Polipak Sp. z o.o.

Financial Statement for the period from 1 January 2020 to 31 December 2020

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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.

Head office of Polipak Spółka z o.o.
ul. Harcerska 16
63-000 Środa Wielkopolska

The Company's core business is manufacturing of polyethylene packaging dedicated for many 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 2020, the Company's executive and management body was composed of the following persons:

Artur Gwardiak -	President of the Board of Directors
Justyna Nowak-Gajek -	Vice President

The President of the Board of Directors acting independently or two members of the Board of Directors acting jointly are authorised to represent the Company.

3. Company's shareholders

As at 31 December 2020, the following were the Company's shareholders:

a) Sarantis Polska S.A. of Piaseczno holding 8,000 shares with the face value of PLN 100.00 per share and the total value of PLN 800,000.00;
b) Grzegorz Nowak Investments Sp. J. of Poznań holding 2,000 shares with the face value of PLN 100.00 per share and the total value of PLN 200,000.00

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 Sp. z o.o. sp.k.
ul. Abpa A. Baraniaka 88E
61-131 Poznań

7. Presentation rules

These Financial Statements cover the period of 12 months from 1 January through 31 December 2020. These Financial Statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) as approved by the European Union, and with the accounting policies, and cover the period from 1 January through 31 December 2020 and the period from 1 January through 31 December 2019.

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 2020 and 31 December 2019; a Statement of Profit or Loss and Other Comprehensive Income, a Statement of Changes in Cash Flows and a Statement of Changes in Equity for the years ending 31 December 2020 and 31 December 2019, 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. These Statements present in a true, reliable and clear manner the Company's financial and economic position as well as its financial result and other comprehensive income, while the Board'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

Artur Gwardiak -

Signed by / Podpisano przez:
Artur Gwardiak
Date / Data: 2021-03-30 09:29

Justyna Nowak-Gajek -

Signed by / Podpisano przez
Justyna Marta Nowak Gajek
Date / Data: 2021-03-30 23:03

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 2020.

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, events related to the coronavirus pandemic, which emerged in late 2019 and continues until this date, do not pose any risk to the Company's continuing as a going concern in the foreseeable future. To date, the Company's Management has not identified any noticeable impact on the Company's sales or supply chain. The potential impact of the pandemic on the Company's operations is monitored on an on-going basis, and every effort is taken to mitigate any potential adverse impact of the pandemic on the Company's operations. As at the date of these Financial Statements, the COVID pandemic 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 2019 as well as the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Cash Flows, and Statement of Changes in Equity for 2019 are provided.

The following are fundamental accounting policies adopted by the Company's:

1. A calendar year is the Company's financial year.
2. There are the following interim reporting periods in the financial year:

Month - for settling prime cost and reconciling detailed accounts with general ledger accounts. A statement of profit or loss is prepared in a single statement format, split into two sections: profit and loss account (up to the gross profit/loss items), by type and by function.

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

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 in the Company.

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

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

Property, plant and equipment are measured at acquisition or production cost that includes costs directly attributable to bringing the asset into use. Land and real property considered to be investments are measured at fair value.

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

Property, plant and equipment are subject to depreciation and impairment. Costs of significant repairs and regular inspection programs are recognized under property, plant and equipment, and depreciated over the course of the economic life.

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 – 40 years
Machines and equipment	5 – 15 years
Motor vehicles	2 – 15 years
Other property, plant and equipment	2-10 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 7,000.00.

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.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the 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 for land valuation purposes. The land asset is not depreciated because it has an infinite useful life. A fair value of land 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 the accounting year.

Land revaluation surpluses are credited to other comprehensive income and recognized in the aggregate amount in equity. An increase in the fair value of 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 the revaluation surplus previously accumulated in equity.

A 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 the 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 performed a revaluation of the land and real properties based on appraisal reports prepared by independent real estate appraisers of Kancelaria Lis, Mizera i Wspólnicy Sp. z o.o. of Poznań and by the real estate appraiser Ms. Ewa Borkowska-Karwowska of Warsaw. As required under IAS 16 paragraphs 39 and 40, the effects of the revaluation are presented in the Statement of Profit or Loss and Other Comprehensive Income and recognized as revaluation reserve.

Lease

Lease agreements, under which substantially all the risks and rewards are transferred to the lessee, are recognised in accordance with IAS 16 as the right to use of the underlying assets on the asset side and as a current value of future lease payments on the equity and liability side.

The Company recognises the right-of-use asset and the lease liability. The right to use is measured at acquisition cost consisting of the initial value of the liability and initial payments made on or before the start date. Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments that depend on a rate, and a final payment for purchase options provided that the exercise of the options is reasonably certain.

The depreciation policy for leased assets held under finance leases is consistent with that applicable to the assets owned by the Company, while depreciation is recognised in accordance with IAS 16 and IAS 38. Where there is no reasonable certainty that the lessee will obtain ownership before the end of the lease, the asset is depreciated over the shorter of the lease term and useful life of the asset.

Lease (rental) payments made by the Company are apportioned between the reduction of the outstanding liability and the finance cost. The finance cost is allocated and recognised in the statement of comprehensive income during the lease term.

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 their estimated economic lives. The amortisation period and the amortisation rates are reviewed at least at the financial year-end, and an adjustment, if any, of amortisation charges is made in the 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 typically applied for intangible assets:

Group	Economic life
Concessions, licences and the like	2 – 10 years
Computer software	2 – 5 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 classified as fixed assets is 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 guarantee fees incurred in relation to borrowings.

Interests in other entities

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

Financial assets

Financial assets are classified into the following categories:
(a) held-to-maturity investments;
(b) loans and receivables;
(c) available-for-sale financial assets;
(d) financial instruments measured through profit or loss.

The classification of the financial assets depends on the purpose for which investments have been acquired. At initial recognition, investments are measured at fair value which is increased for investments not classified as investments at fair value through profit and loss, by transaction costs which are directly attributable to the acquisition or issue of the investment item.

Investments are derecognised when the rights to rewards and risks of the investments have expired or have been transferred to a third party.

(a) *held-to-maturity investments*
are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends and is able to hold to maturity, except assets which are classified to other groups. Assets, which will be realised or intended for sale or consumption during the Company's normal operating cycle, are included in current assets. Held-to-maturity investments are measured at amortised cost, using the effective interest method.

(b) *loans and receivables*
are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and arise when money, goods or services are provided to a debtor with no intention of classifying those receivables as financial assets measured at fair value through profit or loss. They are included in current assets, except for maturities exceeding 12 months of the balance sheet date. Trade and other receivables are measured at amortised cost, using the effective interest method, less any doubtful debt allowances made based on the age structure of the receivables. On account of short payment periods that do not exceed 12 months, the Company assumes that differences between the measurement of trade receivables at amortised cost and the measurement thereof at amount to be paid are negligible. Therefore, the Company does not measure receivables at amortised cost.

(c) *available-for-sale financial assets*
are non-derivative financial assets designated as available for sale or any other financial assets that are not classified into the category (a) or (b). They are included in current assets if the Company intends to dispose of them within 12 months after the balance sheet date. Available-for-sale financial assets are measured at fair value. Any gains and losses on the measurement of available-for-sale financial assets are recognised as separate item of equity until the time the assets are disposed of or by the time of the assets are impaired, in which time the accumulated profit or loss previously disclosed in equity is recognised in the statement of comprehensive income.

(d) *investments measured at fair value through profit or loss*
An instrument is classified as an investment measured at fair value through profit or loss if it is intended for sale or is classified as such at initial recognition. Financial instruments are classified as those measured at fair value through profit or loss if the Company actively manages the investment and makes decisions as to its purchase or sale based on its fair value. After initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Any gains and losses attributable to the investment are recognised in the statement of comprehensive income.

Inventories

Inventories are measured and stated at the lower of acquisition cost or production cost and net realisable value. Acquisition cost or production cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Production cost of work in progress and finished products includes direct costs, including primarily materials, increased by a suitable portion of costs directly attributable to the production process (labour,.....) and production overheads, based on the normal capacity of the production facilities.

Costs of work in progress and finished products are assigned using the weighted average cost formula.

Costs of materials and commodities are assigned using the weighted average formula.

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.

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 in hand and cash at banks.

Cash equivalents are short-term investments of high liquidity that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in their value.

Cash is stated at face value which corresponds with their value determined in acquisition cost.

