# Polipak Sp. z o.o.

# Financial Statements

# for the period

# from 1 January 2023 to 31 December 2023

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## INTRODUCTION TO THE FINANCIAL STATEMENTS
## GENERAL INFORMATION

### 1. Business name, head office, core business

The Company was formed by transformation of: Przedsiębiorstwo Produkcyjno-Handlowe "GG PLAST" Grzegorz Nowak i Wspólnicy Spółka Jawna (general partnership).

On 2 May 2005, the Company was registered with the District Court in Poznań, 21st Commercial Division of the National Court Register (at present: District Court in Poznań - Nowe Miasto and Wilda, 9th Commercial Division of the National Court Register), and entered into the National Company Register under no.: KRS 233546.

On 26 June 2006, the Company's business name was changed to Polipak Sp. z o.o.

Registered address of Polipak Spółka z o.o.:
ul. Fabryczna 7
63-000 Środa Wielkopolska

The Company's core business is manufacturing of polyethylene packaging dedicated for a large number of market segments. Packaging types include primarily garbage bags, frozen food and ice bags, as well as film bags for industrial uses. The following is the identification of the Company's business activity as per the Polish Classification of Economic Activity: 2222 Z.

### 2. Composition of the Company's Board of Directors

As at 31 December 2023, the Company's executive and management body was composed of:

| | |
|---|---|
| Tomasz Tramś | President of the Board of Directors |

The President of the Board of Directors acting independently is authorised to represent the Company.

### 3. Company's shareholders

On 14 June 2023, the then existing minority shareholder, Grzegorz Nowak Investments Sp.k., sold 2,000 shares to Sarantis Polska S.A. that thus became a sole shareholder of Polipak.

On 29 June 2023, the Extraordinary Meeting of Shareholders adopted a resolution on an increase of Polipak's share capital by PLN 187,000,000.00 by creating 1,870,000 new shares in the share capital, with the face value of PLN 100.00 per share. At the same time, the Company's sole Shareholder made a statement on taking up the new shares and making a cash contribution of PLN 187,000,000.00 to fully pay up the new shares. Thereby, the Shareholder became obliged towards the Company to make the contribution, while the Company became eligible to claim the contribution from the Shareholder.

On 29 June 2023, Polipak Sp. z o.o. and Sarantis Polska S.A. made a set-off contract, under which loans of PLN 180,000,00.00 in total disbursed to the Company by the Shareholder in previous years became due and payable. By signing the contract, the Parties set off the Company's claim against the Shareholder' claim. As a result of the set-off effort, the Shareholder's claim was fully extinguished, while the Company's claim was extinguished up to PLN 180,000,000.00, i.e. as a result of the set-off effort, the Company's remaining claim to be satisfied by the Shareholder due to the Shareholder's obligation to make the contribution was PLN 7,000,000.00.

On 30 June, the Shareholder contributed PLN 7,000,0000.00.

On 17 October 2023, the Extraordinary Meeting of Shareholders adopted a resolution whereby Polipak's share capital was increased by PLN 5,000,000.00 by creating 50,000 new shares with the face value of PLN 100.00 per share. At the same time, the Company's Shareholder made a statement on taking up the new shares and making a cash contribution to fully pay up the new shares.
On 18 October 2023, the Shareholder contributed PLN 5,000,000.00.

As the increase in the share capital up to PLN 193,000,000.00 was not yet registered with the National Court Register as at the balance sheet date, the Company presented the amount of PLN 5,000,000.00 in the "Contributions to share capital" line item of these Financial Statements.

As at 31 December 2023, the following were the Company's shareholders:

Sarantis Polska S.A. of Piaseczno, holding 193,000 shares with the face value of PLN 100.00 per share and with the total value of PLN 193,000,000.00;

**4. Business name of a parent**

Sarantis Polska S.A.

**5. Business name of an ultimate parent**

GR Sarantis SA, Greece

**6. Entity authorised to audit**

Grant Thornton Polska P.S.A.
ul. Abpa Antoniego Baraniaka 88 E
61-131 Poznań

**7. Presentation rules**

These Financial Statements cover the period of 12 months from 1 January through 31 December 2023. These Financial Statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) approved by the European Union and applicable to the periods from 1 January through 31 December 2023 and from 1 January through 31 December 2022, and with the accounting policies.
Presented herein, a statement of financial position conforms to all requirements of IFRS as adopted by the EU, and gives a true and fair view of the Company's financial and economic position as at 31 December 2023 and 31 December 2022 [and so do] a statement of other comprehensive income, a cash flow statement, and statement of changes in equity for the years ending 31 December 2023 and 31 December 2022, respectively.

## 8. Declaration of the Board of Directors

1) The Board of Directors of Polipak Spółka z o.o. declares to the best of their knowledge that the annual Statement of Financial Position and comparative figures have been prepared in accordance with the International Financial Reporting Standards approved by the European Union. The statements present in a true, reliable and clear manner the Company's financial and economic position as well as the Company's financial result and other comprehensive income, while the Director's annual Report offers a true description of the Company's development, achievements and situation, including the description of basic risks and exposures.

2) The entity authorised to audit the financial statements has been selected in accordance with legal regulations. The entity as well as statutory auditors, who performed the audit, fulfilled the criteria for issuing an unbiased and independent audit report in accordance with applicable national legal regulations.

Środa Wielkopolska

Podpis jest prawidłowy
Dokument podpisany przez
Tomasz Adam Tramś
Data: 2024.02.29 11:47:57 CET

Board of Directors:

Tomasz Tramś President of the Board of Directors

## 9. Basis for preparation, and accounting policies

### Basis for preparation of separate Financial Statements

These separate Financial Statements of Polipak Spółka z o.o. have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union and effective for annual periods beginning 1 January 2023.

These Financial Statements have been prepared based on the accrual principle with the assumption that the Company will continue as a going concern in the foreseeable future. According to the Company's Management, the outbreak of the war in Ukraine in February 2022 does not pose any risk to the Company's continuing as a going concern in the coming twelve months. To date, the Company's Management has not identified any noticeable impact of the outbreak on the Company's sales or supply chain. The potential impact of military actions on the Company's operations is monitored on an on-going basis. As at the date of these Financial Statements, the war in Ukraine has not affected the Company's continuing as a going concern in any way whatsoever.

For complete presentation and understanding of the Company's financial and economic position, comparative data in the form of the statement of financial position prepared as at 31 December 2022 as well as the statement of profit or loss and other comprehensive income, cash flow statement, and statement of changes in equity for 2022 are provided.

**The following are fundamental accounting policies adopted by the Company:**

1. A calendar year is the Company's financial year.
2. Within the financial year, there is the following interim reporting period:

***Half-year*** - for measuring assets and liabilities, and determining a financial profit or loss in accordance with the adopted accounting policies. Semi-annual financial statements include: a statement of financial position as at 30 June, a statement of profit or loss and other comprehensive income, a statement of changes in equity, and a cash flow for the period from 1 January through 30 June.

3. As part of the adopted accounting policies, the Company adopts the IAS/IFRS benchmark treatment to present its statements in a manner that is reliable and useful.

4. Presentation currency - the statements are presented in the Polish currency (PLN) rounded to the nearest zloty. PLN is the Company's functional currency.

5. "Accounting policies", "Inventory count instructions" and internal regulations of the Board of Directors all govern cost records and allocation, stock-taking, measurement of assets, equity and liabilities, and procedures and rules adopted for data protection in IT systems in place at the Company.

6. Separate operating guidelines govern preparation, circulation and control of accounting source documents.

**Judgments and estimates**

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that significantly affect the adopted policies and presented amounts of assets, equity, liabilities, income, and expenses.

The estimates and associated assumptions are based on historical expertise and other factors that are considered reasonable under the circumstances, and the results of which provide grounds for assessing carrying values of assets, equity, and liabilities, which are not apparent from other sources. Actual values may differ from estimated values.

The estimates and associated assumptions are verified on an on-going basis. Changes in estimates are reported for the period in which estimates were changed, or for current or future periods if changes in estimates relate both to current and future periods.

**Property, plant and equipment**

Items of property, plant and equipment, except land and property treated as investment, are measured at cost which is acquisition cost or production cost, and direct costs attributable to bringing the asset into use.

Production cost includes all expenditure directly attributable to producing and installing the assets, reasonable indirect costs, costs of dismantling and removing the asset, which are required to be incurred to bring the assets into use.

Items of property, plant and equipment are subject to depreciation and impairment. Costs of major overhauls, repairs and regular inspection programs are recognized under property, plant and equipment, and depreciated in accordance with relevant economic lives.

Costs of day-to-day maintenance and servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated on straight-line basis over the estimated useful life of the asset; the following are useful lives for particular groups of property, plant and equipment:

| Group | Useful life |
|---|---|
| Buildings and structures | 20 – 60 years |
| Machines and equipment | 5 – 20 years |
| Motor vehicles | 2 – 10 years |
| Other property, plant and equipment | 2 – 20 years |

An asset is subject to depreciation when it is available for use, i.e. when it is adapted to the location and conditions necessary for it to be capable of starting operation.
Depreciation of an asset begins on the first day of the month following the one in which the asset was accepted for use. Economic lives and depreciation methods are revised on a yearly basis, leading to an adjustment, if any, of the depreciation charges in the subsequent years.

Items of property, plant and equipment, which are of negligible value, are subject to a simplified procedure, whereby they are subject to one-off depreciation charge. Items of property, plant and equipment of negligible value are those whose acquisition cost does not exceed PLN 10,000.00.

If there have been events or changes, which indicate that the carrying amount of property, plant and equipment, may not be recoverable, the assets are tested for impairment.

If there is any indication that the asset may be impaired and the carrying amount of the asset exceeds its recoverable value, then the value of the asset is reduced to its recoverable value by an impairment loss. The recoverable value of items of property, plant and equipment is higher of their net selling price or value in use.

Impairment losses are disclosed in the statement of comprehensive income under operating expenses. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as a difference between the net revenue and the carrying amount of the item, and disclosed as income or expense in the statement of comprehensive income.

A revaluation model is applied to measure buildings and land. The land asset is not depreciated because it has an infinite useful life. A fair value of land and buildings is determined on the basis of current market information by an independent appraiser in accordance with adopted principles, i.e. once every three to five years, provided that market conditions do not change significantly. Otherwise, the fair value is measured in the last quarter of an accounting year.

Land and building revaluation surpluses are credited to other comprehensive income and recognized in the aggregate amount in equity. An increase in the fair value of buildings and land is recognized as revenue to the extent that it reverses a revaluation decrease previously recognized under costs of the period. The decrease in the fair value of land is recognized under costs of the period. However, the revaluation decrease is recognized in other comprehensive income up to the amount of a revaluation surplus previously accumulated in equity.

The surplus arising from the change in the fair value of the asset, accumulated in equity, is transferred to retained earnings from previous years when the asset is removed from the statement of financial position. The item of property, plant and equipment may be removed from the statement of financial position upon its disposal. Gains or losses arising from the sale, retirement or abandonment of the assets are determined as a difference between the sales revenue and the net value of the assets. These gains or losses are recognized in profit or loss as other operating income or expenses.

In the reporting period, the Company did not perform any revaluation of the land and real properties because market conditions did not change significantly compared to the previous reporting period.

**Property, plant and equipment – components**

Investment items of property, plant and equipment, which comprise parts or components with varying economic lives, are identified at the time that the asset is provided for use, and separately depreciated. Those parts are identified as components, whose initial value measured at cost including acquisition cost and/or production cost exceeds PLN 10,000.00

The following are significant parts identified as components:

- sealing unit for COEMTER machines
- sealing units for sealing machines
- rolls for the ELBA machine and rolls for a blanking die
- screws for extruders
- batteries for CROWN forklifts

The following useful lives are applied:

| | |
|---|---|
| • sealing unit for Coemter machines | 6 months |
| • sealing units for sealing machines | 9 months |
| • rolls for the ELBA machine | 20 months |
| • rolls for the blanking die | 14 months |
| • screws for extruders | 14 months |
| • batteries for forklifts | 24 months |

**Lease**

For each contract entered into, the Company decides whether the contract is, or contains, a lease. A lease is defined as a contract or a part of a contract which conveys the right to control the use of an identified asset (an underlying asset) for a period of time in exchange for consideration. For this purpose, the following basic aspects are analysed:

- whether a contract is for an identified asset that is either explicitly specified in the contract or implicitly specified at the time that the asset is made available for use to the Company;

- whether the Company has the right to obtain substantially all the economic benefits from the use of the identified asset throughout the entire period of use to the extent specified by the contract;

- whether the Company has the right to direct the use of the identified asset throughout the period of use.

At a commencement date, the Company recognises a right-of-use asset and a lease liability. The right to the use is initially measured at acquisition cost consisting of the initial value of the lease liability, initial direct costs, estimated costs for dismantling an underlying asset, and lease payments made at or before the commencement date less lease incentives.

The Company depreciates the right-of-use asset on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If there is any indication that the asset may be impaired, the right-of-use assets are tested for impairment in accordance with IAS 36.

Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments that depend on an index or rate, amounts expected to be payable under residual value guarantees, and payments for purchase options if the exercise of the options is reasonably certain.

In subsequent periods, the lease liability is reduced by the amount of lease payments made, and increased by interest. The lease liability is re-measured to reflect changes to the contract, reassessment of the lease term, exercise of the purchase option, guaranteed residual value and lease payments that are dependent on an index or rate. The general rule is that re-measurement of the liability is shown as an adjustment to the right-of-use assets.

The Company applies practical expedients that are permitted by the standard for short-term leases and leases with a low-value underlying asset. For such contracts, instead of recognizing right-of-use assets and lease liabilities, the Company recognizes lease payments in profit or loss on a straight-line basis over the lease term.

The Company presents the right-of-use assets in the same line item of the statement of financial position in which the Company shows underlying assets, that is in property, plant and equipment.

**Intangible assets**

Intangible assets are recognized when it is probable that future economic benefits that might be directly attributable to the assets will flow to the entity.

Initially, intangible assets are stated at acquisition cost or production cost.

Intangible assets are measured at acquisition cost or production cost less accumulated amortisation and impairment losses.

Intangible assets with definite useful lives are amortised when they are ready for use, i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management, over the course of its estimated economic life. Amortisation periods and the amortisation rates are revised not less often than at the financial year-end, and an adjustment, if any, of amortisation charges is performed in subsequent periods.

