

FINANCIAL SUPERVISION COMMISSION

Report H 1 / 2023

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

for H1 of the financial year 2023 covering the period from 2023-01-01 to 2023-06-30 containing condensed IFRS/IAS financial statements in PLN currency transmission date: 2023-09-08

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)
Dekoracyjna (street)	3 (number)
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929-009-40-94 (NIP)	970307115 (REGON)

SELECTED FINANCIAL DATA	in PLN k		in EUR k	
	H1 2023 period from 01.01.2023 to 30.06.2023	H1 2022 period from 01.01.2022 to 30.06.2022	H1 2023 period from 01.01.2023 to 30.06.2023	H1 2022 period from 01.01.2022 to 30.06.2022
Net revenue from the sale of products, goods and materials	95,575	118,222	20,718	25,464
EBITDA (operating profit/loss + depreciation and amortisation)	16,498	17,267	3,576	3,719
Profit/loss on sale	21,632	25,899	4,689	5,578
Operating profit (loss) (EBIT)	14,176	14,891	3,073	3,207
Gross profit (loss)	14,861	13,707	3,222	2,952
Net profit (loss) on continuing operations	12,031	11,142	2,608	2,400
Net profit (loss) on discontinued operations	0	0	0	0
Net profit (loss) for the reporting period	12,031	11,142	2,608	2,400
Net cash flows from operating activity	20,060	5,353	4,349	1,153
Net cash flows from investment activity	(1,227)	(753)	(266)	(162)
Net cash flows from financial activity	4,941	(7,341)	1,071	(1,581)
Total net cash flows	23,774	(2,741)	5,154	(590)
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	4.81	4.46	1.04	0.96
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	4.81	4.46	1.04	0.96
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Total assets	196,596	186,748	44,176	39,819
Liabilities and provisions for liabilities	37,309	39,492	8,383	8,421
Other long-term liabilities and provisions	14,888	15,043	3,345	3,208
Short-term liabilities and provisions	22,421	24,449	5,038	5,213
Equity	159,287	147,256	35,792	31,399
Share capital	5,000	5,000	1,124	1,066
Number of shares	2,500,000	2,500,000	2,500,000	2,500,000
Book value per share	63.71	58.90	14.32	12.56

The balance-sheet items in the “Selected financial data” table as at 30 June 2023 were converted based on the average EUR exchange rate of the NBP (National Bank of Poland) for that date, i.e. 1

EUR = PLN 4.4503. The items from the statement of comprehensive income and the cash flow statement as shown in the "Selected financial data" table for H1 2023 were converted to EUR according to the exchange rate of 1 EUR = 4.6130 PLN (this is the mean value of the average NBP rates of the last days of the 6 months of 2023).

The balance-sheet items in the "Selected financial data" table as at 31 June 2022 were converted based on the average EUR exchange rate of the NBP (National Bank of Poland) for that date, i.e. 1 EUR = PLN 4.6899. The items from the statement of comprehensive income and the cash flow statement as shown in the "Selected financial data" table for H1 2022 were converted to EUR according to the exchange rate of 1 EUR = 4.6427 PLN (this is the mean value of the average NBP rates of the last days of the 6 months of 2022).

Selected financial data from the balance sheet (statement of financial position) are presented at the end of the current quarter and the end of the previous year which should be properly described.

The report should be submitted to the Polish Financial Supervision Authority, a company operating a regulated market and made public through a news agency in accordance with the law.

CONTENT OF THE REPORT

File	Description
NOVITA SA_Raport_1P_2023.pdf	Financial Report of NOVITA S.A. for I half 2023
NOVITA SA_Sprawozdanie z działalności Emitenta_1P_2023.pdf	Management Report of NOVITA S.A. for I half 2023
NOVITA SA_Raport_Biegłego Rewidenta_1P_2023 .pdf	Auditor's Report of NOVITA S.A. for I half 2023

SIGNATURES OF THE PERSONS REPRESENTING THE COMPANY

Date	Name	Position/Function	Signature
2023-09-08	Radosław Muzioł	General Director / President of the Management Board	
2023-09-08	Jakub Rękosiewicz	Finance Director / Member of the Management Boar	



“NOVITA” S.A.

Interim condensed financial statements for the 6 months
ended 30 June 2023



ZIELONA GÓRA, 7 SEPTEMBER 2023

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SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA	in PLN k		in EUR k	
	H1 2023 period from 01.01.2023 to 30.06.2023	H1 2022 period from 01.01.2022 to 30.06.2022	H1 2023 period from 01.01.2023 to 30.06.2023	H1 2022 period from 01.01.2022 to 30.06.2022
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FINANCIAL STATEMENTS

for H1 ended 30 June 2023 (in PLN thousand)

ASSETS	Note	30.06.2023	31.12.2022	30.06.2022
Tangible assets		113,750	115,201	116,522
Property, plant and equipment	8	113,339	114,847	116,146
Intangible assets	8	410	353	375
Other financial assets		1	1	1
Current assets		82,846	71,547	83,281
Inventories	12	31,041	31,283	47,613
Receivables from deliveries, works and services	13	15,303	25,875	27,531
Other short-term receivables and accruals	14	3,069	4,733	3,126
Cash and cash equivalents	15	33,433	9,656	5,011
TOTAL ASSETS		196,596	186,748	199,803

LIABILITIES	Note	30.06.2023	31.12.2022	30.06.2022
Equity		159,287	147,256	137,018
Share capital		5,000	5,000	5,000
Reserve and spare capitals		84,076	84,076	84,076
Revaluation reserve		(72)	(72)	(83)
Profit/loss brought forward		58,252	36,883	36,883
Current year profit/loss		12,031	21,369	11,142
LIABILITIES		37,309	39,492	62,785
Long-term liabilities		14,888	15,043	13,897
Provisions	16	191	191	226
Deferred income tax provision	24	9,774	9,915	8,721
Other long-term financial liabilities		4,923	4,937	4,950
Short-term liabilities		22,421	24,449	48,888
Provisions	16	658	493	557
Short-term bank loans and borrowings	17	1,294	0	3,191
Other short-term financial liabilities		14	27	14
Liabilities for deliveries, works and services		14,523	18,093	36,878
Liabilities under contracts with customers		348	315	540
Short-term liabilities and accruals	18	5,536	5,521	6,885
Income tax liabilities		48	0	823
TOTAL LIABILITIES		196,596	186,748	199,803

STATEMENT OF COMPREHENSIVE INCOME

for H1 ended 30 June 2023 (in PLN thousand)

CALCULATION VARIANT	Note	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
<i>Continuing operations</i>			
Revenues on sales of products, goods and materials	19	95,575	118,222
Costs of products, goods and materials sold	20	73,943	92,323
Gross profit/loss on sales		21,632	25,899
Sales costs	20	3,432	4,239
General administrative costs		7,868	7,411
Other revenue	21	3,866	648
Other costs		22	6
Profit/loss from operating activity		14,176	14,891
Financial revenue	22	818	2
Financial costs		133	1,186
Gross profit/loss		14,861	13,707
Income tax	23	2,830	2,565
Net profit/loss on continuing operations		12,031	11,142
<i>Discontinued operations</i>			
Profit/loss for the financial year on discontinued operations		0	0
Net profit/loss for the reporting period		12,031	11,142
Other comprehensive income		0	0
Total comprehensive income		12,031	11,142
Earnings/loss per share in PLN:			
On continuing operations			
<i>Basic</i>		4.81	4.46
<i>Diluted</i>		4.81	4.46

