

FINANCIAL SUPERVISION COMMISSION

Annual report RR 2022

(pursuant to § 60 section 1 item 3 of the Regulation on current and periodic information)
for issuers of securities engaged in manufacturing, construction, trade or service activities

for the financial year 2022 covering the period from 2022-01-01 to 2022-12-31
containing condensed IFRS/IAS financial statements in PLN currency
transmission date: 2023-04-07

NOVITA S.A. (full name of the issuer)	
NOVITA (abbreviated name of issuer)	light industry (sector according to Warsaw Stock Exchange classification / industry)
65-722 (postcode)	Zielona Góra (town/city)
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929-009-40-94 (NIP)	970307115 (REGON)

SELECTED FINANCIAL DATA	in PLN k		in EUR k	
	2022	2021	2022	2021
I. Net revenue from the sale of products, goods and materials	248 849	221 425	53 079	48 372
II. EBITDA (operating profit/loss + depreciation and amortisation)	33 067	66 814	7 053	14 596
III. Profit/loss on sale	51 702	83 859	11 028	18 320
IV. Operating profit (EBIT)	28 325	61 713	6 042	13 482
V. Gross profit	25 567	61 038	5 453	13 334
VI. Net profit on continuing operations	21 369	49 759	4 558	10 870
VII. Net cash flows from operating activity	14 294	54 042	3 049	11 806
VIII. Net cash flows from investment activity	(1 688)	(842)	(360)	(184)
IX. Net cash flows from financial activity	(10 734)	(48 003)	(2 290)	(10 487)
X. Total net cash flows	1 872	5 197	399	1 135
XI. Number of ordinary shares of the Company for the purpose of calculating earnings per share	2 500 000	2 500 000	2 500 000	2 500 000
XII. Earnings per share	8,55	19,90	1,82	4,35
XIII. Number of diluted shares of the Company for the purpose of calculating earnings per share	2 500 000	2 500 000	2 500 000	2 500 000
XIV. Diluted earnings per share	8,55	19,90	1,82	4,35
XV. Total assets	186 748	196 012	39 819	42 617
XVI. Liabilities	39 492	70 136	8 421	15 249
XVII. Long-term liabilities	15 043	13 711	3 208	2 981
XVIII. Short-term liabilities	24 449	56 425	5 213	12 268
XIX. Equity	147 256	125 876	31 399	27 368
XX. Share capital	5 000	5 000	1 066	1 087
XXI. Number of shares	2 500 000	2 500 000	2 500 000	2 500 000
XXII. Book value per share	58,90	50,35	12,56	10,95

The balance-sheet items in the table "Selected financial data" as at 31 December 2022 were converted according to the average EUR exchange rate of the National Bank of Poland (NBP) for that date, i.e.: EUR 1 = PLN 4.6899. The items from the statement of comprehensive income and the cash flow statement as shown in the table "Selected financial data" for 2022 were converted to EUR according to the exchange rate of EUR 1 = PLN 4.6883 (this is the mean value of the average NBP rates of the last days of the 12 months of 2022).

The balance-sheet items in the table "Selected financial data" as at 31 December 2021 were converted according to the average EUR exchange rate of the National Bank of Poland (NBP) for that date, i.e.: EUR 1 = PLN 4.5994.

The items from the statement of comprehensive income and the cash flow statement as shown in the table “Selected financial data” for 2021 were converted to EUR according to the exchange rate of EUR 1 = PLN 4.5775 (this is the mean value of the average NBP rates of the last days of the 12 months of 2021).

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File	Description
NOVITA_SA_-_List_do_Akcjonariuszy_2022.xhtml	Letter to the Shareholders of NOVITA S.A.
NOVITA_SA_-_Sprawozdanie_finansowe_2022.xhtml	Separate financial statements for the 2022
NOVITA_SA_-_Sprawozdanie_finansowe_2022.xhtml.xades	Separate financial statements for the 2022 - signatures
NOVITA_SA_-_Sprawozdanie_z_dzialalnosci_Emitenta_za_2022.xhtml	Report of activity of the Issuer for the 2022
NOVITA_SA_-_Sprawozdanie_z_dzialalnosci_Emitenta_za_2022.xhtml.xades	Report of activity of the Issuer for the 2022 - signatures
NOVITA_SA_-_Informacja_Zarzadu.xhtml	Information from the Management Board
NOVITA_SA_-_Sprawozdanie_bieglego_rewidenta_2022.xhtml	Auditor's report
NOVITA_SA_-_Sprawozdanie_bieglego_rewidenta_2022.xhtml.xades	Auditor's report - signatures
NOVITA_SA_-_Ocena_Rady_Nadzorczej_Sprawozdania_rocznego_2022.xhtml	Evaluation of the Supervisory Board of the Annual Report 2022
NOVITA_SA_-_Oswiadczenie_Rady_Nadzorczej_dotyczace_Komitetu_Audytu.xhtml	Statement of the Supervisory Board regarding the Audit Committee

Letter to the Shareholders of NOVITA S.A.

***Dear Shareholders,
Dear Sirs,***

On behalf of the Management Board of Novita S.A. I am submitting to you the financial statements for 2022. In this period, the company generated sales revenues of PLN 248.8 million, EBITDA of PLN 33.1 million and net profit of PLN 21.4 million.

The past year has undoubtedly been a period of exceptionally great challenges, especially for companies with high cost exposure to energy factors. The increase in gas and electricity prices by several hundred percent completely changed the conditions for doing business. In addition, it was accompanied by significant fluctuations in the prices of textile raw materials and high uncertainty as to the possibility of predicting future trends.

The outbreak of war in Ukraine not only destabilized the market of energy factors and raw materials, but also contributed to a significant reduction of the Company's operations on the markets of Eastern Europe.

Despite such an unfavorable macroeconomic and industry environment, Novita once again achieved a record level of sales revenues and profitability parameters that were satisfactory under these circumstances.

The beginning of 2023 brought symptoms of the previously anticipated economic slowdown. The high level of inflation and the uncertainty of the development of the economic situation among both entrepreneurs and consumers increased caution in making purchasing decisions.

The company carefully monitors the changes taking place in the environment and is prepared to introduce adequate operational and investment activities, bearing in mind the further dynamic development of the company.

On behalf of the Management Board, I would like to thank the Shareholders, Employees and all business partners for their commitment and constructive cooperation in the past year.

***Sincerely,
Radostaw Muzioł***

*President of the Management Board, General Director
Novita S.A.*





“NOVITA” S.A.

Separate financial statements
for the year ended 31 December 2022



ZIELONA GÓRA, 30 MARCH 2023

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SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA	in PLN k		in EUR k	
	period from 01.01.2022 to 31.12.2022	period from 01.01.2021 to 31.12.2021	period from 01.01.2022 to 31.12.2022	period from 01.01.2021 to 31.12.2021
Net revenue from the sale of products, goods and materials	248 849	221 425	53 079	48 372
EBITDA (operating profit/loss + depreciation and amortisation)	33 067	66 814	7 053	14 596
Profit/loss on sale	51 702	83 859	11 028	18 320
Operating profit (EBIT)	28 325	61 713	6 042	13 482
Gross profit	25 567	61 038	5 453	13 334
Net profit on continuing operations	21 369	49 759	4 558	10 870
Net cash flows from operating activity	14 294	54 042	3 049	11 806
Net cash flows from investment activity	(1 688)	(842)	(360)	(184)
Net cash flows from financial activity	(10 734)	(48 003)	(2 290)	(10 487)
Total net cash flows	1 872	5 197	399	1 135
Number of ordinary shares of the Company for the purpose of calculating earnings per share	2 500 000	2 500 000	2 500 000	2 500 000
Earnings per share	8,55	19,90	1,82	4,35
Number of diluted shares of the Company for the purpose of calculating earnings per share	2 500 000	2 500 000	2 500 000	2 500 000
Diluted earnings per share	8,55	19,90	1,82	4,35
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Total assets	186 748	196 012	39 819	42 617
Liabilities	39 492	70 136	8 421	15 249
Long-term liabilities	15 043	13 711	3 208	2 981
Short-term liabilities	24 449	56 425	5 213	12 268
Equity	147 256	125 876	31 399	27 368
Share capital	5 000	5 000	1 066	1 087
Number of shares	2 500 000	2 500 000	2 500 000	2 500 000
Book value per share	58,90	50,35	12,56	10,95

The balance-sheet items in the table "Selected financial data" as at 31 December 2022 were converted according to the average EUR exchange rate of the National Bank of Poland (NBP) for that date, i.e.: EUR 1 = PLN 4.6899. The items from the statement of comprehensive income and the cash flow statement as shown in the table "Selected financial data" for 2022 were converted to EUR according to the exchange rate of EUR 1 = PLN 4.6883 (this is the mean value of the average NBP rates of the last days of the 12 months of 2022).

The balance-sheet items in the table "Selected financial data" as at 31 December 2021 were converted according to the average EUR exchange rate of the National Bank of Poland (NBP) for that date, i.e.: EUR 1 = PLN 4.5994. The items from the statement of comprehensive income and the cash flow statement as shown in the table "Selected financial data" for 2021 were converted to EUR according to the exchange rate of EUR 1 = PLN 4.5775 (this is the mean value of the average NBP rates of the last days of the 12 months of 2021).

SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (in PLN k)

ASSETS	Note	31.12.2022	31.12.2021
Tangible assets		115 201	118 191
Property, plant and equipment	6	114 847	117 792
Intangible assets	7	353	398
Other financial assets	8	1	1
Current assets		71 547	77 821
Inventories	9	31 283	42 157
Receivables from deliveries, works and services	10	25 875	24 798
Other short-term receivables and accruals	11	4 733	3 097
Cash and cash equivalents	12	9 656	7 769
Tangible assets classified as held for sale		0	0
TOTAL ASSETS		186 748	196 012

LIABILITIES	Note	31.12.2022	31.12.2021
Equity		147 256	125 876
Share capital	13	5 000	5 000
Reserve and spare capitals	14	84 076	34 317
Revaluation reserve		(72)	(83)
Retained earnings/losses		36 883	36 883
Current year profit		21 369	49 759
LIABILITIES		39 492	70 136
Long-term liabilities		15 043	13 711
Provisions	15	191	226
Deferred income tax provisions	24	9 915	8 521
Other long-term financial liabilities	17	4 937	4 964
Short-term liabilities		24 449	56 425
Provisions	15	493	48
Short-term bank loans and borrowings	16	0	10 265
Other financial liabilities	17	27	26
Liabilities for deliveries, works and services	18	18 093	30 672
Short-term liabilities and accruals	19	5 836	4 948
Income tax liabilities		0	10 466
TOTAL LIABILITIES		186 748	196 012

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022 (in PLN k)

CALCULATION VARIANT	Note	01.01.2022 31.12.2022	01.01.2021 31.12.2021
<i>Continuing operations</i>			
Revenues on sales of products, goods and materials	20	248 849	221 425
Costs of products, goods and materials sold	21	197 147	137 566
Gross profit on sales		51 702	83 859
Sales costs	21	9 329	7 485
General administrative costs		14 866	15 803
Other revenue	22	843	2 048
Other costs		25	906
Operating profit		28 325	61 713
Financial revenue	23	16	4
Financial costs		2 774	679
Gross profit		25 567	61 038
Income tax	24	4 198	11 279
Net profit on continuing operations		21 369	49 759
Other comprehensive income			
Components that will not be reclassified as gains or losses when certain conditions are met		13	(12)
<i>Actuarial gains/losses on the valuation of employee benefits</i>		13	(12)
Income tax related to items disclosed in other comprehensive income		(2)	2
Total comprehensive income		21 380	49 749
Earnings per share:			
On continuing operations			
<i>Basic</i>	25	8,55	19,90
<i>Diluted</i>		8,55	19,90

SEPARATE CASH FLOW STATEMENT

for the year ended 31 December 2022 (in PLN k)

INDIRECT METHOD	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Operating cash flows		
Profit before tax	25 567	61 038
Total adjustments:	(11 273)	(6 996)
Amortisation	4 742	5 101
Foreign exchange gains/losses	(15)	48
Interest cost and revenue	443	332
Profit/loss from investment activity	10	(1 962)
Change in provisions	410	(1 073)
Change in inventory	10 875	(14 872)
Change in balance of receivables from deliveries, works and services	(1 077)	(2 343)
Change in the balance of receivables and prepayments	(913)	(261)
Change in balance of liabilities for deliveries, works and services	(12 579)	13 326
Change in the balance of liabilities and accruals	806	753
Income tax paid/returned	(13 985)	(6 034)
Other adjustments	10	(11)
Net cash flows from operating activities	14 294	54 042
Investment cash flows		
Proceeds from sales of property, plant and equipment and intangible assets	0	1 765
Acquisition of property, plant and equipment and intangible assets	(1 688)	(2 607)
Net investment cash flows	(1 688)	(842)
Financial cash flows		
Proceeds from loans and borrowings	0	5 372
Repayment of loans and borrowings	(10 265)	0
Repayment of financial lease liabilities	(26)	(45)
Interest paid and bank commissions	(443)	(332)
Dividends paid to shareholders of the Company	0	(53 000)
Grant	0	2
Net cash flows from financing activities	(10 734)	(48 003)
Total net cash flows	1 872	5 197
Opening balance of cash, cash equivalents and loans in the current account	7 769	2 620
<i>Foreign exchange gains/losses regarding the measurement of cash, cash equivalents and loans in the current account</i>	15	(48)
Closing balance of cash, cash equivalents and loans in the current account	9 656	7 769

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022 (in PLN k)

for the period	Equity					Total equity
	Share capital	Own shares	Reserve and spare capitals	Revaluation reserve	Profit brought forward and in the current year	
01.01.2022 - 31.12.2022						
Balance as at 01.01.2022	5 000	0	34 317	(83)	86 642	125 876
Total comprehensive income	0	0	0	11	21 369	21 380
Actuarial gains/losses	0	0	0	13	0	13
Tax on actuarial gains/losses	0	0	0	(2)	0	(2)
Profit for the year	0	0	0	0	21 369	21 369
Other changes in equity	0	0	49 759	0	(49 759)	0
Distribution of reserve and supplementary capital for the payment of dividends	0	0	0	0	0	0
Profit distribution for 2021	0	0	49 759	0	(49 759)	0
Balance as at 31.12.2022	5 000	0	84 076	(72)	58 252	147 256

for the period	Equity					Total equity
	Share capital	Own shares	Reserve and spare capitals	Revaluation reserve	Profit brought forward and in the current year	
01.01.2021 - 31.12.2021						
Balance as at 01.01.2021	5 000	0	46 627	(73)	77 573	129 127
Total comprehensive income	0	0	0	(10)	49 759	49 749
Actuarial gains/losses	0	0	0	(12)	0	(12)
Tax on actuarial gains/losses	0	0	0	2	0	2
Profit for the year	0	0	0	0	49 759	49 759
Other changes in equity	0	0	(12 310)	0	(40 690)	(53 000)
Sale of own shares	0	0	0	0	0	0
Distribution of reserve capital for the payment of dividends	0	0	(35 723)	0	0	(35 723)
Profit distribution for 2020	0	0	23 413	0	(40 690)	(17 277)
Balance as at 31.12.2021	5 000	0	34 317	(83)	86 642	125 876

NOTES TO FINANCIAL STATEMENTS

1. General information

"NOVITA" S.A. (referred to as the Company) was established as a joint stock company under a notarial deed of 5 March 1991, Register A No. 1247/91, drawn up in Individual Notary's Office No. 18 in Warsaw, ul. Długa 29. Under the said deed, the Minister of Ownership Transformations, acting on behalf of the State Treasury, transformed the state enterprise Fabryka Dywanów "NOWITA" into a joint-stock company wholly owned by the State Treasury under the name "NOWITA" Spółka Akcyjna. The notarial deed, Register A No. 7838/92, of 1 July 1992 the Company's name was changed to "NOVITA" Spółka Akcyjna ("NOVITA" S.A.). The registered office of the Company is located in Zielona Góra at ul. Dekoracyjna 3.

On 16 December 1994, shares of "NOVITA" S.A. became listed on the main market of the Warsaw Stock Exchange.

The Company's core business is the manufacture and distribution of commercial, medical, sanitary, clothing, footwear and technical nonwovens.

The Company's lifetime is indefinite.

Until 3 August 2016, NOVITA S.A., as a subsidiary, was part of the LENTEX S.A. Capital Group. As a result of the call for sale of NOVITA S.A. shares announced by Tebes sp. z o.o., LENTEX S.A. sold all its shares, representing 63.17% of NOVITA S.A.'s share capital. As a result of the transaction, as at 3 August 2016, NOVITA S.A. became a subsidiary of Tebesa sp. z o.o., acquiring 63.32% of the share capital of NOVITA S.A.

Tebesa sp. z o.o. is a subsidiary of Vaporjet Ltd. based in Israel, holding 100% of the shares in Tebesa.

The separate financial statements of "NOVITA" S.A. cover the year ended 31 December 2022 and include comparative data for the year ended 31 December 2021.

2. Composition of the Company's Management Board and the Supervisory Board

On 31 December 2022, the Management Board of "NOVITA" S.A. was as follows:

- Radosław Muzioł - President of the Management Board
- Jakub Rękosiewicz - Member of the Management Board
- Shlomo Finkelstein - Member of the Management Board
- Rami Gabay - Member of the Management Board

There were no changes in the composition of the Company's Management Board between 1 January 2022 and the date these financial statements were approved for publication.

Separate financial statements of “NOVITA” S.A. for the year ended 31 December 2022

As at 31 December 2022, the Company’s Supervisory Board was as follows:

- Eyal Maor - Chairman
- Uriel Mansoor - Deputy of the Chairman
- Ohad Tzkhori - Member of the Supervisory Board
- Ilanit Ella - Member of the Supervisory Board
- Janusz Piczak - Member of the Supervisory Board

There were no changes in the composition of the Supervisory Board until the approval date of these financial statements.

As at 31 December 2021, the Management Board of “NOVITA” S.A. was as follows:

- Radosław Muzioł - President of the Management Board
- Jakub Rękosiewicz - Member of the Management Board
- Shlomo Finkelstein - Member of the Management Board
- Rami Gabay - Member of the Management Board

The Supervisory Board of the Company as at 31 December 2021 comprised:

- Eyal Maor - Chairman
- Uriel Mansoor - Deputy of the Chairman
- Elazar Benjamin - Member of the Supervisory Board
- Ohad Tzkhori - Member of the Supervisory Board
- Janusz Piczak - Member of the Supervisory Board

3. Approval of the financial statements

The separate consolidated financial statements of “Novita” S.A.” for the year ended 31 December 2022 were approved for publication by the Management Board on 30 March 2023.

4. Material figures based on professional judgement and estimates

4.1. Professional judgement

Preparing financial statements in conformity with the International Financial Reporting Standards requires the Management Board of the Company to make judgements, estimates and assumptions that have an impact on the application of the adopted accounting policies and on the reported values of assets, liabilities, income and expenses. The estimates and the related assumptions are based on historical experience and other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for professional judgement as to any book value of assets and liabilities which does not arise directly from other sources.

In material matters, the Management Board may rely in its judgments, estimates or assumptions on opinions of independent experts.

Judgments, estimates and the related assumptions are verified on an ongoing basis. Their changes are recognised in the period in which they are made, if they relate only to that period, or in the current period and future periods if they relate to both the current and future periods.

The actual values may differ from these estimates.