In 2020, the Company recognized as cash the amount of PLN 1 000 000.00 received as part of the project subsidized by the National Centre for Research and Development, which amount constitutes an advance payment of refund of eligible costs under contract no. POIR.01.01.01-00-0783/19 of 16 April 2020.
Eligible costs are PLN 7 811 125.00, including PLN 4 300 825.00 in subsidy.

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 nominal value, in the amount constituting the product of the number of shares taken up and properly paid up and the nominal 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 the statement of financial position as retained earnings.

Financial liabilities

Financial liabilities other than hedging derivatives are disclosed in the statement of financial position under the following items:

(a) loans, borrowings and other debt instruments;
(b) finance leases;

(c) trade and other payables;
(d) derivative financial instruments.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated as ones to be measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss include derivatives other than hedging instruments.

Current trade payables are measured at amounts to be paid, as the effect of discounting would be negligible.

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, among other, for:

- 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 the notes.

Employee benefits

Disclosed in the Statement of Financial Position, liabilities and provisions for employee benefits comprise the following items:

- current employee benefits arising from wages and salaries, including bonuses, and social security 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
Liabilities arising from current employee benefits 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 in 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 year) after a relevant resolution is adopted by the Board of Directors. A retirement gratuity is one-off benefits, paid out when the employee retires. The amounts of retirement gratuity and service anniversary awards depend on the length of employment 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 related to the period until the balance sheet date. Demographics data and information on employee turnover are based on historical records.
The effect of the measurement of the provision for future liabilities arising from retirement gratuities and service anniversary awards is recognized in the 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 the receivables, as well 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 at bank (foreign currency bank account). For translation, 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 translation 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 probably that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are recognised for all taxable temporary differences.

The 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 2020

New or revised standards and interpretations effective from 1 January 2020, and their effect on the Company's Statements:

Amendment to IFRS 3 "Business combinations"

The amendment changes the definition of a business, primarily tackling the following issues:

- the amendment clarifies that, to be considered a business, an acquired set of assets and activities must also include an input and substantive processes that together significantly contribute to the creation of returns;

- the amendment adds guidelines and illustrative examples to help with the assessment of whether a process acquired as part of the combination is substantive;

- the amendment removes the assessment of whether the capability exists to replace a missing input or process, and to continue operate the business in order to produce returns; and

- the amendment adds an option for a simplified assessment of whether an acquired set of activities and assets is not business.

The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period starting on 1 January 2020, and must be applied to transactions which are asset acquisitions occurring on or after the beginning of such first annual reporting period. Therefore, the amendment will have no effect on the data disclosed in the Company's previous financial statements. In 2020, the Company made no transactions to which IFRS 3 applies, so the amendment had no impact on its data for the current year either.

Amendment to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"

The amendment introduces a new definition of "material" (relating to omissions and misstatements in financial statements). The old definition contained in IAS 1 and IAS 8 differed from that used in the Conceptual Framework for Financial Reporting, which was likely to create difficulties for entities in making judgments when preparing financial statements. The amendment aligns the definition across all IAS and IFRS standards in force.

The amendment had no effect on the Group's financial statements as materiality judgments made to date are aligned with the new definition.

Amendments to references to the Conceptual Framework in IFRS

The Board prepared a new version of the Conceptual Framework for Financial Reporting. For the reasons of consistency, references to the Conceptual Framework in particular standards have been adjusted accordingly.

The amendments are effective for annual periods beginning on or after 1 January 2020 and had no effect on financial statements.

Amendments to IFRS 9, IAS 39, and IFRS 7

The IASB introduced amendments to the hedge accounting in connection with the intended interest rate benchmark reform (WIBOR, LIBOR, etc.). The rates are often hedged, for example, where the IRS is the hedging instrument. The intended replacement of existing rates with new interest rate benchmarks raised doubts as to whether a forecast transaction continues to be highly probable or whether future hedged flows continue to be expected or whether there is an economic relationship between the hedged item and the hedging instrument. The amendments to the standards specify that prospective assessment should be performed on the assumption that the interest rate benchmarks are not altered and, therefore, there is no impact on satisfaction of the hedge accounting requirements.

The amendments are effective for annual periods beginning on or after 1 January 2020. As the Company does not apply hedge accounting, the amendments have no effect on the Company's financial statements.

Application of the standard or interpretation before its effective date

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

Published standards and interpretations that have not become effective for the period beginning 1 January 2020 and their impact on the Company's statements.

Until the date of preparation of these consolidated Financial Statements, new or amended standards and interpretations effective for annual periods beginning after 2020 have been published. The following list includes also amendments, standards and interpretations published but not yet approved by the European Union.

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. The Company estimates that the new standard will have no effect on the Company's financial statements because the Company is not engaged in any insurance business.

The standard is effective for annual periods beginning on or after 1 January 2023.

Amendments 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 amendments are effective for annual periods beginning on or after 1 January 2023.
Given the fact that, for overdraft facilities extended for more than a year, the Company is guided by the Management's intention to repay such facilities, it is expected that balances of the facilities will be presented as non-current liabilities rather than current liabilities.

Amendments to IFRS 1, IFRS 9, illustrative examples to IFRS 16, IAS 41 as part of Annual Improvements 2018-2020

- IFRS 1: additional exemption relating to the measurement of cumulative translation differences for consolidation;

- IFRS 9: (1) when applying the "10 per cent" test in assessing whether to derecognize a liability following modification, an entity includes only fees paid or received between the borrower and the lender; (2) the amendment clarifies that fees borne where a liability is derecognised are charged to profit or loss, while fees borne where a liability is not derecognised increase such liability;

- **IFRS 16:** lease incentives for fit-out costs reimbursement to the lessor are removed from illustrative example 13, as they might raise doubts about interpretation;

- **IFRS 41:** the requirement to exclude taxation cash flows when measuring biological assets.

The amendments are effective for annual periods beginning on or after 1 January 2022. The Company has not completed its analysis of an impact of the amendments on financial statements.

Amendment to IAS 16 "Property, plant and equipment"

The amendment clarifies that items produced as part of testing an asset before it is available for use should be recognised as (2) inventories in line with IAS 2 or (2) revenue if the items are sold. The Company continues to estimate an impact of the amendment on its financial statements.

The Company estimates that the amendment will have no effect on the Company's financial statements. The amendment is effective for annual periods beginning on or after 1 January 2022.

Amendment to IAS 37 "Provisions, contingent liabilities and contingent assets"

The amendment clarifies that the cost of fulfilling onerous contracts comprise incremental costs (e.g. direct labour) or an allocation of other costs that relate directly to fulfilling contracts, e.g. depreciation charge. The Company estimates that the amendment will have no impact on the Company's financial statements as the Company has not identified any onerous contracts so far.

The amendment is effective for annual periods beginning on or after 1 January 2022.

Amendment to IFRS 3 "Business combination"

The amendment clarifies the reference to the Conceptual Framework for the definition of liabilities and to IAS 37 for the definition of contingent liabilities. The Company under review estimates that the amendment will have no impact on the Company's financial statements.

The amendment is effective for annual periods beginning on or after 1 January 2022.

Amendment to IFRS 16 "Lease"

In response to the COVID-19 pandemic, the IASB has introduced an expedient that permits not to assess whether modified future cash flows resulting from incentives granted by lessors and meeting the requirements of the standard constitute "a lease modification" under IFRS 16. As no incentives are granted to the Company, the Company will not apply the expedient, so the amendment will have no impact on the Company's financial statements.

The amendment is effective for annual periods beginning on or after 1 January 2020 (with earlier adoption permitted).

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16

Given the intended interest rate benchmark reform (WIBOR, LIBOR, etc.), the IASB made further amendments to accounting principles for financial instruments:

- for measurement at amortised cost, changes to estimate cash flows that related directly to the IBOR reform will be treated as changes to a floating interest rate, with no gain or loss recognised;

- hedging relationship does not need to be discontinued where effects of the IBOR reform are the only change and other criteria for application of the hedge accounting are satisfied; the amendment specifies how to include an alternative benchmark rate in a hedging relationship;

- an entity will have to disclose information on risks resulting from the reform, and how the entity is managing the transition to alternative benchmark rates.

The Company estimates that the amendment will have no effect on the Company's financial statements, because the Company has no instruments that are subject to the IBOR reform and were open as of 31 December 2020.