CASH FLOW STATEMENT

for H1 ended 30 June 2023 (in PLN thousand)

INDIRECT METHOD	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Operating cash flows		
Gross profit/loss on continuing operations	14,861	13,707
Gross profit/loss	14,861	13,707
Adjustments for the following:	5,199	(8,354)
Amortisation	2,322	2,376
Foreign exchange gains/losses	(3)	17
Interest cost and revenue	198	241
Profit/loss from investment activity	(20)	3
Change in provisions	165	509
Change in inventory	242	(5,454)
Change in the balance of receivables and prepayments	11,799	(2,763)
Change in the balance of liabilities and accruals	(3,424)	8,726
Income tax paid/returned	(2,208)	(12,009)
Other adjustments	(3,872)	0
Net cash flows from operating activities	20,060	5,353
Cash flows from investment activities		
Proceeds from sale of property, plant and equipment and intangible assets	23	0
Expenses on acquisition of property, plant and equipment and intangible assets	(1,250)	(753)
Net cash flows from investment activities	(1,227)	(753)
Cash flows from financial activities		
Proceeds from loans and borrowings	1,294	0
Repayment of loans and borrowings	0	(7,074)
Payment of liabilities under finance lease contracts	(27)	(26)
Interest paid	(198)	(241)
Other proceeds – grant	3,872	0
Net cash flows from financing activities	4,941	(7,341)
Increase/decrease in cash and cash equivalents	23,774	(2,741)
Opening balance of cash, cash equivalents and loans in the current account	9,656	7,769
<i>Foreign exchange gains/losses regarding the measurement of cash, cash equivalents and loans in the current account</i>	3	(17)
Closing balance of cash, cash equivalents and loans in the current account	33,433	5,011

STATEMENT OF CHANGES IN EQUITY

for H1 ended 30 June 2023 (in PLN thousand)

for the period 01.01.2023 – 30.06.2023	Equity attributable to the Company's shareholders				Total equity
	Share capital	Reserve and spare capitals	Revaluation reserve/gains from retirement pension benefits	Profit/loss brought forward and in the current year	
Opening balance – approved data	5,000	84,076	(72)	58,252	147,256
Total comprehensive income	0	0	0	12,031	12,031
Profit/loss for the financial year	0			12,031	12,031
Other changes in equity	0	0	0	0	0
Distribution of reserve and supplementary capital for the payment of dividends	0	0	0	0	0
Distribution of profit/loss	0	0	0	0	0
Closing balance	5,000	84,076	(72)	70,283	159,287

for the period 01.01.2022-31.12.2022	Equity attributable to the Company's shareholders				Total equity
	Share capital	Reserve and spare capitals	Revaluation reserve/gains from retirement pension benefits	Profit brought forward and in the current year	
Opening balance – approved data	5,000	34,317	(83)	86,642	125,876
Total comprehensive income	0	0	11	21,369	21,380
Actuarial gains/losses on provisions for retirement gratuities	0	0	13	0	13
In tax on actuarial gains/losses	0	0	(2)	0	(2)
Profit/loss for the financial year	0	0	0	21,369	21,369
Other changes in equity	0	49,759	0	(49,759)	0
Distribution of reserve and supplementary capital for the payment of dividends	0	0	0	0	0
Distribution of profit/loss for 2021	0	49,759	0	(49,759)	0
Closing balance	5,000	84,076	(72)	58,252	147,256

for the period 01.01.2022-30.06.2022	Equity attributable to the Company's shareholders				Total equity
	Share capital	Reserve and spare capitals	Revaluation reserve/gains from retirement pension benefits	Profit/loss brought forward and in the current year	
Opening balance – approved data	5,000	34,317	(83)	86,642	125,876
Total comprehensive income	0	0	0	11,142	11,142
Profit/loss for the financial year	0	0	0	11,142	11,142
Other changes in equity	0	49,759	0	(49,759)	0
Dividends	0	0	0	0	0
Distribution of profit/loss for 2021	0	49,759	0	(49,759)	0
Closing balance	5,000	84,076	(83)	48,025	137,018

NOTES TO FINANCIAL STATEMENTS

1. General information

"NOVITA" S.A. is a Polish joint stock company ("Company") based in Zielona Góra, ul. Dekoracyjna 3. The Company is registered in the National Court Register (KRS) under KRS No. 0000013306. The Company was assigned the REGON statistical number 970307115.

"NOVITA" S.A. was created as a joint stock company was established based on a notary deed of 5 March 1991, Repertory A No. 1247/91, drawn up in Individual Notary Office No. 18 in Warsaw, ul. Długa 29. By way of that deed, the Minister of Privatisation, acting on behalf of the State Treasury, transformed the state-owned company Fabryka Dywanów "NOWITA" into a sole-shareholder joint-stock company of the State Treasury under the name "NOWITA" Spółka Akcyjna. By virtue of the notarial deed, Repertory A No. 7838/92, of 1 July 1992, the Company's name was changed to: "NOVITA" Spółka Akcyjna ("NOVITA" S.A.). On 16 December 1994, shares of "NOVITA" S.A. became listed on the main market of the Warsaw Stock Exchange.

As at the publication date of these statements, the majority interest is held by Tebesa sp. z o.o., which holds 64.11% of shares. Tebesa sp. z o.o. is a subsidiary of Vaporjet Ltd., which is the owner of 100% of shares in Tebesa sp. z o.o.

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

The interim condensed financial statements of the Company include the half-year ended on 30 June 2023 and it contains comparative data for the corresponding period of the previous year.

As at 30 June 2023, 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 Management Board until the preparation date of these financial statements.

As at 30 June 2023, the Supervisory Board of "NOVITA" S.A. was as follows:

- **Eyal Maor** – Chairman
- **Uriel Mansoor** – Vice-Chairman
- **Ohad Tzkhori** – Member of the Board
- **Ilanit Ella** – Member of the Board
- **Janusz Piczak** – Member of the Board

Interim condensed financial statements of “NOVITA” S.A. for the six months ended 30 June 2023

The interim condensed consolidated financial statements of “Novita” S.A.” for the 6-month period ended 30 June 2023 were approved for publication by the Management Board of “Novita” S.A.” on 7 September 2023.

2. Grounds for preparing the interim condensed consolidated financial statements

These interim condensed financial statements were prepared in accordance with International Accounting Standard No. 34 “Interim Financial Reporting” approved by the European Union (“IAS 34”).

The interim condensed financial statements do not cover all the data or all the disclosures required in the annual financial statements and they shall be read in conjunction with the audited financial statements for the year ended 31 December 2022.

These interim condensed financial statements are presented in the Polish zloty (“PLN”) and all figures, unless indicated otherwise, are provided in PLN.

The interim condensed financial statements were prepared based on the assumption that the Company will continue as a going concern in the foreseeable future. By the approval date of these interim condensed financial statements, there no circumstances have arisen that would threaten the Company's going concern status.

