

FINANCIAL SUPERVISION COMMISSION

Annual report RR 2023

(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 2023 covering the period from 2023-01-01 to 2023-12-31
containing condensed IFRS/IAS financial statements in PLN currency
transmission date: 2023-04-05

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 thousand PLN		in thousand EUR	
	period from 01/01/2023 to 31/12/2023	period from 01/01/2022 to 31/12/2022	period from 01/01/2023 to 31/12/2023	period from 01/01/2022 to 31/12/2022
Net revenue from the sale of products, goods and materials	184,895	248,849	40,830	53,079
EBITDA (operating profit/loss + depreciation and amortisation)	31,376	33,067	6,929	7,053
Profit/loss on sale	43,144	51,702	9,527	11,028
Operating profit (EBIT)	26,702	28,325	5,897	6,042
Gross profit	28,013	25,567	6,186	5,453
Net profit on continuing operations	23,286	21,369	5,142	4,558
Net cash flows from operating activity	35,922	14,294	7,933	3,049
Net cash flows from investment activity	(2,905)	(1,688)	(642)	(360)
Net cash flows from financial activity	(33,941)	(10,734)	(7,495)	(2,290)
Total net cash flows	(924)	1,872	(204)	399
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	9.31	8.55	2.06	1.82
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	9.31	8.55	2.06	1.82
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Total assets	164,298	186,748	37,787	39,819
Liabilities	33,779	39,492	7,769	8,421
Long-term liabilities	15,389	15,043	3,539	3,208
Short-term liabilities	18,390	24,449	4,230	5,213
Equity	130,519	147,256	30,018	31,399
Share capital	5,000	5,000	1,150	1,066
Number of shares	2,500,000	2,500,000	2,500,000	2,500,000
Book value per share	52.21	58.90	12.01	12.56

The balance-sheet items in the table "Selected financial data" as at 31 December 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 4.3480. The items from the statement of comprehensive income and the cash flow statement as shown in the table "Selected financial data" for 2023 were converted to EUR according to the exchange rate of EUR 1 = PLN 4.5284 (this is the mean value of the average NBP rates of the last days of the 12 months of 2023).

The balance-sheet items in the table "Selected financial data" as at 31 December 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 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).

CONTENT OF THE REPORT

File	Description
NOVITA_SA_-_List_do_Akcjonariuszy_2023.xhtml	Letter to the Shareholders of NOVITA S.A.
NOVITA_SA_-_Sprawozdanie_finansowe_2023.xhtml	Separate financial statements for the 2023
NOVITA_SA_-_Sprawozdanie_finansowe_2023.xhtml.xades	Separate financial statements for the 2023 - signatures
NOVITA_SA_-_Sprawozdanie_z_dzialalnosci_Emitenta_za_2023.xhtml	Report of activity of the Issuer for the 2023
NOVITA_SA_-_Sprawozdanie_z_dzialalnosci_Emitenta_za_2023.xhtml.xades	Report of activity of the Issuer for the 2023 - signatures
NOVITA_SA_-_Informacja_Zarzadu.xhtml	Information from the Management Board
NOVITA_SA_-_Sprawozdanie_bieglego_rewidenta_2023.xhtml	Auditor's report
NOVITA_SA_-_Sprawozdanie_bieglego_rewidenta_2023.xhtml.xades	Auditor's report - signatures
NOVITA_SA_-_Ocena_Rady_Nadzorczej_Sprawozdania_rocznego_2023.xhtml	Evaluation of the Supervisory Board of the Annual Report 2023
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,
Ladies and Gentlemen,***

On behalf of the Management Board of Novita S.A. I am presenting to you the financial report for 2023.

Last year was a period in which the operating conditions of enterprises were determined by persistently high inflation, fluctuating prices of energy factors and the noticeable economic slowdown in the European Union countries.

Moreover, the situation on the industry market was characterized by a significant increase in the level of competition caused by the launch of additional production potential by many nonwoven fabric producers while stabilizing demand.

Despite the above-mentioned unfavorable conditions, the Company achieved good financial results - sales revenues of PLN 184.9 million, EBITDA of PLN 31.4 million and net profit of PLN 23.3 million. The financial situation of the company allowed for the payment of two dividends to shareholders with a total value of PLN 40.0 million.