Classification of lease contracts where the Company is the lessee

The Company acts as a party to lease contracts. Each of the lease contracts signed is analysed in terms of the risks and benefits of using the assets acquired under the agreements.

In accordance with IFRS 16 Leases, a single accounting model for contracts that meet the definitions of lease is introduced for lessees. The depreciable right to use lease components and the lease liability are recognised in the financial statements. The company records the right of perpetual usufruct of land entered in the books in 2019 in this way.

4.2. Uncertainty of estimates

Presented below are the key assumptions concerning the future and other key sources of uncertainty as of the balance sheet date which entail a significant risk of a material adjustment of the carrying amounts of assets and liabilities in the following financial year. The Company's assumptions and estimates are based on information available at the time when the financial statements were prepared. As a result of future changes in the market or other changes beyond the Company's control, the existing assumptions and estimates may change. Such changes are reflected in the estimates and assumptions as soon as they arise.

Impairment of tangible assets

Should any situation arise that would suggest a risk of impairment to the Company's property, plant and equipment and intangible assets, an impairment test is conducted. Nothing during the period under consideration suggested impairment of fixed assets.

Amortisation and depreciation rates

The amortisation and depreciation rates are based on the expected economic useful life of property, plant and equipment and intangible assets. Every year, the Company verifies the adopted economic useful lives based on current estimates.

Deferred tax assets

The Company recognises deferred tax assets based on the assumption that a tax profit will be generated in the future, allowing for the assets to be used. However, deterioration of the generated tax results in the future may make this assumption invalid. In the separate financial statements, deferred tax assets are disclosed in the value compensated against the provision for deferred tax.

Impairment of inventory

The Management Board of the Company analyses whether there are any indications of possible impairment of inventory. Recognising impairment requires estimating the net realisable value of any inventory that has lost its functional property or is no longer needed.

Impairment of trade receivables and other receivables

The Management Board of the Company analyses whether there are indications of possible impairment of trade receivables and other receivables, taking into account the adopted internal procedures. Receivables from major business partners are insured, monitored on a regular basis, and every business partner is individually evaluated for credit risk.

Valuation of provisions for employee benefits

Provisions for employee benefits as at 31 December 2022 were estimated based on the actuarial method by an external company.

5. Material accounting principles

5.1. Basis of preparation of the separate financial statements

The separate financial statements have been prepared in accordance with the historical cost principle, modified for financial instruments.

These separate financial statements are presented in the Polish zloty ("PLN") and all figures, unless indicated otherwise, are provided in PLN k.

The separate financial statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these separate financial statements, the Management Board has not identified any circumstances indicating a threat to the going concern of "NOVITA" S.A.

5.2. Statement of compliance

In accordance with the amended Accounting Act, which came into force on 1 January 2005, the Company prepares its separate financial statements in accordance with the International Accounting Standards, International Financial Reporting Standards and the related interpretations promulgated as regulations of the European Commission ("IFRSs adopted for use in the EU"). As at the date of approval of these separate financial statements for publication, taking into account the ongoing process of introducing IFRS standards in the EU and the Company's activities, there is no difference between the IFRS standards and the IFRS standards adopted by the European Union in terms of the accounting principles applied by the Company.

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS adopted for use in the EU. The IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The Company applied the IFRS as at 31 December 2022.

5.3. Measurement currency and financial statement currency

The measurement currency of the Company and the reporting currency of these separate financial statements is the Polish zloty ("PLN").

5.4. Changes in the application of accounting policies

These separate financial statements for 2022 and the comparable financial data for 2021 are prepared in accordance with the IAS and IFRS standards.

5.5. New accounting standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The Company did not take advantage of the early application of new standards and interpretations that have already been published and endorsed by the European Union or are expected to be endorsed in the near future and that will become effective after the balance sheet date. The Company intends to apply them to the periods for which they are first effective.

- **Standards and interpretations entering into force for the first time in the 2022 financial statements**

IFRS 3 "Business Combinations" – updated references to the Conceptual Framework

Under both the former and the new definitions, a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return. However, the requirements for a return have been changed.

The change is that a return includes goods or services provided to customers but does not include lower costs any more. Cost reduction is not a useful concept to distinguish between the acquisition of a business and the acquisition of assets.

The amendment to the standards has no impact on the Company's 2022 financial statements.

IAS 16 "Property, plant and equipment" – revenue from products manufactured during the period of preparing property, plant and equipment for operation – commissioning.

The amendments relate to the prohibition on reducing the cost of an item of property, plant and equipment by the amount acquired from the sale of finished products before it is taken into use. Revenue from the sale of such products (e.g. test phase – trials) and the cost of their manufacture should be recognised in profit or loss.

The amendment to the standards has no impact on the Company's 2022 financial statements.

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – to clarify the costs recognised in the analysis of whether a contract is onerous.

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The costs of fulfilling a contract are the costs directly associated with that contract.

IAS 37 specifies which costs should be taken into account when assessing whether a contract will be loss-making and constitutes an onerous contract.

The amendment to the standards has no impact on the Company's 2022 financial statements.

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Annual amendment programme 2018 - 2020

The amendments provide clarifications and further refine the standards' guidance on recognition and measurement:- IFRS 1 “First-time Adoption of International Financial Reporting Standards”; - IFRS 9 “Financial Instruments”; - IAS 41 “Agriculture”; - and to the illustrative examples to IFRS 16 “Leases”.

The amendment to the standards has no impact on the Company's 2022 financial statements.

- **Standards and interpretations endorsed by the European Union**

IFRS 17 “Insurance Contracts”

New standard governing the recognition, measurement and presentation of, and disclosures about, insurance and reinsurance contracts. It defines a new approach to revenue and profit/loss recognition over the period of insurance services. The standard replaces the existing IFRS 4 and is mainly concerned with the financial reporting of insurance companies.

The amendments are effective for annual periods beginning on or after 1 January 2023.

IAS 1 “Presentation of Financial Statements” and the IFRS Board's Guidance on Disclosures of Accounting Policies in Practice – the issue of materiality in relation to accounting policies – introduces different disclosure requirements for accounting policies, as well as supplementary guidance on the classification of liabilities as short-term or long-term, which is relevant for all entities that have credit commitments and related contractual terms.

The amendments are effective for annual periods beginning on or after 1 January 2023.

IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – the definition of estimates and the distinction between correction of errors and change in estimates is amended. The main purpose of the amendments is to clarify the differences between accounting policies and estimates in order to ensure the continued consistent application of accounting standards and comparability of reports.

The amendments are effective for annual periods beginning on or after 1 January 2023.

IAS 12 “Income Taxes” – the obligation to recognise deferred income tax in relation to assets and liabilities arising from a single transaction.

The amendments are effective for annual periods beginning on or after 1 January 2023.

IFRS 17 “Insurance Contracts” – first-time adoption of IFRS 17 and IFRS 9 – comparative information

The amendments are effective for annual periods beginning on or after 1 January 2023.

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IFRS 16 “Leases” – lease liabilities in sale and leaseback transactions.

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

IAS 1 “Presentation of Financial Statements” – classification of liabilities as short-term and long-term

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

5.6. Error correction

No error was corrected in the statements for the year ended 31 December 2022 and the year ended 31 December 2021.

5.7. Foreign currencies

In the financial statements, foreign currency transactions have been translated using the exchange rate as at the date of the transaction. At the balance sheet date, assets and liabilities have been translated at the exchange rate as at the balance sheet date. The exchange rate gains/losses resulting from the translation are recognised in either financial income or expenses.

5.8. Property, plant and equipment

Property, plant and equipment comprise fixed assets and expenditures on capital work in progress that an entity intends to use in its operations and for administrative purposes for a period of more than one year, which will result in future economic benefits to the entity.

The Company's property, plant and equipment includes the right of perpetual usufruct of land.

At the balance sheet date, property, plant and equipment are initially recognised at cost. After the initial recognition of an item of property, plant and equipment as an asset, it is disclosed at cost less accumulated depreciation and accumulated impairment losses cumulatively.

Capital work in progress is presented in the financial statements at cost less recognised impairment losses. Cost of manufacture includes fees and borrowing costs capitalised in accordance with the accepted accounting rules.

Depreciation of property, plant and equipment commences at rates reflecting their expected useful lives. For depreciation of property, plant and equipment, the straight-line depreciation method is used.

Estimated useful lives, residual values and depreciation method are reviewed periodically and the effects of any changes in estimates are recognised prospectively.

At the balance sheet date, the economic useful life of the property, plant and equipment held was reviewed. Based on the recommendation of the appointed committee, the Management Board decided to change the depreciation rates from 1 January 2023, adjusting them to the economic useful lives identified. The effects of the changes will be reflected in the 2023 report. The separate financial statements for 2022 show the effects of the review of the economic useful lives of property, plant and equipment made in 2021, whose depreciation rates have been changed since 1 January 2022. The

useful lives that are determined after the review for individual items of property, plant and equipment are as follows:

Buildings and structures	from 1 to 35 years
Machinery and equipment	from 1 to 30 years
Means of transport	from 1 to 19 years
Other property, plant and equipment	from 1 to 20 years

Assets held under a lease agreement are depreciated over their expected economic life on the same basis as own assets.

An item of property, plant and equipment may be derecognised upon disposal or when no economic benefit is expected from the continued use of such an asset. Any gain or loss arising from the derecognition of an asset is recognised in the statement of comprehensive income in the period in which the derecognition occurs

5.9. Grant

Government grants related to assets are recognised at fair value.

In the financial statements, reimbursement of direct costs associated with the production of a new asset reduces the carrying amount of the asset.

Indirect costs are recognised systematically as they are incurred. Reimbursement received from the fund is recognised as income at the value of the costs incurred to ensure that they are commensurate with the costs incurred, which the Company offsets. In the statement of comprehensive income, the grant is shown at the offsetting value under general and administrative expenses.

5.10. Borrowing costs

Borrowing costs are capitalised in fixed assets until they are taken into use.

5.11. Intangible assets

Intangible assets comprise an entity's assets that do not have physical form, are identifiable and can be measured reliably, and will result in future economic benefits to the entity. Intangible assets are initially recognised at cost.

The straight-line method of amortisation is applied to intangible assets with finite useful lives.

5.12. Tangible assets held for sale

When an item of property, plant and equipment is available for sale in its present condition, taking into account the customary conditions for the sale of that type of asset, and its sale, according to the sales plans held, is highly probable within one year, then the Company classifies the asset as held for sale. The value of such an asset presented in the separate financial statements is the lower of its carrying amount and fair value less costs to sell. As at 31 December 2022, the Company did not have any fixed assets held for sale.

5.13. Impairment of property, plant and equipment and intangible assets

If there are indications of possible impairment of property, plant and equipment and intangible assets held, an impairment test is performed and the amounts of impairment losses determined reduce the carrying amount of the asset to which they relate and are charged to other operating expenses.

The amount of impairment losses is determined as the excess of the carrying amount of these assets over their recoverable amount. The amounts recognised for impairment losses are reversed when the reasons justifying them cease to exist.

5.14. Financial instruments

Financial instruments are recognized in the balance sheet when the Company becomes a party to a binding agreement. The Company classifies as financial instruments any contract that simultaneously results in the creation of a financial asset by one of the parties and a financial liability or equity instrument by the other party, provided that the contract concluded between two or more parties clearly results in economic effects.

Financial instruments in accordance with IFRS 9 "Financial Instruments" are classified at the time of initial recognition based on:

- characteristics of cash flows,
- the business model on the basis of which a given financial asset is managed.

IFRS 9 "Financial Instruments" defines three categories of financial assets:

- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss.

The classification is made by the Company at the moment of initial recognition of assets.

Financial assets

Financial assets are measured at fair value on recognition. The initial measurement is increased by transaction costs except for financial assets classified as measured at fair value through profit or loss. Transaction costs of disposal, if any, of an asset are not taken into account in the subsequent valuation of financial assets. A financial asset is recognised in the financial statements when the Company becomes a party to the agreement (contract) from which the financial asset results.

At the end of each reporting period, the Company assesses whether there is any indication that a financial asset (or group of financial assets) is impaired. In the case of instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below cost is taken into account, among other factors, in determining whether impairment has occurred.

Financial assets measured at fair value through profit or loss

This category includes two groups of assets: financial assets held for trading and financial assets designated on initial recognition as at fair value through profit or loss. A financial asset is classified as held-for-trading if it is acquired for the purpose of selling in the short term, if it is part of a portfolio that generates short-term gains, or if it is a derivative with a positive fair value. In the Company, this category primarily includes derivatives and debt or equity instruments that were acquired for the purpose of resale in the short term. As at 31 December 2022, the Company did not have such financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Depending on their maturity, they are classified as tangible assets (assets falling due more than 1 year from the reporting date) or current assets (assets maturing within 1 year from the reporting date). Loans and receivables are measured at amortised cost at the end of the reporting period.

This category, as used by the Company, includes mainly trade receivables and bank deposits and other cash with a maturity of more than 3 months as well as loans and purchased unquoted debt instruments not included in other financial asset categories.

Financial liabilities

Financial liabilities are measured at fair value at the time they are recognised in the accounts. Transaction costs are included in the initial valuation except for financial liabilities categorised as at fair value through profit or loss. The transaction costs of disposing of a financial liability are not taken into account in the subsequent valuation of that liability. The financial liability component is recognised in the financial statements when the Company becomes a party to the agreement (contract) from which that financial liability arises.

Financial liabilities measured at amortised cost

Other financial liabilities not classified as financial liabilities measured at fair value through profit or loss are classified as financial liabilities measured at amortised cost. This category mainly includes trade receivables and loans/borrowings. As at 31 December 2022, the Company had no financial liabilities for which amortised cost was determined.

5.15. Inventories

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

Inventories of raw materials, materials, purchased goods and manufactured finished goods are valued at cost or net realisable value at the balance sheet date.

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The costs incurred to bring each inventory item to its current location are recognised as follows:

- raw materials and supplies – at cost,
- work in progress and finished goods – at technical production cost (determined as direct costs and a mark-up of indirect costs determined assuming normal capacity utilisation). The technical manufacturing cost does not include capitalised borrowing costs.

The Company adopted the FIFO method as the method of inventory disposal.

Inventories of goods, materials and finished products are written down as follows:

- products, goods and materials overdue for more than 1 year – 50% of the carrying amount,
- products, goods and materials overdue for more than 2 years – 100% of the carrying amount,

If the purchase price or technical production cost of finished goods inventories is higher than the expected selling price, write-downs are made to adjust the cost of sales. The selling price is the price of sales made in the ordinary course of business, less the estimated costs of completion and the costs necessary to bring the sale to fruition.

5.16. Receivables from deliveries, works and services and other receivables

Receivables from deliveries, works and services, which usually have a maturity of between 7 and 90 days, are recognised at the amounts originally invoiced, including write-downs of bad debts. Write-downs of uncollectible receivables are estimated when collection of the full amount of the receivable is no longer probable. The amounts of write-downs for uncollectible receivables are reported under other operating expenses.

Other receivables include, in particular:

- advances made for future purchases of property, plant and equipment, intangible assets and inventories.

Advances are presented according to the nature of the assets. As non-monetary assets, advances are not subject to balance sheet valuation.

5.17. Cash and cash equivalents

Cash and cash equivalents reported in the financial statements include cash at bank and in hand and short-term deposits with an original maturity of three months or less.

The balance of cash and cash equivalents shown in the statement of cash flows consists of cash and cash equivalents as defined above and loans in current accounts.

Bank overdrafts are shown in the financial statements under “Short-term bank loans and borrowings.”

5.18. Provisions

Provisions are recognised when the Company has an existing obligation (legal or constructive) as a result of past events and when it is probable that fulfilling this obligation will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the liability.

5.19. Provisions for employee benefits

Under the Company's remuneration system, employees are entitled to post-employment disability and retirement pensions.

Post-employment benefits in the form of defined benefit plans (severance payments) and other long-term benefits (e.g. disability benefits) are determined using the projected unit credit method, with an actuarial valuation at the end of each year. Actuarial gains and losses are recognised in other comprehensive income.

Employee benefit amounts due to be paid in the year following the balance sheet date are included in short-term provisions. The remainder of the provision is included in long-term provisions.

Short-term employee benefits include, inter alia, accumulated unused employee leave and bonuses due within 12 months of the end of the period, in which the employees have performed the related work.

5.20. Interest-bearing bank loans, borrowings and debt securities

All bank loans, borrowings and debt securities are recognised at cost corresponding to the fair value of the cash received.

Overdrafts irrespective of their contractual repayment date are presented as short-term loans.

5.21. Liabilities for deliveries, works and services and other liabilities

Liabilities for deliveries, works and services, which usually have a maturity of between 7 and 90 days, are recognised and reported at the amount payable.

Other liabilities include, in particular:

- liabilities for the purchase of fixed assets,
- payroll liabilities
- liabilities to the budget, with the exception of corporate income tax liabilities, which are a separate item in the separate financial statements.

Other liabilities are recognised at the amount payable.

5.22. Lease

Lease contracts that transfer substantially all the risks and benefits of ownership to the Company are recognised in the financial statements at the date of commencement of the lease at the fair value of the leased asset or the current value of the minimum lease payments. Lease fees are apportioned between financial costs and a reduction in the balance of the lease liability so as to produce a constant rate of interest on the outstanding liability. Financial costs are charged directly to finance costs.

Fixed assets used under leases are depreciated over the estimated useful life of an asset.

5.23. Revenue

Revenue is recognised to the extent that it is probable that the Company will acquire the economic benefits associated with the transaction and the amount of revenue can be measured reliably. Revenue is recognised net of value added tax (VAT) and discounts. The criteria outlined below also apply to revenue recognition.

Sales of products, goods and materials

Revenue from sales of products, goods and materials includes receipts of economic benefits received or receivable, less amounts deducted on behalf of third parties.

Revenue from sales of products, goods and materials is recognised when significant risks and the benefits of ownership of these items have been transferred to the buyer and when the amount of revenue can be measured reliably.

Interest

Interest income is recognised consecutively as it accrues (using the effective interest method, which is the rate that discounts future cash receipts over the estimated useful life of the financial instruments) in relation to the net carrying amount of a financial asset.

5.24. Costs

Expenses are recognised as a probable decrease in economic benefits, with a reliably determined value, during the reporting period, in the form of a decrease in the value of assets or an increase in the value of liabilities and provisions, which will lead to a decrease in equity or an increase in its deficiency by means other than withdrawal of funds by the owners.

Costs are recognised in the separate statement of comprehensive income on the basis of the direct relationship between the costs incurred and the achievement of specific revenues, i.e. applying the matching principle, through the prepayments and accruals account.

Cost accounting is carried out by type and by cost centre, where the multiple-step variant is adopted as the primary cost reporting format in the separate statement of comprehensive income.

5.25. Income tax

Current corporate tax liabilities are accrued in accordance with the applicable tax legislation.

For financial reporting purposes, provision for income tax is made using the balance sheet liability method in respect of all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts as recognised in the separate financial statements.

Deferred tax liability is recognised in respect of all taxable temporary differences.

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced accordingly to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax liabilities and assets are recognised in the separate financial statements at an offsetting amount.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) in force at the balance sheet date or those that are certain to apply in the future at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

5.26. Net earnings per share

Net earnings per share for each period is calculated by dividing the individual net profit for the period by the weighted average number of shares in the Company during the reporting period.

