries.

Note no. 12
Deferred income tax

	Report on the financial situation as at 31/12/2020	Report on the financial situation as at 31/12/2019	Statement of comprehensive income for the period from 01/01 to 31/12/2020	Statement of comprehensive income for the period from 01/01 to 31/12/2019
Provision for deferred income tax				
- difference between the carrying amount and tax net value of fixed assets	3,408	3,617	- 209	4
- foreign exchange differences	9	11	- 2	7
- difference between the commitment under leasing and the net value of fixed assets	140	125	15	- 58
- accrued interest	0	0	0	0
- valuation of investment property	160	160	0	0
Gross provision for deferred income tax	3 717	3 913	- 196	- 47
Assets for deferred income tax				
- remuneration paid after the balance sheet date	8	12	- 4	0
- - social security contributions	75	67	8	14
- pension benefits and similar	362	268	94	19
- interests on liabilities	8	2	6	2
- foreign exchange differences	24	3	21	-1
- deductible tax loss	0	0	0	- 60
- costs of external services	6	0	6	0

- inventory write-downs	38	23	15	15
- unrealized margin of the GROUP	1	6	-5	-1
- lease agreement – IFRS-16 leasing	9	12	-3	13
Deferred income tax assets recognized in the statement of financial position	531	393	138	1
Deferred tax liability/recognition	-3,186	- 3,520	- 334	- 48

Assets for deferred income tax

	As at 31/12/2020	As at 31/12/2019
- deductible tax loss	788	858
Deferred income tax assets not included in the balance sheet - tax loss of MP Trade	71	77

The current tax charge is calculated on the basis of the applicable tax laws. The application of these provisions varies the tax profit (loss) from net accounting profit (loss) before tax, due to the exclusion of non-taxable revenues and the costs of non-deductible expenses and costs and revenues that will never be subject to tax. Tax burdens are calculated based on the tax rates applicable in a given financial year - currently 19% and 9%. Regulations which provide for a reduction of the tax rate for future periods concerning the company MP Trade from the Group.

In terms of income tax, the Group is subject to general regulations in this area. The Group is not a tax Group, as well as does not operate in a special economic zone, which would differentiate the rules for determining tax charges in relation to general provisions in this respect. The tax year and the balance sheet year coincide with the calendar year.

Note no. 13

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

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Net profit/loss per share	0.81	0.41
Book value per one share in PLN	9.21	8.65

	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019

Net profit/loss from continuing operations attributable to shareholders of the parent	7,528	3,803
Profit/loss on discontinued operations attributable to shareholders of the parent	0	0
Net profit/loss attributable to equity holders of the parent	7,528	3,803
Net profit/loss attributable to ordinary shareholders applied to calculate diluted profit/loss per share	not applicable	not applicable

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

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

Diluted profit falling per one share is calculated by dividing net profit in the period falling for normal shareholders of the parent company (after deducting interests on the amortizable preferred shares exchanged to common shares) per average weighed number of issued common shares present in the period (corrected by the influence of dilutive options and diluting, amortizable preferred shares exchanged to common shares). In the parent Company in 2020, as well as until the date of these statements, there were no factors diluting the share capital.

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

Note no. 14

Explanations to the Consolidated Statement of Cash Flows

FOR THE PERIOD	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Change in liabilities and accruals with the exception of loans and borrowings - CF	**(1,989)**	**4,097**
- change in other long-term assets resulting from the balance sheet	75	71
- change in other short-term assets resulting from the balance sheet	55	(4)
- change in long-term deferred income resulting from the balance sheet	8,688	6,980
- change in short-term deferred income resulting from the balance sheet	458	66

- change in other short-term liabilities resulting from the balance sheet	(2,508)	5,682
- correction of accrued interest on the loan - balance sheet recognition	0	0
- correction (postponement) of unpaid liabilities regarding investment expenditures	(765)	(2,518)
- impact of subsidies on fixed assets - adjustment of the balance sheet change in deferred income	(10,509)	(7,952)
adjustment (shift) paid liabilities related to capital expenditures from 2018	2,517	1,772
Other adjustments - CF	**(23)**	**2,640**
- valuation/reclassification of investment land to fair value	0	0
- written off brand Deli-Susz i Tenczynek	519	2 641
- subsidies received	(542)	0
- other	0	0

Explanatory notes to the statement of financial position

Note no. 15

Tangible fixed assets

Gross tangible fixed assets:	31/12/2020	31/12/2019
Land, buildings and structures	61,931	58,998
Machines and equipment	99,256	94,676
Means of transport	3,640	3,811
Fixed assets in progress	12,330	20,029
Other	15,850	2 912
Gross value at the end of the period	**193,007**	**180,426**

Amortizations and write-downs	31/12/2020	31/12/2019
Land, buildings and structures	22,519	20,968
Machines and equipment	45,948	42,182
Means of transport	2,541	2,299
Fixed assets in progress	0	0
Other	2,458	2,072
Value of amortization and write-downs	**73,466**	**67,521**
Net value at the end of the period	**119,541**	**112,905**

Changes in fixed assets

For the period from 1 January 2020 to 31 December 2020

	Land, buildings	Machines and devices	Means of transport	Fixed assets in progress	Other	Total
Gross value at the beginning of the period	58,998	94,676	3,811	20,029	2 912	180,426
Increases	4,508	6,374	112	15,249	13,032	39,275
- purchase	4,499	5 390	27	15,065	13,032	38,013
- other	9	984	85	184	0	1,262
Decreases	1,575	1,794	283	22,948	94	26,694
- sale	0	1,452	282	0	0	1,734
- other	1,575	342	1	22,948	94	24,960
Gross value at the end of the period	61,931	99,256	3,640	12,330	15,850	193,007
Amortization value at the beginning of the period	19,564	42,102	2,299	0	2,072	66,037
Increases	2,352	4,403	483	0	480	7,718

Decreases	736	607	241	0	94	1,678
Amortization value at the end of the period	21,180	45,898	2,541	0	2,458	72,077
Revaluation write-off at the beginning of the period	1,404	80	0	0	0	1,484
Write-down at the end of period	1,339	50	0	0	0	1 389
Value including amortization and impairment write-down at the end of the period	22,519	45,948	2,541	0	2,458	73,466
Net value at the end of the period	39,412	53,308	1,099	12,330	13,392	119,541

For the period from 1 January 2019 to 31 December 2019

	Land, buildings	Machines and devices	Means of transport	Fixed assets in progress	Other	Total
Gross value at the beginning of the period	51 478	71 642	3,651	16 792	2 666	146,229
Increases	7,887	23,179	940	29,669	274	61,949
- purchase	2,879	23,179	6	29,660	274	55,998
- other	5 008	0	934	9	0	5,951
Decreases	367	145	780	26,432	28	27,752
- sale	367	21	704	0	8	1,100
- other	0	124	76	26,432	20	26,652
Gross value at the end of the period	58,998	94,676	3,811	20,029	2 912	180,426
Amortization value at the beginning of the period	17,310	38 470	2 424	0	1 973	60,177
Increases	2,254	3,767	535	0	127	6,683
Decreases	0	135	660	0	28	823
Amortization value at the end of the period	19,564	42,102	2,299	0	2,072	66,037
Revaluation write-off at the beginning of the period	1 468	111	0	0	0	1 579
Write-down at the end of period	1,404	80	0	0	0	1,484
Value including amortization and impairment write-down at the end of the period	20,968	42,182	2,299	0	2,072	67,521
Net value at the end of the period	38,030	52,494	1 512	20,029	840	112,905

Impairment write-downs are taken into account in other expenses in the statement of comprehensive income. In 2020, the Group did not make write-downs of property, plant and equipment. In proportion to the period of use, the Group dissolves write-downs updating the value of fixed assets made at the time of purchase of shares in Stoczek (2007).