The interim financial result may fail to fully reflect the attainable financial result for the financial year.

3. Material accounting principles (policy)

The accounting principles (policy) used for preparing these interim condensed financial statements are consistent with the principles applied when preparing the Company's financial statements for the year ended on 31 December 2022, except for the application of new or amended standards and rulings effective for the annual periods beginning on 1 January 2023 and later.

4. Material figures based on professional judgement and estimates

Preparing financial statements in conformity with International Financial Reporting Standards requires 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 were made if they apply to that period only or in the current period and future periods if they apply to both the current period and future periods. The actual values may differ from these estimates.

Presented below are the key assumptions concerning the future and other key sources of uncertainty present on the balance sheet date which entail a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next 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.

- *Classification of lease contracts where the Company is the lessee*

The Company currently has on its books a perpetual usufruct right to land, recorded in accordance with the IFRS 16 lease classification, from 1 January 2019. The Company has no other leasing agreements where it acts as lessee.

- *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. During the period covered by the statements there were no indications that would justify the estimation of 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 interim condensed 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 receivables from deliveries and services and other receivables*

The Company adopts a simplified model in assessing whether there are indications of possible impairment of trade and other receivables taking into account the internal procedures adopted. 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.

As at 30 June 2023, data based on which the provision as at 31 December 2022 was calculated were analysed and the parameters were found to have undergone no major changes.

5. Objectives and principles of financial risk management

The main financial instruments used by the Company include bank loans and cash. The main purpose of those financial instruments is to raise funds for the business. The Company also has other financial instruments, such as trade receivables and liabilities, which arise directly in the course of its business activities.

The main types of risk resulting from financial instruments used by the Company include the interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Management Board verifies and establishes the rules of managing each of these risks.

- *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 on 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 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.

○ *Risk of changes in prices of raw materials and utilities*

The prices of raw materials and utilities also have a significant impact on the Company's production costs. In order to limit price increases, the Company constantly monitors the conditions granted by various suppliers and purchases from various sources. In addition, an increase in the prices of raw materials and utilities is a signal for specific actions to be taken and, if necessary, also for an increase in selling prices.

6. Business seasonality

There is no seasonality of sales at "NOVITA" S.A.

7. Information about operating segments

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

- the segment of mechanically needled nonwovens,
- the segment of water-needled nonwovens (spunlace),
- the segment of rental services,
- the 'other' segment.

The division into mechanically needled and water-needled (spunlace) products is based on differences in the manufacturing technology. The division is also reflected in the Company's manufacturing structure.

These operating segments are separated in the accounting records of the Company.

Interim condensed financial statements of “NOVITA” S.A. for the six months ended 30 June 2023

The breakdown of operating segments and the basis for calculating profit or loss as at June 30, 2023 did not change compared to the last annual financial statements ending December 31, 2022.

The accounting principles in all segments are consistent with the principles applied by “NOVITA” S.A.

None of the Company’s operating segments was combined with another segment to create the above reporting operating segments.

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 income 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 01.01.2023 – 30.06.2023					
	Continuing operations					Total operations
	Mechanically needed nonwovens	Water-needed nonwovens (spunlace)	Rental	Other	Total	
Revenues from external customers	8,220	84,063	2,722	570	95,575	95,575
Material items of revenue and costs, including:	(7,652)	(72,201)	(1,431)	(115)	(81,399)	(81,399)
Cost of manufacture of the sold products	(6,744)	(65,788)	(1,275)		(73,807)	(73,807)
Value of goods and materials sold	0	0	0	(136)	(136)	(136)
Sales costs	(318)	(3,114)	0	0	(3,432)	(3,432)
General and administrative costs	(733)	(6,998)	(137)	0	(7,868)	(7,868)
Other operating revenue/costs	143	3,699	(19)	21	3,844	3,844
Reporting segment profit or loss	568	11,862	1,291	455	14,176	14,176
Operating profit	568	11,862	1,291	455	14,176	14,176
Amortisation	239	1,776	307	0	2,322	2,322
EBITDA	807	13,638	1,598	455	16,498	16,498

Information about geographic areas	Revenue	Tangible assets
Domestic sales	48,813	*
Foreign sales	46,762	*

* 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	51%
Country 1	16%
Country 2	15%
Other	18%

Information about major customers	Share in revenue	Operating segment
Customer 1	16%	Water-needed nonwovens (spunlace)
Customer 2	15%	Water-needed nonwovens (spunlace)
Customer 3	10%	Water-needed nonwovens (spunlace)
Other	59%	All operating segments

Interim condensed financial statements of “NOVITA” S.A. for the six months ended 30 June 2023

OPERATING SEGMENTS	for the period 01.01.2022-30.06.2022					
	Continuing operations					Total operations
	Mechanically needed nonwovens	Water-needed nonwovens (spunlace)	Rental	Other	Total	
Revenues from external customers	7,616	107,193	2,451	962	118,222	118,222
Material items of revenue and costs, including:	(6,874)	(94,620)	(1,171)	(666)	(103,331)	(103,331)
Cost of manufacture of the sold products	(6,472)	(84,110)	(1,084)	0	(91,666)	(91,666)
Value of goods and materials sold	0	0	0	(657)	(657)	(657)
Sales costs	(332)	(3,907)	0	0	(4,239)	(4,239)
General and administrative costs	(527)	(6,796)	(88)	0	(7,411)	(7,411)
Other operating revenue/costs	457	193	1	(9)	642	642
Reporting segment profit or loss	742	12,573	1,280	296	14,891	14,891
Operating profit	742	12,573	1,280	296	14,891	14,891
Amortisation	248k	1,816	312	0	2,376	2,376
EBITDA	990	14,389	1,592	296	17,267	17,267

Information about geographic areas	Revenue	Tangible assets
Domestic sales	57,426	*
Foreign sales	60,796	*

* 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	49%
Country 1	14%
Country 2	14%
Other	23%

Information about major customers	Share in revenue	Operating segment
Customer 1	14%	Water-needed nonwovens (spunlace)
Customer 2	13%	Water-needed nonwovens (spunlace)
Customer 3	11%	Water-needed nonwovens (spunlace)
Other	62%	All operating segments

8. Property, plant and equipment and intangible assets

- **Purchase and sale**

The transactions involving acquisition and sale of tangible assets in the period covered by the financial statements and in the comparable period were as presented in the following table:

INFORMATION ABOUT ACQUISITION OF TANGIBLE ASSETS	01.01.2023 – 30.06.2023	01.01.2022 - 30.06.2022
Property, plant and equipment	847	709
including used based on lease	0	0
Intangible assets	80	0
Total	927	709

INFORMATION ABOUT SALE OF TANGIBLE ASSETS	01.01.2023 – 30.06.2023	01.01.2022 - 30.06.2022
Property, plant and equipment	20	(1)
Intangible assets	0	0
Total	20	(1)

- **Impairment losses**

In the period of the 6 months ended 30 June 2023, the Company did not recognise any additional impairment losses on fixed assets.