In addition to operational activities related to the sale of existing products, the Company actively monitors the market situation in terms of the changing product portfolio, which includes an increasing share of biodegradable, compostable products and products made from recycled raw materials. Verification of new technologies and products that can be accepted by customers in terms of their functional features and at the same time contribute to ensuring more sustainable economic development and protection of the natural environment is currently a special area of marketing analysis.

In 2024, the 50th anniversary of Novita S.A. will be celebrated. Over the years, the Company has progressed from a state-owned enterprise producing floor coverings to a joint-stock company listed on the Warsaw Stock Exchange, supplying nonwoven fabrics for various applications to the most reputable customers throughout Europe.

On this occasion, I would like to thank the employees, members of the Company's authorities and all stakeholders who have contributed to its development and achieving its current market position over the last 50 years. I would like to thank the current Shareholders, Employees and Partners for their commitment and fruitful cooperation in the past year.

***Kind regards,
Radosław Muzioł***

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





“NOVITA” S.A.

Separate financial statements
for the year ended 31 December 2023



ZIELONA GÓRA, 28 March 2024

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SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
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	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Total assets	164,298	186,748	37,787	39,819
Liabilities	33,779	39,492	7,769	8,421
Long-term liabilities	15,389	15,043	3,539	3,208
Short-term liabilities	18,390	24,449	4,230	5,213
Equity	130,519	147,256	30,018	31,399
Share capital	5,000	5,000	1,150	1,066
Number of shares	2,500,000	2,500,000	2,500,000	2,500,000
Book value per share	52.21	58.90	12.01	12.56

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SEPARATE FINANCIAL STATEMENTS

for the year ending 31 December 2023 (in PLN ‘000)

ASSETS	Note	31/12/2023	31/12/2022
Tangible assets		113,302	115,201
Property, plant, and equipment	6	112,914	114,847
Intangible assets	7	387	353
Other financial assets	8	1	1
Current assets		50,996	71,547
Inventories	9	24,177	31,283
Receivables from deliveries, works, and services	10	16,605	25,875
Other short-term receivables and accruals	11	1,307	4,019
Income tax receivables		158	714
Cash and cash equivalents	12	8,749	9,656
Tangible assets classified as held for sale		0	0
TOTAL ASSETS		164,298	186,748

EQUITY AND LIABILITIES	Note	31/12/2023	31/12/2022
Equity		130,519	147,256
Share capital	13	5,000	5,000
Reserve and spare capitals	14	65,445	84,076
Revaluation reserve		(95)	(72)
Retained earnings/losses		36,883	36,883
Current year profit		23,286	21,369
LIABILITIES		33,779	39,492
Long-term liabilities		15,389	15,043
Provisions	15	188	191
Deferred income tax provisions	24	10,292	9,915
Other long-term financial liabilities	17	4,909	4,937
Short-term liabilities		18,390	24,449
Provisions	15	710	493
Short-term bank loans and borrowings	16	0	0
Other financial liabilities	17	28	27
Liabilities for deliveries, works and services	18	13,150	18,093
Liabilities for contracts with customers		272	315
Short-term liabilities and accruals	19	4,230	5,521
Income tax liabilities		0	0
TOTAL LIABILITIES		164,298	186,748

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ending 31 December 2023 (in PLN '000)

MULTI-STEP VARIANT	Note	01/01/2023 31/12/2023	01/01/2022 31/12/2022
<i>Continuing operations</i>			
Revenues on sales of products, goods, and materials	20	184,895	248,849
Costs of products, goods, and materials sold	21	141,751	197,147
Gross profit on sales		43,144	51,702
Sales costs	21	6,613	9,329
General administrative costs		16,174	14,866
Other revenue	22	6,391	843
Other costs		46	25
Operating profit		26,702	28,325
Financial revenue	23	1,595	16
Financial costs		284	2,774
Gross profit		28,013	25,567
Income tax	24	4,727	4,198
Net profit on continuing operations		23,286	21,369
Other comprehensive income			
Components that will not be reclassified as gains or losses when certain conditions are met		(28)	13
<i>Actuarial gains/losses on the valuation of employee benefits</i>		(28)	13
Income tax related to items disclosed in other comprehensive income		5	(2)
Total comprehensive income		23,263	21,380
Earnings per share:			
On continuing operations			
<i>Basic</i>	25	9.31	8.55
<i>Diluted</i>		9.31	8.55