Intangible assets with indefinite useful lives are not amortised. Their value is reduced by impairment losses, if any.
The following are economic lives applied for intangible assets:

| Group | Economic life |
|---|---|
| Concessions, licences and the like | 2 – 10 years |
| Computer software | 2 – 50 years |

Intangible assets are tested for impairment if there are circumstances indicating that the carrying amount may not be recoverable. If there is any indication that the asset may be impaired and the carrying amount of the asset exceeds its recoverable value, then the value of the asset is reduced to its recoverable value and is the higher of: its net selling price or value in use.

Software maintenance costs incurred in subsequent periods are charged to expense of the period as incurred.

**Construction in progress**

Construction in progress is considered a fixed asset and represents a fixed asset in the course of its construction, assembly, improvement, reconstruction or extension of the existing asset.
Construction in progress is measured at the amount of aggregate costs attributable to the acquisition (purchase) or construction of new investments, and costs incurred to improve, reconstruct or extend the asset that is already in use, starting from site preparation until the asset is brought into use, directly related to acquisition or internal generation of the asset. Where the asset is purchased, costs related to assembly and adaptation of the asset for use, incurred until the asset is brought into use, are classified as construction in progress.
The value of construction in progress is reduced by impairment losses.

Borrowing costs that are directly attributable to the purchase, construction or production of the asset are activated as part of the acquisition cost or production cost of the asset. Borrowing costs include interest and foreign exchange gains or losses, as well as cost of guarantees incurred in relation to borrowings.

**Investment property**

An investment property asset is land and or a building, or part of a building, or both held by the Company as a source of rental income or for capital appreciation or both, provided, however, that an investment property is not used in the production or supply of goods or services or for administrative purposes, or held for sale in the ordinary course of business.

In accordance with IAS 40, land and real properties that are considered investments are measured at fair value using an appraisal done by an independent expert, and are not depreciated.

**Interests in other entities**

Interests in other entities are measured at their acquisition cost less impairment losses.

**Financial assets**

The Company measures financial assets at fair value as at the acquisition date, that is most often at fair value of the payment made. Transaction costs are included by the Company in initial value of all financial assets, except assets that are measured at fair value through profit or loss. The only exception is trade receivables that are measured by the Company at their transaction price as defined by IFRS 15, except for trade receivables that are due in more than one year and contain significant financing component as defined by IFRS 15.

For measurement purposes, subsequent to initial recognition, the Company classifies financial assets other than derivative hedging instruments into the following categories:

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

The categories above define principles for measurement at a balance sheet date and for recognition of gains and losses in financial profit/loss or in other comprehensive income. The Company classifies a financial asset into a relevant category based on a business model in place at the Company for managing the financial asset and on contractual cash flow characteristics of the asset.

A financial asset is measured at amortised cost if both of the following conditions are met (and if it was not designated to be measured at fair value at profit or loss at initial recognition):

- a financial asset is held under the business model whose objective is to hold financial assets in order to collect contractual cash flows;
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classifies the following to the category of financial assets measured at amortised cost:
- loans;
- trade and other receivables (except those to which the rules set in IFRS 9 do not apply);
- debt securities.

The financial asset classes above are presented in a statement of financial position divided into non-current assets and current assets in the following line items: “Loans and receivables”, “Trade and other

receivables" and "Other financial assets". Current receivables are measured at the amount due as the effect of discounting would be negligible.
As amounts are insignificant, the Company does not present interest revenue as a separate line item but includes interest revenue in finance income.

Impairment losses for financial assets measured at amortised cost, less gains on impairment loss reversal, are recognised by the Company in profit or loss as "Losses due to expected credit losses". Gains or losses arising from the exclusion of assets in this category from the statement of financial position are recognized by the Company in profit or loss as "Gain (loss) from derecognition of financial assets measured at amortised costs". Other gains and losses from financial assets recognised in profit or loss, including foreign exchange gains or losses, are presented as finance income or finance cost.

A financial asset is measured at fair value through profit or loss if both of the following conditions are met:

- a financial asset is held under the business model whose objective is both to collect contractual cash flows and to sell financial assets;
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue, impairment gains and losses, and foreign exchange gains and losses for such assets are calculated and recognised in the financial profit or loss in the same way as they are for financial assets measured at amortised cost. Other fair value changes in these assets are recognized through other comprehensive income. On derecognition of a financial asset measured at fair value through other comprehensive income, cumulative gains and losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

In the reporting period, the Company did not hold financial assets to include in this measurement category.
A financial asset is measured at fair value through profit or loss if the asset does not satisfy the criteria to be measured at amortised cost or at fair value through other comprehensive income and is not an equity instrument that, at initial recognition, was designated to be measured at fair value through other comprehensive income. Moreover, the Company includes in this category those financial assets that, at initial recognition, were designated to be measured at fair value through profit or loss as they satisfied the criteria set in IFRS 9.

This category includes:
- all derivative instruments disclosed in the statement of financial position in the separate "Derivative financial instruments" line item, except derivative hedging instruments that are recognized in accordance with the hedge accounting;
- shares and stock of companies other than subsidiaries and associate companies;
- participation units and certificates of investment funds.

The instruments within this category are measured at fair value, while measurement effects are presented in profit and loss as "Finance income" or "Finance cost", respectively. Gains and losses arising from the measurement of financial assets reflect fair value changes with fair value established using prices valid at a balance sheet date on an active market, or using valuation techniques where there is no active market for a financial instrument.

Equity instruments measured at fair value through other comprehensive income include investments in equity instruments that are not financial assets held for trading or contingent consideration in a business combination, for which equity instruments the Company made an irrevocable election at initial recognition to present subsequent fair value changes of these equity instruments in other comprehensive income. The irrevocable election is made by the Company on a case-by-case basis and separately for particular equity instruments.

In this category, the Company presents shares and stock of companies other than subsidiaries and associate companies, disclosed in the “Other financial assets” line item of the statement of financial position.

Cumulative gains and losses from measuring at fair value, previously recognized through other comprehensive income, are not subject to reclassification to profit and loss in any circumstances whatsoever, including derecognition thereof. Dividends from equity instruments classified into this category are recognised in profit or loss as “Finance income” once conditions set by IFRS 9 for recognizing income from dividends are satisfied, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets included in the category of financial assets measured at amortised cost and in the category of financial assets measured at fair value through other comprehensive income due to the business model or their cash flow characteristics are subject to assessment as at each balance sheet date to recognize expected credit losses, irrespective of whether or not there are any indication that the asset may be impaired. The assessment method and the method for estimating an expected credit loss allowance vary according to a financial asset class:

- for trade receivables, the Company uses a simplified approach that allows it to recognise lifetime expected losses on an instrument. A loss allowance is estimated based on groupings with receivables grouped according to past-due periods. A loss allowance is estimated primarily based on historical default rates and a relationship between past-due events and actual collection from past 5 years, with due consideration given to available information about the future.

- for other classes of assets, as far as instruments are concerned for which an increase in credit risk since initial recognition is not significant or credit risk is low, the Company first of all assumes a loss arising from 12 month default. Where an increase in credit risk since initial recognition is significant a lifetime loss is recognised for the instrument.

The Company assumes that a significant increase in risk occurs if payments are 30 days past due.

The Company assumes that an event of default occurs if payments are 90 days past due.

**Inventories**

Inventories are measured at the lower of acquisition cost or production cost, or net realisable value, allowing for economic obsolesce. Net realisable value represents a selling price in the ordinary course of business, less costs necessary to make the sale.

Inventory cost and expense is measured using the weighted average cost method.

Production cost of intermediate products and finished products includes direct costs, primarily those of materials, increased by other direct and indirect costs determined based on normal production capacity.
Tangible current assets that lost their functional qualities or became obsolete are measured not later than at a balance sheet date at their net realisable value. Net realisable value represents an estimated

selling price in the ordinary course of business, determined not later than at a balance sheet date as a net price for which an asset can be sold.

Impairment losses recognized for tangible current assets and resulting from measurement at net selling prices instead of acquisition cost or production cost are charged to costs of the period. If a reason for the impairment loss ceases to exist, the fully or partially recovered value of the inventory is credited to operating income not later than at a balance sheet date.

**Receivables**

Trade and other receivables are recognised when they become due and payable to the Company. Trade and other receivables are disclosed in the amount expected to be paid, less doubtful debt allowances.

Bad debts are charged to comprehensive income at the time when they are considered uncollectible.

The change of the valuation method for credit losses on receivables, which losses are measured at amortised cost according to IFRS 9, had no impact on the financial statements. Calculations for valuation of losses on receivables were done following the model adopted and applied by the Group, and showed zero; there was no overdue receivables.

**Cash and cash equivalents**

Cash comprises cash at banks. The Company has no cash in hand.
Cash equivalents are short-term investments of high liquidity that are readily convertible into known amounts of cash, and subject to insignificant risk of value changes.

Cash is stated at face value which corresponds with its value measured at acquisition cost.

In 2023, the Company recognized as cash the amounts received as part of projects subsidized by the National Centre for Research and Development, which amounts represent refunds of eligible costs or advance payments of such refunds under the following agreements:

- agreement no. POIR.01.01.01-00-0793/19 of 29 October 2019 – PLN 24 824.27;

Eligible costs are PLN 90 225 418.75, including PLN 42 127 098.75 in subsidy, and PLN 7 811 125.00, including PLN 4 300 825.00 in subsidy, for the first project and for second project, respectively.

**Accruals, prepayments and deferred income**

Current accruals and prepayments cover accrued expenses and prepaid expenses. Prepayments include expenses relating to periods following the period in which they were incurred. Consequently, the expenses increase costs of subsequent periods. They are deferred only if they meet the definition of assets.

Deferred income includes all income received in the period other than the period to which it relates. Deferred income includes subsidies received for the acquisition or generation of property, plant and equipment. A subsidy, which relates to a cost item, is calculated according to the project progress and recognised as income proportionally to the costs which the subsidy is to compensate.

A subsidy, which relates to an asset, is gradually recognised in profit as the revenue through periods proportionally to depreciation charges for that asset.

For the financial position presentation purposes, the Company does not reduce the carrying value of the assets by the value of subsidies, but discloses the subsidies as deferred income under "Accrued expenses and deferred income".

**Equity**

Equity is established by the Company in accordance with the binding regulations, i.e. applicable acts and the Company's Articles of Association.
Share capital arises from the Company's shares taken up by the Company's shareholders and is recognised at its face value, in the amount constituting the product of the number of shares taken up and properly paid up and the face value of one share as per the Company's Articles of Association and the relevant entry into the National Court Register.

Other capital includes capital from accumulated other comprehensive income, which capital is classified into the following categories: share capital; supplementary capital intended for compensation of losses, if any; reserve capital intended for the Company's development; and other reserve capital.
Undistributed profit for prior years and the profit for the current year are presented in a statement of financial position as retained earnings.

**Financial liabilities**

Financial liabilities are disclosed in the following line items of a statement of financial position:

- loans, borrowings and other debt instruments;
- lease liabilities (except IFRS 9);
- trade and other payables, and
- derivative financial instruments.

At an acquisition date, the Company measures financial liabilities at fair value, that is most often at fair value of amounts received. The Company includes transaction costs in the initial value of all financial liabilities, except liabilities measured at fair value through profit or loss.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated to be measured at fair value through financial profit or loss. Derivative instruments other than hedging instruments are included by the Company in financial liabilities measured at fair value through financial profit or loss.
Current trade payables are measured at amounts to be paid, as the effect of discounting would be negligible.

Gains and losses from measuring financial liabilities are presented in financial profit or loss from the financing activities.

Loans and borrowings are classified as current liabilities unless the Company has the right to defer their repayment for at least 12 months after the balance sheet date.

**Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Company has a legal or constructive obligation arising from future events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. The timing and amount of a liability may be uncertain.
Provisions are made for things such as:

- warranties given to provide after-sale support of products and services;
- pending lawsuits and litigation;
- restructuring, only if the Company is required to carry out the restructuring under separate regulations, or binding agreements have been made regarding the restructuring process.

Provisions are not recognized for future operating losses.
The amount of the provision is the best estimate of the expenditures required to settle the present obligation, based on most reliable evidence available on the date on which the financial statements are prepared, including evidence as to risks and uncertainties. Where the effect of the time value of money is material, a provision is measured by discounting expected future cash flows to their present value, using a discount rate that reflects current market assessment of the time value of money and risks, if any, specific to the liability. Where discounting is used, any provision increase reflecting the passage of time is recognised as finance cost.
Where the expenditure required to settle a provision is expected to be reimbursed, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be actually received.
The value of such asset cannot exceed the provision.
Where the outflow in settlement of the present obligation is unlikely, no contingent liability is recognised in the statement of financial position except for contingent liabilities identifiable in a business combination under IFRS 3.
Any possible inflows of economic benefits to the Company, which do not yet meet the criteria to quality as assets, are classified as contingent assets, of which information is disclosed in additional explanatory notes.

**Employee benefits**

Disclosed in the statement of financial position, employee benefits payable and provisions for employee benefits comprise the following items:

- current employee benefits arising from wages and salaries, including bonuses, and social insurance contributions;
- provisions for accrued holiday entitlement;
- other non-current employee benefits, under which the Company includes services anniversary awards and retirement gratuity.

*Current employee benefits*
Current employee benefits payable are measured on an undiscounted basis and are reported in the statement of financial position at the amount to be paid.

*Provisions for accrued holiday entitlement*
The Company sets up a provision for costs of accumulating compensated absences, which the Company will have to pay as a result of the unused entitlement that has accumulated as at the balance sheet date. The provision for accrued holiday entitlement is classified as a current provision and is not discounted.

*Retirement gratuity and service anniversary awards*
In line with the payroll system in place at the Company, the Company's employees are entitled to service anniversary awards and retirement gratuities. Service anniversary awards are paid out to employees upon completion of a certain number of years of service (10 or 20 years) after a relevant resolution is adopted by the Board of Directors. A retirement gratuity is a one-off benefit, paid out when the employee retires. The amounts of retirement gratuity and service anniversary awards depend on the length of service and average remuneration of the employee.
The Company sets up a provision for future liabilities arising from retirement gratuities and anniversary service awards to allocate costs to the period in which the benefits become vested.
The present value of the provisions at each balance sheet date is estimated using actuarial methods. Accrued provisions are future discounted payments to be paid and relate to the period until the balance sheet date. Demographics data and information on employee turnover are based on historical data.
The effect of the measurement of the provision for future liabilities arising from retirement gratuities and service anniversary awards is recognized in profit or loss.