Fixed assets under construction, are presented in the financial statements at the production cost less recognized impairment losses.

The production cost includes fees and, for the relevant assets, costs of external financing capitalized in accordance with IAS 23. The costs of external financing capitalized and included in fixed assets under construction in 2020 amounted to PLN 118 k (interest and commission costs) The Group estimates the borrowing costs according to the actual interest rate for a given financial liability (loan).

The Group has in its use machines, equipment and means of transport under leasing agreements. The carrying amount of property, plant and equipment used under finance lease agreements as at 31 December 2020 was PLN 5,633 k as at 31 December 2019 amounted to PLN 6,668 k.

As at 31 December 2020 in the subsidiary Stoczek Natura sp. o.o. the value of registered pledges on machines and equipment was PLN 12,328 k, including:

- collateral of BGK loan agreements - the amount of PLN 12,328 k.

As at 31 December 2019 in the subsidiary Stoczek Natura sp. o.o. the value of registered pledges on machines and equipment was PLN 10,246 k, including:

- collateral of BGK loan agreements - the amount of PLN 10,246 k.

The establishment of registered pledges on fixed assets results from the obligations included in the credit agreements described in note No. 29.

The Group estimates the value of liabilities resulting from contracts signed for the supply of fixed assets and construction works at the level of PLN 766 k as at 31 December 2020.

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

Real Estate	Balance as at 31/12/2020	Creditor name	Title of liability	Company's liability
Real Estates in Rzeszow KW RZ1Z/00076860/5	PLN 17,000 k	Santander Bank Polska SA	contractual joint mortgage	Overdraft in the amount of PLN 5,000 k concluded by Makarony Polskie SA
Real Estates in Płock KW PL1P/00094893/6, no.				Overdraft in the amount of PLN 13,849 k concluded by Makarony Polskie SA

PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)				Framework contract on the method of concluding and settling transactions
Real Estates in Rzeszow KW RZ1Z/00076860/5 Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)	PLN 2,500 k	Santander Bank Polska SA	contractual joint mortgage	EU investment loan agreement amounting to PLN 8,000 k concluded by Makarony Polskie SA
Real Estates in Rzeszow KW RZ1Z/00076860/5 Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)	PLN 18,182 k	Santander Bank Polska SA	contractual joint mortgage	EU investment loan agreement amounting to PLN 12,121 k concluded by Makarony Polskie SA
Real Estates in Rzeszow KW RZ1Z/00076860/5 Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)	PLN 373 k	Santander Bank Polska SA	contractual joint mortgage	Contract for granting a bank guarantee of PLN 249 k concluded by Makarony Polskie SA
Real Estates in Rzeszow KW RZ1Z/00076860/5 Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)	PLN 1,517 k	Santander Bank Polska SA	contractual joint mortgage	Contract for granting a bank guarantee of PLN 1,011 k concluded by Makarony Polskie SA
Real Estates in Rzeszow KW RZ1Z/00076860/5 Real Estates in Płock KW PL1P/00094893/6, no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held)	PLN 4,500 k	Santander Bank Polska SA	contractual joint mortgage	Revolving credit agreement in the amount of PLN 3,000 k concluded by Macaroon Polskie SA
Real estate in Częstochowa KW CZ1C/00111425/8	PLN 16,500 k	Bank Gospodarstwa Krajowego	contractual joint mortgage	Overdraft in the amount of PLN 6,000 k concluded by Makarony Polskie SA
Real Estates in Stoczek Łukowski LU1U/00022979/2				Non-revolving overdraft in the amount of PLN 5,000 k concluded by Makarony Polskie SA

Investment real estate

	31/12/2020	31/12/2019
Investment real estate in Rzeszów and in Stoczek Łukowski the beginning of the period	603	603
Increases	0	0
Acquisition	0	0
Others	0	0
Decreases	0	0
Sale	0	0
Others	0	0
Value at the end of the period	603	603

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

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

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

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

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

Note no. 17
Goodwill

For the period from 01/01/2020 to 31/12/2020	Goodwill

Gross value at the beginning of the period	**5 949**
Increases	0
Decreases	0
Gross value at end of the period	**5 949**
Impairment loss at the beginning of the period	0
Recognition in the period of impairment loss	0
Reversal in the impairment loss period	0
Impairment loss at the end of the period	0
Net value at the end of the period	**5 949**

For the period from 01/01/2019 to 31/12/2019	Goodwill
Gross value at the beginning of the period	**5 949**
Increases	0
Decreases	0
Gross value at end of the period	**5 949**
Impairment loss at the beginning of the period	0
Recognition in the period of impairment loss	0
Reversal in the impairment loss period	0
Impairment loss at the end of the period	0
Net value at the end of the period	**5 949**

Goodwill in the amount of PLN 5,949 k included 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 the net assets of that Company as at 1 June 2007, i.e. as at the date of the transfer of share ownership.

The goodwill by virtue of taking over an economic entity is initially posted according to the purchase price representing the surplus of costs of merging over the share of the entity taking over in fair value net of possible to be identified assets, liabilities and conditional liabilities. After the initial posting, goodwill is disclosed according to the purchase price reduced by any cumulated write downs by virtue of value loss. The goodwill is not subject to amortization.

Due to the establishment of MP Trade Sp. z o.o. in 2015, the Group recognized a positive value between the purchase value of 100% of shares and expenses incurred on taking up shares. The goodwill amounts to PLN 3 k, and is not subject to amortization.

At the end of 2020, obligatory tests for the goodwill impairment were performed. Tests were performed by discounting free cash flows method, with the following assumptions:

- 5-year forecast period (2021-2025),

- one scenario - realistic,
- financial projections prepared on the basis of historical data taking into account organic plans for the development of the Companies,
- discount rates have been set at the level of the average post-tax capital cost (WACC) - 5.7-6.7%,
- growth rate after the forecast period - 0%.

The tests performed did not show the need to make write-downs of goodwill.

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

Note no. 18

Other intangible assets

Changes in intangible assets

for the period from 1 January 2020 to 31 December 2020

	Other intangible assets				
	Brand value	Patents, trademarks, development works	Computer software	Other	Total
Gross value at the beginning of the period	9 134	1 102	1,371	464	12,071
Increases	0	0	10	470	480
- purchase	0	0	10	470	480
Decrease	0	400	0	0	400
Gross value at the end of the period	9 134	702	1,381	934	12,151
Amortization value at the beginning of the period	0	267	1 340	460	2,067
increases	0	10	12	7	29
decreases	0	24		0	24
Amortization value at the end of the period	0	253	1 352	467	2,072
Revaluation write-off at the beginning of the period	2 641	0	0	0	2 641
Created write-down	519	0	0	0	519
Write-down at the end of period	3,160	0	0	0	3,160
Net value at the end of the period	5,974	449	29	467	6 919

Changes in intangible assets

for the period from 1 January 2019 to 31 December 2019

	Other intangible assets				
	Brand value	Patents, trademarks, development works	Computer software	Other	Total
Gross value at the beginning of the period	9 087	1 055	1,371	464	11 977
Increases	47	47	0	0	94
- purchase	47	47	0	0	94
Decrease	0	0	0	0	0
Gross value at the end of the period	9 134	1 102	1,371	464	12,071
Amortization value at the beginning of the period	0	259	1 330	443	2 032
increases	0	8	10	17	35

decreases	0	0		0	0
Amortization value at the end of the period	0	267	1 340	460	2,067
Created write-down	2 641	0	0	0	2 641
Net value at the end of the period	6,493	835	31	4	7,363

List of intangible assets with indefinite useful lives

Balance as at 31 December 2020

	Valuation according to the purchase price/production cost	Write-down on OB	Created write-down	Reversed impairment loss	Carrying value at end of period
Abak brand	4,909	0	0	0	4,909
Tenczynek brand and trademark	4,528	2 641	464	0	1,423
Delli-Susz brand and trademark	55	0	55	0	0
So Food brand	47	0	0	0	47
TOTAL	**9,539**	**2,641**	**519**	**0**	**6,379**

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

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

At the end of 2020, the Management Board of Makarony Polskie SA assessed that there were no premises indicating the possibility of impairment of assets, i.e. the Abak brands, which are subject to impairment tests.