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

Środa Wielkopolska

Person responsible for preparation of Financial Statement:
Patrycja Prusakiewicz-Błaszczuk – Finance Manager

Podpis jest prawidłowy

Board of Directors

Artur Gwardiak - President of the Board of Directors

Signed by / Podpisano przez:

Artur Gwardiak

Date / Data: 2021-03-30 09:30

Justyna Nowak-Gajek - Vice President

Signed by / Podpisano przez

Justyna Marta Nowak-Gajek

Date / Data: 2021-03-30 23:05

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 DECEMBER 2020

ASSETS		Note	31 December 2020	31 December 2019
A	**Fixed assets**			
I	Property, plant and equipment	1	97 760 340	52 549 845
II	Intangible assets	2	375 862	345 998
III	Land, including the right of perpetual usufruct of land	3	7 349 210	2 314 637
IV	Financial assets in other entities		0	0
V	Deferred tax assets	4	0	0
Total fixed assets			**105 485 412**	**55 210 480**
B	**Current assets**			
I	Inventories	6	17 831 247	13 746 820
II	Trade accounts receivable from other entities, and other receivables	7	15 487 908	11 014 548
	including: VAT receivable		*4 189 586*	533 593
III	Trade receivables from related entities	7	4 131 944	11 051 332
IV	Current income tax receivables		0	0
V	Current prepayments and accrued income	8	239 597	270 996
VI	Cash and cash equivalents	10	1 690 344	6 724 778
Total current assets			**39 381 039**	**42 808 473**
Total assets			**144 866 451**	**98 018 953**

EQUITY AND LIABILITIES

		Note	31 December 2020	31 December 2019
A	**Equity**			
I	Share capital	11	1 000 000	1 000 000
II	Share premium	11	3 607 059	3 607 059
III	Retained earnings:	11	35 088 351	19 196 043
Total equity			**39 695 410**	**23 803 101**
B	**Non-current liabilities**			
I	Loans and borrowings	13	21 263 260	0
II	Loans and borrowings from related entities	13	33 000 000	18 000 000
III	Deferred income tax liability	4	913 580	631 476
IV	Employee benefit payables and provisions for employee benefits	5	615 071	557 772
V	Lease liabilities	13	1 263 310	1 362 081
VI	Non-current accrued expenses and deferred income	8	10 177 811	173 830
Total non-current liabilities			**67 233 032**	**20 725 159**
C	**Current liabilities**			
I	Trade and other payables	15	19 471 387	17 626 445
	including: *VAT payable*		*0*	*0*
	personal income tax		*188 008*	*161 650*
	Social Security Office		*877 945*	*765 804*
	special funds		*40 799*	*13 945*
II	Trade accounts payable to related entities	15	219 343	165 054
III	Loans and borrowings payable	13	8 331 515	28 521 828
IV	Loans and borrowings payable to related entities	13	30 830	38 678
V	Lease liabilities	13	490 302	765 655
VI	Current income tax payable	15	2 033 852	673 189
VII	Employee benefit payables and provisions for employee benefits	15	1 464 118	1 299 440
VIII	Current accrued expenses and deferred income	8	5 896 661	4 400 404
Total current liabilities			**37 938 009**	**53 490 693**
Total equity and liabilities			**144 866 451**	**98 018 953**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2020

		Note	31 December 2020	31 December 2019
Continuing operations				
I	Revenue from sales of products	16	146 585 296	135 524 544
II	Revenue from sales of commodities and materials	16	2 198 989	3 594 617
III	Revenue from sales of services	16	8 023	12 148
A	**Sales revenue**		**148 792 307**	**139 131 309**
B	**Other operating revenue**	17	**4 070 919**	**637 820**
I	Increase/decrease in product inventories		1 880 421	1 310 182
II	Production cost of products for the entity's own purposes		(440 648)	(606 043)
III	Amortisation and depreciation		(4 832 378)	(4 431 820)
IV	Consumption of materials and energy		(91 998 731)	(91 857 765)
V	External services		(17 615 801)	(14 392 158)
VI	Taxes and charges		(458 429)	(303 370)
VII	Payroll		(14 240 592)	(12 456 169)
VIII	Social security contributions and other benefits		(3 646 352)	(3 119 709)
IX	Other costs by type		(391 457)	(454 379)
X	Value of goods and materials sold		(1 598 189)	(3 029 941)
XI	Other operating expenses	18	(472 521)	(441 150)
C	**Total operating expenses**		**(133 814 677)**	**(129 782 321)**
Gain on operating activities			**19 048 549**	**9 986 807**
I	Finance income	19	13 178	596
II	Finance cost	20	(1 101 869)	(1 453 898)
D	**Net finance income and cost**		**(1 088 691)**	**(1 453 302)**
Earnings before tax			**17 959 858**	**8 533 505**
Income tax		**21**	**(3 157 450)**	**1 586 335**
Net profit			**14 802 408**	**6 947 170**
	Other comprehensive income:	11	1 089 901	245 851
	Items not posted off to profit or loss			
	Revaluation of property, plant and equipment		1 345 557	303 520
	Income tax relating to items not transferred to profit or loss		(255 656)	(57 669)
Total comprehensive income			**15 892 308**	**7 193 021**

CASH FLOW STATEMENT
for the year ended 31 December 2020

	Note	01.01.2020-31.12.2020	01.01.2019-31.12.2019
Gross profit on continuing operations		**17 959 858**	**8 533 505**
Adjustments by:			
Amortisation and depreciation		4 832 378	4 431 820
Gain (loss) on foreign exchange		47 217	21 931
Interest and profit sharing (dividends)		685 878	982 895
Gain (loss) on disposal of property, plant and equipment		(220 754)	103 739
Increase/decrease in provisions		57 299	53 550
Increase/decrease in inventories		(4 084 427)	(433 203)
Increase/decrease in receivables		2 446 029	(1 490 597)
Increase/decrease in liabilities		(1 512 846)	(1 134 184)
Increase/decrease in prepayments and accruals		1 696 650	4 187 100
Income tax paid	23	(1 770 339)	(1 984 276)
Other adjustments		225 867	-
Net cash from operating activities		**20 362 808**	**13 272 280**
Investing activities			
Inflows from sales of property, plant, equipment and intangible assets		380 402	5 430
Inflows from sales of financial assets		-	-
Acquisition of property, plant, equipment and intangible assets		(40 319 794)	(11 648 649)
Prepayments for fixed assets		-	10 404
Acquisition of financial assets		-	-
Net cash from investing activities		**(39 939 393)**	**(11 632 815)**
Financing activities			
Loans and borrowings		36 263 260	16 973 606
Repayment of loans and borrowings received		(20 190 313)	-
Payments under financial lease contracts		(841 184)	(706 092)
Interest paid		(689 611)	(982 895)
Dividends and other payments to shareholders		-	(11 106 809)
Other financial inflows		-	-
Other financial outflow		-	-
Repayment of subsidy from the Company Fund for Rehabilitation of Disabled Persons		-	-
Net cash from financing activities		**14 542 152**	**4 177 810**
Increase/decrease in cash and cash equivalents		(5 034 433)	5 817 276
Effect of exchange rates changes on the foreign currency cash balance		(47 217)	(21 931)
Balance-sheet increase/decrease in cash		(5 081 650)	5 795 345

Cash and cash equivalents as at 1 January		6 724 778	929 433
Cash and cash equivalents as at 31 December		1 690 344	6 724 778
Restricted access cash		1 039 800	4 195 697

STATEMENT ON CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2020

	Share capital	Share premium	Retained earnings	Total equity
Equity as at 1 January 2020	1 000 000	3 607 059	19 196 043	23 803 101
Comprehensive income	-	-	1 089 901	1 089 901
Net profit for the period	-	-	14 802 408	14 802 408
Dividend distribution to shareholders	-	-	-	-
Transfer of profit or loss from the prior period to capital	-	-	-	-
Equity as at 31 December 2020	**1 000 000**	**3 607 059**	**35 088 351**	**39 695 410**
Equity as at 1 January 2019	**1 000 000**	**3 607 059**	**23 109 832**	**27 716 890**
Comprehensive income	-	-	245 851	245 851
Net profit for the period	-	-	6 947 170	6 947 170
Dividend distribution to shareholders	-	-	(11 106 809)	(11 106 809)
Transfer of profit or loss from the prior period to capital	-	-	-	-
Equity as at 31 December 2019	**1 000 000**	**3 607 059**	**19 196 043**	**23 803 101**

ADDITIONAL INFORMATION AND EXPLANATION TO THE FINANCIAL STATEMENTS

Note 1. Property, plant and equipment

The Company presents assets classified to Group 1 and Group 2 using the revaluation model for measurement, which model is based on the fair value of assets.