9. Research and development

The costs incurred for the R&D works conducted by the Company for H1 2023 and for H1 2022 are presented below:

COST OF RESEARCH & DEVELOPMENT WORKS		
period	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Amortisation	72	48
Consumption of materials	1,084	1,780
Electricity and gas consumption	158	151
Costs of employee benefits	64	81
TOTAL	1,378	2,060

10. Investments in subsidiaries and affiliates

The Company did not have any investments in subsidiaries and affiliates on 30 June 2023.

11. Financial instruments

The table below compares carrying values and fair values for all of the Company’s financial instruments by categories of assets and liabilities.

CARRYING VALUES AND FAIR VALUES BY FINANCIAL INSTRUMENT CATEGORY						
	Carrying amount			Fair value		
	30.06.2023	31.12.2022	30.06.2022	30.06.2023	31.12.2022	30.06.2022
Financial asset – loans and receivables	15,303	25,875	27,531	15,303	25,875	27,531
Trade receivables	15,303	25,875	27,531	15,303	25,875	27,531
Cash and cash equivalents	33,433	9,656	5,011	33,433	9,656	5,011
Long-term financial liabilities – measured at amortised cost	4,923	4,937	4,950	4,923	4,937	4,950
Financial lease liabilities	4,923	4,937	4,950	4,923	4,937	4,950
Other liabilities	0	0	0	0	0	0
Short-term financial liabilities – measured at amortised cost	18,680	20,459	43,439	18,680	20,459	43,439
Overdrafts	1,294	0	3,191	1,294	0	3,191
Financial lease liabilities	14	27	14	14	27	14
Trade liabilities	14,523	18,093	36,878	14,523	18,093	36,878
Other liabilities	2,849	2,339	3,356	2,849	2,339	3,356

According to the Company’s assessment, the fair value of cash, trade receivables and liabilities, overdrafts and other short-term receivables and liabilities does not differ from carrying values mainly due to variable interest rates for loans and borrowings based on market interest rates with close maturity dates.

12. Inventories

In the reporting period and in the comparable periods, the Company made write-downs on inventory as presented in the following table:

REVALUATIONS OF INVENTORY	01.01.2023 30.06.2023	01.01.2022 31.12.2022	01.01.2022 30.06.2022
Opening balance	427	1,051	1,051
Increases	129	64	27
Decreases	17	688	479
Closing balance	539	427	599

13. Receivables

In the reporting period and in the comparable periods, the Company made write-downs on receivables as presented in the following table:

REVALUATIONS OF RECEIVABLES	01.01.2023 30.06.2023	01.01.2022 31.12.2022	01.01.2022 30.06.2022
Opening balance	713	761	761
Increases	28	47	16
Decreases	5	95	53
Closing balance	736	713	724

The Company applies the policy of selling only to verified clients. More than 95% of receivables are insured. In addition, the Company applies simplifications in the creation of revaluation allowances for receivables towards the remaining 5% of clients who are not covered by insurance. For the financial year in question, the Company specified a percentage ratio of the revaluation allowance 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 revaluation allowances 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.

The Company is not currently a party to any litigation material from the perspective of its financial standing.

14. Other receivables and prepayments

Other receivables and prepayments include:

OTHER RECEIVABLES AND PREPAYMENTS	30.06.2023	31.12.2022	30.06.2022
Other non-financial assets:			
- budget receivables	387	1,197	196
- advances for inventories	6	0	480
- advances for fixed assets	64	9	0
- prepayments	2,375	462	2,348
- other	237	3,065	102
TOTAL	3,069	4,733	3,126
- long-term part	0	0	0
- short-term part	3,069	4,733	3,126
TOTAL	3,069	4,733	3,126

15. Cash and cash equivalents

For the purpose of the interim condensed financial cash flow statement, cash and cash equivalents consist of the following items:

CASH AND CASH EQUIVALENTS	30.06.2023	31.12.2022	30.06.2022
Cash at bank and in hand	7,421	9,471	4,908
Short-term deposits	26,012	185	103
Total cash disclosed in the financial statements	33,433	9,656	5,011
Total cash and cash equivalents disclosed in the cash flow statement	33,433	9,656	5,011

16. Provisions

Long-term provisions apply to employee retirement gratuities calculated according to the actuarial method.

PROVISIONS	
for the period	01.01.2023 – 30.06.2023
	Provisions for employee benefits
Opening balance, including:	684
<i>Opening balance of short-term provisions</i>	493
<i>Opening balance of long-term provisions</i>	191
Increases	578
Created in the period and increase of the existing ones	578
Decreases	413
Used in the period	413
Released in the period	0
Closing balance, including:	849
<i>Closing balance of short-term provisions</i>	658
<i>Closing balance of long-term provisions</i>	191

Interim condensed financial statements of “NOVITA” S.A. for the six months ended 30 June 2023

PROVISIONS	
for the period	01.01.2022 – 31.12.2022
	Provisions for employee benefits
Opening balance, including:	274
<i>Opening balance of short-term provisions</i>	48
<i>Opening balance of long-term provisions</i>	226
Increases	490
Created in the period and increase of the existing ones	490
Decreases	80
Used in the period	46
Released in the period	34
Closing balance, including:	684
<i>Closing balance of short-term provisions</i>	493
<i>Closing balance of long-term provisions</i>	191

PROVISIONS	
for the period	01.01.2022-30.06.2022
	Provisions for employee benefits
Opening balance, including:	274
<i>Opening balance of short-term provisions</i>	48
<i>Opening balance of long-term provisions</i>	226
Increases	517
Created in the period and increase of the existing ones	517
Decreases	8
Used in the period	8
Released in the period	0
Closing balance, including:	783
<i>Closing balance of short-term provisions</i>	557
<i>Closing balance of long-term provisions</i>	226

17. Interest-bearing bank loans and borrowings

SHORT-TERM BANK LOANS AND BORROWINGS			30.06.2023	31.12.2022	30.06.2022
Item	Effective interest rate	Due date			
SANTANDER multiline intended for overdraft, revolving credit or letters of credit	1M WIBOR + margin, 1M EURIBOR + margin, 1M SOFR + margin	08.08.2026	1,294	0	3,191
mBank S.A. multiline intended for overdraft or letters of credit*	WIBOR ON + margin, LIBOR ON + margin	30.09.2024	0	0	0
Total			1,294	0	3,191

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

18. Other liabilities and accruals

The composition of the remaining liabilities and accruals is presented in the table below:

OTHER LIABILITIES AND ACCRUALS	30.06.2023	31.12.2022	30.06.2022
Other liabilities:			
- prepayments	123	49	167
- payroll liabilities	829	860	815
- investment liabilities	57	155	29
- liabilities towards shareholders	0	0	0
- other	1,840	1,275	2,345
TOTAL	2,849	2,339	3,356
- long-term part	0	0	0
- short-term part	2,849	2,339	3,896
Other tax liabilities:			
- VAT	542	1,952	1,562
- personal income tax	138	158	130
- social security liabilities	889	920	790
- Polish Rehabilitation Fund for the Disabled (PFRON) liabilities	0	0	1
- liabilities related to the Customs Office	0	152	48
- real property tax	1,005	0	880
- amount of liabilities above assets of the Employee Benefit Fund	82	0	83
- other	31	0	35
TOTAL	2,687	3,182	3,529
- long-term part	0	0	0
- short-term part	2,687	3,182	3,529