Instead, for the Tenczynek brand, the tests showed the need to make further write-offs updating the book value of the write-off at the end of 2020 in the amount of PLN 0.5 m. The basis for the above write-offs was a change in the assessment of the attractiveness and development prospects of products offered under the brand, related to changes in trends on the food market (departure from vegetable preserves in jars and syrups).

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

- 5-year forecast period (2021-2025),
- one scenario - realistic,

- financial projections prepared on the basis of historical data taking into account organic plans for the development of the brand,
- discount rates have been set at the level of the average post-tax capital cost (WACC) - 5.7%,
- license fee ratio at 5%,
- growth rate after the forecast period - 0%.

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

The above applies to the value of brands and trademarks with the exception of the Tenczynek brand.

In the case of the sensitivity analysis of the key valuation assumptions for the Tenczynek brand and trademark, the tests carried out showed the impact of changing the assumptions on the write-off:

- an increase in the average cost of capital after tax (WACC) by 10% would result in a write-off of PLN 595 k (an increase by PLN 130 k from the write-off performed),
- a decrease in the average cost of capital after tax (WACC) by 10% would result in a write-off of PLN 305 k (a decrease by PLN 159 k from the write-off performed),

Note no. 19
Long-term financial assets

Other long-term financial assets	31/12/2020	31/12/2019
Total long-term financial assets	0	0

Note no. 20
Inventories

Balance as at 31 December 2020

	Valuation according to the purchase	Write-down on OB	Created write-down	Reversed impairment loss	Carrying amount of inventories at

	price/production cost				the end of the period
Materials	9,791	64	78	38	9,687
Supporting materials	618	0	0	0	618
Products in progress	105	1	0	1	105
Finished goods	13,475	51	75	46	13,395
Goods	348	17	9	0	322
TOTAL	**24,337**	**133**	**162**	**85**	**24,127**

Balance as at 31 December 2019

	Valuation according to the purchase price/production cost	Write-down on OB	Created write-down	Reversed impairment loss	Carrying amount of inventories at the end of the period
Materials	8,705	11	64	11	8,641
Supporting materials	642	0	0	0	642
Products in progress	77	0	1	0	76
Finished goods	10,622	33	51	33	10,571
Goods	602	0	17	0	585
TOTAL	**20,648**	**44**	**133**	**44**	**20,515**

Due to the current inventory rotation, in 2021 the Group plans to use all inventories included in the statement of financial position as at 31 December 2020 in the amount of PLN 24 127 k. Impairment losses on current assets (inventories) are made when a given component is considered non-negotiable, it is physically destroyed, the shelf life of finished products and raw materials makes it impossible to sell or use it and when the cost of manufacturing exceeds its price

In 2020, there were indications of a partial write-down of shares, Makarony Polskie Group made a write-down on finished products and raw material in the total amount of PLN 162 k.

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

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

Note no. 21
Receivables

	31/12/2020	31/12/2019
Trade receivables from other entities:	19,370	20,630
- short-term part	19,370	20,630

Receivables from subsidiaries:	0	0
- short-term part	0	0
Prepayments:	0	0
- short-term part	0	0
Other receivables: from other entities	3 801	4,702
- short-term part	3 801	4,702
Total value of gross receivables	23,171	25,332
Revaluation write-downs for the beginning of the period	241	172
Recognition in the period of impairment loss	294	69
Reversal in the impairment loss period	0	0
Impairment loss at the end of the period	535	241
Net receivables	22,636	25,091

Write downs of receivables

2020	Balance at the beginning of the period	Creation	Use and release	Balance at the end of the period
Allowances for receivables	241	294	0	535

2019	Balance at the beginning of the period	Creation	Use and release	Balance at the end of the period
Allowances for receivables	172	69	0	241

Other short-term receivables	31/12/2020	31/12/2019
Current VAT	2,562	2,406
Current VAT postponed	951	944
Corporate income tax	0	17
Other amounts due from employees	0	0
Paid security deposits	91	69
Prepayments	150	1,165
Other	47	101
Total other gross receivables	3 801	4,702
Write downs of receivables	0	0
Other net receivables	3 801	4,702

Gross receivables - currency structure

Gross short-term receivables	31/12/2020	31/12/2019
- in the Polish currency	21,294	21,635
- in foreign currencies:	1,877	3,697

a) unit/currency EUR	412	863
in PLN	1,877	3,697
b) unit/currency USD	0	0
in PLN	0	0
a) unit/currency GBP	0	0
in PLN	0	0
Gross short-term receivables	**23,171**	**25,332**

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

Receivables from deliveries and services - aging

	31/12/2020	31/12/2019
1) Total current	17,305	16,114
2) Total overdue:	2 065	4,516
a) up to 1 month	1,084	3,903
b) over 1 month up to 3 months	370	81
c) over 3 months up to 6 months		61
d) over 6 months up to 1 year	76	242
e) more than 1 year	535	229
Total gross trade receivables	**19,370**	**20,630**
Write downs of supplies and services receivables	535	241
Net trade receivables	18,835	20,389

Trade receivables consist of amounts due from trade transactions made to a large number of customers, distributed among various industries and geographic areas.
The Group is not exposed to material credit risk towards a single counterparty or a group of counterparties with similar characteristics. Receivables by virtue of supplies and services are not interest bearing and their maturity is usually 45 to 90 days. Revaluation write-downs of receivables are made when the counterparty is put into liquidation and bankruptcy or one that does not pay for more than 12 months after the due date, and its economic and financial situation indicates a high risk of non-payment. Receivables in court are covered by a 100% write-down. The Company has implemented special policy within the scope of making the sales with deferred payment only to verified customers. Transactions with other customers, including most foreign contractors, are covered by receivables insurance. Thanks to this, in

the opinion of the management, there is no material credit risk, beyond the level specified by the provision for bad debts applicable to trade receivables in Makarony Polskie SA.

Note no. 22
CIT receivables

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

Note no. 23
Borrowings granted

	31/12/2020	31/12/2019
Balance at start of period	0	0
Borrowings granted	0	0
Accrued interest	0	0
Repayment during the period	0	0
Balance at the end of the period	0	0

As at 31 December 2020, the Makarony Polskie Group did not grant any loans.

Note no. 24
Cash and cash equivalents

	31/12/2020	31/12/2019
Cash at bank and in hand	410	718
Total, including:	410	718
- cash at bank and in hand assigned to discontinued operations	not applicable	not applicable

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

Cash in bank is interest bearing according to variable interest rates which amount depends on the interest rate of one day bank investments. Short term investments are made for different periods, from one day to one month, depending on the current demand of the Group

for cash and bear interest according to negotiated interest rates. Cash and cash equivalents at the end of the financial year shown in the statement of cash flows can be agreed to balance sheet items.