The measurement is made using an appraisal report prepared by the independent expert who is a certified appraiser. The valuation is based on output data from an active market as at 31 December 2020.

The effects of the revaluation of the real properties classified into Groups "1" and "2", performed as at 31 December 2020, increased the gross carrying value of property, plant and equipment, and depreciation by PLN 1 794 643.42 and PLN 446 775.23, respectively. The increase is credited to other comprehensive income and recognized in the total amount of revaluation reserve.

	31.12.2020	31.12.2019
Buildings, structures, premises and civil engineering structures	17 399 268	16 810 379
Technical equipment and machinery	31 554 901	32 600 020
Motor vehicles	1 312 861	975 316
Other property, plant and equipment	658 409	479 069
Construction in progress	46 834 902	1 685 061
Total property, plant and equipment	**97 760 340**	**52 549 845**

The following is the gross value of fully depreciated assets that are still in use:

as at 31 December 2020	PLN 6 649 000
as at 31 December 2019	PLN 6 560 271

In line with IFRS 16, the Company recognizes in the Company's Statement of Financial Position as at 31 December 2020 the right-of-use assets and lease liabilities for lease contracts for: office and staff premises located in Środa Wielkopolska, ul. Plantaża 20; production and warehouse premises located in Kijewo; AUDI passenger car and Arval's passenger cars ; and Coemter sealing machine.

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

as at 31 December 2020	PLN 2 613 167
as at 31 December 2019	PLN 1 781 612

The following is the depreciation cost for particular groups of the assets specified herein above in 2020:

Buildings	380 687
Technical equipment and machinery	89 989
Motor vehicles	96 070
Other property, plant and equipment	24 626
Total depreciation	**591 371**

Increase/decrease in 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 2020	**16 810 379**	**32 600 020**	**975 316**	**479 069**	**1 685 061**	**52 549 845**
Increase (acquisition, construction, lease)	1 676 959	2 518 610	626 762	350 630	51 225 699	56 398 660
Decrease (disposal, retirement)(-)	-1 468 610	-943 205	-468 683	-92 346	0	-2 972 845
Revaluation to fair value (+/-)	1 794 643	0	0	0	0	1 794 643
Transfer to property, plant and equipment/acceptance for use	0	0	0	0	0	0
Depreciation (-)	-1 414 103	-2 620 523	179 465	-78 944	-6 075 859	-10 009 963
Impairment losses (-)	0	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0	0
Net currency translation profit/loss (+/-)	0	0	0	0	0	0
Net carrying value as at 31 December 2020	**17 399 268**	**31 554 901**	**1 312 861**	**658 409**	**46 834 902**	**97 760 340**

	Buildings & structures	Technical equipment & machinery	Motor vehicles	Other property, plant, and equipment	Construction in progress	Total
Net carrying value as of 01 January 2019	**10 241 739**	**28 143 526**	**522 363**	**254 635**	**4 304 668**	**43 466 931**
Increase (acquisition, construction, lease)	7 121 508	7 826 030	571 988	370 362	1 685 061	17 574 950
Decrease (disposal, retirement)(-)	-20 000	-108 836	0	-64 565	0	-193 401
Revaluation to fair value (+/-)	304 789	0	0	0	0	304 789
Transfer to property, plant and equipment/acceptance for use	0	0	0	0	-4 304 668	-4 304 668
Depreciation (-)	-837 657	-3 260 700	(119 035)	-119 035	0	4 298 756
Impairment losses (-)	0	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0	0
Net currency translation profit/loss (+/-)	0	0	0	0	0	0
Net carrying value as at 31 December 2019	**16 810 379**	**32 600 020**	**975 316**	**479 069**	**1 685 061**	**52 549 845**

The value of property, plant and equipment includes right-of-use assets with the following carrying value, for the following classes of underlying assets:

Underlying assets	31.12.2020
Buildings and structures	1 037 967
Equipment and machinery	993 563
Motor vehicles	581 637
Other property, plant and equipment	0
Total	**2 613 167**

On 22 April 2020, the Company entered into long-term rental agreement number 972/22042020 for eight passenger cars with Arval Service Lease Polska Sp. z o.o., which agreement is classified as a lease contract for balance sheet purposes. As at the balance sheet date, the Company did not revise lease terms for already existing lease contracts.

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

	Payments under lease contracts, due			
	within 1 year	between 1 to 5 years	after 5 years	total
As at 31 December 2020				
Future minimum lease payments	506 429	859 479	514 080	1 879 987
Finance costs (-)	0	0	0	0
Current value of future minimum lease payments	**506 429**	**859 479**	**514 080**	**1 879 987**

	Payments under lease contracts, due			
	within 1 year	between 1 to 5 years	after 5 years	total
As at 31 December 2019				
Future minimum lease payments	806 568	856 146	616 896	2 279 610
Finance costs (-)	0	0	0	0
Current value of future minimum lease payments	**806 568**	**856 146**	**616 896**	**2 279 610**

The Company does not recognize liabilities arising from short-term leases and leases for which the underlying asset is of low value. In addition, contingent lease payments are not included in the measurement of liabilities. In the reporting period from 1 January through 31 December 2020, the following were costs related to these items:

	from 01.01.2020 through 31.12.2020
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 2020, there was no income from sub-lease of right-of-use assets.

Impairment losses

In the accounting period from 1 January through 31 December 2020, the Company did not identify any need for recognizing impairment losses for property, plant and equipment.

Note 2. Intangible assets

Increase/decrease in intangible assets

	Trademarks, licences	Computer software	Total
Net carrying value as of 01 January 2020	**0**	**345 998**	**345 998**
Increase (acquisition, construction, lease)	0	134 377	134 377
Decrease (disposal, retirement)(-)	0	0	0
Revaluation to fair value (+/-)	0	0	0
Amortisation (-)	0	-104 513	-104 513
Impairment losses (-)	0	0	0
Reversal of impairment losses	0	0	0
Net currency translation profit/loss (+/-)	0	0	0
Net carrying value as at 31 December 2020	**0**	**375 862**	**375 862**

	Trademarks, licences	Computer software	Total
Net carrying value as of 01 January 2019	**0**	**136 333**	**136 333**
Increase (acquisition, construction, lease)	0	259 766	259 766
Decrease (disposal, retirement)(-)	0	0	0
Revaluation to fair value (+/-)	0	0	0
Amortisation (-)	0	-50 101	-50 101
Impairment losses (-)	0	0	0
Reversal of impairment losses	0	0	0
Net currency translation profit/loss (+/-)	0	0	0
Net carrying value as at 31 December 2019	**0**	**345 998**	**345 998**

Note 3. Land, including perpetual usufruct right

On 01 June 2020, the Company purchased land with the surface area of 5.2981 square metres, located in Środa Wielkopolska, ul Fabryczna, comprising plots with cadastral numbers: 3849/2, 3787/4 and 3848/1. The purchase was made in connection with the commencement of an investment project for building a manufacturing plant with internal and external technical infrastructure.

Moreover, Company uses state-owned land of 23 744 square metres, located at Środa Wielkopolska, ul. Harcerska 16.

The perpetual usufruct right was measured as at 31 December 2020, using the appraisal reports prepared by the independent experts who are certified appraisers, based on output data from the active market as at 31 December 2020. Effects of revaluation of the land and of the right of perpetual usufruct of the land made as at 31 December 2020 triggered an increase in the carrying value of fixed assets by PLN 17 688.50. The increase is presented in other comprehensive income and recognized in the revaluation reserve.