The Company has no dilutive potential ordinary shares.

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6. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT	for the period 01.01.2022 - 31.12.2022						
	Land and right of perpetual use of land	Buildings and structures	Machinery and equipment	Means of transport	Other	Capital work in progress	Total
Opening gross balance	22 513	65 051	89 597	3 049	3 784	154	184 148
Increases	0	684	792	0	49	1 766	3 291
<i>acquisition</i>	0	684	792	0	49	1 766	3 291
Decreases	0	84	49	0	49	1 529	1 711
<i>disposal</i>	0	0	0	0	0	0	0
<i>liquidation</i>	0	84	49	0	49	0	182
<i>other</i>	0	0	0	0	0	5	5
Internal movements(+/-)	0	0	0	0	0	1 524	1 524
Closing gross balance	22 513	65 651	90 340	3 049	3 784	391	185 728
Opening depreciation balance	214	20 171	43 206	1 342	1 423	0	66 356
depreciation for the period	71	1 674	2 377	248	327	0	4 697
disposal / liquidation	0	78	47	0	47	0	172
other	0	0	0	0	0	0	0
Internal movements(+/-)	0	0	0	0	0	0	0
Closing depreciation balance	285	21 767	45 536	1 590	1 703	0	70 881
Closing balance including depreciation and impairment allowance	285	21 767	45 536	1 590	1 703	0	70 881
Closing net balance	22 228	43 884	44 804	1 459	2 081	391	114 847

Separate financial statements of "NOVITA" S.A. for the year ended 31 December 2022

PROPERTY, PLANT AND EQUIPMENT	for the period						
	01.01.2021 - 31.12.2021						
	Land and right of perpetual use of land	Buildings and structures	Machinery and equipment	Means of transport	Other	Capital work in progress	Total
Opening gross balance	22 513	64 533	100 315	2 516	3 389	500	193 766
Increases	0	527	1 086	802	395	2 519	5 329
<i>acquisition</i>	0	527	1 086	802	395	2 519	5 329
Decreases	0	9	11 804	269	0	2 865	14 947
<i>disposal</i>	0	0	11 766	269	0	0	12 035
<i>liquidation</i>	0	9	38	0	0	0	47
other	0	0	0	0	0	55	55
Internal movements(+/-)	0	0	0	0	0	2 810	2 810
Closing gross balance	22 513	65 051	89 597	3 049	3 784	154	184 148
Opening depreciation balance	142	18 482	50 604	1 308	1 100	0	71 636
depreciation for the period	72	1 691	2 662	297	323	0	5 045
disposal / liquidation	0	2	10 060	263	0	0	10 325
other	0	0	0	0	0	0	0
Internal movements(+/-)	0	0	0	0	0	0	0
Closing depreciation balance	214	20 171	43 206	1 342	1 423	0	66 356
Closing balance including depreciation and impairment allowance	214	20 171	43 206	1 342	1 423	0	66 356
Closing net balance	22 299	44 880	46 391	1 707	2 361	154	117 792

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The risks and benefits of using assets acquired under leases are borne by the Company and depreciation is provided on these assets on a straight-line basis.

In implementing the provisions of IFRS 16 Leases, starting from 1 January 2019, the Company recognises in the item "Property, plant and equipment" the value of the right of perpetual usufruct of land, which had a value of PLN 5,064 k as at the date of entry into the books and amounts to PLN 4,780 k as at 31 December 2022. Depreciation of the right of perpetual usufruct of land is made using the straight-line method and for 2022 and 2021 amounted to PLN 71 k.

7. Intangible assets

INTANGIBLE ASSETS	for the period				
	01.01.2022 - 31.12.2022				
	Own development work	Acquired intangible assets			Total
Patents, trademarks		licences	Other		
Opening gross balance	0	0	614	0	614
Increases	0	0	0	0	0
<i>acquisition</i>	0	0	0	0	0
Decreases	0	0	0	0	0
<i>liquidation</i>	0	0	0	0	0
<i>disposal</i>	0	0	0	0	0
Closing gross balance	0	0	614	0	614
Opening depreciation balance	0	0	216	0	216
<i>depreciation for the period</i>	0	0	45	0	45
<i>liquidation</i>	0	0	0	0	0
Closing depreciation balance	0	0	261	0	261
Closing balance including depreciation and impairment allowance	0	0	261	0	261
Closing net balance	0	0	353	0	353

INTANGIBLE ASSETS	for the period				
	01.01.2021 - 31.12.2021				
	Own development work	Acquired intangible assets			Total
Patents, trademarks		licences	Other		
Opening gross balance	0	0	553	0	553
Increases	0	0	61	0	61
<i>acquisition</i>	0	0	61	0	61
Decreases	0	0	0	0	0
<i>liquidation</i>	0	0	0	0	0
<i>disposal</i>	0	0	0	0	0
Closing gross balance	0	0	614	0	614
Opening depreciation balance	0	0	159	0	159
<i>depreciation for the period</i>	0	0	57	0	57
<i>liquidation</i>	0	0	0	0	0
Closing depreciation balance	0	0	216	0	216
Closing balance including depreciation and impairment allowance	0	0	216	0	216
Closing net balance	0	0	398	0	398

Intangible assets did not provide security for the Company's liabilities as at 31 December 2022 and 31 December 2021.

There are no intangible assets held for sale as at 31 December 2022 and 31 December 2021.

8. Other financial assets

OTHER FINANCIAL ASSETS		
Long-term	31.12.2022	31.12.2021
Shares in Textilimpex Łódź	1	1
Total	1	1

9. Inventories

INVENTORY	balance as at 2022-12-31				TOTAL
	Materials	Work in progress	Finished goods	Goods	
Valuation at purchase price/production cost	25 880	253	5 552	22	31 707
<i>Valuation at net realisable value</i>	0	0	2	0	2
Opening balance of inventory impairment losses	0	0	184	0	184
Amounts of reversal of inventory impairment losses recognised as a reduction of these write-downs in the period	0	0	0	0	0
Amounts of inventory impairment losses recognised as a cost in the period	177	0	63	0	240
Closing balance of inventory impairment losses	177	0	247	0	424
<i>Amount of inventories recognised as a cost in the period</i>	1 171	0	193 778	15	194 964
Carrying amount of inventories	25 703	253	5 305	22	31 283
<i>Amount of inventories pledged as security for liabilities</i>					0

INVENTORY	balance as at 2021-12-31				TOTAL
	Materials	Work in progress	Finished goods	Goods	
Valuation at purchase price/production cost	35 724	534	6 921	20	43 199
<i>Valuation at net realisable value</i>	0	0	10	0	10
Opening balance of inventory impairment losses	0	0	267	0	267
Amounts of reversal of inventory impairment losses recognised as a reduction of these write-downs in the period	0	0	0	0	0
Amounts of inventory impairment losses recognised as a cost in the period	858	0	(83)	0	775
Closing balance of inventory impairment losses	858	0	184	0	1 042
<i>Amount of inventories recognised as a cost in the period</i>	509	0	134 975	9	135 493
Carrying amount of inventories	34 866	534	6 737	20	42 157
<i>Amount of inventories pledged as security for liabilities</i>					0

10. Receivables from deliveries, works and services

RECEIVABLES FROM DELIVERIES, WORKS AND SERVICES	31.12.2022	31.12.2021
Receivables from deliveries, works and services from related parties	15	3
Receivables from deliveries, works and services from other parties	26 573	25 556
Total receivables	26 588	25 559
Allowance for receivables from deliveries	713	761
Net receivables from deliveries	25 875	24 798

AGE STRUCTURE OF RECEIVABLES FROM DELIVERIES, WORKS AND SERVICES	Gross value	Impairment loss	Gross value	Impairment loss
	31.12.2022		31.12.2021	
performing	21 961	5	21 963	51
Up to 3 months past due	3 921	13	2 856	0
From 3 up to 6 months past due	13	2	33	3
Over 6 to 12 months past due	3	3	0	0
Over 1 year past due	690	690	707	707
Total	26 588	713	25 559	761

CHANGES IN IMPAIRMENT LOSSES	31.12.2022	31.12.2021
Opening balance	761	747
Increases	47	68
Decreases	95	54
Closing balance	713	761

Trade receivables are non-interest bearing and generally have a payment term of 7 to 90 days.

The Company applies the policy of selling only to verified clients. More than 95% of receivables are insured. In addition, in 2022 the Company applied simplifications in the creation of write-downs of receivables for the remaining 5% of customers who are not covered by insurance. For the financial year in question, the Company specified a percentage ratio of the write-down calculated as a ratio of the revenue earned in the past three years to the value of written-off bad debt in the same period. This ratio for 2022 is close to zero percent. The Company creates write-down for receivables also in respect of debtors who were liquidated or declared bankrupt or sued and subject to debt collection proceedings.

As a result the management believes there is no additional credit risk above the level defined by the write-down for bad debt.

11. Other receivables and prepayments

OTHER RECEIVABLES AND PREPAYMENTS	31.12.2022	31.12.2021
Other non-financial assets:		
- budget receivables	1 197	294
- advances for inventories	0	372
- advances for fixed assets	9	0
- prepayments	462	430
- other	3 065	2 001
TOTAL	4 733	3 097
- long-term part	0	0
- short-term part	4 733	3 097
TOTAL	4 733	3 097

12. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	31.12.2022	31.12.2021
Cash at bank and in hand	9 471	7 726
Short-term deposits	185	43
Total, including:	9 656	7 769

CASH AND CASH EQUIVALENTS DISCLOSED IN THE CASH FLOW STATEMENT	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Cash at bank and in hand	9 471	7 726
Short-term deposits	185	43
Forward transactions	0	0
Total	9 656	7 769

13. Share capital

STATED CAPITAL AS AT 31 DECEMBER 2022				
Series / issue	Type of share	Type of preference of shares	Number of shares	Value of series / issue at nominal value
A	bearer share	ordinary	2 500 000	5 000 000
Total share capital				5 000 000
Total number of shares			2 500 000	
<i>The nominal value per share is</i>				<i>2,00</i>

The composition of the shareholders as at 31 December 2022, according to the information available to the Company, indicating the shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's General Meeting is shown in the table below:

Separate financial statements of "NOVITA" S.A. for the year ended 31 December 2022

Shareholders as at 31.12.2022	number of shares	% of capital
Vaporjet Ltd. (through the subsidiary Tebesa Sp. z o.o.)	1 602 719	64,11%
Finveco Sp. z o.o. (directly and indirectly through the subsidiary Finveco Investments Sp. z o.o. S.K.A.)	691 000	27,64%
Other	206 281	8,25%
	2 500 000	100,00%

STATED CAPITAL AS AT 31 DECEMBER 2021				
Series / issue	Type of share	Type of preference of shares	Number of shares	Value of series / issue at nominal value
A	bearer share	ordinary	2 500 000	5 000 000
Total share capital				5 000 000
Total number of shares			2 500 000	
<i>The nominal value per share is</i>				<i>2,00</i>

The composition of the shareholders as at 31 December 2021, according to the information available to the Company, indicating the shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's General Meeting is shown in the table below:

Shareholders as at 31.12.2021	number of shares	% of capital
Vaporjet Ltd. (through the subsidiary Tebesa Sp. z o.o.)	1 602 719	64,11%
Janusz Piczak (directly and through Finveco Sp. z o.o. and other subsidiaries)	691 000	27,64%
Other	206 281	8,25%
	2 500 000	100,00%

NUMBER OF SHARES MAKING UP THE STATED CAPITAL	31.12.2021	31.12.2020
Ordinary shares with a nominal value of PLN 2	2 500 000	2 500 000
Total	2 500 000	2 500 000

SHARE CAPITAL	31.12.2021	31.12.2020
Ordinary shares	2,00	2,00
Value of stated capital in PLN k	5 000	5 000

14. Reserve and spare capitals

	for the period 01.01.2022 - 31.12.2022		Total
	Supplementary capital	Reserve capital	
Opening balance	33 317	1 000	34 317
Changes in accounting policies	0	0	0
Opening balance as adjusted (restated)	33 317	1 000	34 317
Increases due to reclassification of profit	49 759	0	49 759
Dividend payment	0	0	0
Closing balance	83 076	1 000	84 076

	for the period 01.01.2021 - 31.12.2021		Total
	Supplementary capital	Reserve capital	
Opening balance	45 627	1 000	46 627
Changes in accounting policies	0	0	0
Opening balance as adjusted (restated)	45 627	1 000	46 627
Increases due to reclassification of profit	23 413	0	23 413
Dividend payment	(35 723)	0	(35 723)
Closing balance	33 317	1 000	34 317

15. Provisions for employee benefits

PROVISIONS		
Provisions for employee benefits	period	
	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Opening balance, including:	274	1 348
<i>Opening balance of short-term provisions</i>	<i>48</i>	<i>1 127</i>
<i>Opening balance of long-term provisions</i>	<i>226</i>	<i>221</i>
Increases	490	59
Created in the period and increase of the	490	59
Decreases	80	1 133
Used during the year	46	1 128
Released in the period	34	5
Closing balance, including:	684	274
<i>Closing balance of short-term provisions</i>	<i>493</i>	<i>48</i>
<i>Closing balance of long-term provisions</i>	<i>191</i>	<i>226</i>

The basis for calculating the provision for severance payments is the Labour Code.

The provision was calculated using the individual method, for each employee separately. The provision is measured on the basis of the present value of the Company's future long-term liabilities for retirement and disability benefits. The valuation of the present value of the liabilities was carried out using actuarial techniques in line with IAS 19. The current value of the liabilities was calculated using the projected unit credit method, using discounted cash flows, based on the relevant employee information.

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CHANGES IN NET EMPLOYEE BENEFIT LIABILITIES/ASSETS DURING THE PERIOD	Retirement and disability benefits and jubilee awards	
	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Opening balance of net liabilities/assets	247	249
Costs recognised in the revaluation reserve	(13)	12
Net expense recognised in the profit and loss account	20	15
Benefits paid	(19)	(29)
Closing balance of net liabilities/assets	235	247

NET COST OF EMPLOYEE BENEFITS	Retirement and disability benefits and jubilee awards	
	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Current employment cost	(11)	(12)
Interest expense on employee benefit obligations	(9)	(3)
Net actuarial profit/loss recognised in the period	0	0
Past employment cost	0	0
Actual return on plan assets	(20)	(15)

KEY ACTUARIAL ASSUMPTIONS USED IN THE DETERMINATION OF THE EMPLOYEE BENEFIT LIABILITIES		
	2022-12-31	2021-12-31
Discount rate	6,70%	3,60%
Employee turnover rate	0,00%	0,00%
Employee turnover rate (women)	8,50%	6,84%
Employee turnover rate (male)	13,17%	14,34%
Increase in the basis for retirement and disability severance payments	3,89%	3,36%
Increase in the bases for service anniversary award	0,00%	0,00%

The possibility of employee redundancy was estimated using a probability distribution, taking into account the Company's statistics. The probability of an employee becoming redundant is based on the age and gender of the employee and is constant throughout each year of service.

The risk of death was expressed in terms of the most recent statistics from the Polish life tables for men and women published by the Central Statistical Office (CSO) as at the date of valuation reduced by coefficients differentiated by gender and age brackets. The reduction factors were estimated on the basis of an analysis of historical mortality data for more than 50 companies. The probability of an employee becoming disabled was estimated on the basis of the author's TPD tables prepared for Trio Valuation using data from the Social Insurance Institution on first-time incapacity for work decisions issued by certifying doctors between 2011 and 2020.

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SENSITIVITY ANALYSIS OF CHANGES IN ACTUARIAL ASSUMPTIONS						
Provision title	Financial discount rate		Planned increases in bases		Staff mobility rate	
	-0.5 p.p.	+ 0.5 p.p.	-0.5 p.p.	+ 0.5 p.p.	-0.5 p.p.	+ 0.5 p.p.
Retirement severance payments	224 394	213 142	212 385	226 279	223 100	214 324
Disability severance payments	17 357	16 105	16 081	17 476	17 350	16 110
Total provisions	241 751	229 247	228 466	243 755	240 450	230 434

Provisions for employee benefits also include provisions for bonuses for members of the Company's Management Board and a provision for unused employee leave.

16. Bank loans and borrowings

In 2022, the Company maintained external funding at the same level compared to the previous year. The Company had a multiline agreement signed with Santander Bank Polska S.A. with a limit of PLN 35,000 k and a multiline agreement signed with mBank S.A. with a limit of PLN 5,700 k.

The Company did not take out any new loans or borrowings and did not terminate such agreements.

The table below shows the loan agreements held by NOVITA S.A. as at 31 December 2022.

SHORT-TERM BANK LOANS AND BORROWINGS			31.12.2022	31.12.2021
Item	Effective interest rate	Due date		
SANTANDER multiline intended for overdraft, revolving credit or letters of credit	1M WIBOR + margin, 1M EURIBOR + margin, 1M LIBOR + margin	08.08.2023	0	10 010
mBank S.A. multiline intended for overdraft or letters of credit*	WIBOR ON + margin, LIBOR ON + margin	30.09.2024	0	255
Total			0	10 265

* loan secured by a blank promissory note with a promissory note declaration up to PLN 9,000 k.

17. Other financial liabilities

FINANCIAL LEASE LIABILITIES				
FUTURE MINIMUM LEASE FEES AND CURRENT VALUE OF NET MINIMUM LEASE FEES				
	31.12.2022		31.12.2021	
	Minimum payments	Present value of minimum charges	Minimum payments	Present value of minimum charges
in the period up to 1 year	157	27	156	26
in the period from 1 to 5 years	627	116	628	113
in the period over 5 years	9 722	4 821	9 879	4 851
Total	10 506	4 964	10 663	4 990

With the introduction of IFRS 16, the Company introduced the value of the right of perpetual usufruct to property, plant and equipment and recognised a lease liability at the current value of the remaining fees for perpetual usufruct of land (the right expires in December 2089), discounted using the marginal

Separate financial statements of "NOVITA" S.A. for the year ended 31 December 2022

interest rate (2.70%) at the date of initial application. The Company recognised the right-of-use asset at an amount equal to the liability. The Company recognised a lease liability (fees for perpetual usufruct of land) at the date of first application in the amount of PLN 5,064 k, including PLN 23 k for short-term and PLN 5,041 k for long-term.

Carrying value of fixed assets – rights of perpetual usufruct of land as at 31 December 2022 amounted to PLN 4,780 k. Liabilities under the right of perpetual usufruct as at 31 December 2022 amounted to PLN 4,964 k, including short-term: PLN 27 k and long-term: PLN 4,937 k.