Note no. 25
Other assets

Other assets:	31/12/2020	31/12/2019
- long-term part	45	120
- short-term part	306	361

Short-term prepayments and accruals

Short-term prepayments and accruals	31/12/2020	31/12/2019
- insurances	192	203
- paid subscriptions	24	33
- credit commissions	6	0
- consulting services	76	125
- other	8	0
Total	**306**	**361**

Long-term prepayments and accruals

Long-term prepayments and accruals	31/12/2020	31/12/2019
- consulting services	29	106
- subscriptions	3	14
- credit commissions	13	0
Total	**45**	**120**

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

Note no. 26
Share capital

Share capital of Makarony Polskie SA:

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

Structure of the Company's share capital:

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

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

As at 31 December 2020

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

As at 31 December 2019

	Type of share	Type of preference	Number of shares in units	Nominal value		Method of capital coverage	Date of registration	Right to dividend (from)
				of one share in PLN	series (issue) in PLN k			
Series A	bearer shares	ordinary shares	3,013,250	3	9,040	cash contributions	05.07.2004	01.01.2004
Series B	bearer shares	ordinary shares	1,169,750	3	3,509	non-cash contributions	29.10.2004	01.01.2004
Series C	bearer shares	ordinary shares	3,000,000	3	9,000	cash contributions	18.04.2007.	01.01.2007

Series D	bearer shares	ordinary shares	1,735,821	3	5,207	cash contributions	22.06.2007	01.01.2007
Series E	bearer shares	ordinary shares	331,250	3	994	cash contributions	11.02.2008	01.01.2008
Total			**9,250,071**		**27,750**			

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

Note no. 27

Supplementary and reserve capital

Supplementary capital	31/12/2020	31/12/2019
Balance at the beginning of the period	37,155	46,095
Changes in accounting principles (policy)	0	0
Balance at the beginning of the period after adjustments (after transformation)	37,155	46,095
- share capital issue	0	0
- profit distribution/loss coverage	1 335	3,060
- creation of reserve capital	0	12,000
Other capitals at the end of the period	38,490	37,155

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

Note no. 28

Result from previous years

Profit/loss from previous years	31/12/2020	31/12/2019
Balance at the beginning of the period	3,415	4,653
Mistakes adjustment year 2019	- 332	0
- profit/loss from previous years at the beginning of the period	3,083	4,653

-decreases due to transfer to supplementary capital	-1,335	- 3,060
- dividend payment	- 2,313	- 2,313
Net profit/loss at the end of the period	**- 565**	**- 720**

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

Note no. 29

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

Long - and short-term loans and borrowings

	31/12/2020	31/12/2019
- long-term part	11,514	17,995
- short-term part	15,379	16,500
Total	**26,893**	**34,495**

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

– Overdraft in Santander Bank Polska SA

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

	– registered pledge on inventories with a value not lower than PLN 5,000 k with the assignment of rights under the pledge insurance policy, – surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

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

– Investment loan at Santander Bank Polska SA

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

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 12,121 k
Loan period	07/02/2017 - 28/12/2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank

Loan balance	PLN 4,274 k
Repayment schedule	The loan will be repaid in 37 monthly installments, in the following amounts: 36 installments in the amount of PLN 50 k, 37th installment PLN 9,061 k, the received EU refinancing will reduce the balloon installment
Loan collateral	– joint mortgage up to PLN 18,200 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on a semi-industrial line for trials and tests along with instrumentation, along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

– EU investment loan at Santander Bank Polska SA

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

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

– Revolving loan in Santander Bank Polska SA

Loan terms and conditions	31 December 2020
Loan contractual value	PLN 3 000 k
Loan period	30/09/2019 - 30/09/2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,909 k
Repayment schedule	The loan will be repaid in 33 monthly installments starting from 31 January 2020 in the amount of PLN 0.09 m
Loan collateral	– joint mortgage up to PLN 4,500 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on fixed assets (production lines in the plant in Rzeszów) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– Overdraft in Bank Gospodarstwa Krajowego

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

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

– Nonrevolving overdraft in Bank Gospodarstwa Krajowego

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

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

Terms of the agreement	31 December 2020
Contractual value	PLN 5,500 k
Duration	Agreement concluded for an indefinite period
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Factoring balance	PLN 2,255 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

The status of loan agreements in effect as at 31 December 2020, 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 2020
Loan contractual value	PLN 3 000 k
Loan period*	16/11/2017 – 16/11/2021
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 2,973 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to PLN 4,500 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 (up to PLN 4.5 m).

During the financial year 2020, Stoczek Natura Sp. z o.o. concluded an annex to the overdraft facility agreement with Bank Gospodarstwa Krajowego. The annex to the overdraft agreement extends the repayment date of the liability from 16 November 2020 to 16 November 2021.

– Working capital loan in a revolving credit line at Bank Gospodarstwa Krajowego *

In the period of 2020, the company Stoczek Natura Sp. z o.o. used a working capital loan in a revolving credit line with a contractual value of PLN 2,500 k. Pursuant to the provisions of the loan agreement, the loan was repaid in due time during the financial year, and the obligations resulting from the agreement between the Company and the bank expired.

– Investment loan at Bank Gospodarstwa Krajowego*

Loan terms and conditions	31 December 2020
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 4,634 k
Repayment schedule	in 54 monthly installments, 53 of which are equal principal installments in the amount of PLN 90 k each starting from 30 November 2020 and the last 54 leveling installment in the amount of PLN 42 k.
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 (up to PLN 9.6 m).

In Q4 of 2020, the company signed an annex to the investment loan. The annex to the investment loan extended the period of using the loan limit (until 08/10/2020).

* Loans taken by Stoczek Natura Sp. z o.o. in Bank Gospodarstwa Krajowego in July 2019, are intended to finance the investment related to the project called "Increase of competitiveness of Stoczek Natura Sp. o.o. implementation of innovative solutions by modernizing 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. completed the purchase of fixed assets and modernization of production premises.

Information on loans granted

As at December 31 2020, Makarony Polskie SA granted to its subsidiary Stoczek Natura Sp. z o.o. a short-term loan in the amount of PLN 2.0 m with the repayment date falling on 31 December 2021 (one-off repayment to maturity date). The interest rate on the loan was determined based on market conditions.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant loans during 2020.

Information on granted and received sureties

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

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

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

Makarony Polskie SA received remuneration for granting sureties.

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

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 31/12/2020
Credit surety in the current account in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30/12/2026	2 899

Investment loan guarantee in the amount of PLN 13.8 m	Santander Bank Polska SA			3,879
Surety of overdraft facility in the amount of PLN 6.0 m*	Bank BGK	6,000	30/12/2021	5,087
Surety for an EU investment loan in the amount of PLN 12.1 m	Santander Bank Polska SA	12,121	applies until the subsidy is settled	4,274

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

In 2020, MP Trade Sp. z o.o. did not grant any sureties.

Note no. 30
Guarantees obtained and granted

In 2020, the Group companies did not grant any guarantees, and Makarony Polskie SA and Stoczek Natura Sp. z o.o. used the granted guarantees.