	31.12.2020	31.12.2019
Land	5 016 885	0
Perpetual usufruct right - value at acquisition cost	2 314 637	2 314 637
Increase/decrease in value (revaluation)	0	0
Book value:	**7 349 210**	**2 314 637**

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 2020	**0**	**2 314 637**	**2 314 637**
Increase (acquisition, construction, lease)	5 016 885	0	5 016 885
Decrease (disposal, retirement)(-)	0	0	0
Revaluation to fair value (+/-)	0	17 689	17 689
Amortisation/depreciation (-)	0	0	0
Impairment losses (-)	0	0	0
Reversal of impairment losses	0	0	0
Net currency translation profit/loss (+/-)	0	0	0
Net carrying value as at 31 December 2020	**5 016 885**	**2 332 326**	**7 349 210**

	Land	Right of perpetual usufruct of the land	Total
Net carrying value as of 01 January 2019	**0**	**2 314 637**	**2 314 637**
Increase (acquisition, construction, lease)	0	0	0
Decrease (disposal, retirement)(-)	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 profit/loss (+/-)	0	0	0
Net carrying value as at 31 December 2019	**0**	**2 314 637**	**2 314 637**

Note 4. Deferred tax liabilities and assets, increase/decrease for each deferred tax liability/asset type:

	As at 01.01.2020	Increase/decrease: profit or loss	Increase/decrease: other comprehensive income	as at 31.12.2020
Deferred tax liabilities	**958 994**	**62 513**	**255 656**	**1 277 163**
exchange differences from valuation of receivables	-	40 414	-	40 414
exchange differences from valuation of liabilities	8 180	(8 180)	-	-
liabilities arising from purchase bonuses	64 575	11 277	-	75 852
difference between the right of use and liability	127 320	40 684	-	168 004
difference between depreciation for balance-sheet and tax purposes: components	3 963	(3 963)	-	-
difference between depreciation for balance-sheet and tax purposes: buildings and premises	754 956	(17 719)	255 656	992 893
Deferred tax assets	**327 518**	**36 065**	**-**	**363 583**
exchange differences from valuation of receivables and cash	17 106	(8 135)	-	8 971
exchange differences from valuation of liabilities	5 213	29 170	-	34 383
unpaid remuneration and labour burdens on remuneration	78 918	10 123	-	89 041
unpaid interest and charges on liabilities arising from loans and borrowings	19 154	(12 377)	-	6 777
difference between the right of use and liability	3 543	1 146	-	4 689
other unpaid employee benefits	203 584	16 138	-	219 722
Total deferred income tax	**631 476**	**26 448**	**255 656**	**913 580**

	As at 01.01.2019	Increase/decrease: profit or loss	Increase/decrease: other comprehensive income	as at 31.12.2019
Deferred tax liabilities	**979 902**	**(20 908)**	**-**	**958 994**
exchange differences from valuation of receivables	1 924	(1 924)	-	-
exchange differences from valuation of liabilities	628	7 552	-	8 180
liabilities arising from purchase bonuses	36 697	27 878	-	64 575
difference between the right of use and liability	155 699	(28 379)	-	127 320
difference between depreciation for balance-sheet and tax purposes: components	71 109	(67 146)	-	3 963
difference between depreciation for balance-sheet and tax purposes: buildings and premises	713 845	41 111	-	754 956
Deferred tax assets	**314 380**	**13 138**	**-**	**327 518**
exchange differences from valuation of receivables and cash	3 757	13 349	-	17 106
exchange differences from valuation of liabilities	7 606	(2 393)	-	5 213
unpaid remuneration and labour burdens on remuneration	74 654	4 264	-	78 918
unpaid interest and charges on liabilities arising from loans and borrowings	14 036	5 118	-	19 154
difference between the right of use and liability	-	3 543	-	3 543
other unpaid employee benefits	214 327	(10 743)	-	203 584
Total deferred income tax	**665 522**	**(34 046)**	**-**	**631 476**

In the Statement of Financial Position, deferred tax assets and deferred tax liabilities are disclosed per account balance of both these values.

Note 5. Employee benefits payable and provision for employee benefits

	31.12.2020	31.12.2019
Provision for employee benefits	**1 156 439**	**1 071 495**
including: non-current	615 071	557 772
current	541 369	513 723

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

	as at 01.01.2019	decrease	increase	as at 31.12.2020
Provisions for employee benefits	***1 071 495***	***1 071 495***	***1 156 439***	***1 156 439***
for accrued holiday entitlement	*513 723*	*513 723*	*541 369*	*541 369*
for retirement gratuities	*175 072*	*175 072*	*202 277*	*202 277*
for service anniversary awards	*382 700*	*382 700*	*412 793*	*412 793*

Note 6. Inventories

The inventories include raw materials and other consumables (52.1%), commodities (0.5%), and work in progress and finished products (47.3%).

	31.12.2020	31.12.2019
Materials	9 194 156	6 708 018
Commodities	98 045	311 514
Finished products	5 980 677	4 443 776
Work in progress	2 558 369	2 283 512
	17 831 247	**13 746 820**

As at 31 December 2020 and 31 December 2019, the Company's inventories were not pledged by the Company to secure its liabilities.

6.1. 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 132 446.12 and PLN 84 610.60 in the periods from 1 January through 31 December 2020 and from 1 January through 31 December 2019, respectively.

Note 7. Trade and other receivables

	31.12.2020	31.12.2019
Trade accounts receivable from related entities	4 131 944	11 051 332
Trade accounts receivable from other entities	11 306 538	10 568 069
Allowances for receivables	(51 583)	(93 813)
Other receivables	43 366	6 700
VAT receivable	4 189 586	533 593
Total accounts receivable from other entities	**15 487 908**	**11 014 548**

Trade receivables are recognised at originally invoiced amounts. Receivables are usually due within 30, 45 or 60 days (for clients from the Group). Allowances for receivables are made based on individual assessment of probability of receiving payment.

7.1. Allowances for receivables

The Company carries out a revaluation 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 customers who are in arrears with payment for commodities they received.

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

In the period under review, the Company partly reversed the allowance for receivables following the acceptance of penalties for the failure to deliver after the change in the product range in the prior year.

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

	1.01.2020-31.12.2020	1.01.2019-31.12.2019
Allowances for receivables as at the beginning of the period	**93 813**	**44 954**
Creation of allowances	0	86 359
Reversal of allowances	(42 231)	(37 500)
Allowances for receivables as at the end of the period	**51 583**	**93 813**

7.3. 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 2020	1 555 930	401 222	40 896	1 086	97 093
31 December 2019	4 734 158	125 014	0	111 467	0

7.4. Currency structure of current trade receivables

	31.12.2020	31.12.2019
Receivables in local currency	8 364 338	16 279 247
Receivables in foreign currencies	7 074 144	5 340 154
	15 438 482	21 619 401

	31.12.2020	31.12.2019
Receivables in EUR	7 074 144	5 340 154
Receivables in USD	0	0
	7 074 144	5 340 154

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 2020	938 229	1 111 851
for the period from 1 January through 31 December 2019	373 881	402 302

Note 8. Other assets, equity and liabilities

Prepayments and accrued income - assets	**31.12.2020**	**31.12.2019**
Insurance	13 597	7 900
Annual service fee of Exact	33 100	28 569
Spare parts	20 801	0
Other	67 389	51 502
VAT to be settled	104 709	183 024
	239 597	**270 996**

Accruals and deferred income - liabilities	**31.12.2020**	**31.12.2019**
Deferred income		
Subsidies to finance fixed assets	225 624	226 657
Advance payments and sales to be settled in next periods	249 269	0
other accruals and deferred income	15 599 580	4 347 577
including: settlement of finance cost	*4 836*	*69 633*
subsidy POIR.01.01.01-00-03/0379/19 - advance payments to be settled	*14 625 939*	*4 160 123*
subsidy POIR.01.01.01-00-0783/19 - advance payments to be settled	*959 355*	*0*
	16 074 472	**4 574 234**

Deferred income	31.12.2020	31.12.2019
non-current	10 177 811	173 830
Current	5 896 661	4 400 404
	16 074 472	4 574 234

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, with 10% financial support for energy efficiency, for the total amount of EUR 107 165 (PLN 453 171.94) for three sealing machines, of which the revenue of PLN 86 110.45 remained unsettled as at 31 December 2020. 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 139 513.20 remained unsettled as at 31 December 2020.

Pursuant to the agreement of 27 September 2019, as part of project number POIR.01.01.-00-03/0379/19 subsidized by the National Centre for Research and Development, the Company received a 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. Since the launch of the project until 31 December 2020, the Company received funds in the total amount of PLN 17 553 799.16 from the National Centre for Research and Development. Pursuant to the financial support agreement, the Company is entitled to receive PLN 15 696 021.25 in advance payments during the industrial research phase. Therefore, the total of advance payments received to that date and being the basis for calculating revenue to be settled as at 31 December 2020 was reduced by PLN 1 857 777.91. This amount will be included for calculation of the revenue to be settled during the development phase. As at 31 December 2020, the eligible cost subject to a refund by 31 December 2020 was PLN 2 887 983.48. The Company calculates its revenue from the subsidy based on project progress.