18. Liabilities for deliveries, works and services

LIABILITIES FOR DELIVERIES, WORKS AND SERVICES	31.12.2022	31.12.2021
Trade payables from related parties	12	11
Trade payables from other parties	18 081	30 661
Total	18 093	30 672

19. Other liabilities and accruals

OTHER LIABILITIES AND ACCRUALS	31.12.2022	31.12.2021
Other liabilities:		
- accruals	49	53
- payroll liabilities	860	717
- investment liabilities	155	72
- other	1 590	1 791
TOTAL	2 654	2 633
- long-term part	0	0
- short-term part	2 654	2 633
Other tax liabilities:		
- VAT	1 952	1 100
- personal income tax	158	292
- social security liabilities	920	922
- Polish Rehabilitation Fund for the Disabled (PFRON) liabilities	0	1
- Customs Office liabilities	152	0
TOTAL	3 182	2 315
- long-term part	0	0
- short-term part	3 182	2 315

20. Revenues on sales of products, goods and materials

REVENUE ON SALES OF PRODUCTS, GOODS AND MATERIALS		
	Continuing operations	
period	01.01.2022 31.12.2022	01.01.2021 31.12.2021
domestic		
Revenue on sales of products	119 601	98 045
Revenue on sales of services	5 138	4 139
Revenue on sales of materials	390	417
Revenue on sales of goods	17	12
foreign		
Revenue on sales of products	122 033	117 805
Revenue on sales of services	0	0
Revenue on sales of materials	1 670	1 007
Revenue on sales of goods	0	0
TOTAL	248 849	221 425

21. Costs by type

COSTS BY TYPE		
period	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Depreciation of fixed assets	4 697	5 044
Amortisation of intangible assets	45	57
Consumption of raw materials, supplies and energy	180 295	125 315
Costs of outsourced services	12 530	10 908
Costs of employee benefits	17 138	17 218
Costs of taxes and charges	1 851	1 787
Other costs	1 980	2 035
Value of goods and materials sold	1 185	518
Change in the balance of products and work in progress and write-downs	1 621	(2 028)
TOTAL	221 342	160 854
Sales costs	9 329	7 485
General administrative costs	14 866	15 803
Costs of products, goods and materials sold	197 147	137 566
TOTAL	221 342	160 854

In 2022, the Company recognised a surcharge on electricity based on corrective invoices issued by ENEA S.A. for the period from July to November 2022 in accordance with the Act of 27 October 2022 on Extraordinary Measures Aimed at Limiting the Level of Electricity Prices and Support for Certain Consumers in 2023.

The amount of aid granted for the period from July to November 2022 amounted to PLN 3,056 k. The amount of PLN 2,879 k was recognized as a decrease in the cost of products, goods and materials sold. The remaining part in the amount of PLN 177 k was recognized as a value reducing inventories in current assets of the separate statement of financial position.

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COSTS OF EMPLOYEE BENEFITS		
period	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Costs of wages and salaries	13 937	14 058
Social security costs	2 561	2 524
Social Fund costs	308	312
Other employee benefit costs	332	324
TOTAL	17 138	17 218

COSTS OF EMPLOYEE BENEFITS		
period	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Items recognised in cost of goods sold	8 635	7 871
Items included in cost of sales	0	0
Items recognised in general administrative costs	8 503	9 347
TOTAL	17 138	17 218

22. Other revenue and costs

OTHER REVENUE	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Profit on sales of property, plant and equipment	0	1 992
Release of the value of raw materials and supplies written off	680	0
Indemnities received	82	0
Other	81	56
TOTAL	843	2 048

OTHER COSTS	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Value of liquidated non-financial fixed assets	9	0
Litigation costs	1	0
Donations made	11	17
Value of raw materials and consumables written off	0	858
Other	4	31
TOTAL	25	906

The dissolved values of written-down raw materials and supplies in 2022 mainly relate to raw materials and spare parts sold from the assumed write-down in 2021.

The value of raw materials and materials written down in 2021 mainly relates to raw materials and spare parts of the sold mechanical needling machine for a total of PLN 727 k.

23. Financial revenue and costs

FINANCIAL REVENUE	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Interest revenue	16	4
Foreign exchange gains	0	0
TOTAL	16	4

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FINANCIAL COSTS	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Cost of interest, including costs related to:	297	148
bank loans	146	13
financial lease contracts	130	131
provisions for employee benefits	9	3
budget costs	11	0
Foreign exchange losses	2 322	344
Other	155	187
TOTAL	2 774	679

24. Income tax

MAIN COMPONENTS OF TAX DEBIT/CREDIT IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Current income tax disclosed in the profit and loss account	2 806	10 884
- current income tax (debit)	2 806	10 884
Deferred income tax disclosed in the profit and loss account	1 392	395
- deferred tax (debit)/credit related to the emergence and reversal of temporary differences	1 392	395
tax (debit)/credit disclosed in the profit and loss account, including:	4 198	11 279
- attributed to continuing operations	4 198	11 279
Income tax related to items disclosed in other comprehensive income	(2)	2
- deferred tax (debit)/credit related to the revaluation of provisions for employee benefits	(2)	2
tax (debit)/credit disclosed in the statement of comprehensive income	4 196	11 281

RECONCILIATION OF INCOME TAX ON GROSS PROFIT (LOSS) BEFORE TAX WITH INCOME TAX DISCLOSED IN THE PROFIT AND LOSS ACCOUNT		
period	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Gross profit before tax for continuing operations	25 567	61 038
Profit/loss before tax from discontinued operations	0	0
Gross profit (loss) before tax	25 567	61 038
Tax rate applicable in Poland	19,0%	19,0%
tax (debit) according to the applied tax rate	4 858	11 597
Charges to the Polish Rehabilitation Fund for the Disabled (PFRON)	1	8
Representation costs	11	9
Supervisory Board	2	4
Donation	2	2
Other	9	12
R&D tax relief	685	353
tax (debit)/credit disclosed in the profit and loss account	4 198	11 279

period	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Gross profit before tax for continuing operations	25 567	61 038
Profit/loss before tax from discontinued operations	0	0
Gross profit (loss) before tax	25 567	61 038
tax (debit) disclosed in the profit and loss account	4 198	11 279
Effective tax rate (in %)	16,4%	18,5%

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In its 2022 corporate income tax return, the Company benefited from a deduction reducing the tax base due to deductible costs incurred for research and development activities, reducing tax by an amount of PLN 638 k. As part of its tests, the Company incurred costs which, in accordance with the Corporate Income Tax Act, are eligible costs allowing it to benefit from the tax deduction.

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DEFERRED INCOME TAX	Financial statements		Profit and loss account		Other comprehensive income	
	2022-12-31	2021-12-31	01.01.2022 31.12.2022	01.01.2021 31.12.2021	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Deferred income tax provision						
- exchange differences	25	37	(12)	(68)	0	0
- depreciation differences	6 703	5 920	783	385	0	0
- activated right of perpetual usufruct of land	3 106	3 106	0	0	0	0
- other	547	0	547	(2)	0	0
Gross deferred income tax provision	10 381	9 063	1 318	315	0	0
Deferred tax assets						
- inventory impairment losses	47	37	10	(16)	0	0
- exchange differences	7	50	(43)	(1)	0	0
- write-downs of receivables	117	123	(6)	5	0	0
- employee benefits	45	47	0	(2)	(2)	2
- provision for future expenses	10	10	0	(1)	0	0
- unpaid wages and social security contributions	171	80	91	(207)	0	0
- perpetual usufruct of land fee	35	26	9	8	0	0
- settlement of sales (return)	0	6	(6)	6	0	0
- value of materials/raw materials written off	34	163	(129)	128	0	0
Gross deferred income tax assets	466	542	(74)	(80)	(2)	2
Deferred tax assets recognised in the statements	0	0				
Deferred tax liability recognised in the statements	9 915	8 521				

25. Earnings per share

EARNINGS PER SHARE	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Earnings for the reporting period attributable to:	21 369	49 759
Shareholders of the entity	21 369	49 759

Net earnings attributable to ordinary shareholders (basic)						
Item	01.01.2022 31.12.2022			01.01.2021 31.12.2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net earnings for the reporting period attributable to shareholders	21 369	0	21 369	49 759	0	49 759
Total	21 369	0	21 369	49 759	0	49 759

Weighted average number of ordinary shares	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Weighted average number of shares at the	2 500 000	2 500 000
Closing weighted average number of ordinary shares	2 500 000	2 500 000

Basic earnings per share	01.01.2022 31.12.2022	01.01.2021 31.12.2021
on continuing and discontinued operations	8,55	19,90
on continuing operations	8,55	19,90

26. Dividends

DECLARED AND PAID DURING THE REPORTING PERIOD		
Dividends on ordinary shares:	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Dividend for 2020 in the amount of PLN 17,277 k and additional dividend from supplementary capital in the amount of PLN 12,723 k paid on 14 July 2021 – AGM Resolution No. 6 of 29 June 2021	0	30 000
Additional dividend for 2020 paid on 21 December 2021 – EGM Resolution No. 6 of 7 December 2021	0	23 000
Total	0	53 000

27. Information about operating segments

In accordance with IFRS 8, the Company identified business segments based on the manufactured products and services provided, such as:

- the segment of mechanically needled nonwovens,
- the segment of water-needled nonwovens (spunlace),
- the segment of rental services,
- Other segment, within which the Company allocates revenue and costs from the sale of goods and materials and other revenue and costs not allocated to the above operating segments.

The division into mechanically needled and water-needled (spunlace) products is based on differences in the manufacturing technology. These operating segments are separated in the Company's accounting records.

The accounting principles in all segments are consistent with the principles applied by the Company.

The Company monitors separate operating results for the segments in order to decide on allocation of resources and to assess the effects of this allocation and the results of the activities. Operating results are assessed based on EBITDA (defined as operating profit plus depreciation and amortisation). The Company's financing (including financial revenue and costs), assets and receivables as well as income tax are monitored at Company level and they are not allocated to segments.

OPERATING SEGMENTS	for the period 01.01.2022 - 31.12.2022				
	Continuing operations				Total operations
	Mechanically needled nonwovens	Water-needled nonwovens (spunlace)	Rental	Other	
Revenues from external customers	14 629	227 054	5 088	2 078	248 849
Material items of revenue and costs, including:	(14 127)	(203 673)	(2 357)	(1 185)	(221 342)
Cost of manufacture of the sold products	(12 543)	(181 235)	(2 184)	0	(195 962)
Value of goods and materials sold	0	0	0	(1 185)	(1 185)
Sales costs	(628)	(8 701)	0	0	(9 329)
General administrative costs	(956)	(13 737)	(173)	0	(14 866)
Reporting segment profit or loss	502	23 381	2 731	893	27 507
Other operating revenue/costs	661	171	(1)	(13)	818
Operating profit/loss of the segment	1 163	23 552	2 730	880	28 325
Amortisation	496	3 622	624	0	4 742
EBITDA	1 659	27 174	3 354	880	33 067

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Revenue

Total revenue of reportable segments	248 849
Other revenue	843
Financial revenue	16
Exclusion of revenue from inter-segment transactions	0
Entity revenue	249 708

Costs

Total costs of reportable segments	(221 342)
Other costs	(25)
Financial costs	(2 774)
Exclusion of expenses for inter-segment transactions	0
Entity expenses	(224 141)

Profit

Total profit of reportable segments	28 325
Exclusion of profits from inter-segment transactions	0
Profit(loss) on unallocated items	(2 758)
Profit before tax	25 567

Information about geographic areas	Revenue	Tangible assets
Domestic sales	125 146	*
Foreign sales	123 703	*

* Tangible assets used in the entity's operations are used to manufacture products sold to the domestic and foreign markets.

Sales by countries	percentage share
Poland	50%
Country 1	16%
Country 2	12%
Other	22%

Information about major customers	Share in revenue	Operating segment
Customer 1	16%	Water-needed nonwovens (spunlace)
Customer 2	16%	Water-needed nonwovens (spunlace)
Customer 3	11%	Water-needed nonwovens (spunlace)

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OPERATING SEGMENTS	for the period 01.01.2021 - 31.12.2021				
	Continuing operations				Total operations
	Mechanically needed nonwovens	Water-needed nonwovens (spunlace)	Rental	Other	
Revenues from external customers	14 315	201 563	4 111	1 436	221 425
Material items of revenue and costs, including:	(14 284)	(143 737)	(2 315)	(518)	(160 854)
Cost of manufacture of the sold products	(12 299)	(122 676)	(2 073)	0	(137 048)
Value of goods and materials sold	0	0	0	(518)	(518)
Sales costs	(566)	(6 919)	0	0	(7 485)
General administrative costs	(1 419)	(14 142)	(242)	0	(15 803)
Reporting segment profit or loss	31	57 826	1 796	918	60 571
Other operating revenue/costs	1 107	(41)	3	74	1 142
Operating profit/loss of the segment	1 138	57 785	1 799	992	61 713
Amortisation	836	3 621	644	0	5 101
EBITDA	1 974	61 406	2 443	992	66 814

Revenue

Total revenue of reportable segments	221 425
Other revenue	2 048
Financial revenue	4
Exclusion of revenue from inter-segment transactions	0
Entity revenue	223 477

Costs

Total costs of reportable segments	(160 854)
Other costs	(906)
Financial costs	(679)
Exclusion of expenses for inter-segment transactions	0
Entity expenses	(162 439)

Profit

Total profit of reportable segments	61 713
Exclusion of profits from inter-segment transactions	0
Profit(loss) on unallocated items	(675)
Profit before tax	61 038

Information about geographic areas	Revenue	Tangible assets
Domestic sales	102 613	*
Foreign sales	118 812	*

* Tangible assets used in the entity's operations are used to manufacture products sold to the domestic and foreign markets.

Sales by countries	percentage share
Poland	46%
Country 1	14%
Country 2	11%
Other	29%

Separate financial statements of "NOVITA" S.A. for the year ended 31 December 2022

Information about major customers	Share in revenue	Operating segment
Customer 1	19%	Water-needed nonwovens (spunlace)
Customer 2	13%	Water-needed nonwovens (spunlace)

28. Transactions with related parties

All transactions with related parties were concluded on the market terms.

The following tables show the total amounts of transactions concluded with related parties in the period from 1 January to 31 December 2022 and from 1 January to 31 December 2021.

TRANSACTIONS WITH RELATED PARTIES*	for the period			
	01.01.2022 31.12.2022			
Parties to the transaction	Sale	Receivables*	Purchase	Liabilities*
TEBESA SP. Z O.O.	29	15	0	0
VAPORJET	0	0	143	12

*The amounts are shown gross

data in PLN k

TRANSACTIONS WITH RELATED PARTIES*	for the period			
	01.01.2021 31.12.2021			
Parties to the transaction	Sale	Receivables*	Purchase	Liabilities*
TEBESA SP. Z O.O.	21	3	0	0
VAPORJET	0	0	260	11

*The amounts are shown gross

29. Remuneration of key executive staff

REMUNERATION OF KEY EXECUTIVE STAFF	01.01.2022 31.12.2022*	01.01.2021 31.12.2021
Short-term employee benefits	1 613	2 497
Total	1 613	2 497

* The data presented for 2022 include a provision for a bonus for the Management Board in the amount of PLN 402 k.

30. Objectives and principles of financial risk management

The objective of financial risk management at "NOVITA" S.A. is to limit the volatility of the generated cash flows and the financial performance on core business activities to an acceptable level. The Company actively manages financial risk through the use of natural hedging mechanisms to the extent consistent with its financial risk management strategy. The main financial instruments used by the Company include bank loans, cash and financial lease contracts. The main task of the said instruments is to support and financially hedge the Company's day-to-day operations by stabilising and neutralising the risks of liquidity, exchange rate and interest rate volatility. Other financial instruments, such as trade receivables and liabilities, arise in connection with the Company's day-to-day business activities and are their integral part.

30.1. Interest rate risk

As the cash in the Company's bank accounts does not bear interest, only lease and loan liabilities were subject to sensitivity analysis of the gross result to reasonably possible changes in interest rates while other factors remain constant.

The sensitivity analysis for interest rate changes is presented below:

FINANCIAL INSTRUMENTS – INTEREST RATE RISK – SENSITIVITY ANALYSIS			
Balance as at	2022-12-31		
	Carrying amount	Increase/decrease by percentage points	Effect on gross profit (loss)
Financial assets			
Cash	9 656	0	0
Available-for-sale financial assets	0	0	0
Other financial assets	1	0	0
Financial liabilities			
Bank loans and borrowings	0	1	0
Financial liabilities from lease	4 964	1	+50/-50
Other financial liabilities	0	0	0

FINANCIAL INSTRUMENTS – INTEREST RATE RISK – SENSITIVITY ANALYSIS			
Balance as at	2021-12-31		
	Carrying amount	Increase/decrease by percentage points	Effect on gross profit (loss)
Financial assets			
Cash	7 769	0	0
Available-for-sale financial assets	0	0	0
Other financial assets	1	0	0
Financial liabilities			
Bank loans and borrowings	10 265	1	+103/-103
Financial liabilities from lease	4 990	1	+50/-50
Other financial liabilities	0	0	0

30.2. Foreign exchange risk

The foreign exchange risk is directly related to exchange rate changes which cause uncertainty as to future cash flows denominated in foreign currencies. Exposure to the foreign exchange risk of the Company arises from the fact that a significant portion of its cash flows is expressed or denominated in foreign currencies.

The foreign exchange risk management strategy assumes making maximum use of natural currency hedging. To minimise the risk, the Company will strive to preserve the natural balance between receivables and liabilities denominated in foreign currencies to minimise exposure to the foreign exchange risk.

Analysis of the Company's sensitivity to a percentage increase or decrease in the exchange rate between PLN and foreign currencies:

FINANCIAL INSTRUMENTS – CURRENCY RISK – SENSITIVITY ANALYSIS			
Balance as at	2022-12-31		
	Carrying amount	Increase/decrease by percentage points	Effect on gross profit (loss)
Financial assets			
Cash in EUR	8 463	5	+423/-423
Cash in USD	101	5	+6/-6
Trade and other receivables in EUR	20 103	5	+1005/-1005
Trade and other receivables in USD	0	5	0
Financial liabilities			
Overdrafts in EUR	0	5	0
Overdrafts in USD	0	5	0
Trade liabilities in EUR	11 195	5	+560/-560
Trade liabilities in USD	1 243	5	+62/-62

FINANCIAL INSTRUMENTS – CURRENCY RISK – SENSITIVITY ANALYSIS			
Balance as at	2021-12-31		
	Carrying amount	Increase/decrease by percentage points	Effect on gross profit (loss)
Financial assets			
Cash in EUR	7 574	5	+379/-379
Cash in USD	112	5	+6/-6
Trade and other receivables in EUR	14 672	5	+734/-734
Trade and other receivables in USD	3 636	5	+182/-182
Financial liabilities			
Overdrafts in EUR	0	5	0
Overdrafts in USD	254	5	+13/-13
Trade liabilities in EUR	11 129	5	+556/-556
Trade liabilities in USD	15 428	5	+771/-771

30.3. Credit risk

The Company's credit risk is closely related to its core activities. It results from the concluded agreements and is related to potential incidents, which can take the form of insolvency of a business partner, partial repayment or significant delay of payments. Granting trade credits to customers is currently an inherent part of any business activity, yet the Company implements a number of measures to mitigate the risks of doing business with potentially unreliable customers. All customers interested in trade credit undergo initial verification. Furthermore, with 95% of the Company's receivables insured, its exposure to credit risk is negligible.

30.4. Liquidity risk

The Company is exposed to the risk of liquidity loss if cash flows are mismatched with timely cash flows arising from the Company's contracts. The Company strives to have positive cash flows, which eliminates the risk of disrupting the liquidity provided that payments are made when due. The nominal value of the credit lines available to the Company successfully prevents any negative events related to delays in the timely payment of liabilities.