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

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

Santander Bank Polska SA	157	until 31/01/2024	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– blank promissory note with a promissory note declaration

Statement of guarantees applicable in Stoczek Natura Sp. z o.o. as at 31 December 2020 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	504	until 13.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Governmental Agency for Strategic Reserves	– - contractual mortgage up to PLN 756 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank 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,
Bank Gospodarstwa Krajowego	1,549	until 15.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Governmental Agency for Strategic Reserves	– contractual mortgage up to PLN 2323 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank 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,
Bank Gospodarstwa Krajowego	24	Until 25.03.2022	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Governmental Agency for Strategic Reserves	– blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank,

Bank Gospodarstwa Krajowego	725	Until 31.08.2023	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Governmental Agency for Strategic Reserves	– contractual mortgage up to PLN 1088 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank 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 (up to PLN 1.5 m).

Note no. 31

Provision for pensions and similar

Year 2020	Balance at the beginning of the period	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1,412	526	34	1,904
a) long-term	357	41	0	398
b) short-term	1 055	485	34	1,506
Other provisions, including:	13	60	13	60
a) provision for financial statements auditing	0	0	0	0
b) other	13	60	13	73
Total	1,425	586	47	1,964

Year 2019	Balance at the beginning of the period	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1,327	97	12	1,412
a) long-term	285	72	0	357
b) short-term	1,042	25	12	1 055
Other provisions, including:	0	13	0	13
a) provision for financial statements auditing	0	0	0	0
b) other	0	13	0	13
Total	1,327	110	12	1,425

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

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

Note no. 32
Long-term and short-term financial liabilities

Liabilities from finance leasing contracts

	Total present value of minimum fees	
	as at 31/12/2020	as at 31/12/2019
up to 1 year	845	762
within 1 to 5 years	1,297	1 160
Total	**2,142**	**1,922**

Finance lease liabilities:-IFRS-16

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

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

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

Financial obligation - Polish Development Fund subsidy

	as at 31/12/2020	as at 31/12/2019
up to 1 year	675	0
within 1 to 5 years	2,269	0
Total	2 944	0

As part of the financial shield, Makarony Polskie SA and Stoczek Natura Sp. z o.o. received financial support in the form of subsidies from the Polish Development Fund in the amount of PLN 2944 k, PLN 1 472 k each.

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

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

Other financial liabilities - hedge accounting

	As at 31/12/2020	As at 31/12/2019
up to 1 year	0	0
within 1 to 5 years	0	0
Total	**0**	**0**

Note no. 33
Other liabilities

	31/12/2020	31/12/2019
Liabilities for deliveries and services from other entities:	**29,029**	**31,667**
- long-term part	0	0
- short-term part	29,029	31,667
Commitments towards subsidiaries	**0**	**0**
- long-term part	0	0
- short-term part	0	0

Liabilities towards entities	**0**	**0**
Prepayments:	66	14
Other liabilities:	**3,347**	**2 418**
- long-term part	0	0
- short-term part	3,347	2,418
Total liabilities	**32,442**	**34,099**

Liabilities from deliveries and services	31/12/2020	31/12/2019
- towards affiliates	0	0
- towards other entities	29,029	31,667
Total	**29,029**	**31,667**

Public, legal and other obligations	31/12/2020	31/12/2019
- personal income tax	185	181
- Social security costs	729	655
- VAT	1	21
- wages and salaries	752	779
- State Fund for Rehabilitation of Persons With Disabilities	16	13
- corporate income tax - CIT -8	1,153	426
- corporate income tax - CIT -10Z	0	6
- support under the anti-crisis shield - additional payment to working capital	124	
- other	387	337
Total	**3,347**	**2 418**

Other liabilities including CIT - currency structure

	31/12/2020	31/12/2019
- in the Polish currency	28,570	26,598
- in foreign currencies:	3,873	7,501
a) unit/currency EUR	839	1,761
in PLN	3,873	7,501
a) unit/currency GBP	0	0
in PLN	0	0
Total	**32,442**	**34,099**

Liabilities for deliveries and services - aging

	31/12/2020	31/12/2019
1) Total current	22,747	24,926
2) Total overdue:	6,282	6,741
a) up to 1 month	4,506	5,349
b) over 1 month up to 3 months	1,657	1,252
c) over 3 months up to 6 months	7	53
d) over 6 months up to 1 year	47	60
e) more than 1 year	65	27
Total trade liabilities	**29,029**	**31,667**

Note no. 34
Revenue of future periods

	31/12/2020	31/12/2019
Revenue of future periods	**23,163**	**14,017**
- long-term part	21,730	13,042
- short-term part	1 433	975

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

In 2019 and 2020, Makarony Polskie SA and Stoczek Natura Sp. z o.o. received funding for the following projects:

- Makarony Polskie SA
  - the project "Implementation of the results of research and development in the field of functional food at Makarony Polskie SA" (contract for co-financing No. RPPK.01.04.01-18-0497 / 16-00), is implemented under the Operational Programme of the Podkarpackie Region 2014 - 2020, under Priority Axis I Competitive and innovative economy, Measure 1.4. Support for SMEs, Sub-measure 1.4.1 Direct subsidies. Co-financing of 60% of eligible costs in the amount of PLN 5,500 k.
  - the project "Establishment of the Research and Development Center of the Pasta Industry at the company Makarony Polskie SA" (co-financing agreement No. POIR.02.01.00-00-0121/16-00), is implemented under the Intelligent Development

Operational Programme 2014 - 2020, under Measure 2.1. Support for investment project in R&D infrastructure of enterprises. As part of this project, the company received an advance co-financing in the amount of PLN 6,500 k.

- Stoczek Natura Sp. z o. o
  - project RPLU.03.07.00-06-0039 / 17-00 "Increase of competitiveness of Stoczek Natura"
    Co-financing of 60% of eligible costs in the amount of PLN 2,171 k.
  - project POPW.01.04.00-06-0015/18 "Introducing product innovation in order to increase the competitiveness of Stoczek Natura Sp. z o.o.".
    Co-financing of 50% of eligible costs in the amount of PLN 2,842 k.
  - project RPLU.03.07.00-06-0066 / 19-00 "Increase of competitiveness in the Stoczek Natura company through the implementation of scientific research into the company's operations"
    Co-financing of 60% of eligible costs in the amount of PLN 57 k.

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

In 2020, the Group released PLN 1454 k from deferred income and recognized it in the other operating revenues item.

Note no. 35
Off-balance items

(in PLN k)	31 December 2020	31 December 2019
1. Contingent assets	**4,219**	**4,062**
- received guarantees and sureties	4,219	4,062
- collaterals on assets	0	0
- bills of exchange	0	0
2. Contingent liabilities	**173,244**	**198,995**
- for provided guarantees and warranties	0	0
- collaterals on property	109,481	124,653
- promissory note obligations	63,763	74,342
Total off-balance items	**-169,025**	**-194,933**

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 no. 36
Transactions with related parties

Dividends paid and proposed for payment

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

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

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

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

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

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

Settlements with affiliates

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

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

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

Affiliate	Receivables from related entities		Liabilities towards affiliates	
	Per day 31/12/2020	Per day 31/12/2019	As at 31/12/2020	As at 31/12/2019
Parent Company - Makarony Polskie S.A.	917	2,885	936	406
- from/to Stoczek Sp. z o.o.	916	2,880	530	7
from/to MP Trade Sp. z o.o.	1	5	406	399

Settlements between subsidiaries

Subsidiaries	Sales between subsidiaries - total revenues		Purchases between subsidiaries	
	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019	For the period from 01/01 to 31/12/2020	For the period from 01/01 to 31/12/2019
Total subsidiary	17	4	17	4
- from/to Stoczek Sp. o.o.	4	4	13	0
from/to MP Trade Sp. z o.o.	13	0	4	4

Subsidiaries	Receivables between subsidiaries		Liabilities between subsidiaries	
	Per day 31/12/2020	Per day 31/12/2019	As at 31/12/2020	As at 31/12/2019
Total subsidiary	0	0	0	0
- from/to Stoczek Sp. o.o.	0	0	0	0
from/to MP Trade Sp. z o.o.	0	0	0	0

Note no. 37

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

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

Note no. 38

Material Contracts

Contract with Jeronimo Martins Polska SA

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

Agreement with Lidl network

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

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

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

The subject of the concluded grant agreement is the establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA. The B&R Center will conduct work on innovative products with pro-health features that will ultimately enrich the Company's product offer as well as issues relevant to the entire pasta industry.