Pursuant to agreement number POIR.01.01.01-00.0783/19 of 16 April 2020, the Company received yet another 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. For development work, the eligible cost is PLN 3 105 625.00, including PLN 1 242 250.00 in subsidy. Until 31 December 2020, the Company received the advance payment of PLN 1 000 000.00 as part of the project, including the eligible cost of PLN 40 645.41 subject to a refund as at the balance sheet date. The Company calculates its revenue from the subsidy based on project progress.

Note 9. Transactions with related entities

Sales to:	Gain on operating activities 01.01.2020-31.12.2020	Gain on operating activities 01.01.2019-31.12.2019
Parent	23 823 838	27 818 300
Other related entities	24 959 749	21 032 118
Total	**48 783 587**	**48 850 418**

Sales to:	Receivables 01.01.2020-31.12.2020	Receivables 01.01.2019-31.12.2019
Parent	694 725	7 788 415
Other related entities	3 437 219	3 262 917
Total	**4 131 944**	**11 051 332**

Purchase from:	Purchase (costs, assets) 01.01.2020-31.12.2020	Purchase (costs, assets) 01.01.2019-31.12.2019
Parent	5 108 746	158 421
Other related entities	710 818	4 513 009
Total	**5 819 563**	**4 671 429**

Purchase from:	Liabilities 01.01.2020-31.12.2020	Liabilities 01.01.2019-31.12.2019
Parent	30 830	38 964
Other related entities	210 434	348 156
Total	**241 264**	**387 120**

	31.12.2020		31.12.2019	
Loans advanced to:	Advanced in the period	Accumulated balance	Advanced in the period	Accumulated balance
Parent	0	0	0	0
Subsidiary	0	0	0	0
Associated entity	0	0	0	0
Joint venture	0	0	0	0
Other related entities	0	0	0	0
Total	0	0	0	0

Loans received from:	31.12.2020 Received in the period	31.12.2020 Accumulated balance	31.12.2019 Received in the period	31.12.2019 Accumulated balance
Parent	15 000 000	33 000 000	4 500 000	18 000 000
Subsidiary	0	0	0	0
Associated entity	0	0	0	0
Joint venture	0	0	0	0
Other related entities	0	0	0	0
Total	**15 000 000**	**33 000 000**	**4 500 000**	**18 000 000**

Note 10. Cash and cash equivalents

Cash	31.12.2020	31.12.2019
in hand	6 243	22 650
at banks	644 301	2 506 431
deposited on the account of the Company Employee Benefit Fund	39 800	12 850
deposited on the account for project no. POIR.01.01-00-03/0379/19	0	4 182 846
deposited on the account for project no. POIR.01.01-00-0783/19	1 000 000	0
	1 690 344	**6 724 778**
in local currency	1 294 884	4 437 275
in foreign currencies	395 460	2 287 503
	1 690 344	6 724 778
Cash in EUR	75 810	532 601
Cash in USD	12 136	5 114

Excepts funds deposited on the accounts of the Company Employee Benefit Fund and on the subsidy account, the Company has no other restricted access funds. 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 SA, BNP Paribas SA, and Bank Millennium SA.

Note 11. Share capital

As at 31 December 2020, the share capital of Polipak Sp. z o.o. was PLN 1 000 000.00 and comprised:

8 000 shares of PLN 100 each, held by Sarantis Polska S.A. of Piaseczno	800 000
2 000 shares held by GNI Investments Grzegorz Nowak spółka jawna of Poznań	200 000
	1 000 000

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.

	31.12.2020	31.12.2019
	3 607 059	3 607 059

Retained earnings include the following items:

Retained earnings	31.12.2020	31.12.2019
supplementary capital	8 369 960	1 422 790
reserve capital	7 537 000	7 537 000
revaluation reserve	4 378 983	3 289 083
net profit	14 802 408	6 947 170
undistributed profit of prior years	0	0
Total retained earnings	**35 088 351**	**19 196 043**

The revaluation reserve was PLN 4 378 983.36 as at the 31 December 2020, and included:

	31.12.2020	31.12.2019
Revaluation of property, plant and equipment	1 345 557	303 520
Deferred tax liability relating to revaluation of fixed assets, on items not transferred to profit or loss	(255 656)	(57 669)
	1 089 901	**245 851**

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.
The revaluation was performed as at the balance sheet date, based on the appraisal reports prepared by independent real estate appraisers of Kancelaria Lis, Mizera i Wspólnicy Sp. z o.o. of Poznań and the independent real estate appraiser Ms. Ewa Borkowska-Karwowska of Warsaw as at 31 December 2020.

The carrying amount of all assets increased as a result of the revaluation, and the surplus resulting from the revaluation is posted off directly to other comprehensive income and disclosed in the total amount in the revaluation reserve. The difference between the carrying amount of revalued assets and the value of the same for tax purposes constitutes a temporary difference; the deferred tax liability is recognised in other comprehensive income.

In the event that a revalued plant, property or equipment is sold, an effectively realised portion of revaluation reserve associated with an asset is posted off 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 2020, the reserve capital was PLN 7 537 000.00.

Supplementary capital

The Company was creating its supplementary capital as decided by the Meeting of Shareholders, from a portion of its profit, and was accumulating such supplementary capital for years. On 18 August 2020, the Ordinary Meeting of Shareholders adopted its resolution on the distribution and allocation of 2019 profit, allocating that profit in its entirety to the Company's reserve capital. As at 31 December 2020, the Company's reserve capital was PLN 8 369 960.17

Note 12. Proposed distribution of the Company's profit for 2020

On 20 June 2020, the Extraordinary Meeting of Shareholders adopted a resolution amending the Articles of Association as far as profit distribution is concerned. By the resolution, 2019-2022 profits shall not be allocated for distribution and shall not be distributed to shareholders in dividends. 2019-2022 profits shall be transferred to the supplementary or reserve capital upon an end of a relevant financial years, and then distributed and paid out in full to the Company's shareholders in proportion to shares held by the shareholders, not later than on 30 June 2023.

Note 13. Financial liabilities

13.1. Loans and borrowings payable

	31.12.2019	31.12.2019
loan for day-to-day purposes - Sarantis Polska	3 000 000	3 000 0000
investment loan - Sarantis Polska	30 000 000	15 000 0000
overdraft facility - BNP Paribas SA	4 721 309	13 753 946
overdraft facility - Bank Millennium SA	3 610 205	14 767 882
investment credit facility - BNP Paribas SA	21 263 260	0
	62 594 775	**46 521 828**

	31.12.20202	31.12.2019
non-current liabilities	54 263 260	18 000 000
current liabilities	8 331 515	28 521 828
	62 594 775	**46 521 828**

	31.12.2020	31.12.2019
in local currency	62 594 775	46 521 828
in foreign currencies (EUR)	0	0
	62 594 775	**46 521 828**

13.2. Loans payable to related entities

	31.12.2020	31.12.2019
Sarantis Polska SA - loan for current operations	3 000 000	3 000 000
Sarantis Polska SA – investment loan	30 000 000	15 500 000
	33 000 000	**18 500 000**

The following are liabilities as at 31 December, arising from the loan granted by Sarantis Polska SA:

31.12.2020	31.12.2019
30 830	38 678

As at 31 December 2019, the Company had loans provided by the followings banks:

1. BNP Paribas SA
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 current operations. By Annex No. 4 of 19 July 2019, the limit has been changed to USD 5 500 000.00.

The liability arising from the facility is PLN 4 721 309.46 as at 31 December 2020. By Annex No. 5 of 28 October 2020, the facility has become available until 26 October 2021.

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 3M plus bank margin of 0.95 pp per annum for the EUR and USD portion.

Pursuant to Annex no. 3, the line is secured with:
- unconditional, irrevocable corporate guarantee up to USD 11 000 000.00, issued by Gr. Sarantis and payable on each and every demand;
- Borrower's statement on submission to collection proceedings under Article 777 up to USD 11 000 000,00;
- Sarantis Polska's statement on submission to collection proceedings under Article 777 up to USD 11 000 000,00.

2. BNP Paribas 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 construction of a production facility with an accompanying administrative back-office and necessary infrastructure on plots of land with cadastral numbers 3849/2, 3787/4 and 3848/1, 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 is made available in a series of tranches, and is 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 do work which constitutes the purpose of the credit facility.
The credit facility remains available for 64 months of the agreement date. The principal amount will be repaid in quarterly instalments of PLN 3 125 000.000 plus interest, over the period of 4 years,

starting with the first quarter of 2022. At the end of the period of financing, there will be a balloon payment of PLN 25 000 000.00 to be made.