Separate financial statements of “NOVITA” S.A. for the year ended 31 December 2022

The Company's financial liabilities as at 31 December 2022 and 31 December 2021 are presented below by maturity date based on contractual undiscounted payments:

31.12.2022	Overdraft	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Interest-bearing loans and borrowings	0	0	0	0	0
Lease liabilities	0	27	116	4 821	4 964
Liabilities for deliveries, works and services	0	18 093	0	0	18 093
TOTAL	0	18 120	116	4 821	23 057

31.12.2021	Overdraft	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Interest-bearing loans and borrowings	0	0	0	0	0
Lease liabilities	0	26	113	4 851	4 990
Liabilities for deliveries, works and services	0	30 672	0	0	30 672
TOTAL	0	30 698	113	4 851	35 662

31. Financial instruments

The tables below present the carrying amounts of all financial instruments by class and category of assets and liabilities as at December 31, 2022 and December 31, 2021:

FAIR VALUES BY FINANCIAL INSTRUMENT CATEGORY					
	Category according to IFRS 9*	Carrying amount		Fair value	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets		35 531	32 567	35 531	32 567
Cash	FVTPL	9 656	7 769	9 656	7 769
Receivables from deliveries, works and services	AC	25 875	24 798	25 875	24 798
Loans receivable	AC	0	0	0	0
Financial liabilities		25 711	48 560	25 711	48 560
Financial lease liabilities	AC	4 964	4 990	4 964	4 990
Liabilities for deliveries, works and services	AC	20 747	33 305	20 747	33 305
Bank loans	AC	0	10 265	0	10 265

* Categories according to IFRS 9: AC – measured at amortised cost, FVTPL – measured at fair value through profit or loss, FVOCI – measured at fair value through other comprehensive income

According to the Company's assessment, the fair value of cash, trade receivables and payables, overdrafts as well as short-term receivables and liabilities does not differ from the carrying amounts mainly due to the short maturity period.

ITEMS OF REVENUE, COSTS, PROFIT AND LOSS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME BY CATEGORY OF FINANCIAL INSTRUMENTS					
	for the period	01.01.2022 31.12.2022			
		Category according to IFRS 9*	Interest revenue/costs	Foreign exchange gains/losses	Release/creation of impairment losses
Financial assets					
Cash	FVTPL	(143)	(848)	0	0
Trade and other receivables	AC	26	645	48	0
Loans receivable	AC	0	0	0	0
Available-for-sale financial assets	FVOCI	0	0	0	0
Financial liabilities					
Financial lease liabilities	AC	(130)	0	0	0
Trade and other liabilities	AC	0	(2 119)	0	0
Short-term bank loans	AC	0	0	0	0
Provisions for employee benefits	AC	(9)	0	0	0

Separate financial statements of "NOVITA" S.A. for the year ended 31 December 2022

ITEMS OF REVENUE, COSTS, PROFIT AND LOSS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME BY CATEGORY OF FINANCIAL INSTRUMENTS					
for the period	01.01.2021 31.12.2021				
	Category according to IFRS 9*	Interest revenue/costs	Foreign exchange gains/losses	Release/creation of impairment losses	Gains/losses on sales of financial instruments
Financial assets					
Cash	FVTPL	(12)	74	0	0
Receivables from deliveries, works and services	AC	3	172	(14)	0
Loans receivable	AC	0	0	0	0
Available-for-sale financial assets	FVOCI	0	0	0	0
Financial liabilities					
Financial lease liabilities	AC	(131)	0	0	0
Liabilities for deliveries, works and services	AC	0	(590)	0	0
Short-term bank loans	AC	(1)	0	0	0
Provisions for employee benefits	AC	(3)	0	0	0

32. Contingent liabilities

As at 31 December 2022 and 31 December 2021, the Company had no contingent liabilities.

As at 31 December 2022 and 31 December 2021, the Company had no liability for lawsuits of material value.

33. Information on audit firms' fees

Performing audits and reviews of statements for 2022 and 2021

The Company entered into two audit contracts on 17 June 2021 with Kancelaria Porad Finansowo-Księgowych Dr Piotr Rojek Spółka z ograniczoną odpowiedzialnością registered in the list of audit firms under number 1695. The contract were concluded for a period of 2 years.

The subject matter of the first contract covers:

- a review of the interim separate financial statements prepared as at 30 June 2021 and as at 30 June 2022

The value of the remuneration due for each year amounts to PLN 10 k net.

The subject matter of the other agreement covers:

- an audit of the annual separate financial statements for the financial year ending 31 December 2021 and 31 December 2022.

The value of the remuneration due for each year amounts to PLN 21 k net.

On 18 February 2022, the Company concluded contracts with Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o. for assurances engagements involving the assessment of the remuneration report of the Company's Management Board and Supervisory Board prepared for the period:

- from 01.01.2021 to 31.12.2021;
- from 01.01.2022 to 31.12.2022.

The value of the remuneration due for each year amounts to PLN 2 k net.

On 21 October 2022, the Company entered into a contract of mandate with Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o. for the provision of services to confirm the correctness

Separate financial statements of "NOVITA" S.A. for the year ended 31 December 2022

of calculating the coefficient of electricity consumption intensity for 2020-2022. The remuneration for the service amounted to PLN 4.5 k net.

On 22 April 2021, the Company entered into a contract of mandate with Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o. for the provision of services concerning the correctness of calculating the share of the cost of electricity used in the value of production sold in the fiscal year 2020, necessary for submitting an application for a partial refund of excise tax. The remuneration for the service amounted to PLN 3.5 k net.

On 5 October 2021, the Company entered into a contract of mandate with Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o. for the provision of services to confirm the correctness of calculating the coefficient of electricity consumption intensity for 2019-2021. The remuneration for the service amounted to PLN 4 k net.

34. Employment structure

The Company's headcount as at 31 December 2022 was 194 (as at 31 December 2021 – 187) and was as follows:

As at	31.12.2022	31.12.2021
Management Board *	2	2
Managing Director Division	6	6
Economic and Financial Director Division	6	7
Supply Chain Director Division	31	31
Operating Director Division	149	141
Total	194	187

*In 2022, the composition of the Company's Management Board is 4 persons of which 2 Management Board Members are not covered by an employment relationship but have been appointed to perform the aforementioned functions.

35. Research and development

In 2022, the most important research and development activity for the Company was the continuation of work on the development of new nonwoven manufacturing trials.

36. Post balance sheet events

The company has acquired the rights to receive public aid under the government programme under the name "Assistance for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022." In accordance with the application of IAS 20, the Company recognises such assistance when it is received. In March 2023, money was transferred to the Company as part of the above-described assistance in the amount of PLN 3,872 k, which will be recognised in other operating revenue and credited to the result in 2023.

37. Other significant events

Major events in 2022 related to the outbreak of war in Ukraine in February 2022 and the possible emergence of a new wave of COVID-19 cases are described in the report on the activities of the issuer for 2022 in point 4.1.

Zielona Góra, 30 March 2023

Signature of Members of the Management Board:

Radosław Muzioł President of the Management Board

Jakub Rękosiewicz Member of the Management Board

Shlomo Finkelstein Member of the Management Board

Rami Gabay Member of the Management Board

Signature of the person entrusted with keeping the accounts:

Dorota Karbowskiak Chief Accountant



“NOVITA” S.A.

Report on the Issuer's activities
for the year ended 31 December 2022



ZIELONA GÓRA, 30 MARCH 2023

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2 Information on organisational or capital relations of the issuer and identification of its main domestic and foreign investments, in particular securities, financial instruments, intangible assets and real estate

The company NOVITA derives from the state-owned Fabryka Dywanów "NOWITA" company, which was established on 1 January 1974. The company was located in Zielona Góra at ul. Dekoracyjna 3, where it continues to operate today. The company started production of floor coverings and technical nonwovens in 1976. In 1991 the company was transformed into a single-person company of the State Treasury, which adopted the name Spółka Akcyjna NOVITA, and in abbreviated form NOVITA S.A. Since 1994, the Company's shares are listed on the Warsaw Stock Exchange. Currently, the total number of shares is 2,500 and the share capital of the Company amounts to PLN 5,000 k. For several years, following the cessation of production of floor coverings, the Company is one of the leading manufacturers of technical nonwovens in the country.

Until 3 August 2016, NOVITA S.A., as a subsidiary, was part of the ENTEX S.A. Capital Group. As a result of the Tender Offer announced by Tebesa sp. z o.o. for the sale of shares of NOVITA S.A., LENTEX S.A. sold all shares held, accounting for 63.17% of the share in the share capital of NOVITA S.A. As a result of the transaction, as of 3 August 2016, NOVITA S.A. became a subsidiary of Tebesa sp. z o.o.

Tebesa sp. z o.o. is a subsidiary of Vaporjet Ltd. with its registered office in Israel, holding 100% of shares in Tebesa.

In the reporting year NOVITA S.A. did not make domestic and foreign investments in securities, financial instruments and real estate or other capital investments. The Company only carried out investments related to the current operations of the Company, which are described in more detail in paragraph 4.1 of the development program of NOVITA S.A. and investments.

General information about the issuer	
Full company name	NOVITA Spółka Akcyjna
Abbreviated name of the company	NOVITA S.A.
Country of establishment	The Republic of Poland
Registered office address	65-722 Zielona Góra, ul. Dekoracyjna 3
National Court Register - District Court in Zielona Góra, 8th Commercial Division of the National Court Register	Number 0000013306
Telephone number	+48 68 456 15 00
Fax	+48 68 456 13 51
E-mail	novita@novita.com.pl
Website	www.novita.pl
Tax Identification Number (NIP)	929-009-40-94
Statistical Identification Number (REGON)	970307115

3 Changes in the basic principles of managing the Issuer's enterprise and its capital group

In the reporting year there were no changes in the management principles of the Issuer's enterprise.

4 Description of activity in the reporting year

4.1 Major events in 2022

- Circumstances related to the outbreak of war in Ukraine in February 2022 also affect the operations of NOVITA S.A. The sudden situation resulted in limiting sales to countries involved in the war conflict. However, due to the volume of trade generated by contractors from Ukraine, Russia and Belarus, this fact did not have a significant impact on the amount of the Company's revenues. However, the outbreak of the war in Ukraine indirectly contributed to the increase in the prices of electricity, natural gas, crude oil and raw materials, which resulted in an increase in production costs. In the case of the cost of electricity, however, the Company benefited from the aid resulting from the "Act of 27 October 2022 on emergency measures aimed at reducing electricity prices and support for certain recipients in 2023". The amount of aid granted for the period from July to November 2022 amounted to PLN 3,056 k. The amount of PLN 2,879 k was shown as a decrease in the value of costs of products, goods and materials sold. The remaining part of the aid in the amount of PLN 177 k was recognized as a value decreasing inventories.
- On 18 May 2022, NOVITA S.A.'s Board of Directors, having analysed the Company's current financial situation and bearing in mind the need to accumulate capital to secure potential investment projects, decided to recommend to the Company's Annual General Meeting to allocate the net profit for the 2021 financial year in its entirety to supplementary capital.
- On 25 May 2022, the Company's Supervisory Board adopted a resolution containing a positive assessment of the Management Board's proposal to distribute the Company's profit for the financial year 2021 by transferring it in full to supplementary capital.
- On 29 June 2022, the Annual General Meeting of NOVITA S.A. adopted resolutions on:
 - approval of the Company's management report and financial statements for the financial year 2021,
 - distribution of the profit earned by NOVITA S.A. for the financial year 2021, whereby it decided to allocate PLN 49,759,221.99 in its entirety to supplementary capital,
 - granting a discharge to Members of the Management Board for their performance of duties in 2021,
 - granting a discharge to Members of the Supervisory Board for their performance of duties in 2021,
 - approval of a written report of the Supervisory Board,
 - positive opinion on the Report on remuneration of Members of the Management Board and Supervisory Board of NOVITA S.A. for 2021,
 - on determining the number of Members of the Supervisory Board, which will consist of 5 persons during the next three-year term of office,
 - on the appointment for the next joint term of the Members of the Supervisory Board, consisting of the following persons:

Eyal Maor
Uriel Mansoor
Ilanit Ella
Ohad Tzkhori
Janusz Piczak

and to delegate Janusz Piczak to permanently perform individual supervisory activities,

- on determining the amount of separate remuneration of PLN 2k per month for Supervisory Board Members delegated to perform permanent individual supervision.

- On 12 July 2022, the Supervisory Board of the Company elected from among its members the Chairperson of the Supervisory Board Eyal Maor and the Deputy of the Chairperson of the Supervisory Board Uriel Mansoor.
- On 12 July 2022, the Supervisory Board of the Company appointed an Audit Committee composed of the following persons:
 - Ohad Tzkhori – Independent Member of the Audit Committee,
 - Ilanit Ella – Independent Member of the Audit Committee,
 - Eyal Maori – Member of the Audit Committee.

4.2 Major events after the balance sheet date

- In March 2023, the Company received public aid in the amount of PLN 3,872 k under the government program "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022". In accordance with the application of IAS 20, the Company recognizes this type of aid when it is received, so the said amount of aid was recognized in operating income in March 2023.
- In the first months of 2023, the Company recorded stabilization on the gas and energy market, and the observed downward trend in prices should have a positive impact on the Company's results.

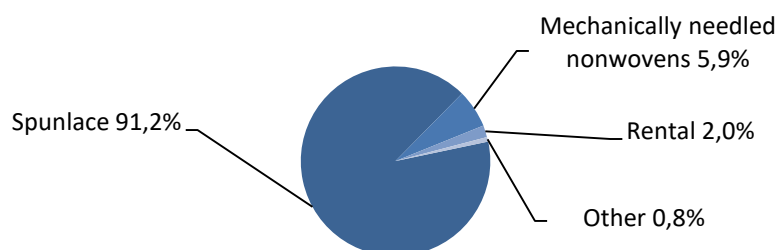
4.3 Information about products and services

NOVITA S.A. is a leading national and international manufacturer of nonwovens for the sanitary-hygienic, household, earth and road construction, as well as for the footwear, clothing, automotive and other industries.

The largest share of sales is held by products manufactured using water needling technology; in addition, the Company manufactures nonwovens using mechanical needling technology. In the reporting year, the Company's products were divided into the following 4 business segments:

- sale of nonwovens manufactured in a water-needling technology (spunlace);
- the segment of mechanically needled nonwovens;
- rental;
- other (goods and materials).

Share of segments in revenue in 2022



4.4 Revenue on sales of products

In 2022, revenues from the sale of products, services, goods and materials amounted to PLN 248,849 k, which means an increase by 12.4%, i.e. by PLN 27,424 k, compared to the sales value obtained in 2021. The increase in sales revenues was primarily a consequence of the increase in the prices of finished products sold and rents for rented offices and warehouse space.

The sales value of spunlace nonwovens increased in 2022 by 12.6%, i.e. by PLN 25,491 k compared to the previous year. In the same period, net revenues from the sale of mechanically needed nonwovens increased by 2.2%, i.e. by PLN 314 k. Comparing the results for 2022 and 2021, rental income increased by 23.8%, i.e. by PLN 977 k. At the same time, revenues from the sale of goods and materials increased by 44.7% and amounted to PLN 2,078 k.

Detailed information on sales by assortment groups is presented in the table below:

Sales by product range							
Product range	2022		2021		changes (year '22 to '21)		
	net value in k PLN	share	net value in k PLN	share	net value (2-4) in k PLN	indicator changes (2/4)	structure (3-5)
1	2	3	4	5	6	7	8
Total sales, including:	248 849	100,0%	221 425	100,0%	27 424	112,4%	0,0%
- total product sales, including:	246 771	99,2%	219 989	99,4%	26 782	112,2%	-0,2%
- total finished goods, including:	241 683	97,1%	215 878	97,5%	25 805	112,0%	-0,4%
- spunlace	227 054	91,2%	201 563	91,0%	25 491	112,6%	0,2%
- mechanically needed nonwovens	14 629	5,9%	14 315	6,5%	314	102,2%	-0,6%
- rental	5 088	2,0%	4 111	1,9%	977	123,8%	0,1%
- other (goods and materials)	2 078	0,8%	1 436	0,6%	642	144,7%	0,2%

4.5 Sales markets

In 2022, sales to domestic customers amounted to PLN 125,146 k, which means an increase by 22.0%, i.e. by PLN 22,533 k. At the same time, export sales amounted to PLN 123,703 k, which means an increase by 4.1% compared to 2021. The described increase results primarily from a higher by PLN 22,595 k of sales to countries from the European Union.

Geographical structure of revenue from sales of products, goods and materials							
Direction of sale	2022		2021		changes (year '22 to '21)		
	value in k PLN	share	value in k PLN	share	value (2-4) in k PLN	indicator changes (2/4)	structure (3-5)
1	2	3	4	5	6	7	8
Total sales of products, goods and materials, including:	248 849	100,0%	221 425	100,0%	27 424	112,4%	0,0%
- export, including:	123 703	49,7%	118 812	53,7%	4 891	104,1%	4,0%
- EU countries	105 527	42,4%	82 932	37,5%	22 595	127,2%	4,9%
- non-EU countries	18 176	7,3%	35 880	16,2%	-17 704	50,7%	-8,9%
- domestic	125 146	50,3%	102 613	46,3%	22 533	122,0%	4,0%

In the audited year, NOVITA S.A. had three customers with whom the turnover exceeded the threshold of 10% of total sales revenues. The company is not related by capital to any of the aforementioned entities.

4.6 Supplies

Most of the imported supplies came from suppliers in the European Union and Asia. When selecting suppliers, the Company is guided by: prices, payment terms, quality of the raw materials offered, as well as the distance from the supplier and timely deliveries. In view of the above, NOVITA S.A. there are no difficulties with collecting raw materials for production.

The types of raw materials and their quantity supplied by the Company depend on the product range, which is decisively influenced by the orders placed and the requirements of the Company's customers. Currently, the following products of the chemical and paper industry are used in production: viscose, polyester, polypropylene, bi-component and polyamide fibers, synthetic latexes, thickeners, films, cartons and cardboard sleeves.

In 2022, the company continued its efforts to obtain the lowest prices of purchased raw materials by selecting the directions of supply, renegotiating concluded contracts and guaranteeing the Company more favorable payment terms.

Last year, NOVITA S.A. cooperated with two suppliers whose turnover exceeded the threshold of 10% of total sales revenues. The company is not related by capital to any of the aforementioned entities.

4.7 Activities in the field of research commissioned to external institutions

In 2022, the Company successfully passed a periodic external audit of the Quality Management System for compliance with the ISO 9001:2015 standard, conducted by Det Norske Veritas.

Nonwovens in the technology of water needling are certified by the National Institute of Hygiene and certified by the ISEGA Institute for compliance with European requirements in the field of safety in contact with food. Spunlace products manufactured by NOVITA S.A. once again received the approval of the TextilCERT Certification Institute in the field of human and ecological safety specified in the requirements of the OekoTex™ Standard in class I with the addition of VI.

In addition, a positive result was obtained in an external audit carried out by Det Norske Veritas, confirming compliance with the standards of forest products control systems (FSC® and PEFC™).

4.8 Information on concluded agreements that are significant for the activity of NOVITA S.A.

Did not occur.

4.9 Agreements concluded between shareholders

The Company is not aware of any agreements concluded between shareholders.

4.10 Insurance agreements

NOVITA S.A. transfers the risk of losses resulting from the occurrence of damages by concluding insurance contracts. The scope of insurance coverage does not differ from generally applied standards and is adequate to the specific nature of the Company's operations.

In the reporting year, the Company continued the civil liability insurance contract for business and property ownership, property insurance and loss of profit insurance, as well as for company cars and receivables.

In 2022, NOVITA S.A. also continued the third party liability insurance contracts for members of the Company's governing bodies and the group foreign travel insurance contract.