**Foreign currency transactions**

The Company performs currency translation as follows:

***(a) on an on-going basis*** when receivables and liabilities are posted – at the relevant average rate of exchange of the National Bank of Poland at the date preceding the sale or purchase transaction date. At the same time, revenue from the sales invoiced to business partners in foreign currencies, equal to the amounts of receivables, as well as purchases of supplies and services are translated using the same exchange rate.

***(b) on an on-going basis*** when money flows, to post receivables received or liabilities paid, loans/borrowings contracted or repaid, and inflows and outflows of foreign currencies in hand or on a foreign currency bank account. Translation is made using the rate of exchange actually used for the foreign operation, or the relevant average rate of exchange of the National Bank of Poland at the date preceding the date when receivables are received/liabilities are paid, unless the nature of the operation indicates that any other rate of exchange should be applied.

***(c) as at the balance sheet date*** for monetary items that relate to assets and liabilities expressed in foreign currencies, in order to revalue such items measured in PLN on account of changes in exchange rates, using the relevant average rate of exchange of the National Bank of Poland as at the balance sheet date.

Foreign exchange gains and losses arising from the settlement of such transactions and from the measurement of the monetary assets and liabilities as at the balance sheet date at the average rates of the National Bank of Poland at that date, are recognized at net value under finance income or finance cost in the statement of comprehensive income. Non-monetary items that are measured at historical cost in foreign currency are translated at the historical exchange rate at the date of the transaction.

**Revenue recognition**

Sales revenue from products, commodities and materials is recognized by the Company at the time the goods are delivered when risks and rewards are transferred to a purchaser, and when it is probable that the entity will gain economic benefits from the transaction and when the amount of revenue can be reliably assessed.

Sales revenue from products, commodities, materials and services are stated at net value, less VAT and discounts.
Revenue is measured at fair value of the received or due payment.

**Income tax**

Income tax comprises current and deferred tax.
Liabilities arising from current tax result from the calculation of tax payable on taxable income according to general rules and rates specified in the Corporate Income Tax Act, in force in the given tax year, including deferred tax.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets or liabilities and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at binding tax rates that are expected to be applied when temporary differences realise, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets and liabilities are recognised regardless of when they are to be realised.
In the balance sheet, deferred tax assets and liabilities are classified and presented per account balance of both these values.

**10. Effect of new standards and interpretations on the Company's Financial Statements**

Amendments to standards or interpretations effective and applied by the Company from 2023

1. Standards and interpretations effective for the first time from or after 1 January 2023 , and their effect on the Company's Statements. Amendments approved by the European Commission.

**New IFRS 17 “Insurance contracts”**

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces IFRS 4.
As contracts the Company enters into do not meet the definition of insurance contracts, the new standard had no effect on the Company’s Financial Statements.
The standard is effective for annual periods beginning on 1 January 2023.

**Amendment to IFRS 17 “Insurance contracts”**

The IASB has laid down transition regulations governing comparative information presented by entities applying IFRS 17 and IFRS 9 to reduce potential accounting mismatches resulting from differences between these standards.
The amendment is effective for annual periods beginning on 1 January 2023.
The amendment had no effect on the Company’s Financial Statements.

**Amendment to IAS 1 "Presentation of financial statements"**

The IASB has clarified which information on the accounting policy adopted by the entity is material and required to be disclosed in financial statements. The guidelines are focused on adapting disclosures to particular circumstances of the entity. The IASB cautions against copying standardized requirements of the relevant IFRS, and expects a measurement basis for financial instruments to be considered material information.

The amendment is effective for annual periods beginning on 1 January 2023 and had no effect on the Company's Financial Statements.

**Amendment to and IAS 8 "Accounting policies, changes in accounting estimates and errors"**

The IASB has included a definition of accounting estimates in the standard: *Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.*

The amendment is effective for annual periods beginning on 1 January 2023 and had no effect on the Company's Financial Statements.

**Amendment to IAS 12 "Income taxes"**

The IASB has introduced the rule that, where a transaction gives rise to both deductible and taxable temporary differences in equal amounts, deferred tax assets and deferred tax liabilities should be recognized even if the transaction is not a business combination and affects neither accounting profit nor taxable profit (tax loss). This means that deferred tax assets and deferred tax liabilities have to be recognized if, for example, equal amounts of taxable and deductible temporary differences arise from a lease (separate temporary difference on a liability and on a right of use) or reclamation liabilities. The rule that deferred tax assets and deferred tax liabilities can be offset as long as current tax assets and current tax liabilities can be offset has remained unaffected.

The amendment is effective for annual periods beginning on or after 1 January 2023 and had no effect on the Company's Financial Statements.

**Amendment to IAS 12 "Income taxes"**

The amendment gives temporary relief from accounting for deferred taxes arising from the implementation of the international tax reform (Pillar II), and establishes an obligation of making additional disclosures relating thereto.

The amendment is effective for annual periods beginning on or after 1 January 2023 and had no effect on the Company's Financial Statements.

2. For standards and interpretations published by the IASB but not yet approved by the European Union, please see below the section on standards and interpretations that have not become effective.

Application of the standard or interpretation before its effective date

In these Financial Statements, voluntary early application of a standard or interpretation is not used.

Published standards and interpretations that have not become effective for the period beginning 1 January 2024 and their effect on the Company's Statements.

Until the date of preparation of these Financial Statements, new or amended standards and interpretations effective for annual periods beginning after 2024 have been published. The following list includes also amendments, standards and interpretations published but not yet approved by the European Union.

**Amendment to IAS 1 "Presentation of financial statements"**

The IASB clarified the following two aspects of the classification of liabilities as current and non-current:

- the classification should be based on rights the entity enjoys as at a balance sheet date;
- management's intentions as regards acceleration or deferral of payment of liabilities should not be taken into account.

The amendment is effective for annual periods beginning on or after 1 January 2024.
Given that the Company already applies rules that are aligned with the amended standard, the amendment will have no effect on the Company's financial statements.

**Amendment to IAS 1 "Presentation of financial statements"**

The Amendment clarifies that for the classification of a liability as either current or non-current at the balance sheet date an entity does not take into account covenants an entity will have to comply with. An entity is, however, required to disclose information about the covenants in explanatory notes to financial statements. The amendment is effective for annual periods beginning on or after 1 January 2024.

The Company estimates that the amendment will have no effect on the Company's financial statements.

**Amendment to IFRS 16 "Lease"**

The amendment clarifies requirements for the measurement of a lease liability in a sale and leaseback. The amendment is to prevent the improper recognition of any amount of the gain or loss that relates to the retained right of use where lease payments are variable and do not depend on an index or rate.

The amendment is effective for annual periods beginning on or after 1 January 2024. The Company estimates that the amendment will have no effect on the Company's financial statements because the Company does not make transactions the amendment applies to.

**Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments disclosures"**

The amendments clarify properties of supplier finance arrangements (so-called reverse factoring arrangements) and establish an obligation to disclose information on supplier arrangements, including terms and conditions thereof, amounts of liabilities, payment dates, and information on liquidity risk.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The Company continues to estimate an effect of the amendments on the Company's financial statements.

**Amendment to IAS 21 "The effects of changes in foreign exchange rates"**

The Amendment explains how an entity should assess whether a currency is exchangeable and how it should determine an exchange rate when exchangeability is lacking, and requires the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendment is effective for annual periods beginning on or after 1 January 2024.

The Company estimates that the amendment will have no effect on the Company's financial statements

Polipak intends to implement the regulations above on dates specified by relevant standards or interpretations.

Środa Wielkopolska

*Person responsible for preparation of these Financial Statements:*
Patrycja Prusakiewicz-Błaszczuk

Podpis jest prawidłowy
Dokument podpisany przez
Patrycja Prusakiewicz-
Błaszczuk
Data: 2024.02.29 11:10:32 CET

**Board of Directors:**

Tomasz Tramś - President of the Board of Directors

Podpis jest prawidłowy
Dokument podpisany przez Tomasz
Adam Tramś
Data: 2024.02.29 11:48:30 CET

## STATEMENT OF FINANCIAL POSITION
## FOR THE PERIOD ENDED 31 DECEMBER 2023

| ASSETS | | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|
| **A** | **Fixed assets** | | | |
| I | Property, plant and equipment | 1 | 198 113 329 | 197 987 494 |
| II | Intangible assets | 2 | 8 055 257 | 2 745 491 |
| III | Land, including the right of perpetual usufruct of land | 3 | 7 022 000 | 7 022 000 |
| IV | Investment properties | 4 | 20 045 000 | 20 045 000 |
| V | Financial assets in other entities | | 0 | 0 |
| V | Deferred tax assets | 5 | 0 | 0 |
| **Total fixed assets** | | | **233 235 586** | **227 799 985** |
| **B** | **Current assets** | | | |
| I | Inventories | 7 | 28 442 214 | 33 491 000 |
| II | Trade receivables from other entities, and other receivables | 8 | 19 217 572 | 21 072 146 |
| | *including: VAT receivable* | | *4 195 365* | *4 819 441* |
| III | Trade receivables from related entities | 8 | 4 610 799 | 15 219 248 |
| IV | Current income tax receivables | | 1 078 209 | 1 863 330 |
| V | Current prepayments and accrued income | 9 | 1 355 872 | 147 834 |
| VI | Cash and cash equivalents | 11 | 14 135 943 | 497 931 |
| **Total current assets** | | | **68 840 610** | **72 291 488** |
| **Total assets** | | | **302 076 195** | **300 091 473** |

**EQUITY AND LIABILITIES**

| | | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|
| **A** | **Equity** | | | |
| I | Share capital | 12 | 188 000 000 | 1 000 000 |
| II | Contributions to share capital | 12 | 5 000 000 | 0 |
| III | Share premium | 12 | 3 607 059 | 3 607 059 |
| IV | Retained earnings: | 12 | 35 376 392 | 44 082 219 |
| **Total equity** | | | **231 983 450** | **48 689 277** |
| **B** | **Non-current liabilities** | | | |
| I | Loans and borrowings | 14 | 0 | 0 |
| II | Loans and borrowings from related entities | 14 | 0 | 84 000 000 |
| III | Other non-current liabilities | 14 | 970 856 | 1 145 677 |
| IV | Deferred income tax liability | 5 | 763 319 | 903 348 |
| V | Employee benefits payable and provisions for employee benefits | 6 | 729 229 | 724 840 |
| VI | Lease liabilities | 14 | 110 956 | 150 079 |
| VII | Non-current accrued expenses and deferred income | 9 | 35 999 084 | 31 537 436 |
| **Total non-current liabilities** | | | **38 573 443** | **118 461 379** |
| **C** | **Current liabilities** | | | |
| I | Trade and other payables | 16 | 26 658 620 | 26 964 376 |
| | *including:* *VAT payable* | | *0* | |
| | *personal income tax* | | *293 273* | *256 114* |
| | *Social Insurance Institution* | | *1 355 448* | *1 280 274* |
| | *special funds* | | *46 881* | *12 793* |
| II | Trade payables to related entities | 16 | 0 | 107 066 |
| III | Loans and borrowings payable | 14 | 0 | 95 057 359 |
| IV | Loans and borrowings payable to related entities | 14 | 0 | 579 002 |
| V | Lease liabilities | 14 | 100 200 | 137 453 |
| VI | Current income tax payable | 16 | 0 | 0 |
| VII | Employee benefits payable and provisions for employee benefits | 16 | 2 335 664 | 2 123 161 |
| VIII | Current accrued expenses and deferred income | 9 | 2 424 819 | 7 972 400 |
| **Total current liabilities** | | | **31 519 302** | **132 940 817** |
| **Total equity and liabilities** | | | **302 076 195** | **300 091 473** |

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2023

| | | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| I | Revenue from sales of products | 17 | 198 929 682 | 219 019 495 |
| II | Revenue from sales of commodities and materials | 17 | 1 032 790 | 4 480 876 |
| III | Revenue from sales of services | 17 | 0 | 344 174 |
| **A** | **Sales revenue** | | **199 962 472** | **224 204 545** |
| | | | | |
| **B** | **Other operating income** | 18 | **4 829 442** | **2 154 509** |
| | | | | |
| I | Increase/decrease in product inventories | | (684 541) | 9 825 976 |
| II | Production cost of products for own purposes | | 220 718 | (1 620 923) |
| III | Amortisation and depreciation | | (8 911 637) | (6 613 708) |
| IV | Consumption of materials and energy | | (142 285 644) | (161 162 173) |
| V | External services | | (21 512 849) | (22 616 188) |
| VI | Taxes and charges | | (1 066 111) | (489 340) |
| VII | Payroll | | (20 258 060) | (18 738 191) |
| VIII | Social insurance contributions and other benefits | | (5 341 571) | (4 876 608 |
| IX | Other costs by type | | (759 816) | (960 057) |
| X | Value of goods and materials sold | | (316 480) | (3 375 396) |
| XI | Other operating expenses | 19 | (3 303 374) | (3 835 475) |
| **C** | **Total operating expenses** | | **(204 219 365)** | **(214 462 083)** |
| | | | | |
| **Gain on operating activities** | | | **572 548** | **11 896 971** |
| | | | | |
| I | Finance income | 20 | 20 996 | 268 |
| II | Finance cost | 21 | (8 467 423) | (11 706 468) |
| **D** | **Net finance income and cost** | | **(8 446 427)** | **(11 706 200)** |
| | | | | |
| **Earnings before tax** | | | **(7 873 878)** | **190 771** |
| | | | | |
| **Income tax** | | **22** | **140 029** | **(283 954)** |
| | | | | |
| **Net profit or loss** | | | **(7 733 849)** | **(93 183)** |
| | | | | |
| | **Other comprehensive income:** | 12 | 0 | 1 136 688 |
| | **Items not transferred to financial profit or loss** | | | |
| | Revaluation of property, plant and equipment | | 0 | 1 403 319 |
| | Income tax relating to items not transferred to financial profit or loss | | 0 | (266 631) |
| **Total comprehensive income** | | | **(7 733 849)** | **1 043 505** |