The credit facility carries a variable interest rate of WIBOR 3M plus bank margin of 1.65 pp. The Company paid the front-end-fee of PLN 187 500.00 for the credit facility. Other costs include the commitment fee of 0.1 pp per annum on an unused portion of the credit facility, and an administrative charge of 0.025 pp payable on a quarterly basis. Polipak is released from an earlier repayment charge.

The credit facility is secured with:

- unconditional, irrevocable corporate guarantee of PLN 82 500 000.00, issued by Gr. Sarantis and payable on each and every demand;
- unconditional, irrevocable corporate guarantee PLN 82 500 000.00, issued by Sarantis Polska S.A. and payable on each and every demand;
- Borrower's statement on submission to collection proceedings under Article 777 up to PLN 82 500 000.00;
- Sarantis Polska's statement on submission to collection proceedings under Article 777 up to PLN 82 500 000.00.

The liability arising from the credit facility is PLN 21 263 260.06 as at 31 December 2020.

3. 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 current operations.

By Annex no. A1/12040/18/M/04 of 14 June 2019, the limit has been changed and the global limit of PLN 20 000 000.00 with the overdraft sublimit of PLN 18 000 000.00 has been 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. 4A/12040/18/M/04, the facility has become available until 12 January 2023. The liability arising from the facility is PLN 3 610 205.43 as at 31 December 2020.

3. Sarantis Polska S.A of Piaseczno

The Company utilizes the loan granted by Sarantis Polska S.A. under the following three 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 under review the loan of PLN 3

000 000.00 to finance current 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 current and investing business 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 current and investing business activities. The loan repayment deadline is 31 December 2026;

The total liability arising from the loans above is PLN 33 000 000.00 as at 31 December 2020.

The Lender is entitled to charge interest on the loans at a variable rate of WIBOR 1M plus margin of 0.9 pp per annum, accruing at the end of each month and due by the 10th day of the following month.
In 2020, total interest on the open loans was PLN 336 041.94.

13.3. Lease

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

- real property located in Środa Wielkopolska, ul. Plantaża 20, comprising the office and staff premises with the total area of 240 square metres. The agreement provides for the payment of PLN 11 056.00, including the rental fee of PLN 8 568.00 and the charge of PLN 2 488.00 for utilities. The agreement has been made for a definite term until 31 December 2030.

- real property located in Kijewo, comprising the production and storage facility with the total area of 2 132 square metres. The agreement provides for the monthly payment of PLN 24 871.68.

- AUDI passenger car under the finance lease contract of 16 August 2019, with the term until 16 August 2023, and a buyout option. The monthly payment is PLN 2 687.30.

- Coemter sealing machine under the 6-year finance lease contract of 29 January 2015 with a buyout option.

- eight 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:	**31.12.2020**	**31.12.2019**
Liabilities due within 1 year	506 429	806 568
Liabilities due between 1 to 5 years	859 479	856 146
Liabilities due after5 years	514 080	616 896
	1 879 987	**2 279 610**

Net current value:	**31.12.2020**	**31.12.2019**
Liabilities due within 1 year	490 302	765 655
Liabilities due between 1 to 5 years	779 529	862 572
Liabilities due after 5 years	483 782	499 509
	1 753 613	**2 127 736**

The total cost of interest on lease and rental liabilities was PLN 51 003.44 on 2020.

Note 14. 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 31.12.2020						
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	15 430 265	0	0	0	0	15 430 265
Loans	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
Cash and cash equivalents	1 690 344	0	0	0	0	1 690 344
Total financial asset categories	**17 120 610**	**0**	**0**	**0**	**0**	**17 120 610**

Financial asset class	Financial instrument categories as per IFRS 9					Total
	MAC	MFV-CI	MFV-PL	CIMFV-CI	HI	
As at 31.12.2019						
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	21 532 287	0	0	0	0	21 532 287
Loans	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
Cash and cash equivalents	6 724 778	0	0	0	0	6 724 778
Total financial asset categories	**28 257 065**	**0**	**0**	**0**	**0**	**28 257 065**

The value of financial liabilities presented in the consolidated 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 31.12.2020						
Non-current liabilities:						
Loans, borrowings, and other derivative financial instruments	0	0	0	0	0	**0**
Other liabilities	33 000 000	0	0	0	0	**33 000 000**
Current liabilities:						
Trade and other payables	18 797 630	0	0	0	0	**18 797 630**
Loans, borrowings, and other debt instruments	8 362 345	0	0	0	0	**8 362 345**
Derivative financial instruments	0	0	0	0	0	**0**
Total financial liability categories	**60 159 975**	**0**	**0**	**0**	**0**	**60 159 975**

Financial liability class	Financial instrument categories as per IFRS 9					Total
	MAC	MFV-PL	FGC	CC-BC	HI	
As at 31.12.2019						
Non-current liabilities:						
Loans, borrowings, and other derivative financial instruments	18 000 000	0	0	0	0	**18 800 000**
Other liabilities	0	0	0	0	0	**0**
Current liabilities:						
Trade and other payables	16 850 099	0	0	0	0	**16 850 099**
Loans, borrowings, and other debt instruments	28 560 506	0	0	0	0	**28 560 506**
Derivative financial instruments	0	0	0	0	0	**0**
Total financial liability categories	**63 410 605**	**0**	**0**	**0**	**0**	**63 410 605**

Note 15. Current trade and other payables

	31.12.2020	31.12.2019
Trade accounts payables to related entities	26 512	286
Other payables to related entities	192 831	164 768
Total current payables to related entities	**219 343**	**165 054**
Trade and other payables	19 471 387	17 626 445
including: VAT payable	0	-
personal income tax	*188 008*	*161 650*
Social Security Office	*877 945*	*765 804*
Special funds	*40 799*	*13 945*
Total current payables to other entities	**19 471 387**	**17 626 445**

Trade payables bear no interest and are settled within various deadlines. Trade payables relating to raw materials such as granules, reprocessed granules, colorants and additives, cardboard boxes, 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 debit note, within a relevant deadline.

Personal income tax payables are those resulting from tax returns for December 2020, while the Social Security Office liabilities are relating to statements for December 2020 and January 2021.

Currency structure of current trade payables

	31.12.2020	31.12.2019
Local currency payables	13 615 297	8 361 759
Foreign currency payables	4 992 935	8 216 230
	18 608 232	16 577 989

	31.12.2020	31.12.2019
Payables in EUR	4 992 935	8 216 230
Payables in USD	0	0

Note 15.1 - Current income tax payable

	31.12.2020	31.12.2019
income tax	2 033 852	673 382
including: corporate income tax	*2 033 852*	*673 382*

Note 15.2 - Current employee benefits payable

	31.12.2020	31.12.2019
employee benefits	1 464 118	1 299 440
including: current provisions for other payables arising from accrued holiday entitlement	*541 369*	*513 723*

Note 16. 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 98.5% 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.

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
Revenue from sales of products	146 585 296	135 524 544
Revenue from sales of services	8 023	12 148
Revenue from sales of commodities and materials	2 198 989	3 594 617
	148 792 307	**139 131 309**
Domestic sales revenue	53 281 334	57 205 354
Foreign sales revenue	95 510 974	81 925 954
	148 792 302	**139 131 309**

As far as revenue from sales of products is concerned, the following table shows a structure of clients that represent 10% or more of the Company's total revenue:

Client	2020		2019	
	PLN	%	PLN	%
Sarantis PL	23 827 448	16.01	27 814 134	19.99
Lidl PL	18 952 888	12.74	16 917 063	12.16
GR Sarantis	15 369 834	10.33	0	0

Note 17. Other operating income

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
Gains on disposal of assets:	**167 485**	**0**
gain on the sale of fixed assets	167 485	0
Subsidies	**3 401 644**	**457 372**
wage and salary subsidies	413 981	364 669
settlement of revenue for project no. POIR.01.01.01-00-03/0379/19	2 887 983	39 877
settlement of revenue for project no. POIR.01.01.01-00-0783/19	40 645	0
depreciation of fixed assets in the part financed with the subsidy, energy efficiency support	59 034	52 827
Other operating income	**288 873**	**180 447**
bonuses on purchases	0	0
reversal of allowances for receivables	42 231	0
other	246 642	180 447
Attributable to continuing operations	**3 858 002**	**637 820**
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 relating to fixed assets.

Note 18. Other operating expenses

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
Loss on disposal of assets:	**0**	**103 739**
loss on the sale of fixed assets	0	103 739
Other operating expenses	**286 810**	**337 411**
donations	53 964	10 224
bad debt written off	0	0
allowance for receivables	0	86 359
other	232 846	240 828
Attributable to continuing operations	**286 810**	**441 150**
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 and inventories, as well as impairment losses.