SEPARATE CASH FLOW STATEMENT

for the year ending 31 December 2023 (in PLN '000)

INDIRECT METHOD	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Operating cash flows		
Profit before tax	28,013	25,567
Total adjustments:	7,909	(11,273)
Amortisation	4,674	4,742
Foreign exchange gains/losses	(17)	(15)
Interest cost and revenue	268	443
Profit/loss from investment activity	(120)	10
Change in provisions	214	410
Change in inventory	7,106	10,875
Change in balance of receivables from deliveries, works and services	9,270	(1,077)
Change in the balance of receivables and prepayments	2,999	(913)
Change in balance of liabilities for deliveries, works and services	(4,943)	(12,579)
Change in the balance of liabilities and accruals	(1,372)	806
Income tax paid/returned	(3,793)	(13,985)
Other adjustments	(6,377)	10
Net cash flows from operating activities	35,922	14,294
Investment cash flows		
Proceeds from sales of property, plant and equipment and intangible assets	130	0
Acquisition of property, plant and equipment and intangible assets	(3,035)	(1,688)
Net cash flows from investing activities	(2,905)	(1,688)
Financial cash flows		
Proceeds from loans and borrowings	0	0
Repayment of loans and borrowings	0	(10,265)
Repayment of financial lease liabilities	(27)	(26)
Interest paid and bank commissions	(268)	(443)
Dividends paid to shareholders of the Company	(40,000)	0
Grant	6,354	0
Net cash flows from financing activities	(33,941)	(10,734)
Total net cash flows	(924)	1,872
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>	17	15
Closing balance of cash, cash equivalents and loans in the current account	8,749	9,656

Separate financial statements of "NOVITA" S.A. for the year ending 31 December 2023

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ending 31 December 2023 (in PLN '000)

for the period 01/01/2023 – 31/12/2023	Equity					Total equity
	Share capital	Own shares	Reserve and spare capitals	Revaluation reserve	Profit brought forward and in the current year	
Balance as at 01/01/2023	5,000	0	84,076	(72)	58,252	147,256
Total comprehensive income	0	0	0	(23)	23,286	23,263
Actuarial gains/losses	0	0	0	(28)	0	(28)
Tax on actuarial gains/losses	0	0	0	5	0	5
Profit for the year	0	0	0	0	23,286	23,286
Other changes in equity	0	0	(18,631)	0	(21,369)	(40,000)
Distribution of reserve and supplementary capital for the payment of dividends	0	0	(18,631)	0	0	(18,631)
Profit distribution for 2022	0	0	0	0	(21,369)	(21,369)
Balance as at 31/12/2023	5,000	0	65,445	(95)	60,169	130,519

for the period 01.01.2022 - 31.12.2022	Equity					Total equity
	Share capital	Own shares	Reserve and spare capitals	Revaluation reserve	Profit brought forward and in the current year	
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
Sale of own shares	0	0	0	0	0	0
Distribution of reserve 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

NOTES TO FINANCIAL STATEMENTS

1. General information

"NOVITA" S.A. (the Company), as a joint stock company, was established under a notary's deed of 5 March 1991, Record of Deeds A No 1247/91, drawn up at the Individual Notary's 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 with its name "NOWITA" Spółka Akcyjna. By virtue of the notary's deed, Record of Deeds 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.

To 3 August 2016, NOVITA S.A., as a subsidiary, was part of LENTEX S.A. group of companies. Following an invitation to sale shares of NOVITA S.A., as announced by Tebes sp. z o.o., LENTEX S.A. sold all the shares it held, representing 63.17% of NOVITA S.A.'s share capital. As a result of the transaction, NOVITA S.A. became a subsidiary of Tebesa sp. z o.o. as of 3 August 2016, which acquired 63.32% share in the share capital of NOVITA S.A.

Tebes a 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 2023 and include comparative data for the year ended 31 December 2022.

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

As at 31 December 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 Company's Management Board between 1 January 2024 and the date these financial statements were approved for publication.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

As at 31 December 2023, the Company’s Supervisory Board was as follows:

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

During the period from 1 January 2024 to the date of approval of these financial statements for publication, the following changes to the composition of the Company's Supervisory Board took place:

- Uriel Mansoor, Deputy Chair of the Supervisory Board of the Company, resigned on 21 February 2024 with effect as of the date of the delivery of the resignation.
- Adi Mansoor was appointed as a new member of the Supervisory Board on 6 March 2024.