## CASH FLOW STATEMENT
## for the year ended 31 December 2023

| | Note | 01.01.2023-31.12.2023 | 01.01.2022-31.12.2022 |
|---|---|---|---|
| Gross profit on continuing operations | | **-7 873 878** | **190 771** |
| *Adjustments by:* | | | |
| Amortisation and depreciation | | 8 911 637 | 6 613 708 |
| Foreign exchange gain (loss) | | -261 | 548 |
| Interest and profit sharing (dividends) | | 7 364 297 | 10 624 684 |
| Gain (loss) on disposal of property, plant and equipment | | 0 | 145 726 |
| Increase/decrease in provisions | | 4 389 | 68 221 |
| Increase/decrease in inventories | | 5 048 786 | (9 471 963) |
| Increase/decrease in receivables | | 12 473 022 | (7 333 534) |
| Increase/decrease in liabilities | | 5 291 123 | 19 035 028 |
| Increase/decrease in prepayments and accruals | | -7 384 290 | 2 912 927 |
| Income tax paid | | 0.00 | (3 009 445) |
| Income tax refunded | | 784 653 | 0 |
| Other adjustments | | -304 455 | (24 680) |
| **Net cash from operating activities** | | **24 315 022** | **19 751 991** |
| ***Investing activities*** | | | |
| Inflows from sales of property, plant, equipment and intangible assets | | 0 | 539 191 |
| Inflows from sales of financial assets | | 0 | 0 |
| Acquisition of property, plant, equipment and intangible assets | | -13 925 335 | (26 591 498) |
| Prepayments for fixed assets | | 0 | 0 |
| Acquisition of financial assets | | 0 | 0 |
| **Net cash from investing activities** | | **-13 925 335** | **(26 052 307)** |
| ***Financing activities*** | | | |
| Loans and borrowings | | 96 000 000 | 29 530 383 |
| Repayment of loans and borrowings received | | -95 057 359 | (12 500 000) |
| Payments under financial lease contracts | | -151 855 | (158 876) |
| Interest paid | | -8 570 483 | (11 503 771) |
| Dividends and other payments to shareholders | | 0 | 0 |
| Inflows from increasing share capital | | 12 000 000 | 0 |
| Cost of issuing new shares | | -971 978 | 0 |
| **Net cash from financing activities** | | **3 248 325** | **5 367 737** |
| Increase/decrease in cash and cash equivalents | | 13 638 012 | (932 579) |
| Effect of exchange rates changes on the foreign currency cash balance | | 261 | (548) |
| Balance-sheet increase/decrease in cash | | 13 638 273 | (933 127) |
| **Cash and cash equivalents as at 1 January** | | **497 931** | **1 430 510** |
| **Cash and cash equivalents as at 31 December** | | **14 135 943** | **497 931** |
| **Restricted access cash** | | **662 011** | **398 374** |

## STATEMENT ON CHANGES IN EQUITY

**FOR THE PERIOD ENDED 31 DECEMBER 2023**

| | Share capital | Share capital (portion un-registered at the balance sheet data) | Share premium | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Equity as at 1 January 2023** | **1 000 000** | **0** | **3 607 059** | **44 082 219** | **48 689 277** |
| Comprehensive income | 0 | | 0 | 0 | 0 |
| Net profit/loss for the period | 0 | | 0 | (7 733 849) | (7 733 849) |
| Cost of issuing new shares | 0 | | 0 | (971 978) | (971 978) |
| Increase in share capital | 187 000 000 | | 0 | 0 | 187 000 000 |
| Contributions to share capital | 0 | 5 000 000 | 0 | 0 | 5 000 000 |
| Dividend distribution to shareholders | 0 | | 0 | 0 | 0 |
| Transfer of financial profit or loss from the prior period to capital | 0 | | 0 | 0 | 0 |
| **Equity as at 31 December 2023** | **188 000 000** | **5 000 000** | **3 607 059** | **35 376 392** | **231 983 450** |
| | | | | | |
| **Equity as at 1 January 2022** | **1 000 000** | **0** | **3 607 059** | **43 038 713** | **47 645 772** |
| Comprehensive income | 0 | 0 | 0 | 1 136 688 | 1 136 688 |
| Net profit/loss for the period | 0 | 0 | 0 | (93 183) | (93 183) |
| Dividend distribution to shareholders | 0 | 0 | 0 | 0 | 0 |
| Transfer of financial profit or loss from the prior period to capital | 0 | 0 | 0 | 0 | 0 |
| **Equity as at 31 December 2022** | **1 000 000** | **0** | **3 607 059** | **44 082 219** | **48 689 277** |

# ADDITIONAL INFORMATION AND EXPLANATION TO THE FINANCIAL STATEMENTS

**Note 1. Property, plant and equipment**

The Company presents its items of property, plant and equipment classified to Group 1 and Group 2 – land and buildings – using the revaluation model for measurement, which model is based on the fair value of the items.

The measurement is made using the appraisal report prepared by the independent expert who is a certified appraiser. As at 31 December 2023, the independent appraiser confirmed based on output data from an active market that the appraisal done as at 31 December 2022 continued to be valid as at 31 December 2023 and no reappraisal was needed.

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Buildings, structures, premises and civil engineering structures | 70 280 963 | 70 786 000 |
| Technical equipment and machinery | 112 748 639 | 39 426 560 |
| Motor vehicles | 4 779 381 | 3 635 353 |
| Other property, plant and equipment | 2 190 267 | 2 513 129 |
| Construction in progress | 8 114 077 | 81 626 452 |
| **Total property, plant and equipment** | **198 113 329** | **197 987 494** |

The following is the gross value of fully depreciated items of property, plant and equipment that are still in use:

| | |
|---|---|
| as at 31 December 2023 | 5 358 360 |
| as at 31 December 2022 | 6 628 761 |

In accordance with IFRS 16, the Company recognizes in its statement of financial position as at 31 December 2023 the right-of-use assets for lease contracts for Arval's passenger cars.

The following is the carrying value of items of property, plant and equipment held under rental agreements or finance lease contracts:

| | |
|---|---|
| as at 31 December 2023 | 208 391 |
| as at 31 December 2022 | 284 145 |

The following is the depreciation cost for particular groups of the right-of-use assets in 2023:

| | |
|---|---|
| Buildings | 0 |
| Motor vehicles | 151 234 |
| **Total depreciation** | **151 234** |

Increase/decrease in items property, plant and equipment by category:

| | Buildings & structures | Technical equipment & machinery | Motor vehicles | Other property, plant, and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Net carrying value as of 01 January 2023** | **70 786 000** | **39 426 560** | **3 635 353** | **2 513 129** | **81 626 452** | **197 987 494** |
| Increase (acquisition, construction, lease) | 0 | 0 | 75 479 | 0 | 8 876 620 | 8 952 099 |
| Decrease (disposal, retirement)(-) | 0 | -73 499 | -44 411 | 0 | 0 | -117 910 |
| Transfer to investment property (-) | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation to fair value (+/-) | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer to property, plant and equipment/acceptance for use | 1 161 968 | 79 077 989 | 1 817 026 | 259 060 | -82 388 995 | -73 043 |
| Depreciation (-) | -1 667 005 | -5 682 320 | -704 065 | -581 922 | 0 | -8 635 312 |
| Impairment losses (-) | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2023** | **70 280 963** | **112 748 639** | **4 779 382** | **2 190 267** | **8 114 077** | **198 113 329** |

| | Buildings & structures | Technical equipment & machinery | Motor vehicles | Other property, plant, and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Net carrying value as of 01 January 2022** | **17 045 803** | **29 501 695** | **912 909** | **534 843** | **148 759 719** | **196 754 970** |
| Increase (acquisition, construction, lease) | 0 | 0 | 181 498 | 0 | 24 985 337 | 25 166 835 |
| Decrease (disposal, retirement)(-) | -322 783 | -793 551 | -20 929 | -37 952 | 0 | -1 175 214 |
| Transfer to investment property (-) | -17 600 000 | 0 | 0 | 0 | 0 | -17 600 000 |
| Revaluation to fair value (+/-) | 1 416 784 | 0 | 0 | 0 | -98 446 | 1 318 338 |
| Transfer to property, plant and equipment/acceptance for use | 71 875 572 | 14 614 120 | 3 154 842 | 2 404 677 | -92 020 158 | 29 054 |
| Depreciation (-) | -1 629 377 | -3 895 704 | -592 967 | -388 439 | 0 | -6 506 488 |
| Impairment losses (-) | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2022** | **70 786 000** | **39 426 560** | **3 635 353** | **2 513 129** | **81 626 452** | **197 987 494** |

On 22 April 2020, the Company entered into the  long-term rental agreement number 972/22042020 for passenger cars with Arval Service Lease Polska Sp. z o.o., which agreement is classified as a lease contract for balance sheet purposes.

The following are future minimum lease payments as at the balance sheet date:

| **As at 31 December 2023** | **Payments under lease contracts, due** | | | |
|---|---|---|---|---|
| | within 1 year | between 1 to 5 years | after 5 years | total |
| Future minimum lease payments | 103 622 | 113 281 | 0 | 216 903 |
| Finance costs (-) | | | | 0 |
| **Current value of future minimum lease payments** | **103 622** | **113 281** | **0** | **216 903** |

| **As at 31 December 2022** | **Payments under lease contracts, due** | | | |
|---|---|---|---|---|
| | within 1 year | between 1 to 5 years | after 5 years | total |
| Future minimum lease payments | 141 712 | 152 932 | 0 | 294 644 |
| Finance costs (-) | 0 | 0 | 0 | 0 |
| **Current value of future minimum lease payments** | **141 712** | **152 932** | **0** | **294 644** |

In December 2023, the Company extended for a period of 6 months the agreement no. 972/22042020 for long-term lease of passenger cars, which agreement will thus end on 20 November 2024 instead of 20 May 2024. Once an annex to extend the term of the agreement was made, no value adjustment of lease liabilities was performed as a value change was considered insignificant.

The Company does not recognize liabilities arising from short-term leases and leases with a low-value underlying asset. In addition, contingent lease payments are not included in the value of liabilities. The following are costs related to these items in the reporting period from 1 January through 31 December 2023:

| | **from 01.01.2023 through 31.12.2023** |
|---|---|
| Short-term lease | 0 |
| Lease of low-value assets | 0 |
| Variable lease payments | 0 |
| **Total** | **0** |

In the period from 1 January through 31 December 2023, there was no income from sub-lease of right-of-use assets.

### Impairment losses

In the accounting period from 1 January through 31 December 2023, the Company did not identify any need for recognizing impairment losses for items of property, plant and equipment.

## Note 2. Intangible assets

Increase/decrease in intangible assets

| | Development work | Software | Total |
|---|---|---|---|
| **Net carrying value as of 01 January 2023** | **1 062 247** | **1 683 244** | **2 745 491** |
| Increase (acquisition, construction, lease) | 2 457 302 | 3 128 790 | 5 586 091 |
| Decrease (disposal, retirement)(-) | 0 | 0 | 0 |
| Revaluation to fair value (+/-) | 0 | 0 | 0 |
| Amortisation (-) | -64 164 | -212 161 | -276 325 |
| Impairment losses (-) | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2023** | **3 455 385** | **4 599 872** | **8 055 257** |

| | Development work | Software | Total |
|---|---|---|---|
| **Net carrying value as of 01 January 2022** | **0** | **422 168** | **422 168** |
| Increase (acquisition, construction, lease) | 1 062 247 | 1 368 296 | 2 430 543 |
| Decrease (disposal, retirement)(-) | 0 | 0 | 0 |
| Revaluation to fair value (+/-) | 0 | 0 | 0 |
| Amortisation (-) | 0 | -107 220 | -107 220 |
| Impairment losses (-) | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2022** | **1 062 247** | **1 683 244** | **2 745 491** |

The value of development work consists of expenditures the Company incurred on development work connected with the projects subsidized by the National Centre for Research and Development.

## Note 3. Land, including perpetual usufruct right

On 01 June 2020, the Company purchased land of 5.2981 ha, located in Środa Wielkopolska, ul. Fabryczna 7, and on 25 May 2022, the Company purchased additional land of 0.2966 ha adjacent to the aforesaid land purchased in 2020.

In connection with the construction of a new manufacturing plant with internal and external technical infrastructure, the Company applied for a permanent change in land use from agricultural to non-agricultural purposes for the land purchased in 2020. As the Company received the decision permitting the permanent change in land use from agricultural to non-agricultural purposes for the said land, the Company increased the initial value of the land by PLN 1 748 210.36 in 2021, which amount represents a fee specified in the decision for the use of the land so converted for non-agricultural or non-forest purposes.

Moreover, the Company holds in perpetual usufruct the land of 23 744 square metres located at Środa Wielkopolska, ul. Harcerska 16.

The land and the perpetual usufruct right were measured as at 31 December 2022, using the appraisal report prepared by the independent expert who is a certified appraiser, based on output data from the active market as at 31 December 2022. Given the output data from the active market as at 31 December 2023, no reappraisal was needed.

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Land | 7 022 000 | 6 937 019 |
| Perpetual usufruct right - value at acquisition cost | 0 | 0 |
| Increase/decrease in value (revaluation) | 0 | 84 981 |
| **Book value:** | **7 022 000** | **7 022 000** |

Increase/decrease in the land, including the right of perpetual usufruct of the land:

| | Land | Right of perpetual usufruct of the land | Total |
|---|---|---|---|
| **Net carrying value as of 01 January 2023** | **7 022 000** | **0** | **7 022 000** |
| Increase (acquisition, construction, lease) | 0 | 0 | 0 |
| Decrease arising from transfer to investment property (-) | 0 | 0 | 0 |
| Revaluation to fair value (+/-) | 0 | 0 | 0 |
| Amortisation/depreciation (-) | 0 | 0 | 0 |
| Impairment losses (-) | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2023** | **7 022 000** | **0** | **7 022 000** |

| | Land | Right of perpetual usufruct of the land | Total |
|---|---|---|---|
| **Net carrying value as of 01 January 2022** | **6 775 619** | **2 445 000** | **9 220 619** |
| Increase (acquisition, construction, lease) | 161 400 | 0 | 161 400 |
| Decrease arising from transfer to investment property (-) | 0 | -2 445 000 | -2 445 000 |
| Revaluation to fair value (+/-) | 84 981 | 0 | 84 981 |
| Amortisation/depreciation (-) | 0 | 0 | 0 |
| Impairment losses (-) | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2022** | **7 022 000** | **0** | **7 022 000** |

**Note 4. Investment property**

An investment property asset is land, a building, or part of a building, or both held by the Company as a source of rental income or for capital appreciation or both, provided, however, that an investment property is not used in the production or supply of goods or services or for administrative purposes, or held for sale in the ordinary course of business.