19. Revenues on sales of products, goods and materials

REVENUE ON SALES OF PRODUCTS, GOODS AND MATERIALS		
period	Continuing operations	
	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
domestic		
Revenue on sales of products	45,874	54,748
Revenue on sales of services	2 747	2,481
Revenue on sales of materials	192	180
Revenue on sales of goods	0	17
foreign		
Revenue on sales of products	46,384	60,031
Revenue on sales of services	1	0
Revenue on sales of materials	377	765
Revenue on sales of goods	0	0
TOTAL	95,575	118,222

20. Costs of products, goods and materials sold / costs by type

COSTS BY TYPE		
period	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Depreciation of fixed assets	2,299	2,353
Amortisation of intangible assets	23	23
Costs of employee benefits	9,254	8,422
Consumption of raw materials, supplies and energy	67,457	83,084
Costs of outsourced services	4,789	5,885
Costs of taxes and charges	1,046	926
Other costs	1,120	991
Value of goods and materials sold	136	657
Change in the balance of products and production in progress	(881)	1,632
TOTAL	85,243	103,973
Sales costs	3,432	4,239
General administrative costs	7,868	7,411
Costs of products, goods and materials sold	73,943	92,323
TOTAL	85,243	103,973

COSTS OF EMPLOYEE BENEFITS		
period	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Costs of wages and salaries	7,410	6,756
Costs of social security and employee benefits	1,578	1,323
Costs of the Employee Benefit Fund	161	163
Other costs of employee benefits	105	180
TOTAL	9,254	8,422

COSTS OF EMPLOYEE BENEFITS		
period	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Items recognised in cost of goods sold	4,711	4,129
Items recognised in general administrative costs	4,543	4,293
Items recognised in accruals	0	0
TOTAL	9,254	8,422

21. Other revenue and costs

OTHER REVENUE	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Profit on sales of property, plant and equipment	20	0
Reversal of revaluation allowances for receivables	0	51
Reversal of revaluation allowances for inventories	17	472
Subsidy (compensation)	3,783	0
Indemnities received	18	95
Other	28	30
TOTAL	3,866	648

OTHER COSTS	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Loss on sales of property, plant and equipment	0	1
Impairment losses on receivables	20	0
Costs of court and debt collection proceedings	1	0
Donation made	1	5
TOTAL	22	6

In Q1 2023, the company 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, the Company received money under the aid described above in the amount of PLN 3,872 k, which were recognised in the other operating income deducted by the costs closely related to receiving the compensation in the amount of PLN 89 k. In the statement of comprehensive income, the Company recognised a compensated value of PLN 3,783 k.

22. Financial revenue and costs

FINANCIAL REVENUE	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Interest revenue	440	2
Foreign exchange gains	378	0
TOTAL	818	2

FINANCIAL COSTS	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Cost of interest, including costs related to:	79	104
- bank loans	13	39
- lease – right of perpetual use of land	65	65
Foreign exchange losses	0	1,010
Bank commissions (letters of credit, loan)	54	72
TOTAL	133	1,186

23. Current income tax

MAIN COMPONENTS OF TAX DEBIT/CREDIT IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Current income tax disclosed in the profit and loss account	2,970	2,365
- current income tax (debit)	2,970	2,365
Deferred income tax disclosed in the profit and loss account	(140)	200
- deferred tax (debit)/credit related to the emergence and reversal of temporary differences	(140)	200
tax (debit)/credit disclosed in the profit and loss account, including:	2,830	2,565
- attributed to continuing operations	2,830	2,565
Income tax related to items disclosed in other comprehensive income	0	0
tax (debit)/credit disclosed in the statement of comprehensive income	2,830	2,565

RECONCILIATION OF THE INCOME TAX ON THE GROSS FINANCIAL RESULT BEFORE TAX VERSUS THE INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Gross profit before tax for continuing operations	14,861	13,707
Gross profit (loss) before tax	14,861	13,707
Tax rate applicable in Poland	19.0%	19.0%
tax (debit) according to the applied tax rate	2,824	2,604
Charges to PFRON (Polish Rehabilitation Fund for the Disabled)	0	1
VAT exchange differences	3	0
Representation costs	7	4
Donation	0	1
Other	7	3
Adjustment of CIT-8 for 2021	1	0
Adjustment of CIT-8 for 2022	(12)	0
Notional interest on retained earnings from previous years	0	48
tax (debit)/credit disclosed in the profit and loss account	2,830	2,565

Effective tax rate	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Gross profit before tax for continuing operations	14,861	13,707
Gross profit (loss) before tax	14,861	13,707
tax (debit) disclosed in the profit and loss account	2,830	2,565
Effective tax rate (in %)	19.0%	18.7%

24. Deferred income tax

DEFERRED TAX ASSETS	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Opening balance	466	542
Increases	510	649
Decreases	461	458
Closing balance	515	733

DEFERRED TAX PROVISION	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Opening balance	10,381	9,063
Increases	480	428
Decreases	572	37
Closing balance	10,289	9,454

Deferred tax balance	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Deferred tax provision opening balance	9,915	8,521
Deferred tax provision closing balance	9,774	8,721

25. Transactions with related parties

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

The table below shows the total amount of transactions with affiliates in the 6 months ended 30 June 2023 and 30 June 2022:

TRANSACTIONS WITH RELATED PARTIES	for the period 01.01.2023 – 30.06.2023				
	Parties to the transaction	Sale	Receivables	Purchase	Liabilities
TEBESA Sp. z o.o.		3	0	0	0
Vaporjet		10	0	253	194

TRANSACTIONS WITH RELATED PARTIES	for the period 01.01.2022-30.06.2022				
	Parties to the transaction	Sale	Receivables	Purchase	Liabilities
TEBESA Sp. z o.o.		11	2	0	0
Vaporjet		0	0	70	12

26. Salaries of the Management Board and the Supervisory Board

SALARIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD MEMBERS	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Short-term employee benefits	425	407
Total	425	407

The presented values include the gross salaries and fees of Management Board and Supervisory Board members.

Furthermore, a provision in the amount of PLN 578 k for bonuses for Management Board members was created.

27. Contingent liabilities and contingent assets – information about changes after the date ending the financial year

There were no changes in contingent liabilities or contingent assets of the Company since 31 December 2022.

28. Events after the balance sheet date for which the biannual condensed financial statements were prepared that are not included in these statements but may substantially influence financial results

There were no such events in the Company past the balance sheet date.

29. Dividends paid and proposed

No dividends or interim dividends were paid in the 1st half of 2023.

In accordance with the resolution of the Annual General Meeting of the Company dated 14 June 2023, the amount of PLN 30 M was allocated for dividend, which is PLN 12.0 per share. Dividend was paid under 2,500,000 Company shares. The amount to be distributed consists of the net profit earned by NOVITA S.A. for the financial year of 2022 in the amount of PLN 21,369 k and the funds transferred to the reserve capital from the Company's distributed profit for 2020 and 2021. At the same time, the Annual General Meeting set 3 July 2023 as the record date and 17 July 2023 as the dividend payment date.