4.11 Information on transactions with related parties on other than market conditions

The Company did not conclude any agreements on other than market conditions.

4.12 Borrowings and loans taken and terminated

In 2022, NOVITA S.A. didn't take or terminate credit and loan agreements. The table below presents loan agreements held by NOVITA S.A. as at December 31, 2022:

Lender	Type of loan	Currency	Date of conclusion of the agreement/ addendum	Due date	Effective interest rate	Limit available as at 31.12.2022 k PLN	Loan debt as at 31.12.2022 k PLN
Santander Bank Polska S.A. (former BZ WBK S.A.)	SANTANDER multiline intended for overdraft, revolving credit or letters of credit	PLN, EUR, USD	08.08.2017	08.08.2023	WIBOR 1M EURIBOR 1M LIBOR 1M + margin	35 000	0
mBank S.A.*	mBank S.A. multiline intended for overdraft or letters of credit	PLN, EUR, USD	12.11.2019	30.09.2024	WIBOR ON LIBOR ON + margin	5 700	0
Total						40 700	0

* loan secured by blank promissory note with a promissory note declaration up to PLN 9,000 k

4.13 Borrowings granted

Did not occur.

4.14 Guarantees and sureties granted and received

In the reporting year, the Company did not grant or receive any sureties or guarantees.

5 Directions and perspectives for development

5.1 NOVITA S.A.'s development program and investments

Development strategy

In 2023, NOVITA S.A. intends to maintain a high level of sales of spunlace products and maximum occupancy of its production lines of this technology.

Bearing in mind the fact that the sales of nonwovens in the spunlace segment are growing globally, in the coming years the Company plans to continue to focus on the development of this technology.

In terms of mechanically needled products, NOVITA S.A. will focus on the development of cooperation, in particular with clients on the domestic market.

In the case of packaged products, the Company plans further development in cooperation with domestic and foreign partners. Optimization of production activities will allow for a better response to the needs of the Company's demanding customers.

Investments and development activities

In 2022, Novita S.A. focused its activities on improving the technical infrastructure of the plant, improving work safety, continuing to improve the machine park and on investments aimed at protecting the environment.

One of the most important activities carried out was the modernization of the groundwater intake and municipal water connection, guaranteeing the security of supplies.

The production lines were equipped with devices that allow the reuse of process water and edge cuttings generated in the production of nonwoven fabrics. Two of them have been equipped with modern inverters and controllers for operating machines.

A mechanical sieve conveyor was also installed for pre-treatment of technological wastewater, thus improving its quality and work safety at the wastewater pretreatment plant.

The plant's power supply system was modernized by installing circuit breakers together with a control system on the medium voltage side.

In addition, thermal modernization of one of the Company's buildings was carried out by replacing the window joinery, thus reducing heat losses, and the office rooms of the central and technical warehouse were modernized.

In 2022, the Company incurred capital expenditures of PLN 1,776 k.

The investment program for 2023 provides for the continuation of works related to thermal modernization of the Company's buildings. In addition, it is planned to modernize some of the production machines and to recover and use process heat in order to reduce the consumption of gaseous fuel used in the production of nonwovens.

5.2 Sources of financing the investment program and assessment of the possibility of implementing investment plans

In 2022, the Company maintained external financing at the same level compared to the previous year. The company had a multiline agreement signed with Santander Bank Polska S.A. with a limit of PLN 35,000 k and a multi-line agreement signed with mBank S.A. with a limit of PLN 5,700 k.

At the end of 2022, the Company did not have debt under loans. However, the company used the aforementioned multilines to open letters of credit securing some contracts for the purchase of raw material.

The company does not anticipate any difficulties in implementing the investment plan for 2023.

5.3 Business risks and risk management policy

In the ordinary course of operating activities, NOVITA S.A. is exposed to various operational, market and financial risks. These risks have or may have a significant and negative impact on the Company's operations and its financial situation or operating results. The procedures applied in the Company are designed to identify and assess risk, monitor them and attempt to assess the Company's exposure to these risks.

The objectives of the risk management process are:

- maintaining the Company in good financial condition;
- limiting the variability of gross financial result;
- maximising the probability of achieving budget assumptions and thus achieving financial results at least at the assumed level.

The most important identified risks to which the Company is exposed are:

- **Interest rate risk**

The Company is exposed to interest rate risk if it uses a bank loan with a variable interest rate. Due to the changing economy, the Company closely monitors any events that directly influence the level of loan interest rates. A potential increase in market interest rates will entail higher loan service costs.

- **Foreign exchange risk**

The foreign exchange risk is directly related to exchange rate changes which cause uncertainty as to future cash flows denominated in foreign currencies. Exposure to the foreign exchange risk of the

Company arises from the fact that a significant portion of its cash flows is expressed or denominated in foreign currencies.

The foreign exchange risk management strategy assumes making maximum use of natural currency hedging. To minimise the risk, the Company strives to preserve the natural balance between receivables and liabilities denominated in foreign currencies to minimise exposure to the foreign exchange risk.

- **Credit risk**

The Company's credit risk is closely related to its core activities. It results from the concluded agreements and is related to potential incidents, which can take the form of insolvency of a business partner, partial repayment or significant delay of payments. Granting trade credits to customers is currently an inherent part of any business activity, yet the Company implements a number of measures to mitigate the risks of doing business with potentially unreliable customers. All customers interested in trade credit undergo initial verification. Furthermore, with 95% of the Company's receivables insured, its exposure to credit risk is negligible.

- **Liquidity risk**

The Company is exposed to liquidity risk in the event of a mismatch in the timing structure of cash flows on agreements executed by the companies. The Company strives to have positive cash flows, which eliminates the risk of disrupting the liquidity provided that payments are made when due. The nominal value of the credit lines available to the Company successfully prevents any negative events related to delays in the timely payment of liabilities.

- **Risk of raw materials and utilities prices changes**

The prices of raw materials and utilities also have a significant impact on the level of production costs in the Company. In order to limit price increases, the Company constantly monitors the terms and conditions provided by various suppliers and purchases from various sources. In addition, the increase in the prices of raw materials and utilities is a signal to take specific measures and, if necessary, also to increase sales prices.

5.4 Indication of significant proceedings pending before a court, a body competent for arbitration proceedings or a public administration body

In the reporting year NOVITA S.A. was not a party to any significant proceedings pending before a court, an authority competent for arbitration proceedings or a public administration authority in respect of proceedings concerning liabilities or claims of the issuer or its subsidiary.

6 Financial standing

6.1 Financial results

STATEMENT OF COMPREHENSIVE INCOME				
in k PLN	2022	2021	Difference 2022-2021	Change 2022/2021
Revenues on sales of products, goods and materials	248 849	221 425	27 424	112,4%
Costs of products, goods and materials sold	197 147	137 566	59 581	143,3%
Gross profit on sales	51 702	83 859	-32 157	61,7%
Sales costs	9 329	7 485	1 844	124,6%
Total general and administrative costs, including:	14 866	15 803	-937	94,1%
Other revenue	843	2 048	-1 205	41,2%
Other costs	25	906	-881	2,8%
Operating profit	28 325	61 713	-33 388	45,9%
Financial revenue	16	4	12	400,0%
Financial costs	2 774	679	2 095	408,5%
Gross profit	25 567	61 038	-35 471	41,9%
Income tax	4 198	11 279	-7 081	37,2%
Net profit on continuing operations	21 369	49 759	-28 390	42,9%

Revenue

In 2022, revenues from the sale of products, goods and materials increased by 12.4% compared to the previous year and amounted to PLN 248,849 k. The increase in sales revenues was primarily a consequence of the increase in the prices of finished products sold and rents for rented offices and warehouse space.

A detailed description of the structure of revenues and the factors that influenced their formation was included in the previous chapters: Information on products and services, Sales revenues by product range, Sales markets and geographical structure of exports.

Costs of core activities

In 2022, the costs of products, goods and materials sold increased by 43.3% and amounted to PLN 197,147 k. The main factors that contributed to the increase in costs were the rising prices of raw materials, which were related to higher oil prices and higher USD and EUR exchange rates.

Higher production costs also resulted from rising prices of utilities such as electricity and gas. However, in the case of the cost of electricity, the Company benefited from the aid under the Act of 27 October 2022 on emergency measures aimed at reducing electricity prices and support for certain consumers in 2023. The amount of aid granted for the period from July to November 2022 amounted to PLN 3,056 k. The amount of PLN 2,879 k was shown as a decrease in the value of costs of products, goods and materials sold. The remaining part of the aid in the amount of PLN 177 k was recognized as a value decreasing inventories.

The company also acquired the right to receive public aid under the government program "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022". The aid in the amount of PLN 3,872 k will be recognized in other operating income in 2023, so it will not affect the result achieved in 2022.

In the reporting year, selling costs increased by 24.6%, i.e. by PLN 1,844 k, to the level of PLN 9,329 k, compared to 2021. Higher costs resulted from dynamically growing transport prices, which was influenced by rising oil prices and the weakening of the zloty exchange rate.

In the corresponding period, general and administrative expenses decreased by 5.9%, i.e. by PLN 937 k, to the level of PLN 14,866 k.

Other operating activities

In 2022, the Company generated a profit on operating activities in the amount of PLN 28,325 k, which means a decrease by 54.1%, i.e. by PLN 33,388 k, compared with the result for 2021.

EBITDA for 2022 amounted to PLN 33,067 k, which means a decrease by 50.5% compared to the data for 2021.

Financial revenue and costs

In 2022, the Company recorded a loss on financial activities in the amount of PLN 2,758 k. The negative result was generated mainly by the surplus of exchange rate losses over positive ones, external financing costs, including interest and fees on loans and letters of credit, as well as lease interest related to perpetual usufruct of land.

Achieved financial results

In the audited year, the Company achieved a gross profit of PLN 25,567 k, which means a decrease by 58.1% compared to 2021.

Net profit for 2022 amounted to PLN 21,369 k, which means a decrease by 57.1%, i.e. by PLN 28,390 k compared to last year.

6.2 Balance sheet of the Company and cash position

As at 31 December 2022, the balance sheet total amounted to PLN 186,748 k and was lower by PLN 9,264 k from the balance sheet total as at December 31, 2021.

The value of non-current assets as at 31 December 2022 amounted to PLN 115,201 k, i.e. it was lower by PLN 2,990 k, compared with the state as at December 31, 2021.

At the end of the audited period, current assets amounted to PLN 71,547 k, compared to the end of 2021, their value decreased by 8.1%, i.e. by PLN 6,274 k. Among current assets, the greatest change was observed in inventories, the value of which decreased by PLN 10,874 k, i.e. to PLN 31,283 k.

As at 31 December 2022, the Company's equity amounted to PLN 147,256 k. Compared to December 31, 2021, their value increased by PLN 21,380 k, i.e. by the value of the profit earned in 2022. As a result of the decision to allocate the profit from 2021 to reserve and supplementary capital, the value of the aforementioned item increased by PLN 49,759 k to PLN 84,076 k at the end of 2022.

Comparing the corresponding periods, the value of long-term liabilities increased by PLN 1,332 k to PLN 15,043 k at the end of 2022. At the same time, short-term liabilities decreased by PLN 31,976 k to PLN 24,449 k. The lower value of liabilities was the result of a decrease in trade payables, works and services, full repayment of overdraft and payment of income tax liabilities.

6.3 Selected economic and financial indicators

Selected economic and financial indicators			
Description	2022	2021	Indicator diagram
Gross return on sales	11,1%	27,4%	Profit (loss) on sales / Revenue from sales of products and goods and materials
Net return on sales	8,6%	22,5%	Net financial result / Revenue from sales of products, goods and materials
Return on assets (ROA)	11,2%	26,8%	Net financial result / ((balance sheet total at the beginning of period + balance sheet total at the end of period) / 2)
Return on equity (ROE)	15,6%	39,0%	Net financial result / ((Equity at the beginning of the period + equity at the end of the period) / 2)
Current ratio	2,9	1,4	(total current assets – trade receivables over 12 months – short-term prepayments/accruals) / (short-term liabilities – short-term trade liabilities over 12 months)
Quick ratio	1,6	0,6	(total current assets – inventories – trade receivables over 12 months - short-term prepayments/accruals) / (short-term liabilities – short-term liabilities due to deliveries above 12 months)
Net Working Capital [in k PLN]	47 098	21 396	Equity + long-term liabilities + short-term liabilities due to deliveries above 12 months – Fixed assets
Net Working Capital on trading days [days]	50	34	(average net working capital x number of days of period) / Revenue from sales of products, goods and materials
Receivables turnover ratio [days]	37	39	(average balance of trade receivables x number of days of period) / Revenue from sales of products, goods and materials
Inventory turnover [days]	61	79	(average inventory x number of days of period) / (Costs of products, goods and materials sold + selling costs + general and administrative expenses)
Liabilities turnover ratio [days]	40	54	(average balance of trade liabilities x number of days of period) / (Costs of products, goods and materials sold + selling costs + general and administrative expenses)
Total debt ratio	21,1%	35,8%	(balance sheet total – equity) / Balance sheet total
Current liabilities coverage ratio	81,8%	149,0%	EBITDA/ Average balance of short-term liabilities
Earnings/loss per share in PLN]	8,55	19,90	Net financial result / Number of shares at the end of the reporting period
EBITDA in k PLN	33 067	66 814	

The faster growth rate of costs versus revenues visible in 2022 translated into a significant reduction in all profitability ratios. The value of the net return on sales decreased from 22.5% in 2021 to 8.6% in 2022.

As a result of a significant decrease in the value of short-term liabilities, comparing the end of 2021 and 2022, the value of the current ratio increased from 1.4 to 2.9, while the value of the quick ratio increased from 0.6 to 1.6.

Compared to the previous year, in 2022 the receivables turnover ratio remained at a similar level of 37 days. At the same time, as a result of the decrease in the level of inventories, the value of the inventory turnover ratio decreased from 79 days in 2021 to 61 days in 2022.

The liabilities turnover ratio decreased from 54 days to 40 days.

The Company's overall debt decreased from 35.8% at the end of 2021 to 21.1% at the end of 2022.

Earnings per share decreased from PLN 19.90 in 2021 to PLN 8.55 in 2022.

6.4 Forecasts of financial results

NOVITA S.A. did not publish any profit/loss forecasts for 2022.

6.5 Major events that have or may have a significant impact on the Company's operations and financial results in the future

Major events that have or may have a significant impact on the Company's operations and financial results in the future are described in the previous chapters: Major events in 2022, Major events after the balance sheet date, NOVITA S.A. development program and Investments.

In addition to the events described in chapters, in particular Russia's aggression against Ukraine, significant factors that may affect the results achieved in the following quarters may include a decrease in demand for spunlace nonwovens and a possible increase in the prices of raw materials and utilities. However, the Company closely monitors price changes and, if necessary, intends to actively react to market developments.

In addition, a factor that may affect the Company's operations is the threat of a new wave of COVID-19 cases, which would increase employee sickness absence or reduce the supply of raw materials. Since the beginning of the pandemic, however, the factors described above have not occurred to a degree that would have a significant impact on the Company's operations.

6.6 Resources and financial instruments

6.6.1 Financial resources management

In 2022, NOVITA S.A. could incur liabilities up to PLN 35,000 k under the multiline agreement signed with Santander Bank Polska S.A. in force until August 8, 2023 and under the multiline agreement signed with mBank S.A. with a limit of PLN 5,700 k valid until September 30, 2024. The aforementioned multiline agreements and the Company's own funds made it possible to service all expenses related to the Company's operations. As at 31 December 2022, the Company had no credit liabilities under the aforementioned agreements.

The financing limits granted under the multiline were also used by the Company to open letters of credit securing contracts for the purchase of raw materials.

The management of the Company's financial resources is also related to a detailed analysis of the inflow of receivables, constant monitoring of bank accounts, as well as ongoing collection of cash on bank accounts. In 2022, the Company allocated the resulting financial surpluses to repay short-term liabilities, i.e. current account debt, income tax liabilities and trade liabilities.

6.6.2 Financial instruments used

The main financial instruments used by the Company include bank overdrafts and cash. The main purpose of these financial instruments is to raise funds for operations. The company also has other

financial instruments, such as trade receivables and payables, which arise directly in the course of its operations.

6.6.3 Financial risk management

The Company has procedures in place to assess risks, monitor them and attempt to assess the Company's exposure to these risks in advance. The procedures used are based on the highest management standards and comply with best market practices in this field. Adequate policy and procedures in place in the Company support the process of managing the financial risk to which it is exposed.

A broader description of the financial risk management policy has been presented in the following chapter: Business risks and risk management policy.

7 Information on shares and the shareholding structure

7.1 Share capital structure

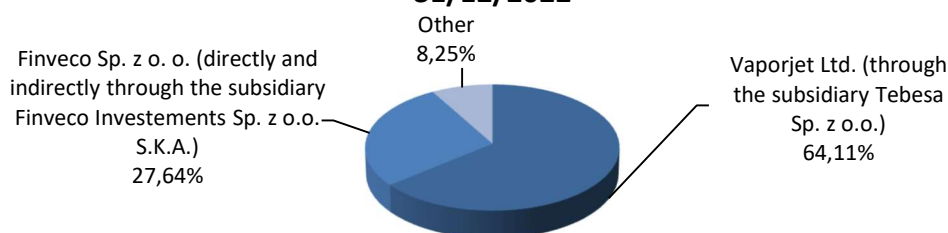
As at 31 December 2022, the share capital of NOVITA S.A. amounted to PLN 5,000 k and consisted of 2,500,000 ordinary bearer shares with a nominal value of PLN 2 per share. The total number of votes at the general meeting resulting from all the Issuer's shares issued corresponds to the number of shares and amounted to 2,500,000 votes. The registered shares and preference shares did not exist.

7.2 Shareholder structure

Composition of NOVITA S.A.'s shareholding structure as at 31 December 2022, according to the information available to the Company, indicating the shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's general meeting:

NOVITA S.A. shareholding structure as at 31/12/2022				
Shareholder	Number of shares	Interest in the share capital	Number of votes	Share in the total votes at the AGM
Vaporjet Ltd. (through the subsidiary Tebesa Sp. z o.o.)	1 602 719	64,11%	1 602 719	64,11%
Finveco Sp. z o. o. (directly and indirectly through the subsidiary Finveco Investments Sp. z o.o. S.K.A.)	691 000	27,64%	691 000	27,64%
Other	206 281	8,25%	206 281	8,25%
Total	2 500 000	100,00%	2 500 000	100,00%

List of shareholders with 5% and more votes at the AGM as at 31/12/2022



Until the date of the report on the activities for 2022, the presented shareholding structure remained unchanged.

In the period from November 4, 2022, i.e. from the date of submitting the previous periodic report (report for the third quarter of 2022) to the date of this report, the shareholding structure of NOVITA S.A. has not changed.

7.3 Own shares

As at 31 December 2022, the Company had no own shares.

7.4 Information on the system of control of employee share schemes

Not applicable.

7.5 Description of the use of proceeds from the issue by the issuer

In the reporting year, the Company did not issue securities.