Land, buildings and structures classified to groups 0 to 2 and located in Środa Wielkopolska, ul. Harcerska 16, are presented in these Financial Statements in accordance with IAS 40 as investment property and measured at fair value using the appraisal done by the independent expert as at 31 December 2022. No reappraisal was needed as at 31 December 2023.

The investment property is not depreciated.

The Company has rented a part of the investment property to one tenant for the term of 12 months ending on 31 October 2024. The contract does not meet the condition for being disclosed in the books as lease granted.

Increase/decrease in the investment property:

| | Right of perpetual usufruct of the land | Buildings and structures | Total |
|---|---|---|---|
| **Net carrying value as of 01 January 2023** | **0** | **17 600 000** | **17 600 000** |
| Increase due to transfer to investment property | 0 | 0 | 0 |
| Decrease (disposal, retirement)(-) | 0 | 0 | 0 |
| Revaluation to fair value (+/-) | 0 | 0 | 0 |
| Impairment losses (-) | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2023** | **0** | **17 600 000** | **17 600 000** |

| | Right of perpetual usufruct of the land | Buildings and structures | Total |
|---|---|---|---|
| **Net carrying value as of 01 January 2022** | **0** | **17 600 000** | **17 600 000** |
| Increase (acquisition, construction, lease) | 0 | 0 | 0 |
| Decrease (disposal, retirement)(-) | 0 | 0 | 0 |
| Revaluation to fair value (+/-) | 0 | 0 | 0 |
| Impairment losses (-) | 0 | 0 | 0 |
| Reversal of impairment losses | 0 | 0 | 0 |
| Net currency translation gains/losses (+/-) | 0 | 0 | 0 |
| **Net carrying value as at 31 December 2022** | **0** | **17 600 000** | **17 600 000** |

## Note 5. Deferred tax liabilities and assets, increase/decrease for each deferred tax liability/asset type:

| | As at 01.01.2023 | Increase/decrease: | | as at 31.12.2023 |
|---|---|---|---|---|
| | | profit or loss | other comprehensive income | |
| **Deferred tax liabilities** | **1 701 312** | **722 839** | **0** | **2 424 151** |
| foreign exchange gains or losses on valuation of receivables | 0 | 0 | 0 | 0 |
| foreign exchange gains or losses on valuation of cash | 0 | 50 | | 50 |
| foreign exchange gains or losses on valuation of liabilities | 6 026 | 106 | | 6 132 |
| liabilities arising from purchase bonuses | 88 753 | -14 768 | 0 | 73 985 |
| difference between the right of use and liability | 0 | | 0 | 0 |
| difference between depreciation for balance-sheet and tax purposes | 1 606 533 | 737 451 | | 2 343 984 |
| **Deferred tax assets** | **797 963** | **-191 894** | **0** | **1 660 832** |
| foreign exchange gains or losses on valuation of cash | 104 | -104 | 0 | 0 |
| foreign exchange gains or losses on valuation of liabilities | 0 | | 0 | 0 |
| foreign exchange gains or losses on valuation of receivables | 2 919 | 7 387 | 0 | 10 306 |
| unpaid remuneration and burdens | 123 171 | | 0 | 123 171 |
| unpaid interest and charges on liabilities arising from loans and borrowings | 234 903 | -234 903 | 0 | 0 |
| difference between the right of use and liability | 644 | -118 | 0 | 526 |
| provision for bad debts | 122 544 | -5 029 | 0 | 117 516 |
| provision for services | 24 790 | -1 856 | 0 | 22 934 |
| other unpaid employee benefits | 288 888 | 42 728 | 0 | 331 616 |
| asset for costs of debt financing beyond the limit | 0 | 1 054 763 | 0 | 1 054 763 |
| **Total deferred income tax** | **903 349** | **914 733** | **0** | **763 319** |

| | As at 01.01.2022 | Increase/decrease: profit or loss | Increase/decrease: other comprehensive income | as at 31.12.2022 |
|---|---|---|---|---|
| **Deferred tax liabilities** | **1 310 347** | **408 694** | **-17 729** | **1 701 312** |
| foreign exchange gains or losses on valuation of receivables | 0 | 0 | 0 | 0 |
| foreign exchange gains or losses on valuation of cash | 6 819 | -6 819 | | 0 |
| foreign exchange gains or losses on valuation of liabilities | 3 875 | 2 152 | | 6 026 |
| liabilities arising from purchase bonuses | 51 304 | 37 449 | 0 | 88 753 |
| difference between the right of use and liability | 0 | | 0 | 0 |
| difference between depreciation for balance-sheet and tax purposes | 1 248 350 | 375 912 | -17 729 | 1 606 533 |
| **Deferred tax assets** | **367 940** | **430 023** | **0** | **797 963** |
| foreign exchange gains or losses on valuation of cash | 0 | 104 | 0 | 104 |
| foreign exchange gains or losses on valuation of liabilities | 0 | 0 | 0 | 0 |
| foreign exchange gains or losses on valuation of receivables | 7 724 | -4 805 | 0 | 2 919 |
| unpaid remuneration and burdens | 90 744 | 32 427 | 0 | 123 171 |
| unpaid interest and charges on liabilities arising from loans and borrowings | 40 277 | 194 626 | 0 | 234 903 |
| difference between the right of use and liability | 1 634 | -990 | 0 | 644 |
| provision for bad debts | 5 029 | 117 516 | 0 | 122 544 |
| provision for services | 1 796 | 22 994 | 0 | 24 790 |
| other unpaid employee benefits | 220 738 | 68 151 | 0 | 288 888 |
| **Total deferred income tax** | **942 407** | **-21 329** | **-17 729** | **903 349** |

In the statement of financial position, deferred tax assets and deferred tax liabilities are disclosed per account balance of both these values.

### Note 6. Employee benefits payable and provisions for employee benefits

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Provisions for employee benefits** | **1 671 600** | **1 520 472** |
| including: non-current | 729 229 | 724 840 |
| current | 942 372 | 795 632 |

The table below shows increases/decreases in provisions for employee benefits:

| | as at 31.12.2023 | decrease | increase | as at 31.12.2023 |
|---|---|---|---|---|
| **Provisions for employee benefits** | ***1 520 472*** | ***(1 520 472)*** | ***1 671 600*** | ***1 671 600*** |
| for accrued holiday entitlement | *698 705* | *(698 705)* | *803 970* | *803 970* |
| for retirement gratuities | *223 572* | *(223 572)* | *236 701* | *236 701* |
| for service anniversary awards | *598 195* | *(598 195)* | *630 929* | *630 929* |

**Note 7. Inventories**

The inventories include feedstock and materials (46.4%), commodities, semi-finished products and finished products (53.6%).

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Materials | 10 148 493 | 15 532 859 |
| Commodities | 0 | 0 |
| Finished products | 10 630 807 | 13 001 084 |
| Semi-finished products | 7 662 214 | 4 957 057 |
| | **28 442 214** | **33 491 000** |

As at 31 December 2023 and 31 December 2022, the Company's inventories were not pledged by the Company to secure its liabilities.

**7.1. Allowances for inventories**

As at the balance sheet date, the Company performs an inventory age structure analysis for materials, commodities and products in warehouses, and makes an individual assessment of whether they are likely to be used in the nearest future or of a realizable price as at the balance sheet date, and, on the basis thereof, the Company makes a decision on making an allowance. The Company did not make any allowance for inventories as the analysis had not identified such a need.

The value of eliminated inventories was PLN 268 008,26 in the period from 1 January through 31 December 2023 versus PLN 238 946.36 in the same period of the year 2022.

**Note 8. Trade and other receivables**

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Trade receivables from related entities** | **4 610 799** | **15 219 248** |
| | | |
| Trade receivables from other entities | 15 606 312 | 16 821 839 |
| Allowances for receivables | (618 505) | (644 971) |
| Other receivables | 34 400 | 75 837 |
| VAT receivable | 4 195 365 | 4 819 441 |
| **Total receivables from other entities** | **19 217 572** | **21 072 146** |

Trade receivables are recognised at originally invoiced amounts. Receivables are usually due within 30, 45 or 60 days. Allowances for receivables are made based on case-by-case assessment of probability of receiving payment.

**8.1. Allowances for receivables**

The Company performs value adjustments of trade receivables at each balance sheet date.
In determining the recoverability of trade receivables, changes in trade receivables from the date of granting the trade credit until the date of preparing the financial statements are taken into account. Credit risk concentration occurs for clients who are in arrears with payment for commodities they received.

The Company makes an allowance for overdue receivables based on case-by-case assessment of probability of receiving overdue payment, and based on past experience.

In the period under review, the Company partially derecognized the allowance for receivables as the receivables were recovered. The amount of PLN 618 505.12 represents the allowance created in 2022 for deliveries that proved to be fraud. The Company is still waiting for relevant authorities to finalize proceedings.

### 8.2. Increase/decrease in allowances: creation and reversal of allowances for receivables

| | 1.01.2023-31.12.2023 | 1.01.2022-31.12.2022 |
|---|---|---|
| **Allowances for receivables as at the beginning of the period** | **644 971** | **26 466** |
| Creation of allowances | 0 | 618 505 |
| Reversal of allowances | -26 466 | |
| **Allowances for receivables as at the end of the period** | **618 505** | **644 971** |

### 8.3. Age structure analysis for trade receivables which are past due but not impaired:

| | Past due but collectible | | | | |
|---|---|---|---|---|---|
| **As at:** | **<30 days** | **31-60 days** | **61-90 days** | **91-120 days** | **> 120 days** |
| 31 December 2023 | 1 173 023 | 23 572 | (309) | 31 306 | 623 823 |
| 31 December 2022 | 1 936 028 | 71 427 | 12 925 | 8 260 | 139 315 |

### 8.4. Currency structure of current trade receivables

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Receivables in local currency | 13 498 442 | 19 921 932 |
| Receivables in foreign currencies | 7 380 280 | 12 119 155 |
| | 20 878 722 | 32 041 087 |

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Receivables in EUR | 6 524 296 | 10 515 589 |
| Receivables in USD | 855 984 | 1 603 567 |
| | 7 380 280 | 12 119 155 |

The above-presented structure of the receivables exposes the Company to foreign currency risk, which the Company tries to mitigate, primarily by balancing currency items of receivables and payables stated in foreign currencies. The following are realised foreign exchange losses and gains recognised in the Statement of Comprehensive Income under finance cost or income, respectively:

| | **Finance income** | **Finance cost** |
|---|---|---|
| for the period from 1 January through 31 December 2023 | 1 025 815 | 1 271 234 |
| for the period from 1 January through 31 December 2022 | 1 313 684 | 1 467 663 |

**Note 9. Other assets, equity and liabilities**

| **Prepayments and accrued income - assets** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Insurance | 4 588 | 4 170 |
| Licences | 7 269 | 38 808 |
| Subscription | 4 239 | 1 249 |
| VAT to be settled over time | 859 582 | -356 333 |
| Other | 444 193 | 459 939 |
| | **1 355 872** | **147 833** |

| **Accruals and deferred income - liabilities** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Deferred income** | | |
| Subsidies to finance fixed assets | 52 436 | 74 896 |
| Advance payments and sales to be settled in next periods | 48 361 | 0 |
| POIR.01.01.01-00-03/0379/19 - subsidy to support the purchase of fixed assets | 35 422 549.34 | 35 568 972 |
| POIR.01.01.01-00-0783/19 - subsidy to support the purchase of fixed assets | 2 779 850.42 | 3 078 137 |
| Other accruals and deferred income | 120 706 | 787 830 |
| *including: settlement of finance cost* | *0* | *657 328* |
| | **38 423 902** | **39 509 836** |

| **Deferred income** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| non-current | 35 999 084 | 31 537 436 |
| current | 2 424 819 | 7 972 400 |
| | **38 423 902** | **39 509 836** |

Subsidies received by the Company are recognised as deferred income in “Accruals and deferred income”.

In 2013, the Company contracted the loan with Bank Handlowy w Warszawie S.A., with 10% financial support for energy efficiency, for the total amount of EUR 107 165 (PLN 453 171.94) for three sealing machines. As at 31 December 2023, the Company settled all revenue therefrom. Between 2016 and 2020, the Company received funding from the National Labour Office to subsidize jobs through the purchase of forklift trucks, IT equipment, and a control panel with a touchpad, in the total net amount of PLN 177 290.48, of which the revenue of PLN 52 435.80 remained unsettled as at 31 December 2023.

Pursuant to the agreement of 27 September 2019, as part of the project number POIR.01.01.-00-03/0379/19 subsidized by the National Centre for Research and Development, the Company received the subsidy for the development and implementation of high-performance automated and robotic technology for manufacturing knurled eco-friendly garbage bags from three-layer free-blown extruded film. The eligible cost of the project is PLN 90 225 418.75, including PLN 42 127 098.75 in subsidy. The project is divided into two parts: industrial research and development work. The eligible cost for industrial research is PLN 24 147 725.00, including PLN 15 696 021.25 in subsidy. For development work, the eligible cost is PLN 66 077 693.75, including PLN 26 437 077.50 in subsidy. As at 31 December 2023, the revenue of PLN 35 422 549.34 remained unsettled.

Pursuant to the agreement number POIR.01.01.01-00.0783/19 of 16 April 2020, the Company received a subsidy from the National Centre for Research and Development for a line to manufacture high quality reprocessed granules from the Company's own waste from the production of printed film in a closed-loop system. The eligible cost of the project is PLN 7 811 125.00, including PLN 4 300 825.00 in subsidy. The project is divided into two parts: industrial research and development work. The eligible cost for industrial research is PLN 4 705 500.00, including PLN 3 058 575.00 in subsidy. The eligible cost development work is PLN 3 105 625.00, including PLN 1 242 250.00 in subsidy. As at 31 December 2023, the revenue of PLN 2 779 850.42 remained unsettled.

The Company started settling the subsidy for the purchase of assets under both projects subsidized by the National Centre for Research and Development, including depreciation of fixed assets in 2023.

As at the balance sheet date, there were no unsatisfied conditions capable of contributing to the necessity for returning the subsidies.