30. Brief description of the issuer's major achievements or failures in the reporting period

In H1 2023, revenues on sales of products, goods and materials amounted to PLN 95,575 k, which is a 19.2% decrease compared to the corresponding period last year, when the revenues amounted to PLN 118,222 k.

If we compare the results of the operating segments for H1 2023 with the corresponding period in the previous year, the sale of water-needed (spunlace) nonwovens decreased by PLN 23,130 k, i.e. 21.6%, and amounted to PLN 84,063 k. In the same period, the sale of mechanically needed nonwovens increased by 7.9%, i.e. PLN 604 k, and amounted to PLN 8,220 k.

Comparing the corresponding periods, rental income increased by 11.1% and amounted to PLN 2,722 k, while income from sales in the other category (goods and materials) decreased by 40.7% and amounted to PLN 570 k.

In H1 2023, the decrease in revenue could be observed along with a corresponding decrease in the costs of products, goods and materials sold. The above-mentioned costs amounted to PLN 73,943 k, which is a 19.9% decrease compared to H1 2022.

Costs of sales in H1 2023 decreased by 19% compared to H1 2022. In the same period, the general administrative costs increased by 6.2%.

In H1 2023, the Company made an operating profit of PLN 14,176 k, which is a 4.8% increase, corresponding to a decrease by PLN 715 k, compared to the result for the corresponding period in 2022, i.e. PLN 14,891 k. The operating profit/loss in H1 2023 includes the public aid received under the government programme under the name "Assistance for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022." Said compensation after deducting costs related to receiving it amounted to PLN 3,783 k.

EBITDA in the same period decreased by 4.5% and amounted to PLN 16,498 k.

Taking into account financial revenues and costs, in H1 2023, the Company's profit/loss on financial activity amounted to PLN 685 k. The positive result is mostly a consequence of the surplus in positive foreign exchange differences over negative ones and the interest on bank deposits.

In H1 2023, the Company's gross profit on sales amounted to PLN 14,861 k, which means an increase by PLN 1,154 k compared to H1 2022, i.e. 8.4%.

The Company's net profit for H1 2023 amounted to PLN 12,031 k, an increase by PLN 889 k, i.e. 8.0%, compared to the corresponding period last year.

31. Description of basic threats and risk related to the remaining six months of the financial year

- **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 on 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 is 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.

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

The prices of raw materials and utilities also have a significant impact on the Company's production costs. In order to limit price increases, the Company constantly monitors the conditions granted by various suppliers and purchases from various sources. In addition, an increase in the prices of raw materials and utilities is a signal for specific actions to be taken and, if necessary, also for an increase in selling prices.

32. Position of the Management Board concerning the possibility of meeting previously published profit/loss forecasts for the year in the light of the results presented in the quarterly report versus the forecast profit/loss.

“NOVITA” S.A. did not publish forecasts for its results.

33. Identification of proceedings pending before court, competent arbitration authority or public administration authority.

As of the day of submitting this report, there are no pending proceedings before any courts, authorities competent for arbitration proceedings or public administration authorities in relation to the issuer's liabilities or receivables whose value, as determined separately for individual proceedings and in total for all proceedings, would represent a considerable value.

34. Information on the Issuer or its subsidiary acting as surety or guarantor for loan or credit facility to a single entity or its subsidiary if the total value of the existing sureties or guarantees is considerable.

In the period from 1 January 2023 to 30 June 2023, “NOVITA” S.A. did not act as a surety of any credit facility or loan or as a guarantor for any single entity where the total value would be considerable.

35. Information on the issue, redemption and repayment of non-equity securities and equity securities.

None.

36. Any other information that the issuer sees as significant for the evaluation of its human resources, assets, financial standing, profit/loss and changes thereto, as well as any information significant for the evaluation of the issuer's capacity to meet its obligations.

Not applicable.

37. Factors that the issuer believes will influence its results for a period not shorter than the next quarter.

Due to the outbreak of war in Ukraine, the Company is closely monitoring the activities that accompany this event. However, due to the scale and dynamics of the conflict, it is difficult for the Company to estimate what additional implications the said conflict may cause.

In the opinion of the Company, a considerable factor that could have an impact on the results in subsequent quarters is also the increasing demand for spunlace nonwovens, which translates into an increase in the competitiveness. The Company monitors price changes very closely and, if necessary, reacts actively to the changes occurring.

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

Person responsible for preparing the financial statements:

Dorota Karbowskiak Chief Accountant

Zielona Góra, 7 September 2023



“NOVITA” S.A.

Management report of the Issuer
for the first half of 2023



ZIELONA GÓRA, 7 SEPTEMBER 2023

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1. Description of changes in the organisation of the Issuer's Group and specification of the consolidated entities

There were no changes in the organisational structure of NOVITA S.A. in H1 2023. Tebesa sp. z o.o., which holds 64.11% of the shares, remained the Company's majority shareholder. Tebesa sp. z o.o. remained a subsidiary of Vaporjet Ltd., the owner of 100% of shares in Tebesa sp. z o.o.

2. Position of the Management Board concerning the possibility of materialisation of the previously published profit/loss forecasts for the financial year

NOVITA S.A. did not publish any profit/loss forecasts for 2023.

3. Description of activity in the reporting year

Major events in the 1st half of 2023

- In the first quarter of 2023, the Company acquired the right to receive public aid under the government program entitled "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 recognized this type of aid at the time of its receipt. In March 2023, the Company received money as part of the above-mentioned aid in the amount of PLN 3,872 k, which were included in other operating income deducted by the costs incurred strictly related to the receipt of compensation in the amount of PLN 89 k. In the statement of comprehensive income, the Company shows the value of compensation in the amount of PLN 3,783 k, i.e. the amount compensated by the value of the costs incurred in connection with its receipt.
- 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.
- On May 11, 2023, the Management Board of NOVITA S.A., taking into account the current financial situation of the Company and the interests of its Shareholders, informed about the decision to recommend to the Ordinary General Meeting of the Company (hereinafter "OGM") the distribution of the Company's net profit for 2022 in the amount of PLN 21,368,899.41 as follows:
 1. net profit in the amount of PLN 21,350,000.00 to be allocated to the payment of dividend to the Company's shareholders, i.e. PLN 8.54 per share,
 2. net profit in the amount of PLN 18,899.41 to be allocated to the Company's supplementary capital.
- On May 25, 2023, the Management Board of NOVITA S.A. informed about receiving from the majority shareholder of the Company - TEBES Spółka z ograniczoną odpowiedzialnością, a draft resolution for the Ordinary General Meeting of the Company, increasing the amount of the dividend payment from PLN 21,350,000.00 to PLN 30,000,000.00.
- On June 14, 2023, the Ordinary General Meeting of NOVITA S.A. adopted resolutions on:
 - approval of the Management Board's report on the Company's activities and the Company's financial statements for the financial year 2022,
 - distribution of profit earned by NOVITA S.A. for the financial year 2022, pursuant to which it decided to allocate PLN 21,368,899.41 in full to the payment of dividend and to allocate also the amount of PLN 8,631,100.59 from the distributed net profit for the years 2020 and 2021 for the payment of dividend.