8 Management Board of NOVITA S.A.

8.1 Composition, principles of appointment and description of the scope of powers of the NOVITA S.A. authorities

8.1.1 Supervisory Board

As at December 31, 2022, the Supervisory Board of the Company was composed of:

Personal composition of the Supervisory Board as at 31/12/2022	
Eyal Maor	Chairman of the Supervisory Board
Ariel Mansoor	Deputy Chairman of the Supervisory Board
Ilanit Ella	Member of the Supervisory Board
Ohad Tzkhor	Member of the Supervisory Board
Janusz Piczak	Member of the Supervisory Board

The following personnel changes took place in the Supervisory Board of the Company in the financial year 2022:

- Elazar Benjamin - Member of the Supervisory Board, held the position until June 29, 2022,
- Ilanit Ella - Member of the Supervisory Board, has held the position since June 29, 2022.

Until the date of these statements, the composition of the Supervisory Board did not change.

8.1.2 Management Board

In 2022 there were no changes in the composition of the Management Board. As at 31 December 2022, the Company's Management Board was composed of:

Personal composition of the Management Board as at 31/12/2022	
Radosław Muzioł	President of the Management Board
Jakub Rękosiewicz	Member of the Management Board
Shlomo Finkelstein	Member of the Management Board
Rami Gabay	Member of the Management Board

Until the date of these statements, the composition of the Management Board did not change.

Rules for appointing and describing the scope of powers of the NOVITA S.A. authorities are included in the chapter: Statement on the application of corporate governance in NOVITA S.A. in the financial year 2022.

8.2 Remuneration rules and amount of remuneration of the Company's authorities

A description of the principles of remuneration of the Company's authorities is included further in the Statement on the application of corporate governance in NOVITA S.A. in the financial year 2022.

Value of remuneration, awards or benefits of Members of the Issuer's Management Board in 2022:

Remuneration of Members of the Management Board of NOVITA S.A.						
in k PLN	2022			2021		
	Value of remuneration	Function	Period of performing the function	Value of remuneration	Function	Period of performing the function
Radosław Muzioł	918	President of the Management Board	01.01.2022 - 31.12.2022	1 980	President of the Management Board	01.01.2021 - 31.12.2021
Jakub Rękosiewicz	293	Member of the Management Board	01.01.2022 - 31.12.2022	517	Member of the Management Board	01.01.2021 - 31.12.2021
Shlomo Finkelstein	0	Member of the Management Board	01.01.2022 - 31.12.2022	0	Member of the Management Board	01.01.2021 - 31.12.2021
Rami Gabay	0	Member of the Management Board	01.01.2022 - 31.12.2022	0	Member of the Management Board	01.01.2021 - 31.12.2021
Reserve for the Management Board bonus	402			0		
Total	1 613			2 497		

Value of remuneration, awards or benefits of Members of the Supervisory Board in 2022:

Remuneration of Members of the Supervisory Board of NOVITA S.A.						
in k PLN	2022			2021		
	Value of remuneration	Function	Period of performing the function	Value of remuneration	Function	Period of performing the function
Eyal Maor	0	Chairman of the Supervisory Board	01.01.2022 - 31.12.2022	0	Chairman of the Supervisory Board	01.01.2021 - 31.12.2021
Uriel Mansoor	0	Deputy Chairman of the Supervisory Board	01.01.2022 - 31.12.2022	0	Deputy Chairman of the Supervisory Board	01.01.2021 - 31.12.2021
Janusz Piczak	24	Member of the Management Board	01.01.2022 - 31.12.2022	24	Member of the Management Board	01.01.2021 - 31.12.2021
Ohad Tzkhori	0	Member of the Management Board	01.01.2022 - 31.12.2022	0	Member of the Management Board	01.01.2021 - 31.12.2021
Elazar Benjamin	0	Member of the Management Board	01.01.2022 - 29.06.2022	0	Member of the Management Board	01.01.2021 - 31.12.2021
Ilanit Ella	0	Member of the Management Board	29.06.2022 - 31.12.2022			
Total	24			24		

8.3 Agreements concluded between the issuer and the managers providing for compensation

In the reporting year, the Company was not bound by agreements providing for the obligation to pay compensation to managers in the event of their resignation or dismissal from the occupied post without a valid reason or in cases where the dismissal of managers or their release would take place due to the merger of the Issuer by acquisition.

8.4 Information on liabilities to former managers, supervisors or former members of the administrative bodies

In the reporting year, the Company had no liabilities resulting from pensions and similar benefits for former management, supervisory or former members of the administrative bodies.

8.5 List of shares of NOVITA S.A. held by managers and supervisors

As at the date of preparation of the report, the Company's shares were not held directly by persons managing or supervising the Company.

8.6 Information on agreements known to the issuer which may result in future changes in the proportions of shares held by existing shareholders and bondholders

The Management Board of NOVITA S.A. does not have any information about agreements that may result in changes in the proportion of shares held by existing shareholders and bondholders.

9 Other information

9.1 Examination of the report

Information concerning the audit firm and remuneration for auditing the statements and other services has been presented in the Separate Financial Statements for the year ended 31 December 2022 in chapter No. 33.

9.2 Employment information

As at December 31, 2022, the employment was 194 people.

The average employment in 2022 was 193 people, which means a decrease in employment by 6 people compared to 2021.

Average number of persons employed						
Description	2022		2021		changes '22 to '21	
	persons	share	persons	share	persons	change indicator
1	2	3	2	3	(2-4)	(2/4)
Production workers	101	52%	92	48%	9	110%
Non-production employees of the industrial group	47	24%	49	25%	-2	96%
White-collar workers	45	23%	46	24%	-1	98%
Total	193	100%	187	97%	6	103%

9.3 Environmental actions

In 2022, thermomodernization of some rooms was carried out by replacing the window joinery and installing a heating system with higher efficiency. In this way, heat losses were reduced and the building's heating efficiency was increased.

A deep well for groundwater intake was also installed, replacing the worn-out deep well installation. By abstracting groundwater from its own intake, the abstraction of water from the municipal network was completely eliminated.

Last year, devices were installed on two main production lines for recycling and reusing edge cuttings constituting post-production material. Thanks to the introduced solutions, the amount of post-production waste generated was limited to 10 tons per month, thus reducing the amount of raw material used by the value of reused post-production waste.

An action that had an impact on environmental protection was also the installation of a backwash water system on the production line. The introduced technology allows to reduce the discharge of technological wastewater in the backwashing process and to reuse water in a closed system. The amount of recycled water is estimated at up to 300 m³ per month.

In addition, an automated collection device was installed for the treatment of post-production wastewater. Thanks to the applied separation, it is possible to select thicker washings fractions, which allowed to improve the quality of post-production wastewater discharged to the municipal sewage treatment plant.

10 Statement on corporate governance in NOVITA S.A. in the financial year 2022

Pursuant to § 70 sec. 6. point 5) of the Regulation of the Minister of Finance of March 29, 2018. on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws 2018.757 of April 20, 2018), the Management Board of NOVITA Spółka Akcyjna with its registered office in Zielona Góra, at ul. Dekoracyjna 3, 65-722 Zielona Góra, entered to the Register of Entrepreneurs of the National Court Register kept by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register under KRS number 0000013306, NIP number 9290094094, REGON number 970307115 (hereinafter referred to as: "Company") declares as follows:

1. In the financial year 2022, the Company applied the corporate governance rules resulting from the "Best Practices of WSE Listed Companies in 2021", adopted by the Council of the Stock Exchange Spółka Akcyjna with its registered office in Warsaw on March 29, 2021.
2. The Company informs that it does not apply a set of corporate governance rules other than those indicated above, which it could have decided to apply voluntarily. The company did not apply the practices in the field of corporate governance, going beyond the requirements provided for by national law.
3. In 2022, the Company withdrew from the provisions of the set of corporate governance rules referred to in point 1, so that it did not apply the following detailed rules:

1.3.1.: environmental issues, including measures and risks related to climate change and sustainable development issues;

Justification for non-application:

The company does not have a formalized business strategy. Taking into account the growing importance of ESG and non-financial reporting, as well as the noticeable increase in investor awareness and expectations in this area, the Company takes steps to prepare the Company for the implementation and application of this rule.

1.3.2.: social and employee matters, concerning e.g. undertaken and planned activities aimed at ensuring gender equality, proper working conditions, respect for employees' rights, dialogue with local communities, relations with clients;

Justification for non-application:

Explanation of non-application - as in point 1.3.1.

1.4.: In order to ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company publishes on its website information on the assumptions of its strategy, measurable goals, in particular long-term goals, planned activities and progress in its implementation, determined by means of indicators, financial and non-financial. Information on the strategy in the ESG area should, among others:

Justification for non-application:

The company does not have a formalized business strategy. Taking into account the growing importance of ESG and non-financial reporting, as well as the noticeable increase in investor awareness and expectations in this area, the Company takes steps to prepare the Company for the implementation and application of this rule.

1.4.1.: explain how climate change issues are taken into account in the decision-making processes of the company and its group entities, pointing out the resulting risks;

Justification for non-application:

Explanation of non-application - as in point 1.4.

1.4.2.: present the value of the equal pay index paid to its employees, calculated as a percentage difference between the average monthly salary (including bonuses, prizes and other allowances) of women and men for the last year, and provide information on actions taken to eliminate possible inequalities in this respect, together with the presentation of related risks and the time horizon in which it is planned to achieve equality .

Justification for non-application:

Explanation of non-application - as in point 1.4.

1.5.: At least once a year, the company discloses expenses incurred by it and its group to support culture, sports, charitable institutions, media, social organizations, trade unions, etc. If in the year covered by the report, the company or its group incurred expenses for this type of purpose , the information includes a statement of these expenses.

Justification for non-application:

The Company does not disclose the amount of expenses incurred by it to support culture, sports, charity institutions, media, social organizations, trade unions, etc., due to the fact that these expenses do not constitute significant costs of the Company that could affect its current operations.

1.6.: In the case of a company included in the WIG20, mWIG40 or sWIG80 index, once a quarter, and in the case of the others, at least once a year, the company organizes a meeting for investors, inviting in particular shareholders, analysts, industry experts and media representatives. During the meeting, the company's management board presents and comments on the adopted strategy and its implementation, financial results of the company and its group, as well as the most important events affecting the operations of the company and its group, achieved results and prospects for the future. During organized meetings, the management board of the company publicly provides answers and explanations to the questions asked.

Justification for non-application:

The company does not have a formalized business strategy. The Company's financial results as well as other significant information regarding the Company's operations are published in the form of current and periodic reports on the Company's website, in accordance with applicable law.

2.1.: The company should have a diversity policy towards the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy defines the goals and criteria of diversity, e.g. in such areas as gender, field of education, specialist knowledge, age and professional experience, and also indicates the date and method of monitoring the implementation of these goals. In terms of diversity in terms of gender, the condition for ensuring the diversity of the company's governing bodies is the minority share in a given governing body at a level not lower than 30%.

Justification for non-application:

The principle is partially applied. The Company has a Diversity Policy, however, at present, the Company does not ensure diversity of the Company's governing bodies in terms of gender (minority share in a given governing body at a level not lower than 30%).

2.6.: Performing functions in the company's management board is the main area of professional activity of a management board member. A member of the management board should not undertake additional professional activity if the time devoted to such activity prevents him from performing his duties diligently in the company.

Justification for non-application:

The function of the Management Board is the main area of activity of two key Members of the Management Board of the Company.

3.5.: Persons responsible for risk management and compliance report directly to the president or another member of the management board.

Justification for non-application:

Not all persons responsible for the indicated areas report directly to the President of the Management Board or another Member of the Management Board, but they have the option of direct reporting both to individual Members of the Management Board and to the Supervisory Board or the Audit Committee.

3.6.: The head of the internal audit reports organizationally to the president of the management board, and functionally to the chairman of the audit committee or the chairman of the supervisory board, if the board performs the function of the audit committee.

Justification for non-application:

The Company has not appointed an internal auditor. In the Company, in accordance with the principle 3.3. Every year the Audit Committee assesses whether there is a need to appoint such a person.

4.3.: The company provides publicly available real-time transmission of general meetings.

Justification for non-application:

Only persons authorized to participate in the Meeting, in accordance with the provisions of law, are authorized to access the real-time broadcast of the Meeting (i.e. in particular shareholders or their proxies, members of the Supervisory Board or Management Board).

4.4.: Representatives of the media are allowed to attend general meetings.

Justification for non-application:

The presence of the media at the Meeting is decided each time by the shareholders as a result of voting.

6.2.: Incentive programs should be structured in such a way that, among other things, they make the level of remuneration of members of the company's management board and its key managers dependent on the actual, long-term situation of the company in terms of financial and non-financial results and long-term increase in value for shareholders and sustainable development, as well as the stability of the company's operations.

Justification for non-application:

The company does not use incentive schemes. The remuneration of the Members of the Management Board is paid in accordance with the Remuneration Policy, which defines financial and non-financial criteria for variable components of remuneration. The rules for payment of remuneration for key managers and other employees who are not Members of the Company's Management Board are set out in force in this respect, the provisions of generally applicable law and internal sources of labor law, adopted in the Company (Remuneration Regulations).

6.3.: If one of the incentive programs in the company is a managerial option programme, then the implementation of the option program should depend on the fulfillment by the entitled persons, within at least 3 years, financial and non-financial and sustainable development goals set in advance, realistic and appropriate for the company, and the purchase price of the authorized shares or option settlement cannot differ from the value of shares from the period of adopting the program.

Justification for non-application:

The company does not use incentive schemes. Explanation of non-application - as in point 6.2.

6.4.: The supervisory board performs its tasks on a continuous basis, therefore the remuneration of board members cannot depend on the number of meetings held. Remuneration of committee members, in particular of the audit committee, should take into account additional workload related to work in these committees.

Justification for non-application:

There are no other committees in the Company apart from the Audit Committee. The General Meeting of the Company did not award any remuneration to the Members of the Audit Committee for their work in this Committee.

4. With regard to the main features of the internal control and risk management systems with regard to the process of preparing financial statements and consolidated financial statements, the Management Board of the Company declares as below.

In the process of preparing financial statements, one of the basic control mechanisms is the periodic verification of financial statements by an independent statutory auditor (auditor).

The assessment of the auditor's activity is carried out in accordance with the rules resulting from the provisions of the Act of May 11, 2017 on statutory auditors, audit firms and public oversight (Journal of Laws 2019.1421, consolidated text of 30 July 2019, as amended), as well as in accordance with the provisions of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements for statutory audits of public-interest entities and repealing Commission Decision 2005/909/EC (Text with EEA relevance).

When performing financial reporting obligations, the Company also ensures compliance with the provisions of the Regulation of the Minister of Finance of March 29, 2018. on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws 2018.757 of 20 April 2018).

The Audit Committee is active in the Company, whose tasks include, among others: monitoring the financial reporting process and the effectiveness of internal control and risk management systems as well as internal audit, including in the field of financial reporting, and monitoring the performance of financial audit activities. The Audit Committee, in particular, controls, monitors and assesses the independence of the statutory auditor and the audit firm.

5. The Company's shareholders holding, directly or indirectly, significant blocks of shares as at the date of preparation of the statement:

NOVITA S.A. shareholders as at the date of the declaration				
Shareholder	Number of shares	Interest in the share capital	Number of votes	Share in the total votes at the AGM
Vaporjet Ltd. (through the subsidiary Tebesa Sp. z o.o.)	1 602 719	64,11%	1 602 719	64,11%
Finveco Sp. z o. o. (directly and indirectly through the subsidiary Finveco Investments Sp. z o.o. S.K.A.)	691 000	27,64%	691 000	27,64%

6. Bearing in mind that all shares of the Company are equal in rights, there are no holders of shares or other securities that give special control rights.
7. The Company does not have any restrictions on the exercise of voting rights attached to the shares held, apart from those resulting from the applicable provisions of law.
8. The Company's Articles of Association do not introduce any restrictions on the transfer of ownership of securities. The Company is not aware of any other possible restrictions in this respect, in particular arising from contracts or other legal relationships.
9. Appointment and dismissal of managing persons is made by the decision of the Supervisory Board, on the basis of the regulations contained in the Company's Articles of Association and the applicable laws in this regard. The rights of the managing persons are specified in the Code of Commercial Companies and the Company's internal acts. Pursuant to the Articles of Association, the Management Board does not have extraordinary powers, in particular with regard to making decisions on the issue of shares and their redemption. The issue of shares or the redemption of shares may take place under the authorization granted to the Management Board by the General Meeting.
10. The rules for amending the Company's Articles of Association are specified in the provisions of the Commercial Companies Code and the Company's Articles of Association. Amendments to the Articles of Association are made by the General Meeting by adopting an appropriate resolution by the required majority of votes, in accordance with the relevant provisions of the Commercial Companies Code and the Company's Articles of Association. After passing the changes in the Articles of Association, the Management Board immediately submits an application to the competent court for their registration. After receiving the decision of the competent court on the registration of changes to the Articles of Association, the Company publishes in the form of a current report information on the changes made to the Articles of Association, at the same time announcing the consolidated text of the Articles of Association, if a decision has been made to establish it. The consolidated text of the amended Articles of Association is also published on the Company's website.
11. The manner of operation of the General Meeting and its powers as well as the rights of shareholders and the manner of their exercise coincide with the generally applicable provisions of law in this respect. Additional regulations have been specified in the Company's internal legal acts: Articles of Association and Regulations of the General Meeting of Shareholders, which are available on the website www.novita.pl, in the Investor Relations tab.

12. As at the date of preparation of the statement, the Management Board of the Company consists of:

Composition of the Management Board as at the date of the statement	
Radosław Muzioł	President of the Management Board
Jakub Rękosiewicz	Member of the Management Board
Shlomo Finkelstein	Member of the Management Board
Rami Gabay	Member of the Management Board

There were no personnel changes in the composition of the Company's Management Board in the financial year 2022.

In the period from January 1, 2022 to June 29, 2022, the Supervisory Board of NOVITA S.A. operated with the personnel listed below

Composition of the Supervisory Board in the period from January 1, 2022 to June 29, 2022	
Eyal Maor	Chairman of the Supervisory Board
Uriel Mansoor	Deputy Chairman of the Supervisory Board
Elazar Benjamin	Member of the Supervisory Board
Ohad Tzkhor	Member of the Supervisory Board
Janusz Piczak	Member of the Supervisory Board

On June 29, 2022, the Ordinary General Meeting of the Company appointed to the Supervisory Board for the next term of office:

Composition of the Supervisory Board as at the date of the statement	
Eyal Maor	Chairman of the Supervisory Board
Uriel Mansoor	Deputy Chairman of the Supervisory Board
Ilanit Ella	Member of the Supervisory Board
Ohad Tzkhor	Member of the Supervisory Board
Janusz Piczak	Member of the Supervisory Board

The Company's Management Board operates on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association and the Regulations of the Management Board. Meetings of the Management Board are held as needed. The Management Board adopts resolutions on matters listed in the Regulations of the Management Board. Minutes are drawn up for each meeting of the Management Board, in which the topics covered by the meeting are concisely described and mentioned and resolutions adopted at the meeting of the Management Board included in the form of attachments.

The Supervisory Board operates on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association and the Regulations of the Supervisory Board. The powers of the Supervisory Board are defined in the Code of Commercial Companies and the Company's Articles of Association. The Supervisory Board elects from among its members the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board and, if necessary, the Secretary of the Supervisory Board. The Regulations of the Supervisory Board specify the mode of convening and deliberating the Supervisory Board.