As at 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

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

- Eyal Maor Chair
- Uriel Mansoor Deputy Chair
- Ohad Tzkhori Member of the Supervisory Board
- Ilanit Ella Member of the Supervisory Boardy
- 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 2023 were approved for publication by the Management Board on 28 March 2024.

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 judgements, estimates or assumptions on opinions of independent experts.

Judgements, 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.

Classification of lease contracts where the Company is the lessee

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 tax results generated may make this assumption invalid in the future. 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 receivables from deliveries and services 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 2023 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 thousand.

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.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

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 2023.

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 2023 and the comparable financial data for 2022 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 2023 financial statements**

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 amendment to the standards has no impact on the Company's 2023 financial statements.

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

The amendment to the standards has no impact on the Company's 2023 financial statements.

IAS 1 Presentation of Financial Statements and the IFRS Board's Guidance on Disclosures about Accounting Policies in Practice, the issue of materiality in relation to accounting policies, introduces different disclosure requirements for “significant” information about accounting policies to those that are “material”. The standard requires the inclusion of information that is specific to the entity and necessary for an understanding of the choices and judgements made in selecting accounting policies.

The amendment to the standards has no impact on the Company's 2023 financial statements.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 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 amendment to the standards has no impact on the Company's 2023 financial statements.

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

The amendments to IAS 12 introduce a requirement to recognise deferred tax on certain transactions and an exemption from the determination of deferred tax due to changes in the tax legislation relating to the global minimum tax.

The amendment to the standards has no impact on the Company's 2023 financial statements.

- **Standards and interpretations entering into force for the first time in the financial statements for 2024 onwards**

IAS 1 “Presentation of Financial Statements”: the classification of liabilities as current and non-current, which is relevant to having a credit commitment and the related contractual terms. The terms of the credit agreements with which an entity was required to comply at or before the reporting date affect the presentation of the liability as non-current or current.

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

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

IFRS 16 indicates that, in a sale-leaseback transaction, a commitment to make variable lease payments meets the definition of a lease liability. Accordingly, in a sale-and-leaseback transaction, the expected variable payments should be recognised as part of the calculation of the lease liability, (subsequently amortised at the effective interest rate and only the difference between the expected and actual variable payments should be recognised directly in the profit and loss account) and on this basis the retained portion of the rights to the fixed asset should be calculated.

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

IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments - Disclosures”: financing arrangements with suppliers. The amendments to these standards require additional disclosures related to supplier financing transactions. They indicate that supplier financing transactions are not credit facilities granted directly to the originator in order for the originator to pay the suppliers directly. Supplier financing in accordance with this amendment only occurs when the financing institution directly pays the suppliers and the originator has a de facto obligation to those suppliers.

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

IAS 21 “The effects of changes in foreign exchange rates”: non-convertibility

The amendments are effective for annual periods beginning on or after 1 January 2025.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

IFRS 14 "Regulatory accruals"

The amendments are effective for annual periods beginning on or after 1 January 2026.

IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates" on the sale or transfer of assets between an investor and its associates or joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2026.

5.6. Error correction

No error was corrected in the statements for the year ended 31 December 2023 and the year ended 31 December 2022.

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 initial recognition as an asset, items of property, plant, and equipment are carried 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 in the month following the one in which they started to be used 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 committee formed, the Management Board decided to change the depreciation rates from 1 January 2024, adjusting them to the economic useful lives identified. The effects of the changes will be reflected in the 2024 report. The separate financial statements for 2023 show the effects of the review of the economic useful lives of property, plant, and equipment made in 2022, whose depreciation rates have been changed since 1 January 2023. 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 32 years
Machinery and equipment	from 1 to 26 years
Means of transport	from 1 to 19 years
Other property, plant, and equipment	from 1 to 17 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 2023, the Company has no non-current assets held for sale.

5.13. Impairment of property, plant, and equipment, intangible assets, and legal 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 recognised in the balance sheet when the Company becomes a party to a binding contract. The Company classifies as financial instruments any contract that gives rise simultaneously to a financial asset with one party and a financial liability or equity instrument with the other party, provided that economic effects are unequivocally derived from the contract between two or more parties.