In total, the amount of PLN 30,000,000.00, i.e. PLN 12.00 per share of the Company, will be allocated for the payment of dividend to the Company's Shareholders. At the same time, the Ordinary General Meeting of Shareholders set the dividend date for July 3, 2023, and the dividend payment date for July 17, 2023.

- vote of approval to Members of the Company's Management Board for the performance of their duties in 2022,
- vote of approval to the members of the Company's Supervisory Board for the performance of their duties in 2022,
- approval of the 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 2022.

Major events after the balance sheet date

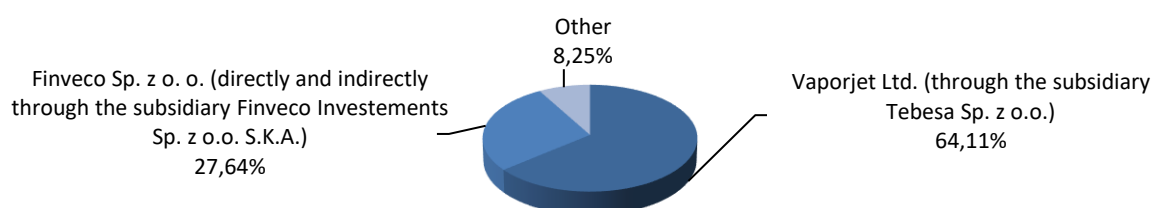
- On August 8, 2023, the Management Board of NOVITA S.A. informed about the conclusion with Santander Bank Polska Spółka Akcyjna on August 7, 2023 of Annex No. 6 to the MultiLine Agreement No. K00693/17 ("Agreement") with a limit of PLN 35,000,000.00, which provides for:
 - a) granting the Company a credit in the current and foreign currency account with the possibility of simultaneous use of the credit in the current and foreign currency account in several currencies, intended for financing current business activities,
 - b) opening letters of credit based on the Company's instruction/order in PLN, EUR and USD. The Company may use the loan and the possibility of opening letters of credit during the availability period, which is the period from the date of meeting the relevant conditions to the repayment date, i.e. until August 8, 2026.

4. Information on shares and the shareholding structure

The shareholding structure of NOVITA S.A. as at the date of submitting the report for the first half of 2023 as per the information in the Company's possession indicating shareholders having, whether directly or indirectly through subsidiaries, at least 5% of total number of votes at the Issuer's general meeting:

NOVITA S.A. shareholding structure as at 08/09/2023				
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 08/09/2023



In the period from May 5, 2023, i.e. from the date of submitting the previous periodic report (report for the first quarter of 2023) to the date of submitting this report, the shareholding structure of NOVITA S.A. did not change.

5. Issuer's shareholding structure and rights to shares held by those who manage and supervise the Issuer as at the report preparation date with changes in the shareholding since the submission of the previous quarterly report

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

In the period from May 5, 2023, i.e. from the date of submitting the previous periodic report (report for the first quarter of 2023) to the date of submitting this report, the number of NOVITA S.A. shares held by managing or supervising persons has not changed.

6. Proceedings pending before any court, competent arbitration authority or public authority

NOVITA S.A. is not a party to significant proceedings pending before a court, an authority competent for arbitration proceedings or a public administration authority, including proceedings concerning liabilities or claims of the Issuer or its subsidiary.

7. Information on the Issuer or its subsidiary entering into one or more transactions with affiliates if they are not arm's-length transactions plus the specification of their value

In the reporting half-year, NOVITA S.A. did not conclude transactions with related entities on terms other than market terms.

8. Information on the Issuer or its subsidiary acting as surety or guarantor for loan or credit facility to a single entity or its subsidiary if the total value of the existing sureties or guarantees is significant

In the reporting half-year, NOVITA S.A. did not grant sureties for credit or loans, and did not grant guarantees to a single entity or its subsidiary, the total value of which would be significant.

9. Financial standing

STATEMENT OF COMPREHENSIVE INCOME				
PLN '000	1-6.2023	1-6.2022	Difference 1-6.2023- 1-6.2022	Change 1-6.2023/ 1-6.2022
Revenues on sales of products, goods and materials	95 575	118 222	(22 647)	80,8%
Costs of products, goods and materials sold	73 943	92 323	(18 380)	80,1%
Gross profit on sales	21 632	25 899	(4 267)	83,5%
Sales costs	3 432	4 239	(807)	81,0%
General administrative costs	7 868	7 411	457	106,2%
Other revenue	3 866	648	3 218	596,6%
Other costs	22	6	16	366,7%
Operating profit	14 176	14 891	(715)	95,2%
Financial revenue	818	2	816	40 900,0%
Financial costs	133	1 186	(1 053)	11,2%
Gross profit	14 861	13 707	1 154	108,4%
Income tax	2 830	2 565	265	110,3%
Net profit on continuing operations	12 031	11 142	889	108,0%

Sales by product range							
Asortyment	1-6.2023		1-6.2022		changes (1-6.2023 to 1-6.2022)		
	net value PLN '000	share	net value PLN '000	share	net value (2-4) PLN '000	change (2/4)	structure (3-5)
1	2	3	4	5	6	7	8
Total sales, including:	95 575	100,0%	118 222	100,0%	-22 647	80,8%	0,0%
- total product sales, including:	95 005	99,4%	117 260	99,2%	-22 255	81,0%	0,2%
- total finished goods, including:	92 283	96,6%	114 809	97,1%	-22 526	80,4%	-0,6%
- spunlace	84 063	88,0%	107 193	90,7%	-23 130	78,4%	-2,7%
- mechanically needed nonwovens	8 220	8,6%	7 616	6,4%	604	107,9%	2,2%
- rental	2 722	2,8%	2 451	2,1%	271	111,1%	0,8%
- other (goods and materials)	570	0,6%	962	0,8%	-392	59,3%	-0,2%

Revenue

In the first half of 2023, revenues from the sale of products, goods and materials amounted to PLN 95,575 k, which means a decrease by 19.2% compared to the corresponding period of the previous year, in which the level of PLN 118,222 k was reached.

Comparing the results of the operating segments for the first half of 2023 with the same period last year, the sales of spunlace nonwovens decreased by PLN 23,130 k, i.e. by 21.6% and amounted to PLN 84,063 k. At the same time, the sales of mechanically needed nonwovens increased by PLN 604 k, i.e. by 7.9% and amounted to PLN 8,220 k.

Comparing the corresponding periods, rental income increased by 11.1% and amounted to PLN 2,722 k, while sales revenues in the category other (goods and materials) decreased by 40.7% and amounted to PLN 570 k.

Costs of core activities

In the first half of 2023, along with the decrease in revenues, a corresponding decrease in the costs of products, goods and materials sold could be observed. These costs amounted to PLN 73,943 k, which means a decrease by 19.9% compared to the first half of 2022.

Selling costs in the first half of 2023 decreased by 19% compared to the first half of 2022. At the same time, general and administrative expenses increased by 6.2%.

Other operating activities

In the first half of 2023, the Company generated operating profit of PLN 14,176 k, which means a decrease by PLN 715 k, i.e. by 4.8%, compared to the result for the corresponding period of 2022 amounting to PLN 14,891 k. The result on operating activities in the first half of 2023 includes public aid received under the government program entitled "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022". The said compensation, less the costs related to its receipt, amounted to PLN 3,783 k.