Resolutions of the Supervisory Board are adopted at meetings held at the Company's registered office or other agreed locations in Poland. The Regulations also provide for the possibility of adopting resolutions outside the meeting of the Supervisory Board, in writing or in the form of means of direct

remote communication, as well as the possibility of voting through another member of the Supervisory Board. Appropriate minutes are drawn up from each meeting of the Supervisory Board, the content of which is specified in the Regulations of the Supervisory Board. The attendance list, adopted resolutions and one copy of materials delivered to each member of the Supervisory Board are attached to the minutes of the Supervisory Board meeting. The book of minutes is stored in the Company.

The Audit Committee has been operating in the Company since October 16, 2017, in the period from January 1, 2022 to June 29, 2022 it was composed of the following members of the Supervisory Board:

The composition of the Audit Committee in the period from January 1, 2022 to June 29, 2022	
Ohad Tzkhori	Chairman of the Audit Committee
Eyal Maor	Member of the Audit Committee
Elazar Benjamin	Member of the Audit Committee

On July 12, 2022, the Supervisory Board appointed the following members to the Audit Committee:

Composition of the Audit Committee as at the date of the statement	
Ohad Tzkhori	Chairman of the Audit Committee
Eyal Maor	Member of the Audit Committee
Ilanit Ella	Member of the Audit Committee

The Audit Committee operates on the basis of the provisions of the Act of May 11, 2017. on statutory auditors, audit firms and public oversight ((Journal of Laws 2019.1421, consolidated text of 30 July 2019, as amended), as well as in accordance with the provisions of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 on detailed requirements for statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909/EC (Text with EEA relevance) and on the basis of the regulations adopted by the Audit Committee Meetings of the Audit Committee are held as needed.

13. With regard to the Audit Committee, the Management Board of the Company indicates that:

- a. the following members of the Audit Committee meet the statutory independence criteria: Ohad Tzkhori and Ilanit Ella;
- b. all members of the Audit Committee have knowledge and skills in accounting or auditing financial statements. Competences in the above they owe their education and many years of rich professional experience;
- c. Mr. Eyal Maor has knowledge and skills in the industry in which the Company operates, supported by many years of professional experience;
- d. the audit firm examining its financial statements provided the Company with permitted non-audit services consisting of: 1) verification of the correctness of the calculation of the electricity intensity coefficient for the years 2020-2022 and 2) evaluation of the remuneration report for Members of the Supervisory Board and the Management Board companies. In connection with the above services, the independence of the audit firm was assessed and consent was granted for the provision of these additional services;
- e. the main assumptions of the developed policy for the selection of an audit firm and the policy for the provision of permitted non-audit services by the audit firm conducting the audit are to ensure effective monitoring of the financial reporting process in the Company, ensuring the effectiveness

of internal control systems and risk management systems in the field of financial reporting and ensuring compliance with the law performing financial audit activities, in particular in terms of the audit conducted by the audit company. Above the assumptions are implemented, e.g. by verifying offers submitted by audit firms and the active role of the Audit Committee, which in particular recommends the selection of an audit firm to the Supervisory Board of the Company and monitors whether an audit company authorized to audit financial statements. According with the provisions of the audit firm selection policy, it is recommended, among others, for the Company to negotiate the introduction of contractual clauses in contracts for the audit of financial statements obliging the audit company to provide the Company with regular information on the existence of circumstances that may result in its loss of authorization to audit financial statements or on pending proceedings in this regard;

- f. in 2021, the Company selected an audit firm to entrust the statutory audit for the years 2021-2022. The recommendation regarding the selection of an audit firm to conduct the audit met the applicable conditions, in particular the above-mentioned the recommendation was prepared as a result of a selection procedure organized by the issuer that meets the applicable criteria;
- g. in 2022, 6 meetings of the Audit Committee and two meetings of the Supervisory Board were held on the performance of the duties of the Audit Committee;
- h. in 2022, the Company met the criteria referred to in §70 sec. 6 point 5 lit. m) Regulation of the Minister of Finance of March 29, 2018. on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws 2018.757 of 20 April 2018). In connection with the above, the Company has a "Diversity Policy" - hereinafter referred to as "Policy" or "Document". The document defines the principles of supporting diversity in employment at every level of the Company's organizational structure. The main objective of the Diversity Policy is i.a. creating equal and non-discriminatory working conditions and environment in the Company, while striving to eliminate negative phenomena and manifestations of unequal treatment in employment, stereotypes and prejudices present in society and their effects. The method of implementing the Policy in 2022 was i.a. the obligation to take diversity into account in human resource management processes and tools (i.e. in particular: adopting uniform rules of employment in the Company, adopting and applying the rules of organization and qualification of employees for training and remuneration rules based on objective criteria and shaping the Company's organizational culture that promotes diversity among personnel) . The Company believes that in the reporting period - which is also the first full year of application of the Document - the most important effect of the implementation of the Policy is the gradual increase in staff awareness in terms of taking into account and recognizing the positive aspects for the Company resulting from the diversity of staff.

Statement of the NOVITA S.A. Management Board concerning the accuracy of the annual financial statements

We hereby declare that, to the best of our knowledge, the annual financial statements and the comparative data were prepared in compliance with the applicable accounting principles and that they truly, reliably and clearly reflect NOVITA's assets, financial standing and financial result, as well as that the annual report on the activities of the issuer contains a true picture of the development, achievements and standing of NOVITA, including a description of the basic threats and risks.

Management Board of NOVITA S.A.

Radosław Muzioł President of the Management Board

Jakub Rękosiewicz Member of the Management Board

Shlomo Finkelstein Member of the Management Board

Rami Gabay Member of the Management Board

Zielona Góra, 30 March 2023

5th April, 2023

INFORMATION FROM THE MANAGEMENT BOARD
REGARDING THE SELECTION OF AN AUDITING COMPANY AUDITING THE ANNUAL
FINANCIAL STATEMENTS FOR THE PURPOSE OF PREPARING THE ANNUAL REPORT FOR THE
YEAR 2022

The Management Board of "NOVITA" Spółka Akcyjna with its registered office in Zielona Góra informs that:

1. according to § 70 subparagraph 1. point 7) Regulation of the Minister of Finance of 29 March 2018 on current and periodic information submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Dz.U. poz. 757, as amended), on the basis of the resolution of the Supervisory Board No. 4 of 4th April 2023, the choice of auditing firm Kancelaria Porad Księgowo – Finansowych dr Rojek Sp. z o.o. with headquarters in Katowice to conduct the audit of the annual financial statements, was made in accordance with the law.
2. The Management Board indicates that the above-mentioned auditing company and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual financial statements in accordance with applicable regulations, professional standards and professional ethics, the applicable regulations regarding the rotation of the audit firm and the key statutory auditor and mandatory withdrawal periods and that the Company has a policy regarding the selection of an audit firm and a policy regarding the provision to the Company by an auditing company, a related entity with the auditing company or member of its network of additional non-audit services, including services conditionally exempt from the prohibition of the audit company.

Radosław Muzioł

President of the Management Board

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Jakub Rękosiewicz

Member of the Management Board

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Shlomo Finkelstein

Member of the Management Board

.....

Rami Gabay


Member of the Management Board

.....

“NOVITA” SPÓŁKA AKCYJNA

This translation was drawn up in accordance with the documents, which had been prepared in Polish.

The contents of these documents are decisive in case of dispute.



KATOWICE, MARCH 2023



THE INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS' MEETING AND THE SUPERVISORY BOARD OF
“NOVITA” SPÓŁKA AKCYJNA

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of “NOVITA” Spółka Akcyjna based in Zielona Góra, („the company”), which comprise the statement of financial position as of 31st December 2022 and the statement of comprehensive income, the statement of changes in equity, the statement from cash flows for the financial year from 1st January to 31st December 2022 and the additional information comprising a summary of significant accounting policies and other explanatory information (“the financial statements”).

In our opinion, the accompanying financial statements:

- give a true and fair view of the economic and financial position of the company as at 31st December 2022 and of its financial performance and its cash flows for the year then ended in accordance with applicable regulations of the International Financial Reporting Standards as endorsed by the European Union and accepted the accounting principles (policies),
- are consistent in form and content with the applicable laws and the company’s statute;
- have been prepared based on properly kept accounting records in accordance with the regulations of Chapter 2 of the Accounting Act of 29th September 1994 (“the Accounting Act” - Journal of Laws of 2023, item 120 with later amendments).

This opinion is consistent with the additional report to the Audit Committee that we issued on 30th March 2023.

Basis for Opinion

We conducted our audit in accordance with National Standards on Auditing in the wording of the International Standards on Auditing adopted by resolution No. 3430/52a/2019 of the National Chamber of Statutory Auditors of 21st March 2019 on national audit standards and other documents with later amendments (“NSAs”) and in accordance of the act of 11th May 2017 on Statutory Auditors, Audit Firms and public oversight (“Act on Statutory Auditors” - Journal of Laws of 2022, item 1302 with later amendments) and Regulation of the European Parliament and of the Council (EU) No. 537/2014 of 16th April 2014 on detailed requirements regarding statutory audits of financial statements of public-interest entities („regulations UE” – Journals of Laws UE L 158 with later amendments). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with International Code of Accountants' Ethics (including International standards of independence) of the International Ethics Standards Board for Accountants ("Code of IESBA"), adopted by resolutions of the National Chamber of Statutory Auditors No. 3431/52a/2019 of 25th March 2019 of the principles of professional ethics of statutory auditors with later amendments and with other ethical requirements that are relevant to the audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of IESBA. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the company in accordance with independence requirements set out in the Act on Statutory Auditors and Regulation UE.

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

Key audit matters

Key audit matters are matters that in our professional judgment were key audit matters during the financial statements for the current reporting period. They include the most significant types of the risk of material misstatement, including the risk of material misstatement caused by fraud. We have addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion and we have summarized our response to these risks and in those cases where deemed it appropriate, we have provided the most important insights related to these risks. We do not express a separate opinion in these matters.

Key audit matters	Addressing this matter during the audit
Completeness of revenues and their recognition in the correct reporting period	<p>As part of our audit, we documented our understanding of the revenue recognition process, identified controls related to this area, and then tested the compliance of these controls. We evaluated the accounting policies adopted for revenue recognition and presentation.</p> <p>Additionally, we performed margin-based reliability testing and document testing involving reconciliations to source documentation, including linkage to tax returns.</p> <p>For the selected sample, we tested sales transactions occurring in the period before and after the balance sheet date.</p> <p>The procedures we performed did not identify any material misstatements.</p>
Valuation of inventories. Inventories are a significant item of current assets subject to estimates.	<p>As part of the audit, we documented our understanding of the inventory record and inventory valuation process to an attainable net selling price.</p> <p>We have identified controls for this area.</p>

Key audit matters	Addressing this matter during the audit
	<p>We assessed whether the mechanisms designed and implemented to mitigate the risk of mispricing were sufficient and effective.</p> <p>We participated in observation in a physical inventory process.</p> <p>We performed analytical procedures related to the development of inventory turnover trends.</p> <p>We made a comparison of the current selling prices of the inventory with its value as recorded in inventory.</p> <p>The results of the procedures performed did not indicate adjustment to the financial statements.</p>

Responsibilities of the Company’s Management and Those in charge of supervising the Financial Statements

The company’s management is responsible for the preparation, based on properly kept accounting records, of these financial statements which give a true and fair view of the economic and financial position of the company and of its financial performance in accordance with the International Financial Reporting Standards as endorsed by the European Union, accepted accounting principles (policies) as well as applicable laws and the company’s articles of association and for such internal control as the company’s management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the company’s management is responsible for assessment of the company’s ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the company’s management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The company’s management and the members of the company’s Supervisory Board shall ensure that the financial statements meet the requirements set forth in the Accounting Act. The members of the company’s Supervisory Board are responsible for overseeing the company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified during the audit misstatements and of uncorrected misstatements, if any, on the financial statements and in forming the auditor's opinion. In connection with the above all the conclusions and findings included in the auditor's report are given applying qualitative and quantitative level of materiality determined in accordance with auditing standards and auditor's professional judgement.

The scope of an audit does not include an assurance about the future profitability of the company or the effectiveness or efficiency of the company's management in managing the company's affairs present or in the future.

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

- identify and assess the risks of material misstatement of the 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 principles (policies) used and the reasonableness of accounting estimates and related disclosures made by the company's management;
- conclude on the appropriateness of the company's management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the company's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We make a statement to the Supervisory Board that we have complied with the relevant ethical requirements regarding independence and that we will inform them of all relations and other matters that could reasonably be considered a threat to our independence, and, where applicable, inform about the safeguards applied.

Among the matters referred to the Supervisory Board, we identified those matters that were most significant during the audit of the financial statements for the current reporting period, and therefore we considered them to be key audit matters. We describe these matters in our auditor's report, unless laws or regulations prohibit public disclosure or when, in exceptional circumstances, we determine that the matter should not be reported in our report because it would reasonably be expected that the negative consequences would outweigh the benefits of such information for the public interest.

Other Information, including the Management Report

Other information includes a management report on the company's activities in the financial year ended 31st December 2022 ("the management report") with a statement on the application of corporate governance, which is a separate part of this report and the annual report for the financial year ended 31st December 2022 ("annual report") (together "other information").

Responsibilities of the Management and Those in charge of supervising

The company's management is responsible for the preparation of the management report in accordance with the applicable laws.

The company's management and members of the company's Supervisory Board are obliged to ensure that the management report meets the requirements of the Accounting Act.

Auditor's Responsibilities

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to familiarize ourselves with the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 other information, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the management report has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the financial statements. In addition, we are required to provide an opinion as to whether the entity has included the required information in its corporate governance statement.

Opinion on Management Report

Based on our work performed during the audit, we are of the opinion that the management report:

- has been prepared in accordance with article 49 of the Accounting Act and described in paragraph 70 Regulation of the Minister of Finance of 29th March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (“resolution of current information” - Journal of Laws of 2018, item 757).
- is consistent with the information contained in the financial statements.

Furthermore, in the light of the knowledge and understanding of the company and its environment obtained in the course of our audit, we declare that we have not identified any material misstatements of the management report.

Opinion on the statement on the application of corporate governance

In our opinion, in the statement about the application of corporate governance, the entity has specified information in paragraph 70, paragraph 6, point 5 resolution of current information. Moreover, in our opinion information indicated in paragraph 70, paragraph 6, point 5 letter c-f, and h-i of Regulation on current information included in the statement about the application of corporate governance are in accordance with the law and information contained in the annual financial statements.

Report on Other Legal and Regulatory Requirements

The statement on services provided that are not financial statements audit

To the best of our knowledge and belief, we declare that that the non-audit services we have provided to the company are in accordance with the laws and regulations in force in Poland and we have not provided non-audit services that are prohibited by art. 5 paragraph 1 of Regulation EU and by art. 136 of the Act on statutory auditors. The non-audit services that we provided to the company during the period under review are listed in note 33 to the financial statements.

Selection of audit firm

We have been selected to audit the company's financial statements with the resolution of the Supervisory Board of 25th May 2021. We have audited the company's financial statements for a second time.

The key statutory auditor on the audit resulting in this independent auditor's report is Krystian Kubanek entered in the auditor's register under number 9529, acting on behalf of Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Spółka z ograniczoną odpowiedzialnością based in Katowice entered on the list of audit firms under number 1695.

Katowice, 30th March 2023

**EVALUATION OF THE NOVITA S.A. SUPERVISORY BOARD CONCERNING THE REPORT
ON THE ISSUER'S ACTIVITIES AND FINANCIAL STATEMENTS IN TERMS OF THEIR
COMPLIANCE WITH THE BOOKS, DOCUMENTS AND THE FACTS FOR YEAR 2022**

(legal basis: § 70 subparagraph 1. point 14) of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Dz.U.2018.757 of 20 April 2018).

1. The NOVITA Supervisory Board of S.A. (hereinafter referred to as: "Company" or "Issuer"), declares that acting pursuant to art. 382 § 3 of the Polish Code of Commercial Companies, has made an assessment:
 - 1) the Company's financial statements for 2022 including:
 - a) statement of financial position showing as at 31 December 2022 on the assets side and on equity and liabilities the sum 186 748 thousand PLN (in words: one hundred and eighty six million seven hundred and forty eight thousand zlotys);
 - b) statement of comprehensive income showing as at 31 December 2022 total net income in the amount of 21 380 thousand PLN (in words: twenty one million three hundred and eighty thousand zlotys) and net profit of 21 369 thousand PLN (in words: twenty one million three hundred and sixty nine thousand zlotys);
 - c) statement of changes in equity showing as at
 - d) 31 December 2022 an increase in equity 21 380 thousand PLN (in words: twenty one million three hundred and eighty thousand zlotys);
 - e) cash flow statement showing as at 31 December 2022 a net increase in cash by the amount of 1 887 hundred PLN (in words: one million eight hundred and eighty seven thousand zlotys);
 - 2) financial statements for the financial year 2022, in terms of compliance with the books, documents and the facts;
 - 3) reports on the Issuer's activity in the financial year 2022, in terms of compliance with books, documents and the facts.
 - 4) The assessment was made on the basis of the analysis:
 - a) content of the above reports submitted by the Company's Management Board;
 - b) documents and accounting books as well as information provided by the Management Board of the Company;
 - c) the results of additional verifying activities carried out in selected financial and operational areas;
 - d) the opinion of the auditing firm Kancelaria Porad Finansowo-Księgowych dr Rojek Sp. z o.o. with registered office in Katowice from the examination of the Issuer's financial report for the financial year 2022;
 - e) reports of an additional auditing company for the Audit Committee referred to in art. 131 of the Act on statutory auditors, auditing companies and public supervision;
 - f) information of the Audit Committee on the progress, results and significance of the audit for the reliability of financial reporting in the Company and the role of the Committee in the process of auditing financial statements.

2. The Issuer's Supervisory Board made a positive assessment of the above reports, and on the basis of possessed knowledge about the Company and a wide range of activities undertaken in connection with the preparation and examination of the abovementioned reports, assesses that the reports on the Issuer's activity in the financial year 2022 and the Issuer's financial statements for the financial year 2022 have been prepared in accordance with the applicable legal regulations and that these documents are compliant with accounting books, documents and the facts and contain a true view of the development and achievements and the situation of the Company, and also do not raise objections as to the form and content contained in them.

On behalf of the Supervisory Board of NOVITA S.A.

EYAL MAOR
Chairman of the Supervisory Board
of NOVITA Spółka Akcyjna
with its registered office in Zielona Góra

4th April, 2023

**DECLARATION OF THE NOVITA S.A. SUPERVISORY BOARD
REGARDING THE FUNCTIONING OF THE AUDIT COMMITTEE IN YEAR 2022**

drawn up on the basis of § 70 subparagraph 1. point 8) of the Regulation of the Minister of Finance of March 29, 2018. on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Dz.U.2018.757 of 20 April 2018)

The Supervisory Board of NOVITA S.A. (hereinafter referred to as "the Company") declares that:

- a. The Audit Committee was established and operates in an uninterrupted manner, the Audit Committee consists of: Ohad Tzkhor, Eyal Maor and Ilanit Ella;
- b. the provisions regarding the appointment, composition and operation of the Audit Committee are complied with, including the fulfillment by its members of independence criteria and requirements regarding the possession of knowledge and skills in the industry in which the Company operates, and in the field of accounting or auditing of financial statements;
- c. the Audit Committee performed and performs the tasks provided for in the applicable regulations.

On behalf of the Supervisory Board of NOVITA S.A.

EYAL MAOR
Chairman of the Supervisory Board
of NOVITA Spółka Akcyjna
with its registered office in Zielona Góra