Note 19. Finance income

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
Interest income	**115**	**257**
interest on bank deposits	115	257
Other finance income	**13 062**	**339**
gain on exchange differences	0	0
allowances for interest receivable, reversed	0	0
other	13 062	339
Attributable to continuing operations	**13 178**	**596**
Attributable to discontinued operations	**0**	**0**

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

Note 20. Finance cost

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
Interest expense	**737 427**	**1 052 870**
interest on loans, including overdraft facilities	685 878	992 449
lease interest	51 003	60 116
interest on liabilities	546	305
Other finance cost	**364 441**	**401 028**
loss on exchange differences	109 258	36 699
bank fees and charges	97 792	59 573
cost of sureties and bank guarantees	156 075	237 135
other	1 316	67 620
Attributable to continuing operations	**1 101 869**	**1 453 898**
Attributable to discontinued operations	0	0

Finance cost includes costs arising from the use of external sources of finance, 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 losses on exchange differences.

Note 21. 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 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 temporary tax 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. Under 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 burden for the years ended 31 December 2020 and 31 December 2019:

	Period ending 31.12.2020	**Period ending 31.12.2019**
Current income tax	3 416 321	1 678 050
Income tax – amended tax returns filed in the current period	(285 319)	0
Origination/reversal of temporary differences	26 448	(91 715)
Income tax disclosed in comprehensive income	**3 157 450**	**1 586 335**

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

	Period ending 31.12.2020	**Period ending 31.12.2019**
Financial result before tax	17 980 637	8 533 505
Tax at a rate of 19% applicable in Poland	3 416 321	1 678 050
Tax effect of non-deductible costs and non-taxable income	26 448	(91 715)
Current tax liability	3 442 769	1 586 335
Effective tax rate	19.15%	18.59%

22. Contingent liabilities

A contingent liability is understood to mean a possible obligation to perform, which arises from certain events.

As at 31 December 2020, the Company had no contingent liabilities.

23. Tax settlements

Laws governing value added tax, corporate income tax, individual income tax, or social security 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 settlements may be audited by relevant agencies authorised to impose penalties, and any additional amounts due established through such controls have to be paid along with high interest thereon. These phenomena make tax exposure in Poland higher than in countries that enjoy more developed tax systems.

Tax settlements 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 existing tax settlements may be questioned and increased by an additional tax liability.

24. Financial risk management

The Company is exposed to the following risk pertaining to financial instruments:

- market risk comprising currency risk and interest rate risk
- credit risk
- liquidity 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 entered into 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 2020	EUR	USD		
Financial assets (+)				
Loans Trade receivables and other financial receivables Other financial assets	3 004 120	-	6 842 501	7 055 206
Cash and cash equivalents	75 810	12 136	442 677	395 460
Financial liabilities (-)				
Loans and borrowings Lease liabilities Trade payables and other financial liabilities	(1 063 277)	-	(4 819 22)	(4 949 543)
Total currency risk exposure	**2 016 654**	**12 136**	**2 465 956**	**2 501 123**

As at 31 December 2019	Value in foreign currency		Before translation	After translation
	EUR	USD		
Financial assets (+)				
Loans	-	-	-	-
Trade receivables and other financial receivables	1 253 999	-	5 375 219	5 340 154
Other financial assets	-	-	-	-
Cash and cash equivalents	536 427	5 114	2 358 766	2 303 799
Financial liabilities (-)				
Loans and borrowings	-	-	-	-
Lease liabilities	(101 656)	-	(405 471)	(432 904)
Trade payables and other financial liabilities	(1 929 372)	-	(8 259 294)	(8 216 230)
Total currency risk exposure	**(240 602)**	**5 114**	**(930 780)**	**(1 005 181)**

Credit risk

The Board of Directors applies the credit policy, under which the Board monitors its 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 2020, the balance of the allowance for receivables was PLN 51 582.83. The amount of PLN 7 454.17 relates to "Piotr i Paweł Sp. z o.o." which is subject to reorganization proceedings. The amount constitutes 10% of the receivables as at the date of announcing the reorganisation proceedings, and represents Polipak's down payment under the insurance contract. The amount of PLN 44 128.66 relates to Lidl BG, CZ, HU, SK, and HR which are subject to preliminary investigation.

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 most significant 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 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.

25. Employment structure

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

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
White-collar workers	57	56
Blue-collar workers	152	148
Total FTE	209	204
Workers engaged under contracts of mandate	7	3
Workers engaged by the Employment Agency	133	139
Number of workers hired	33	29
Number of workers terminated	29	33

26. Remuneration for the Board of Directors

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
under the contract of employment	532 861	547 673
under the appointment agreement	200 496	165 336
	733 357	713 009

Note 27. Other information

Emerging in late 2019, the coronavirus spread globally, with its adverse impact on all and any aspects of life gaining momentum in the early months of 2020.

So far, the Company's Management has not identified any noticeable impact on the Company's sales or supply chain. The Company has stocks of raw materials and any slight supply-chain disruptions should not have any adverse impact on the Company's revenue levels. Therefore, no need arose to reduce production levels during the reporting period. The Company experienced no difficulty in recovering debts or timely settling its liabilities. According to the Management, the pandemic will continue to have no impact on the Company's liquidity, especially because the Company's major suppliers and recipients have not been affected. In addition, the Company did not experience any loss of selling markets, and even saw increased demand for its products.

The Management is monitoring the potential impact of the pandemics on the Company's operations on a day-to-day basis and takes all and any steps to mitigate any potential adverse effects on the Company. Uncertainty relating to the pandemic in Poland and globally resulted in a number of organisational measures having been taken to accommodate legal and regulatory factors, these being primarily connected with movement restrictions and tighter health rules.

As a result of high levels of sickness absence, in particular among production workers, it was necessary to increase spending on the employment agency to quickly find replacement staff.

As at the date of these Financial Statements, the COVID pandemic has had no impact whatsoever on the Company's continuing as a going concern.

28. Post-balance sheet events

There was no post-balance sheet event occurring in the Company.

Środa Wielkopolska

Person responsible for preparation of Financial Statement:
Patrycja Prusakiewicz-Błaszczuk – Finance Manager

Podpis jest prawidłowy

Dokument podpisany przez Patrycja Prusakiewicz-Błaszczuk
Data: 2021.03.29 14:34:14 CEST

Board of Directors:

Artur Gwardiak - President of the Board of Directors

Signed by / Podpisano przez:

Artur Gwardiak

Date / Data: 2021-03-30 09:31

Justyna Nowak-Gajek - Vice President

Signed by / Podpisano przez:

Justyna Marta Nowak-Gajek

Date / Data: 2021-03-30 23:06

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Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of "Polipak" Sp. z o.o.

Opinion

We have audited the annual financial statements of "Polipak" Sp. z o.o. (the Company) with its registered office in Środa Wielkopolska, 16 Harcerska Street, which comprise the statement of financial position as of December 31, 2020, statement of comprehensive income, statement of cash flows, statement of changes in equity for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2020 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of properly maintained books of account,
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

Basis for Opinion

We conducted our audit in accordance with:

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2020, item 1415) (the Act on Statutory Auditors) and
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended.

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our report.
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence*

Standards) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management Board for the Annual Financial Statements

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained books of account, of these annual financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Company's articles of association. The Management Board of the Company is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2021, item 217, as amended) (the Accounting Act), the Management Board of the Company is obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Company.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to

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- events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Other Information including the Report on the Company's operations

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2020. The Management Board of the Company is responsible for the preparation of the Report on the Company's operations in accordance with the Accounting Act and other legal regulations. The Management Board of the Company is obliged to assure compliance of the Report on the Company's operations with the requirements of the Accounting Act.

Our opinion on the annual financial statements does not cover the Report on the Company's operations and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual financial statements, our responsibility is to read the Report on the Company's operations and, in doing so, consider whether it is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Report on the Company's operations, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Company's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual financial statements.

In our opinion, the Report on the Company's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 of the Accounting Act, and information included therein is consistent with the accompanying annual financial statements. Moreover, taking into account our knowledge of the Company and its environment obtained during the audit of the annual financial statements, we state that we have not identified any material misstatements in the Report on the Company's operations.

Ziemowit Zakościelny

Statutory Auditor No. 12532
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, March 31, 2021

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.