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

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

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

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

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

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

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

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

Note no. 39

Remuneration of members of the Management Board and Supervisory Board

The Management Board

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

* including remuneration for performing the function of the President of the Management Board in the subsidiary MP Trade Sp. z o.o.: PLN 30 k in 2020 (in the period I-III) and PLN 120 k in 2019 (in the period I-XII).

Supervisory Board

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

	of the 8th and 9th term of office		
Total		**120**	**113**

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

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

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

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

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

Note no. 40
Significant event in the period from 1 January 2020 to the date of submission of these financial statements

THE IMPACT OF THE SARS-COV-2 AND COVID-19 CORONAVIRUS EPIDEMICS ON THE OPERATIONS OF MAKARONY POLSKIE GROUP

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

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

contributed to the reduction of profitability at the level of gross profit on sales from 22.7% in 2019 to 20.2% in 2020.

- Due to the decrease in revenues in the second quarter of 2020 vs the first quarter of 2019 (by PLN 14.0 m), the Group companies decided to use public aid as part of the anti-crisis shield in order to maintain the level of employment in the subsequent periods. As at the balance sheet date, the support received was: a subsidy from the State Development Fund in the amount of PLN 1.5 m and a working capital subsidy from PAPR in the amount of PLN 0.4 m, received by Makarony Polskie SA. and cancellation of receivables from social security contributions in the amount of PLN 0.15 m, subsidy from the State Development Fund in the amount of PLN 1.5 m and a working capital subsidy from PAPR in the amount of PLN 0.1 m in Stoczek Natura Sp. z o.o.

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

In the opinion of the Management Board, there are no threats in the 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 Company does not identify any significant risks of failure to meet the financial covenants included in loan agreements in connection with the COVID-19 pandemic.

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

Note no. 41

Material accounting principles applied in the preparation of the financial statements

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

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

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

Overriding accounting principles

The Group applies principles that ensure a reliable and clear presentation of the property and financial situation, financial result and profitability.
Principle of continuity - based on the application of continuously adopted accounting principles, including the same grouping of business operations, valuation of assets, including depreciation write-downs, liabilities, determination of the financial result and preparation of financial statements; for each accounting period, the opening balance is equal to the closing balance of the previous period.

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

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

Principle of prudent valuation - involving the reporting in the result, irrespective of its amount, of any decrease in the utility value, any property components, adjustments caused by

permanent price changes, recognition of only undoubted remaining revenues and extraordinary profits and all other costs and extraordinary losses incurred.
The Group uses overriding valuation principles based on the historical acquisition, purchase or production price, except for the valuation of financial assets that are measured at fair value in accordance with IFRS.

Reporting obligations resulting from the organizational structure

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

Activity segments reporting

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

Fixed assets held for sale and operations during discontinuation

Fixed assets held for sale and discontinued operations are assets or groups of assets classified in this category, which are recognized in the financial statements at the lower of their carrying amount or fair value less costs to sell. From the moment of assigning the assets held for sale, the Company ceases to make depreciation write-downs.

Fixed assets and net asset groups, classified as held for sale if their carrying amount will be recovered as a result of a sale transaction rather than as a result of their continuing use. A condition for including assets in this group is an active search for a buyer by the entity's management and a high probability of selling those assets within one year from the date of their qualification, as well as the availability of those assets for immediate sale.

Tangible fixed assets

Tangible fixed assets include fixed assets and expenditure on fixed assets under construction, which entities intend to use in their operations and for administrative purposes over a period of more than one year, which in the future will cause economic benefits to entities. They are recognized at purchase prices or costs incurred for their generation, expansion or modernization, decreased by depreciation write-downs made to date, as well as

impairment losses. Expenditures on fixed assets include capital expenditure incurred as well as expenditure incurred on future deliveries of machinery, equipment and services related to the generation of fixed assets. The initial value of property, plant and equipment includes their purchase price increased by all costs directly related to the purchase and adaptation of the component to a usable condition (extension and/or construction, modernization, borrowing). Costs incurred after the date the fixed asset is transferred for utilization, such as maintenance and repair costs, burden the statement of comprehensive income, at the time of incurring them. The subsequent costs are included in the carrying value of a given asset or recognized as a separate asset (where appropriate) only when it is probable that the asset will generate economic benefits to the Group and the cost of the item can be measured reliably.

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

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

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

value of the given item) are included in the statement of total income in the period when such removal took place.

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

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

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

- buildings and structures: from 10 to 40 years
- machines and devices: from 5 to 25 years
- means of transport: from 5 to 10 years
- other fixed assets: from 4 to 25 years

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

Land is not depreciated.

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

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

Tangible fixed assets - Leasing

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

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

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

- for contracts with a specific period of validity and perpetual usufruct right up to the date of validity of the contract or law,
- for indefinite contracts - "according to the Management's best knowledge of the expected lease period"
- The Company applies a single discount rate to lease portfolios with sufficiently similar characteristics.
- Leasing contracts concluded for a period shorter than 12 months are not recognized as leasing.

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

Fixed assets in progress

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

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

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

Costs of external financing

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

Intangible assets

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

The following are considered intangible assets:

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

Intangible assets purchased from a business entity as part of a separate transaction are capitalized according to the purchase price or manufacturing costs (costs of completed development works). With the exception of development works, intangible assets created by the entity on its own are not recognized in assets, and expenditures Expenses related to intangible assets that do not result in improvement or extension of their useful life are recognized as costs at the time they are incurred. Otherwise, they are capitalized. Such a determined value is shown in the financial statements in the assets of the statement of financial position in net value, i.e. less accumulated amortization write-downs, as well as write-downs for permanent impairment.

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

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

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

Useful periods for specific intangible assets are as follows:

- software licenses: from 2 years to 5 years

- property rights: from 2 years to 10 years

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

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

Impairment of tangible and intangible fixed assets

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

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

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

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

Financial assets

Classification of financial assets

Financial assets are classified into the following valuation categories:

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

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

Valuation for the moment of initial recognition

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

Discontinuation of recognition

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

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

Valuation after initial recognition

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

- debt instruments are measured at depreciated cost,
- debt instruments are measured at fair value by other comprehensive income,
- equity instruments are measured at fair value by other comprehensive income,
- financial assets at fair value through profit or loss

Debt instruments - financial assets at depreciated cost

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

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

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

- trade receivables.

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

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

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

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

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

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

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

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

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

At the time of initial recognition, the Group may make an irrevocable choice regarding the recognition in other comprehensive income of subsequent changes in the fair value of investments in an equity instrument that is not intended for trading or is a conditional consideration recognized by the acquiring party in the merger of entities to which IFRS 3 applies. Such selection is made separately for each equity instrument. Accumulated profits or losses previously recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized in the statement of comprehensive income when the

entity's right to receive a dividend is established, unless the dividends obviously represent the recovery of part of the investment costs.