**Note 10. Transactions with related entities**

| | **Gain on operating activities** | |
|---|---|---|
| **Sales to:** | **01.01.2023-31.12.2023** | **01.01.2022-31.12.2022** |
| Parent | 29 187 438 | 33 485 339 |
| Other related entities | 29 392 440 | 33 417 402 |
| **Total** | **58 579 878** | **66 902 741** |

| | **Receivables** | |
|---|---|---|
| **Sales to:** | **01.01.2023-31.12.2023** | **01.01.2022-31.12.2022** |
| Parent | 2 352 490 | 9 398 314 |
| Other related entities | 2 258 309 | 5 820 934 |
| **Total** | **4 610 799** | **15 219 248** |

| | **Purchase (costs, assets)** | |
|---|---|---|
| **Purchase from:** | **01.01.2023-31.12.2023** | **01.01.2022-31.12.2022** |
| Parent | 4 169 000 | 6 171 746 |
| Other related entities | 1 289 759 | 754 493 |
| **Total** | **5 458 759** | **6 926 239** |

| | **Liabilities** | |
|---|---|---|
| ***Purchase from:*** | **01.01.2023-31.12.2023** | **01.01.2022-31.12.2022** |
| Parent | 0 | 579 002 |
| Other related entities | 0 | 107 066 |
| **Total** | **0** | **686 068** |

| Loans advanced to: | | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|---|
| | Advanced in the period | Repaid in the period | Accumulated balance | Advanced in the period | Accumulated balance |
| Parent | 0 | 0 | 0 | 0 | 0 |
| Subsidiary | 0 | 0 | 0 | 0 | 0 |
| Associated entity | 0 | 0 | 0 | 0 | 0 |
| Joint venture | 0 | 0 | 0 | 0 | 0 |
| Other related entities | 0 | 0 | 0 | 0 | 0 |
| **Total** | 0 | 0 | 0 | 0 | 0 |

| Loans received from: | | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|---|
| | Received in the period | Repaid in the period | Accumulated balance | Received in the period | Accumulated balance |
| Parent | 96 000 000 | -180 000 000 | 0 | 6 000 000 | 84 000 000 |
| Subsidiary | 0 | 0 | 0 | 0 | 0 |
| Associated entity | 0 | 0 | 0 | 0 | 0 |
| Joint venture | 0 | 0 | 0 | 0 | 0 |
| Other related entities | 0 | | 0 | 0 | 0 |
| **Total** | **96 000 000** | **-180 000 000** | **84 000 000** | **6 000 000** | **84 000 000** |

**Note 11. Cash and cash equivalents**

| **Cash:** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| at banks | 14 076 962 | 99 583 |
| deposited on the account of the Company Employee Benefit Fund | 34 156 | 8 486 |
| deposited on the account for project no. POIR.01.01-00-03/0379/19 | 24 824 | 24 824 |
| deposited on the account for project no. POIR.01.01-00-0783/19 | 0 | 365 038 |
| | **14 135 943** | **497 931** |
| | | |
| in local currency | 14 006 239 | 494 949 |
| in foreign currencies | 129 704 | 2 982 |
| | **14 135 943** | **497 931** |
| | | |
| Cash in EUR | 129 704 | 2 982 |
| Cash in USD | 0 | 0 |

The Company has no restricted access funds in addition to funds deposited on the Company Employee Benefit Fund accounts and on the subsidy accounts. As far as cash is concerned, concentration of credit risk is limited; the Company maintains cash in several recognised financial institutions. These are: Santander Bank Polska S.A., BNP Paribas Bank Polska S.A., and Bank Millennium S.A.

The Company has no cash in hand.

**Note 12. Share capital**

**As at 31 December 2023, the share capital of Polipak Sp. z o.o. was PLN 193 000 000.00 and comprised:**

| | |
|---|---|
| 1 930 000 shares of PLN 100 each – Sarantis Polska S.A. of Piaseczno | 193 000 000 |

Pursuant to the Company's Articles of Association of 11 April 2005, executed in the form of a notary's deed entered into the Roll of Deeds under no. A/2903/2005, the supplementary capital is the surplus of assets value over the par value of the shares of PPH "GG Plast" Grzegorz Nowak i Wspólnicy Spółka jawna PPH "GG Plast" Grzegorz Nowak i Wspólnicy Spółka jawna transformed into GG Plast spółka z o.o.

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Supplementary capital which is the share premium** | 3 607 059 | 3 607 059 |

**Retained earnings include the following items:**

| **Retained earnings** | **31.12.2023** | **31.12.2022** |
|---|---|---|
| supplementary capital | 28 845 299 | 29 910 460 |
| reserve capital | 7 537 000 | 7 537 000 |
| revaluation reserve | 6 727 942 | 6 727 942 |
| net profit/loss | (7 733 849) | (93 183) |
| undistributed profit of prior years | 0 | 0 |
| **Total retained earnings** | **35 376 392** | **44 082 219** |

**The revaluation reserve was PLN 6 727 941.62 as at the 31 December 2023 and showed the following increases/decreases in the periods concerned:**

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Opening balance** | **6 727 942** | **5 591 253** |
| Revaluation of property, plant and equipment | 0 | 1 403 319 |
| Deferred tax liability relating to revaluation of fixed assets, on items not transferred to financial profit or loss | 0 | (266 631) |
| **Closing balance** | **6 727 942** | **6 727 942** |

The revaluation reserve from the revaluation of the property, plant and equipment comes from the revaluation of land, buildings and structures located in Środa Wielkopolska, ul. Harcerska 16 and ul. Fabryczna 7.

Based on the statement of the independent appraiser, Ewa Borkowska-Karwowska of Warsaw, ascertaining that, the value of the real properties remained unchanged since 2022 due to the stability of unit prices and rent rates observed on the real estate market,  the value of the real properties was not revalued as at 31 December 2023.

In the event that a revalued item of plant, property or equipment is sold, an effectively realised portion of revaluation reserve associated with an asset is transferred directly to retained earnings. The revaluation reserve is not available for distribution.

The Company monitors the level of capital based on the carrying amount of equity, manages capital to ensure the Company's ability to continue as a going concern and to ensure owners the expected rate of return.

**Reserve capital**

The Company was creating its reserve capital from a portion of its profit generated in previous years and was accumulating such capital for a long period of time. As at 31 December 2023 the reserve capital was PLN 7 537 000.00.

**Supplementary capital**

Built up over years, supplementary capital was created by the Company as decided by the Meeting of Shareholders, out of a portion of the Company's profit.

On 14 June 2023, the then existing minority shareholder of the Company sold its shares to Sarantis Polska S.A. that thus became a sole shareholder of Polipak.

On 30 June 2023, the Extraordinary Meeting of Shareholders adopted a resolution and decided that the profit in the total amount of PLN 29 910 459.97 generated by the Company between 2019 and 2022 and retained in the Company's supplementary capital shall be retained in the Company's supplementary capital, provided, however, that the said profit may be made available to pay dividends in the future.

In 2023, the Company used some of its supplementary capital to pay costs of issuing new shares, totalling PLN 971 978.00.

As at 31 December 2023, the Company's supplementary capital was PLN 28 845 299.13.

**Note 13. Proposed distribution of the Company's profit for 2023**

The Company's Board of Directors proposes to fully cover the net loss of PLN 8 788 612.15 for 2023 from the Company's supplementary capital.

## Note 14. Financial liabilities

### 14.1. Loans and borrowings payable

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| loan from the related entity - Sarantis Polska S.A. | 0 | 84 000 000 |
| overdraft facility - BNP Paribas Bank Polska S.A. | 0 | 16 304 742 |
| overdraft facility - Bank Millennium S.A. | 0 | 16 252 617 |
| investment credit facility - BNP Paribas Bank Polska S.A. | 0 | 62 500 000 |
| | **0** | **179 057 359** |

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| non-current liabilities | 0.00 | 84 000 000 |
| current liabilities | 0.00 | 95 057359 |
| | **0.00** | **179 057 359** |

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| in local currency | 0 | 179 057 359 |
| in foreign currencies (EUR) | 0 | 0 |
| | **0** | **179 057 359** |

### 14.2. Loans payable to related entities

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Sarantis Polska S.A. | 0 | 84 000 000 |
| | **0** | **84 000 000** |

Liabilities arising from the loan granted by Sarantis Polska SA consist of interest accrued and unpaid, and were as follows at 31 December,:

| 31.12.2023 | 31.12.2022 |
|---|---|
| 0 | 579 002 |

At 31 December 2023, the Company had open credit lines with the following banks to finance day-to-day operations:

**1. BNP Paribas Bank Polska S.A.**

Overdraft facility under credit line agreement no. WAR/3012/16/141/CB of 01 July 2016.

The Bank granted the line of PLN 10 000 000 to the Company, for the purpose of financing day-to-day operations. By Annex No. 6 of 27 April 2022, the limit has been changed up to the maximum amount of PLN 22 000 000.
As at 31 December 2023, the credit line was not used by the Company.

**2. Bank Millennium S.A.**

PLN 13 000 000.00 overdraft facility under multi-product line agreement no. 12040/18/M/04 of 04 December 2018, for the purpose of financing day-to-day operations.

By Annex no. A1/12040/18/M/04 of 14 June 2019, the limit was changed and the global limit of PLN 20 000 000.00 with the overdraft sublimit of PLN 18 000 000.00 was introduced. By Annex no. A4/12040/18/M/04 of 30 December 2020, the global limit has been changed to PLN 25 000 000.00. Within this limit, the Bank has made the following product sub-limits available to the Company:

- PLN overdraft credit facility of PLN 20 000 000.00;
- EUR overdraft credit facility up to EUR 2 500 000.00;
- bank guarantee line up to PLN 5 000 000.00

On the actually used portion of the facility, the bank charges interest at a variable rate of WIBOR 1M plus bank margin of 0.85 pp per annum for the PLN portion and EURIBOR 1M plus bank margin of 0.85 pp per annum for the EUR portion.
Pursuant to Annex No. 4A/12040/18/M/04 of 30 December 2020, the facility is secured with:

- borrower’s statement on submission to collection proceedings under Article 777 up to PLN 40 000 000.00;
- corporate guarantee issued by Gr Sarantis SA for up to PLN 25 000 000.00 valid until 13 December 2027;

By Annex No. A6/12040/18/M/04, the facility has become available until 12 March 2025.
As at 31 December 2023, the credit line was not used by the Company.

In the period under review, the Company fully repaid the investment loan described herein below:

**3. BNP Paribas Bank Polska S.A.**

Non-revolving credit facility under agreement no. WAR/3012/20/416/CB of 28 October 2020.

The Bank granted the credit facility of PLN 75 000 000.00 to finance and refinance costs associated with the construction of the production facility with an accompanying administrative back-office and necessary infrastructure in Środa Wielkopolska, ul. Fabryczna 7, as part of the investment project “Development and implementation of high-performance automated and robotic technology for manufacturing knurled eco-friendly garbage bags from three-layer free-blown extruded film”.

The credit facility was made available in a series of tranches, and was financed and refinanced based on invoices submitted by the Company up to 100% of their net value, through the Company’s current account, with the Company alone being responsible for settling accounts with subcontractors who did work constituting the purpose of the credit facility. On 15 November 2021, the Company drew down the last available tranche.

The availability period for the credit facility was 64 months from the agreement date. The principal amount was to be repaid in quarterly instalments of PLN 3 125 000.000 plus interest, over the period of 4 years, starting from the first quarter of 2022. At the end of the period of financing, there was to be a balloon payment of PLN 25 000 000.00.

In 2023, the Company fully repaid the loan.

Funds to repay instalments representing payments towards the principal amount were obtained by the Company from the loan advanced by Sarantis Polska S.A.

<u>In addition, in the period under review, the Company entered into the set-off contract, under which the following loans of PLN 180,000,00.00 in total disbursed to the Company by the Shareholder became due and payable:</u>

**4. Sarantis Polska S.A. of Piaseczno**

The Company utilized the loans granted by Sarantis Polska S.A. under the following agreements:

- loan agreement of 29 January 2016 with the Annex of 24 March 2016, Annex of 15 December 2017, Annex of 10 September 2018, and Annex of 5 December 2018, and Annex of 15 September 2020, under which Sarantis granted the Company the loan of PLN 3 000 000.00 to finance day-to-day operating activities. The loan repayment deadline is 31 December 2026;
- loan agreement of 24 March 2016 with the Annex of 15 September 2017, Annex of 10 September 2018, Annex of 5 December 2018, Annex of 05 September 2019, and Annex of 15 September 2020, under which Sarantis increased the amount of the loan up to PLN 15 000 000.00 to be disbursed in amounts and on dates to be agreed on by the parties on an on-going basis. The loan repayment deadline is 31 December 2026. The loan is for the day-to-day business and investing activities.
- loan agreement of 15 July 2020 with the Annex of 15 September 2020, under which Sarantis granted Polipak the loan of PLN 60 000 000.00 for day-to-day business and investing activities. The loan repayment deadline is 31 December 2026;
- loan agreement of 09 March 2022, under which Sarantis granted Polipak the loan of PLN 2 000 000.00. The loan repayment deadline is 31 December 2026;
- loan agreement of 29 April 2022, under which Sarantis granted Polipak the loan of PLN 2 000 000.00. The loan repayment deadline is 31 December 2026;
- loan agreement of 09 May 2022, under which Sarantis granted Polipak the loan of PLN 2 000 000.00. The loan repayment deadline is 31 December 2026;
- loan agreement of 15 June 2023, under which Sarantis granted Polipak the loan of PLN 96 000 000.00 for day-to-day business and investing activities. The loan repayment deadline is 31 December 2026;

Once the last of the aforementioned loan agreement was signed, the total value of the loans disbursed to the Company was PLN 180 000 000.00.

On 29 June 2023, as the Extraordinary Meeting of the Company's Shareholders adopted the resolution on the share capital increase by PLN 187,000,000.00, Polipak and Sarantis Polska S.A. or Polipak's sole Shareholder entered into the set-off contract, under which the Shareholder was put under the obligation to make the contribution to capital, while the Company became eligible to claim such contribution to capital. The Parties to the set-off contract decided that the loans amounting to PLN 180 000 000.00 became due and payable by the Company.

As a result of the set-off effort, the Shareholder’s claim was fully extinguished, while the Company’s claim was extinguished up to PLN 180,000,000.00, i.e. as a result of the set-off effort, the Company’s remaining claim to be satisfied by the Shareholder due to the Shareholder’s obligation to make the contribution was PLN 7,000,000.00.