At the same time, EBITDA decreased by 4.5% and amounted to PLN 16,498 k.

Financial activity

Taking into account financial revenues and costs, in the first half of 2023 the Company's result on financial activities amounted to PLN 685 k. The positive result is primarily the result of the surplus of exchange rate gains over the negative ones and interest on bank deposits.

Achieved financial results

In the first half of 2023, the Company generated a gross profit of PLN 14,861 k, which means an increase compared to the first half of 2022 by PLN 1,154 k, i.e. 8.4%.

The Company's net profit for the first half of 2023 was PLN 12,031 k, which means a result higher by PLN 889 k, i.e. by 8.0%, compared to the same period last year.

10. Investment activity

In the first half of 2023, the Company bore investment expenses for the total amount of PLN 927 k. The expenditures concerned mainly the modernization of machinery, buildings and technical equipment.

11. Business risks

- **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 on 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 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.

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

The prices of raw materials and utilities also have a significant impact on the Company's production costs. In order to limit price increases, the Company constantly monitors the conditions granted by various suppliers and purchases from various sources. In addition, an increase in the prices of raw materials and utilities is a signal for specific actions to be taken and, if necessary, also for an increase in selling prices.

12. Any other information that the Issuer sees as significant for the evaluation of its human resources, assets, financial standing, profit/loss and changes thereto, as well as any information significant for the evaluation of the Issuer's capacity to meet its obligations.

There were no events in the reporting period other than those mentioned hereinabove and in notes to financial statements, which could materially influence the assessment of and change the property situation, the financial standing and the financial result of the Company and which could be material for the assessment of the HR situation and the capacity to perform obligations.

13. Factors that the Issuer believes will influence its results for a period not shorter than the next quarter

Due to the outbreak of war in Ukraine, the Company is closely monitoring the activities that accompany this event. However, due to the scale and dynamics of the conflict, it is difficult for the Company to estimate what additional implications this conflict may cause.

In the Company's opinion, an important factor that may affect the results achieved in the following quarters is also the observed increase in the supply of spunlace nonwovens, which translates into an increase in the level of competitiveness. The Company closely monitors the behavior of the market and, if necessary, actively reacts to the changes taking place.

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

We declare that, to the best of our knowledge, the interim condensed financial statements and benchmarking data have been prepared in accordance with the applicable accounting principles and that they accurately, reliably and transparently reflect the financial standing, property situation and financial result of NOVITA S.A., and that the biannual management report presents a true picture of the development, achievements and situation of the NOVITA S.A., including a description of the main 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

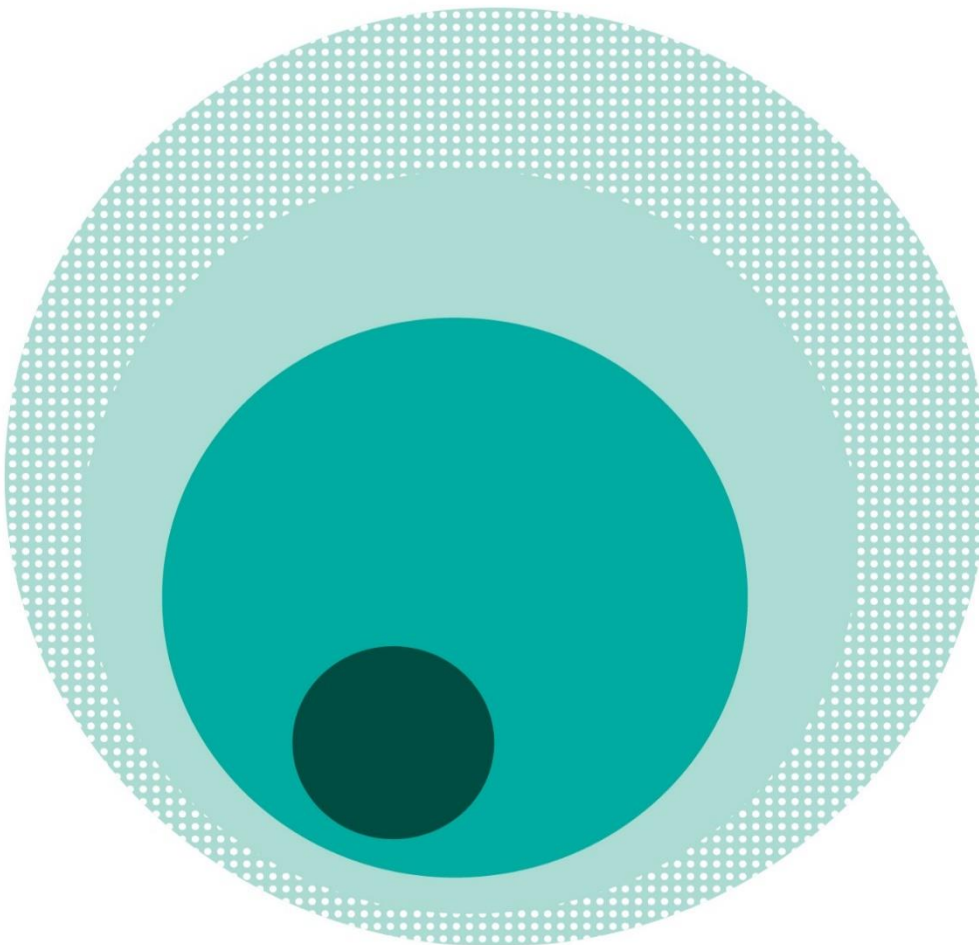
Zielona Góra, 7 September 2023

NOVITA S.A.

INDEPENDENT AUDITOR'S REPORT ON REVIEW
OF INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01/01/2023 TO 30/06/2023

(UNAUTHORISED TRANSLATION FROM THE POLISH LANGUAGE)

07/09/2023



INDEPENDENT AUDITOR'S REPORT ON REVIEW

To the Shareholders and the Supervisory Board of Novita S.A.

Introduction

We have reviewed the accompanying interim condensed financial statements of Novita S.A. with its registered office in Zielona Góra, ul. Dekoracyjna 3 (hereinafter: the 'Company'), which comprise the interim condensed statement of financial position as at 30 June 2023, the interim condensed statement of profit or loss and other comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the period from 1 January 2023 to 30 June 2023 and selected explanatory notes (the "interim condensed financial statements").

The responsibility of the Company's Management

The Management Board of the Company is responsible for the preparation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" announced in the form of announced in the form of Commission Regulations.

The Auditor's responsibilities

We are responsible to express the conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the National Standard on Review Engagements 2410 in the wording of the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopted by Resolution No. 3436/52e/2019 by National Council of Statutory Auditors of 8 April 2019, as amended.

A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in line with the wording of International Standards on Auditing by Resolution No. 3430/52a/2019 by National Council of Statutory Auditors of 8 April 2019, as amended. Consequently the review does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statement are not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”, announced in the form of Commission Regulations.

.....
Paweł Mróz
Key Certified Auditor (PL)
Licence No. 12600

on behalf of
UHY ECA Audyt
Spółka z ograniczoną odpowiedzialnością
No. 3886

Zielona Góra, 07.09.2023

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