Financial assets at fair value through profit or loss

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

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

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

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

In a situation where the Company:

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

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

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

Loss of financial assets value - accounting policy

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

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

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

the financial instrument in an amount equal to the expected credit losses over the entire lifetime.

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

Cash and cash equivalents

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

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

Receivables

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

Receivables are recognized depending on the contractual repayment date as:

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

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

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

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

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

Borrowings

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans include financial assets created as a result of providing cash, goods or services directly to the other party to the contract, with the exception of financial assets intended for sale in the short term. Loans include loans granted to entities and transactions on "buy sell back" treasury bills. The borrowings are included to current assets unless their maturity does not exceed 12 months since the balance sheet date. Loans of maturity exceeding 12 months since the balance sheet date are accounted for fixed assets. Loans granted are measured at depreciated cost using the effective interest rate, less any impairment losses. Interest accrued is recognized in financial revenues in the period to which it relates. The Company creates revaluation write-downs for the value of dubious interest accrued at the moment of their charging.

Inventories

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

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

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

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

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

Financial assets at fair value through profit or loss

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

Investments in securities

Investments in securities are valued at the date of the initial recognition at the purchase price adjusted for transaction costs. If the security is delivered after a strictly defined period of time after the transaction date, investments in securities are recognized in the books and excluded from the books on the date of the purchase or sale of securities.

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments
and fixed maturity, which the Management Board intends and is able to hold until maturity.

Short-term investments to be held until maturity (e.g. bonds, debt certificates) are measured at depreciated acquisition price determined using the effective interest rate method. In

determining the depreciated purchase price the discount or bonuses obtained on acquisition of the investment are considered and settled during the period of its life to maturity.

Costs prepayments

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

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

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

Equities

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

The equity consists of:

- the Company's share capital is reported in the nominal value of registered shares, resulting from the Company's Articles of Association and entry into the National Court Register,
- supplementary capital (from the sale of shares above their nominal value, supplementary capital created by law - up to 1/3 of the share capital, supplementary capital created in accordance with the statute derived from the distribution of profit and
  from the transfer of the reserve capital from revaluation of sold and liquidated fixed assets,
- retained earnings/losses, made up of undistributed profit or uncovered loss from previous years,
- net profit or loss.

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

Interest-bearing loans and borrowings

At the moment of initial posting, all bank credits, loans and debt securities shall be posted according to the fair value, reduced by costs related to obtaining the credit or loan.

After the initial posting, the interest bearing credits, loans and debt securities and liabilities are assessed according to the amortised cost using the method of effective interest rate. When establishing the amortized cost, one considers the costs related to obtaining the credit or loan and discounts or premiums obtained while settling the liability.

Income and expenses are recognized in profit or loss when the liability is removed from the balance sheet and as a result of the settlement using the effective interest rate method.

Liabilities and accruals

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

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

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

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

The Company excludes a financial liability from its balance sheet when the liability expired - that is when the obligation specified in the contract has been fulfilled, canceled or expired. Replacement of an existing debt instrument by an instrument with substantially different

terms made between the same entities is recognized by the Company as the expiration of the original financial liability and the recognition of a new financial liability.

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

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

Provisions

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

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

In particular, the Group creates provisions for:

- certain or highly probable future liabilities, the amount of which can be reliably estimated, and in particular the losses from business operations in progress, including guarantees granted, sureties, lending operations, effects of pending court proceedings,
- future liabilities due to benefits for employees, in particular for retirement and pension severance pays,
- unused annual leave.

Provisions for employee benefits

The vast majority of employees employed by the Group are entitled to retirement benefits after the employment period. The payer of future retirement benefits is both the Company

and separate pension funds. In the case of a pension scheme implemented by a pension fund, the Company's obligation is limited to the payment of fixed contributions.

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

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

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

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

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

Leasing

The financial lease agreements and lease agreements - IFRS -16, which transfer all the risk and all benefits resulting from possessing or lease of the leased item to the Company, are included in the Company’s assets at the date the leasing starts according to the lesser of the below two values: fair value of the fixed asset representing the object of lease or current value of minimum leasing fees. Lease payments are divided into financial costs and reduction of the balance of lease liabilities in the way that enables obtaining fixed interest rate on the remaining part of the liability. The financial costs are included directly in the statement of comprehensive income. Fixed assets used based on the financial lease agreements are depreciated for one of the below periods: estimated lifetime of the fixed asset or leasing or lease period. The lease agreements, according to which the lessor maintains basically all the risk and all benefits resulting from possessing the leased object, are included among the operating lease agreement. The lease fees under the operating lease and further lease

instalments are included as costs in the statement of comprehensive income using the linear method within the period the lease is in force.

Revenues

Revenues from contracts with customers - accounting policy applied

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

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

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

Identification of the contract with the customer

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

- the parties to the contract have entered into a contract (in writing, or in accordance with other usual commercial practices) and are required to perform their duties;
- The Company is able to identify the rights of each party regarding goods or services to be transferred;
- The Company is able to identify the payment terms for goods or services to be transferred;
- the contract has economic content (i.e. it can be expected that as a result of the contract the risk, schedule or amount of future cash flows of the entity will change); and
- it is probable that the Company will receive a remuneration which it will be entitled to in exchange for goods or services that will be transferred to the customer.

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

Identification of obligations to perform the service

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

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

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

Determination of the transaction price

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

Variable remuneration

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

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

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

Assigning the transaction price to the obligations to perform the service

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

Fulfilling obligations to perform

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

Remuneration of the customer and remuneration of the intermediary

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

The Company is the principal if it exercises control over the promised good or service before it is passed on to the customer. However, an entity does not have to act as principal if it

obtains a legal title to the product only temporarily before it is transferred to the customer. An entity appearing in the contract as the principal may itself fulfill the obligation to perform the service or may entrust the fulfillment of this obligation or part thereof to another entity (e.g. subcontractor) on its behalf. In such a situation, the Company recognizes revenues in the amount of gross remuneration to which it is expected to be entitled in exchange for goods or services transferred.

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

Variable remuneration

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

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

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

Important component of financing

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

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

Non-cash remuneration

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

Guarantees

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

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

Activated costs of making concluding a contract

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

Assets under the contract

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

Receivables

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

Liabilities under the contract

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

Assets due to the right of return

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

Obligation to return remuneration

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

Dividends

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

Goods and services tax

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

- when the goods and services tax paid during the purchase of assets or services is not possible to be recovered from the tax bodies; then it is posted appropriately as a part of the purchase price of assets component or as a part of cost item
- - receivables and liabilities which are disclosed in the statements considering the goods and services tax amount.

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

Note No. 42
Goals and principles of managing the financial risk

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

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

Risk related to competition

All areas of Makarony Polskie 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 analyzed 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 (there are teams whose goal is to conduct R&D projects).

Risk of dependence on recipients

A major 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 contracts 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.

The situation of increased demand for the Group's products occured, inter alia, in the initial period after the first COVID-19 infections appeared on the territory of Poland, when customers went massively to stores, and orders from retail chains were significantly higher, both compared to the level recorded in the same period last year, as well as in the period before the outbreak of the epidemic . The Group's production plants faced the need to make even greater efforts to use their production capacity in the most optimal way possible. The difficult situation was mitigated by the recent increase in production capacity in the Company, incl. installation of a new pasta production line at the Rzeszów plant, which gave the company an additional margin of safety. The barrier limiting the volume of production, however, turned out to be the shortage of raw materials, especially imported semolina, and use by the staff to care allowances introduced by the special act.