The Lender is entitled to charge interest on the loans at a variable rate of WIBOR 1M plus margin of 1.14 pp per annum, accruing at the end of each month and due by the 10th day of the following month.

In 2023, total interest on the open loans was PLN 3 823 091.52.

There has been no security established over the Company’s assets for any of the credit facilities above.

### 14.3. Other non-current liabilities

In the “Other non-current liabilities” line item, the Company presents the fee for the use of the converted land for non-agricultural or non-forest purposes; the initial value of the fee arising from the decision of the County Governor of Środa Wielkopolska was PLN 1 748 210.36, while the relevant balances as at 31 December were as follows:

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| | 970 856 | 1 145 677 |
| | **970 856** | **1 145 677** |

### 14.4. Lease

Under rental  agreements and finance lease contracts, the Company uses:

- passenger cars under the long-term rental agreement, i.e. for the term exceeding 24 months, signed on 22 April 2020.

The following are future minimum rental payments and the net current value of minimum payments:

| *Liabilities:* | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Liabilities due within 1 year | 103 622 | 141 712.08 |
| Liabilities due between 1 to 5 years | 113 281 | 152 931.93 |
| Liabilities due after 5 years | 0 | 0 |
| | **216 903** | **294 644** |

| *Net current value:* | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Liabilities due within 1 year | 100 200 | 137 453 |
| Liabilities due between 1 to 5 years | 110 956 | 150 079 |
| Liabilities due after 5 years | 0 | 0 |
| | **211 156** | **287 532** |

The total cost of interest on lease and rental liabilities was PLN 5 876.63 in 2023.

## Note 15. Financial instruments

The value of financial assets presented in the statement of financial position relates to the following categories of financial instruments specified in IFRS 9:

**IFRS 9:**

1 – measured at amortised cost (MAC)
2 – measured at fair value through other comprehensive income (MFV-CI)
3 – measured at fair value through profit or loss (MFV-PL)
4 – capital instruments measured at fair value through other comprehensive income (CIMFV-CI)
5 – hedging instruments (HI)

| Financial asset class | Financial instrument categories as per IFRS 9 | | | | | Total |
|---|---|---|---|---|---|---|
| | MAC | MFV-CI | MFV-PL | CIMFV-CI | HI | |
| ***As at 31.12.2023*** | | | | | | |
| ***Fixed assets:*** | | | | | | |
| Receivables and loans | 0 | 0 | 0 | 0 | 0 | **0** |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| Other non-current financial assets | 0 | 0 | 0 | 0 | 0 | **0** |
| ***Current assets:*** | | | | | | |
| Trade and other receivables | 19 633 007 | 0 | 0 | 0 | 0 | **19 633 007** |
| Loans | 0 | 0 | 0 | 0 | 0 | **0** |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| Cash and cash equivalents | 14 135 943 | 0 | 0 | 0 | 0 | **14 135 943** |
| **Total financial asset categories** | **33 768 950** | **0** | **0** | **0** | **0** | **33 768 950** |

| Financial asset class | Financial instrument categories as per IFRS 9 | | | | | Total |
|---|---|---|---|---|---|---|
| | MAC | MFV-CI | MFV-PL | CIMFV-CI | HI | |
| ***As at 31.12.2022*** | | | | | | |
| ***Fixed assets:*** | | | | | | |
| Receivables and loans | 0 | 0 | 0 | 0 | 0 | **0** |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| Other non-current financial assets | 0 | 0 | 0 | 0 | 0 | **0** |
| ***Current assets:*** | | | | | | |
| Trade and other receivables | 31 471 953 | 0 | 0 | 0 | 0 | **31 471 953** |
| Loans | 0 | 0 | 0 | 0 | 0 | **0** |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| Cash and cash equivalents | 497 931 | 0 | 0 | 0 | 0 | **497 931** |
| **Total financial asset categories** | **31 969 883** | **0** | **0** | **0** | **0** | **31 969 883** |

The value of financial liabilities presented in the statement of financial position relates to the following categories of financial instruments specified in IFRS 9:

**IFRS 9:**

1 – measured at amortised cost (MAC)
2 – measured at fair value through profit or loss (MFV-PL)
3 – financial guarantee contract (FGC)
4 – contingent consideration in a business combination (CC-BC)
5 – hedging instruments (HI)

| **Financial liability class** | **Financial instrument categories as per IFRS 9** | | | | | **Total** |
|---|---|---|---|---|---|---|
| | **MAC** | **MFV-PL** | **FGC** | **CC-BC** | **HI** | |
| ***As at 31.12.2023*** | | | | | | |
| ***Non-current liabilities:*** | | | | | | |
| Loans, borrowings, and other derivative financial instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| Other liabilities | 970 856 | 0 | 0 | 0 | 0 | **970 856** |
| ***Current liabilities:*** | | | | | | |
| Trade and other payables | 26 658 620 | 0 | 0 | 0 | 0 | **26 658 620** |
| Loans, borrowings, and other debt instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total financial liability categories** | **27 629 475** | **0** | **0** | **0** | **0** | **27 629 475** |

| **Financial liability class** | **Financial instrument categories as per IFRS 9** | | | | | **Total** |
|---|---|---|---|---|---|---|
| | **MAC** | **MFV-PL** | **FGC** | **CC-BC** | **HI** | |
| ***As at 31.12.2022*** | | | | | | |
| ***Non-current liabilities:*** | | | | | | |
| Loans, borrowings, and other derivative financial instruments | 84 000 000 | 0 | 0 | 0 | 0 | **84 000 000** |
| Other liabilities | 1 145 677 | 0 | 0 | 0 | 0 | **1 145 677** |
| ***Current liabilities:*** | | | | | | **0** |
| Trade and other payables | 27 071 442 | 0 | 0 | 0 | 0 | **27 071 442** |
| Loans, borrowings, and other debt instruments | 95 636 361 | 0 | 0 | 0 | 0 | **95 636 361** |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total financial liability categories** | **207 853 480** | **0** | **0** | **0** | **0** | **207 853 480** |

## Note 16. Current trade and other payables

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Trade payables to related entities | 0 | 107 066 |
| Other payables to related entities | 0 | 579 002 |
| **Total current payables to related entities** | **0** | **686 068** |
| | | |
| Trade and other payables | 26 658 620 | 26 964 376 |
| *including: VAT payable* | 0 | 0 |
| *personal income tax* | *293 273* | *256 114* |
| *Social Insurance Institution* | *1 355 448* | *1 280 274* |
| *Special funds* | *46 881* | *12 793* |
| **Total current payables to other entities** | **26 658 620** | **26 964 376** |

Trade payables bear no interest and are settled within various deadlines. Trade payables relating to feedstock such as granules, reprocessed granules, colorants and additives, cardboard boxes, or labels are usually due within 30-90 days.

Other payables are usually due within 14 or 30 days.

Interest on late payments is paid upon a receipt of a relevant note, within a relevant deadline.

Personal income tax payables are those resulting from tax returns for December 2023, while the Social Insurance Institution liabilities are relating to statements for December 2023 and January 2024.

### Currency structure of current trade payables

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Local currency payables | 19 113 307 | 16 510 390 |
| Foreign currency payables | 4 648 098 | 8 622 295 |
| | **23 761 405** | **25 132 685** |

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Payables in EUR | 4 655 804 | 8 470 643 |
| Payables in USD | (7 705) | 151 652 |

**Note 16.1 - Current income tax payable**

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| income tax | 0 | 0 |
| *including: corporate income tax* | *0* | *0* |

**Note 16.2 - Current employee benefits payable**

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| employee benefits | 2 335 664 | 2 123 161 |
| *including: current provisions for other payables arising from accrued holiday entitlement* | *803 970* | *698 705* |

**Note 17. Sales revenue**

The Company was performing a single type of a business activity that was considered its core business: the Company was generating revenue from sales of products, constituting 99.5% of its total revenue.

The following division into two geographic segments applies: domestic operations and operations within or outside the European Union. The segmentation is done based on the Company's assets location.

| | 01.01.2023-31.12.2023 | 01.01.2022-31.12.2022 |
|---|---|---|
| Revenue from sales of products | 198 929 682 | 219 019 495 |
| Revenue from sales of commodities and materials | 1 032 790 | 4 840 876 |
| Revenue from sales of services | 0 | 344 174 |
| | **199 962 472** | **224 204 545** |
| Domestic sales revenue | 63 120 116 | 72 667 323 |
| Foreign sales revenue | 136 842 356 | 151 537 223 |
| | **199 962 472** | **224 204 545** |

As far as revenue from sales of products is concerned, the following table shows a structure of clients that represent the largest percentage of the Company's total revenue:

| Client | 2023 | | 2022 | |
|---|---|---|---|---|
| | PLN | % | PLN | % |
| Sarantis PL | 29 260 379 | 14.63 | 33 485 339 | 14.94 |
| Lidl PL | 19 410 466 | 9.71 | 27 251 615 | 12.15 |
| Helmut Krapp GmbH | 19 530 243 | 9.77 | 24 380 344 | 10.87 |
| GR Sarantis | 10 643 809 | 5.32 | 16 469 625 | 7.35 |

## Note 18. Other operating income

### 18.1. Other operating income

| | 01.01.2023-31.12.2023 | 01.01.2022-31.12.2022 |
|---|---|---|
| **Gains on disposal of assets:** | **0** | **0** |
| gain on the sale of fixed assets | 0 | 0 |
| **Subsidies:** | **2 778 130** | **1 248 621** |
| wage and salary subsidies | 160 482 | 191 686 |
| settlement of revenue for project no. POIR.01.01.01-00-03/0379/19 | 2 230 859 | 276 235 |
| settlement of revenue for project no. POIR.01.01.01-00-0783/19 | 364 329 | 740 274 |
| depreciation of fixed assets in the part financed with the energy efficiency support and with the support from the State Labour Office | 22 460 | 40 426 |
| **Other operating income** | **2 051 311** | **366 698** |
| reversal of allowances for receivables | 80 958 | 0 |
| income from sales of services | 322 580 | 71 600 |
| income from increased value of inventory | 0 | 49 609 |
| inventory differences – increase | 1 511 969 | 0 |
| other | 135 804 | 245 489 |
| **Attributable to continuing operations** | **4 829 441** | **1 615 319** |
| **Attributable to discontinued operations** | **0** | **0** |

Other operating income includes revenues and gains that are not directly connected with the Company's operating activities.

This category includes wage and salary subsidies for the disabled persons employed, financial support from the Labour Office, gains on the sale of property, plant and equipment, damages received, and reimbursement of property and personal insurance premiums overpaid, reversal of allowances for receivables, impairment losses for fixed assets, increases in inventory, and rental income on investment property .

### 18.2. Other operating income – rental income on real property

| | 01.01.2023-31.12.2023 | 01.01.2022-31.12.2022 |
|---|---|---|
| Rental income on real property | 322 580 | 71 600 |
| Income from recharging costs to tenants | 796 127 | 76 735 |
| **Total income** | **1 118 707** | **148 335** |

| | | |
|---|---|---|
| Director operating costs relating to: | | |
| Rental income-generating properties | 796 127 | 76 735 |
| Properties that generated no rental income in the period | 1 315 606 | 321 721 |
| **Total operating costs:** | **2 111 733** | **398 456** |

Significant differences in figures between 2023 and 2022 are due to the fact that the real properties started to be rented in October 2022.

## Note 19. Other operating expenses

| | 01.01.2023-31.12.2023 | 01.01.2022-31.12.2022 |
|---|---|---|
| **Loss on disposal of assets:** | **0** | **145 726** |
| loss on the sale of fixed assets | 0 | 145 726 |
| **Other operating expenses** | **3 303 374** | **3 150 558** |
| donations | 23 865 | 75 421 |
| bad debt written off | 91 852 | 0 |
| allowance for receivables | 0 | 618 505 |
| retirement of fixed assets | 117 910 | 469 369 |
| elimination of inventories | 218 819 | 238 946 |
| cost of moving to the new head office | 0 | 1 366 972 |
| maintenance cost of investment property | 1 315 606 | 321 721 |
| accounts receivable insurance costs | 56 403 | 14 388 |
| contractual penalties | 22 804 | 0 |
| inventory differences - decrease | 1 009 241 | 0 |
| other | 446 874 | 45 236 |
| **Attributable to continuing operations** | **3 303 374** | **3 296 284** |
| **Attributable to discontinued operations** | **0** | **0** |

Other operating expenses include costs and losses that are not directly connected with the Company's operating activities. This category includes losses on the sale of fixed assets, donations to other entities, whether in kind or in cash.

Other operating expenses include also costs of allowances for receivables, impairment losses, as well as retirement cost of fixed assets and elimination cost of inventories.

In 2022, the Company recognized as other operating expenses costs of moving to, and putting machines into operation in, the new location of the Company's head office and business in Środa Wielkopolska, ul. Fabryczna 7. Such costs no longer occurred in 2023.

**Note 19. Finance income**

| | 01.01.2023-31.12.2023 | 01.01.2022-31.12.2022 |
|---|---|---|
| **Interest income** | **20 445** | **0** |
| interest on receivables | 0 | 0 |
| interest on bank deposits | 20 445 | 0 |
| **Other finance income** | **552** | **268** |
| other | 552 | 268 |
| **Attributable to continuing operations** | **20 996** | **268** |
| **Attributable to discontinued operations** | **0** | **0** |

Finance income includes interest income on depositing, and income from investing in various financial instruments. Finance income includes also foreign exchange gains and interest on receivables.

**Note 21. Finance cost**

| | 01.01.2023-31.12.2023 | 01.01.2022-31.12.2022 |
|---|---|---|
| **Interest expense** | **7 378 056** | **10 631 898** |
| interest on loans and borrowings, including overdraft facilities | 7 364 297 | 10 624 684 |
| lease interest | 5 877 | 5 673 |
| interest on liabilities | 7 882 | 1 541 |
| **Other finance cost** | **1 089 367** | **1 074 571** |
| foreign exchange losses | 586 432 | 151 798 |
| bank fees and charges | 104 588 | 213 294 |
| cost of commission fees for sureties and guarantees | 396 825 | 707 201 |
| other | 1 522 | 2 277 |
| **Attributable to continuing operations** | **8 467 423** | **11 706 468** |
| **Attributable to discontinued operations** | **0** | **0** |

Finance cost includes costs arising from the use of external financing, interest, and other costs payable under lease agreements entered by the Company, interest on, and fees arising from factoring arrangements, and interest on late payment of liabilities. Finance cost includes also foreign exchange losses.

## Note 22. Income tax

Income tax is calculated on gross profit, taking into account the net deferred tax effect of temporary differences between the carrying amount of assets and liabilities and their tax bases.

Current tax and deferred tax assets and liabilities are calculated using the tax rate of 19% which applies at present and at the balance sheet date and is expected to apply when temporary differences are expected to realise.

Deferred tax assets are recognised for deductible temporary differences and unrealised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised.

Deferred tax liabilities are recognised for all taxable temporary differences. Liabilities are recognised when the Company has a legal or constructive obligation arising from future events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation.

The liabilities are reviewed as at the balance sheet date and adjusted to reflect the current best estimate as at that date. In the provisions, the Company includes deferred tax liabilities and provisions for employee benefits such as: retirement gratuity, service anniversary awards, and accrued holiday entitlement.

Assets and liabilities are recognised regardless of when the assets and liabilities are to be realised, classified and presented as fixed assets, or as liabilities and provisions for liabilities in the balance sheet.

The following are primary components of tax expenses for the years ended 31 December 2023 and 31 December 2022:

| | **Period ended 31.12.2023** | **Period ended 31.12.2022** |
|---|---|---|
| Current income tax | 0 | 1 021 442 |
| Income tax – amended tax returns filed in the current period | 0 | (431 798) |
| Origination/reversal of temporary differences | (140 029) | (305 690) |
| **Income tax disclosed in the statement of comprehensive income** | **(140 029)** | **283 954** |

A difference between the tax amount disclosed in the statement of comprehensive income and the tax amount calculated at the relevant rate on profit before taxation results from the following items:

| | **Period ended 31.12.2023** | **Period ended 31.12.2022** |
|---|---|---|
| Gross profit | (7 873 878) | 190 771 |
| Tax at a rate of 19% applicable in Poland | 0 | 1 021 771 |
| Tax effect of non-deductible costs and non-taxable income | (140 029) | (305 690) |
| Current tax expenses | 0 | 715 752 |

As at 31 December 2023, the Company recognized a deferred tax asset of PLN 1 054 763 for cost of debt financing.

The amount of deductible temporary differences, retained tax losses, for which the Company did not recognized deferred tax assets in its financial statements, is PLN 1 606 899,22 as at the balance sheet date.

Retained tax losses and costs of debt financing that may be carried forward are PLN 8 457 364,33 as at the balance sheet date.

The following are maturities for the tax losses:

| | **Period ended 31.12.2023** | **Period ended 31.12.2022** |
|---|---|---|
| up to 1 year | 5 551 383 | 0 |
| 1 to 2 years | 6 411 623 | 0 |
| 2 to 3 years | 2 045 741 | 0 |
| 3 to 4 years | 0 | 0 |
| 4 to 5 years | 0 | 0 |
| Total retained tax losses | **14 008 747** | **0** |

## 23. Contingent liabilities

A contingent liability is understood to mean a possible obligation to perform, which arises from certain events.
As at 31 December 2023, the Company had no contingent liabilities.

## 24. Tax filings

Laws governing value added tax, corporate income tax, individual income tax, or social insurance contributions are subject to frequent amendments, thereby preventing any reference to well-established regulations. Current legislation is also marked by obscurity, leading to differences in opinions concerning legal interpretation of tax laws both within tax authorities and between state authorities and corporate taxpayers. Tax filings may be audited by relevant agencies authorised to impose penalties, and any additional amounts due established through such audits have to be paid along with interest thereon. These phenomena make tax exposure in Poland higher than in countries that enjoy more stable tax systems.

Tax filings may be audited within five years following an end of a year in which relevant tax was paid. As a result of an audit, the Company's tax treatments may be questioned and an additional tax liability may arise.

## 25. Financial risk management

The Company is exposed to the following risk associated with financial instruments:

- market risk comprising currency risk and interest rate risk
- credit risk
- liquidity risk
- interest rate risk

The risk management process is mostly focused on identification, measurement, and mitigation of risks, including currency and interest rate fluctuations aspects.

In economic terms, transactions on the financial markets are made for the purpose of hedging against specific risks.

**Market risk**

The Company's exposure to currency risk results from sales and purchases in foreign currencies, primarily in EUR and, to a lesser extent, in USD.

Moreover, the Company uses dual-currency overdraft facilities (PLN/EUR/USD). To minimize the currency risk, the Company tries to adjust the value and maturity dates of assets and due dates of liabilities. A human factor of control and collaboration among people, who have influence on which market to choose for sales purposes and which purchase to make, is the most important and effective factor in developing the currency risk management strategy. The following are the Company's financial assets and liabilities, other than derivatives stated in foreign currencies, translated into PLN using the closing rate applicable as at the balance sheet date:

| | **Value in foreign currency** | | **Before translation** | **After translation** |
|---|---|---|---|---|
| **As at 31 December 2023** | **EUR** | **USD** | | |
| **Financial assets (+)** | | | | |
| Loans | 0 | 0 | 0 | 0 |
| Trade receivables and other financial receivables | 1 550 291 | 288 197 | 7 928 953 | 7 874 723 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 29 831 | 0 | 129 443 | 129 704 |
| **Financial liabilities (-)** | | | | |
| Loans and borrowings | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 0 |
| Trade payables and other financial liabilities | (1 063 180) | 289 946 | (4 648 098) | (4 615 823) |
| **Total currency risk exposure** | **516 942** | **578 144** | **3 410 298** | **3 388 604** |

| | **Value in foreign currency** | | **Before translation** | **After translation** |
|---|---|---|---|---|
| **As at 31 December 2022** | **EUR** | **USD** | | |
| **Financial assets (+)** | | | | |
| Loans | 0 | 0 | 0 | 0 |
| Trade receivables and other financial receivables | 2 242 178 | 364 298 | 12 134 515 | 12 119 155 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 636 | 0 | 3 529 | 2 982 |
| **Financial liabilities (-)** | | | | |
| Loans and borrowings | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 0 |
| Trade payables and other financial liabilities | (1 806 146) | -34 452 | (8 654 012) | (8 622 295) |
| **Total currency risk exposure** | **436 668** | **329 846** | **3 484 033** | **3 499 842** |

**Credit risk**

The Board of Directors applies the credit policy, under which the Board monitors clients' and debtors' arrears in payments, by reviewing the credit risk on a case by case basis. Moreover, as part of its credit risk management, the Company enters into transactions with partners whose creditworthiness is confirmed. Based on historical data on overdue payments, the receivables, which are past due and for which no impairment losses have been recognised, do not show any significant deterioration in quality: most of them fall into the "within 1 month" category, and there is no doubt as to their collectability. According to the Board of Directors' assessment, the assets disclosed as at the balance sheet date may be considered good credit quality assets. As at 31 December 2023, the balance of the allowance for receivables was PLN 618 505.12 and was relating to the transaction with Brico Depot, which transaction proved to be business fraud and persons allegedly representing Brico Depot used false data, which fact has been reported to relevant law enforcement authorities by the Company. As at the balance sheet date, a relevant preliminary investigation is in progress.

In the current year, the Company concluded that there was no significant increase in credit risk (no adverse change in the age structure of trade receivables). As far as trade receivables are concerned that are the major class of assets exposed to credit risk, the Company is not exposed to any significant risk as the Company continues to maintain accounts receivable insurance with a third-party agency. In consequence, the amount of a relevant write-off, which is estimated primarily based on historical trending for past due receivables and on linking arrears to actual repayment rates for the last three years, is insignificant. As at the balance sheet date, no need for creating an allowance for trade receivables, resulting from expected credit losses, was identified.

**Liquidity risk**

While conducting its operating activities, the Company maintains a fixed amount of excess liquid cash, and open lines of credit. The Company manages the liquidity risk by monitoring payment dates and demand for cash with regard to the current liabilities (transactions are monitored on a fortnight basis). The demand for cash is compared with the available sources of funding, in particular by evaluating the ability to source funds under a credit facility or a loan , in comparison with current inflows.

For a financial risk management policy, see Director’s Report on the Company’s Operation, Section 6. Risk factors.

**Interest rate risk**

Primary currency risk that the Company is exposed to is interest rate risk as the Company’s core operations and investment activities are financed through credit facilities from banks and through loans from the related entity, which carry floating interest rates. In 2023, the Company fully repaid the credit facilities and loans from both the related entities and unrelated entities. As at 31 December 2023, the Company did not utilize any third-party financing; the Company, however, did not waive the possibility of utilizing the overdrafts. Given the Monetary Policy Council’s decisions that have raised benchmark interest rates multiple times over the last years starting from October 2021, the Company analysed its risk associated with interest rates that are WIBOR1M-based for the available credit facilities:

**As at 31 December 2023**

| **Credit obligations exposed to floating interest rate risk** | **Value of balance-sheet items** | **Effect on financial result** | | **Effect on financial result** | |
|---|---|---|---|---|---|
| | | +100bps | -100pbs | +300pbs | -300bps |
| Overdrafts | 0 | 0 | 0 | 0 | 0 |
| Loans from the related entity | 0 | 0 | 0 | 0 | 0 |
| Investment loan | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** | **0** |
| *Total value of available overdrafts* | *40 000 000* | *400 000* | *-400 000* | *1 200 000* | *-1 200 000* |
| ***Total, including full utilization of overdrafts*** | *40 000 000* | *400 000* | *-400 000* | *1 200 000* | *-1 200 000* |

**26. Employment structure**

The following is the Company's average headcount by employee groups, and employee turnover:

| | **01.01.2023-31.12.2023** | **01.01.2022-31.12.2022** |
|---|---|---|
| White-collar workers | 58 | 61 |
| Blue-collar workers | 170 | 154 |
| Total FTE | 228 | 215 |
| Workers engaged under commission contracts | 3 | 4 |
| Workers engaged by the Employment Agency | 127 | 149 |
| | | |
| Number of workers hired | 33 | 87 |
| Number of workers terminated | 40 | 47 |

**27. Remuneration for the Board of Directors**

| | **01.01.2022-31.12.2022** | **01.01.2022-31.12.2022** |
|---|---|---|
| under the contract of employment | 703 128 | 725 446 |
| under the appointment agreement | 32 523 | 187 008 |
| | **703 128** | **912 454** |

In 2023, the Company neither received any loan from, nor granted any loan to, the Company's key management staff in the period covered by the consolidated financial report.
In the reporting period, the Company did not purchase anything from its key management staff or from its parent's key management staff.

**Note 28. Other information**

<u>Effect of the war in Ukraine on business continuity.</u>

On 24 February 2022, Russia began its military operations on the territory of Ukraine or a neighbouring country of Poland. Many countries across Europe and globally started introducing sanctions against Russia as well as against Belarus which openly supports Russia's attack. Therefore, the Company carried out a business risk analysis which, however, did not identify any significant business continuity risk arising from a negative impact of the war.

The analysis examined sales markets of the Company that was selling to neither Russia nor Belarus in the past reporting period. And as plans for expansion into new selling markets do not include the said countries either, there is no risk of any drop in potential revenue.

The Company's supply chains were also looked at, especially in the context of transit routes going through Ukraine or Belarus. As the Company does not purchase feedstock in the East, the Management does not expect any major disruptions in the supply of feedstock.

<u>Investment tax credit</u>

On 27 March 2020, the Company received a decision on support for its new investment under the Polish Investment Zone program. The new investment will be carried out at Polipak through substantial modification of a production process of the existing plant.

The decision remains valid for 10 years from its date of issuance.

The decision specifies conditions to be met by the Company in connection with the new investment:
(a) the new investment shall be in Środa Wielkopolska, ul. Fabryczna 7, on the Company-owned land with the surface area of 5.2981 ha;
(b) the net headcount shall be increased by four new workers over the average headcount of 12 months preceding the receipt date of the decision on support, and such increased headcount understood to mean the 4 new workers plus the average headcount referred to above shall be maintained during the period from 31 December 2020 through 31 December 2023;
(c) eligible cost for the new investment of at least PLN 65 850 000.00 shall be incurred at the investment site by 31 July 2024;
(d) new investment shall be completed by 31 July 2024, after which date no investment cost incurred by the Company will be deemed eligible cost;
(e) maximum eligible cost, which may be considered when determining a maximum amount of public support, shall be PLN 85 605 000.00.

In their decision, WSSE confirmed that the investment meets the quantitative criterion. Polipak has undertaken to incur at least PLN 3 000 000.00 of the eligible cost of the new investment.

In their decision, WSSE bound the Company to meet the following qualitative criteria within the period of maintaining the new investment:

- sustainable economic development criterion (an appropriate level of sales is to be reached; membership in the Key National Cluster is to be maintained; and R&D activities are to be conducted with R&D personnel in the new investment to account for 2% of FTE for all workers employed);

- sustainable social development criterion (specialized jobs are to be created to carry out business activity covered by the new investment, including the hiring of workers, who have a specified level of education, under contracts of employment; business activity is to be conducted with low negative impact on the environment as confirmed by adequate certificates; the acquisition of education and vocational qualifications is to be supported; and collaboration is to be established between the Company and vocational schools as far as provision of machinery and tools to the schools is concerned).

In contrast to other tax credits, where the investment tax credit under the Polish Investment Zone program is received, investment costs are not deducted from revenue but are directly subtracted from the tax an enterprise owes.

Support received by Polipak meets the definition of the investment tax credit. Investment tax credits are excluded from the scopes of IAS 12 and IAS 20. Moreover, in accordance with IAS 12, no asset arising from a deductible temporary difference that originates on initial recognition of a difference arising from the said tax credit in the balance sheet can be recognized.

Therefore and given the right to elect an accounting policy under IAS 8, the Company's Board of Directors introduced the principle to the accounting policy, whereby no deferred tax asset is recognised for the investment tax credit.

**29. Post-balance sheet events**

On 24 January 2023, the increase in the share capital up to PLN 193,000,000.00 was registered with the National Court Register.

Środa Wielkopolska

**Person responsible for preparation of these Financial Statements:**

Patrycja Prusakiewicz-Błaszczuk

Podpis jest prawidłowy

Dokument podpisany przez Patrycja Prusakiewicz-Błaszczuk
Data: 2024.02.29 11:11:21 CET

**Board of Directors:**

Tomasz Tramś - President of the Board of Directors

Podpis jest prawidłowy

Dokument podpisany przez Tomasz Adam Tramś
Data: 2024.02.29 11:47:21 CET