After the first wave of market panic caused by the forced lock-down and the related uncertainty as to the further course of the epidemic, the market situation has stabilized. Customers withdrew from making purchases "to spare", which translated into the stabilization of incoming orders in the summer. The autumn, due to the so-called the "second wave of the epidemic" saw a renewed increase in the level of orders, but in line with the Company's earlier estimates, it was not as dynamic as the one observed at the end of Q1 2020.

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 prices

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

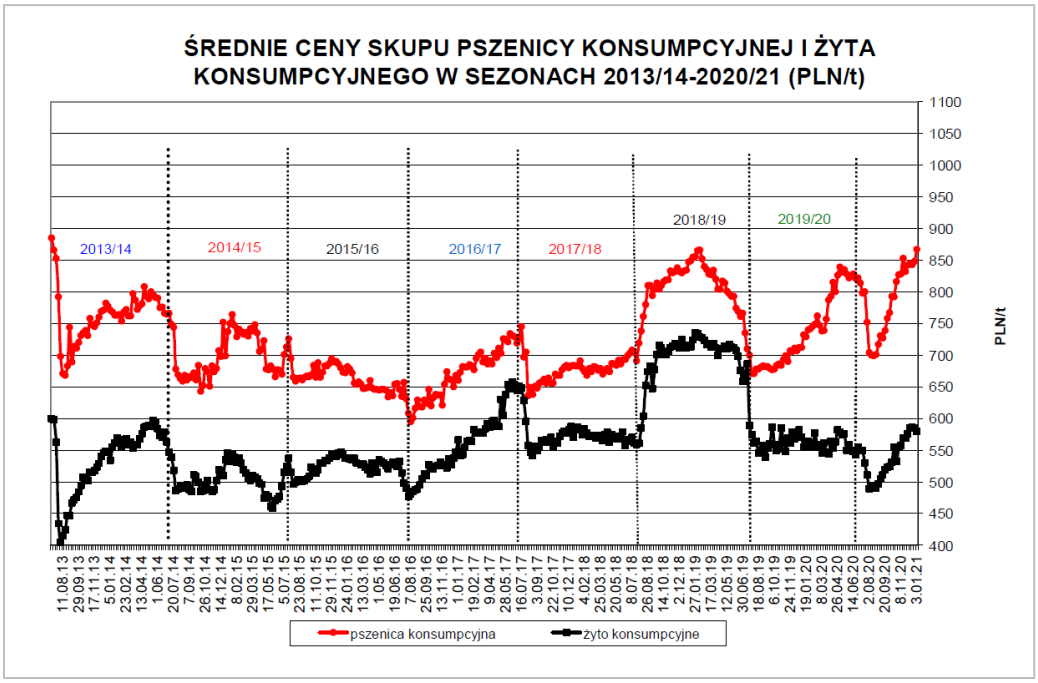
In the first quarter of 2020, the prices of purchase of flour were stable, they remained at a medium level, similar to that from the fourth quarter of 2019 The outbreak of the Sars-Cov-2 coronavirus in Europe in the second half of the first quarter caused nervousness on the market. Increased demand for products with a long shelf life, including flour, and difficulties in international trade (e.g. reintroduction of border controls and closure of some border crossings, extended/uncertain delivery times) translated into an increase in prices on the

cereals and flour markets, which lasted until the harvest, i.e. Q3 2020. In August 2020, following information from European and non-European cereal markets with very good quantified harvest forecasts, a short-term decline in prices for soft wheat and flour could be noticed on the market. However, already in the first decade of September, wheat prices increased again, caused by the significant interest of exporters in Polish wheat. According to forecasts, the upward price trend on the cereal market will continue at least until the second half of the Q2 2021 due to the very high exports of Polish wheat, as well as the increased market demand for products with a long shelf life (including flour and flour products) in connection with successive waves of the Covid-19 epidemic.

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

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

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



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

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

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

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

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

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes, especially in the era of the current COVID-19 epidemic, when the law is substantially changed from day to day, the

activities of companies, including Makarony Polskie Group companies, are subject to a great deal of uncertainty. This is a negative factor for economic activity and entails high risk.

The protection of the interests of the 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 Company's products are each time determined and take into account the current value of exchange rates so as to ensure satisfactory sales profitability.

The weakening of the zloty may have a negative impact on the profitability level of operations conducted by the 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 2020:

Groups/categories of financial instruments	Balance sheet value as at 31/12/2020 PLN k	Currency exposure as at 31/12/2020 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	410	57	20	37
Trade receivables	18,835	1 489	1 489	
Financial liabilities				
Liabilities from deliveries and services	29,029	3,697	3,697	

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

Groups/categories of financial instruments	Balance sheet value as at 31/12/2019 PLN k	Currency exposure as at 31/12/2019 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	718	312	308	4
Trade receivables	25,074	1,453	1,453	0
Financial liabilities				
Liabilities from deliveries and services	33,673	7,399	7,399	0

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

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	1.0	-1.0	1.9	-1.9
Trade receivables (gross)	74.4	-74.4	-	-
Financial liabilities				
Liabilities from deliveries and services	-184.8	184.8	-	-

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

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	Impact on the financial result PLN k		Impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	15.4	-15.4	0.2	-0.2
Trade receivables (gross)	72.6	- 72.6	0	0
Financial liabilities				
Liabilities from deliveries and services	- 369.9	369.9	0	0

Interest rate risk

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

To a large extent, 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 2020, the Group used external financing in the form of bank loans: current, investment and overdrafts.

As at 31 December 2020, the Group had a liability due to loans taken out, in the amount of PLN 26.893 k:

Currency	Interest	Loans balance	Including loans	
			short-term	long-term
PLN	WIBOR + bank's margin	26,893	15,379	11,514

As at 31 December 2019, the Group had a liability due to loans taken out, in the amount of PLN 34.495 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	34,495	16,500	17,995

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 2020 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31/12/2020 PLN k	Value exposed to risk as at 31/12/2020 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and at bank	410	-	-
Financial liabilities			
Bank loans	26,893	26,893	26,893
Other financial liabilities	2,142	2,142	2,142

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

Groups/categories of financial instruments	Balance sheet value as at 31/12/2019 PLN k	Value at risk as at 31/12/2019 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and at bank	718	0	0
Financial liabilities			
Bank loans	34,495	34,495	34,495
Other financial liabilities	1,922	1,922	1,922

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

Interest rate	Deviation assumptions (in percentage points) 31/12/2020		Value exposed value at risk as at 31/12/2020 PLN k	Impact on the financial result 31/12/2020 PLN k	
WIBOR	1%	-1%	29,159	-291.6	291.6

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

Interest rate	Deviation assumptions (in percentage points) 31 December 2019		Value at risk as at 31/12/2019 PLN k	Impact on the financial result 31 December 2019	
				PLN k	PLN k
WIBOR	1%	-1%	36,418	-364.2	364.2

Risk of insolvency of business partners

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 counterparties' 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 counterparties 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 counterparty or a group of counterparties.

Note no. 43
Capital management

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

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

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

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

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

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

Note no. 44
Financial instruments

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

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

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

Note no. 45
Material proceedings pending before a court or an authority competent for arbitration or a public administration authority

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

Note no. 46
Employment in the Makarony Polskie Group

Employment as at:	31/12/2020	31/12/2019
Production	161	160
Administration Department	23	22
Sales.	29	28
Total	213	210

Note no. 47
Remuneration of the statutory auditor

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

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

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

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

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

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

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Management Board

Rzeszow, 15 April 2021

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