Financial instruments under IFRS 9 “Financial Instruments” are classified at initial recognition based on:

- cash flow characteristics; and
- the business model under which the financial asset is managed.

IFRS 9 “Financial Instruments” defines three categories of financial assets:

- measured at amortised cost;
- measured at fair value through other comprehensive income; and
- measured at fair value through profit or loss.

The classification is made by the Company on initial recognition of the 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 2023, the Company did not have any 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 non-current assets (assets falling due more than 1 year after the reporting date) or current assets (assets maturing within 1 year after 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. A financial liability is recognised in the statement of financial position when the Company becomes a party to the agreement (contract) from which this 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 2023, 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.

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

- raw materials and supplies, at cost; and
- 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:

- finished goods, goods and materials excluding materials for the technical depot (spare parts) backdated more than 1 year: 50% of the carrying amount; and
- finished goods, merchandise and materials excluding materials relating to the technical warehouse (spare parts) backdated more than 2 years: 100% of the carrying amount.

Spare parts are subject to random impairment testing on a sample basis. If the test proves unfavourable and market prices are lower than the acquisition price held in the accounting records, a write-down is made of the value of stocks-spare parts by calculating an index based on the sample and relating it to the total value of the technical warehouse. We recognise the value of the write-down in the statement of comprehensive income in other expenses.

If the technical cost of finished goods inventory is higher than the expected selling price, write-downs are made to adjust the cost of sales. The selling price represents the price of sales made in the ordinary course of business.

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 overdraft facilities.

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 accumulated unused employee leave and bonuses due within 12 months of the end of the period in which the employees performed 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; and
- 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 the sale of products, goods, and materials is recognised when the significant risks and 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 nature and by cost centres, with the primary cost reporting format in the separate statement of comprehensive income is adopted as the cost by function variant.

5.25. Income tax

Current corporate tax liabilities are accrued in accordance with applicable tax regulations.

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 separate statement of financial position.

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

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 statement of financial position at offsetting amounts.

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.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

6. Property, plant, and equipment

PROPERTY, PLANT, AND EQUIPMENT	for the period from 01/01/2023 to 31/12/2023						
	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	65,651	90,340	3,049	3,784	391	185,728
Increases	0	632	1,789	520	107	2,703	5,751
<i>acquisition</i>	0	632	1,789	520	107	2,703	5,751
Reductions	0	0	72	270	0	3,047	3,389
<i>disposal</i>	0	0	58	270	0	0	328
<i>liquidation</i>	0	0	14	0	0	0	14
<i>other</i>	0	0	0	0	0	0	0
Interna transfers(+/-)	0	0	0	0	0	3,047	3,047
Closing gross balance	22,513	66,283	92,057	3,299	3,891	47	188,090
Opening depreciation balance	285	21,767	45,536	1,590	1,703	0	70,881
depreciation for the period	71	1,697	2,367	228	266	0	4,629
disposal / liquidation	0	0	64	270	0	0	334
other	0	0	0	0	0	0	0
Interna transfers(+/-)	0	0	0	0	0	0	0
Closing depreciation balance	356	23,464	47,839	1,548	1,969	0	75,176
Closing balance including depreciation and impairment allowance	356	23,464	47,839	1,548	1,969	0	75,176
Closing net balance	22,157	42,819	44,218	1,751	1,922	47	112,914

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

PROPERTY, PLANT, AND EQUIPMENT	for the period from 01/01/2022 to 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
Reductions	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
other	0	0	0	0	0	5	5
Interna transfers(+/-)	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
Interna transfers(+/-)	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 ending 31 December 2023

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 thousand as at the date of entry into the books and amounts to PLN 4,709 thousand as at 31 December 2023. Depreciation of the right of perpetual usufruct of land is made using the straight-line method and for 2023 and 2022 amounted to PLN 71 thousand.

7. Intangible assets

INTANGIBLE ASSETS	for the period from 01/01/2023 to 31/12/2023				
	Own development work	Acquired intangible assets			Total
		Patents, trademarks	licences	Other	
Opening gross balance	0	0	614	0	614
Increases	0	0	79	0	79
<i>acquisition</i>	0	0	79	0	79
Reductions	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	693	0	693
Opening depreciation balance	0	0	261	0	261
<i>depreciation for the period</i>	0	0	45	0	45
<i>liquidation</i>	0	0	0	0	0
Closing depreciation balance	0	0	306	0	306
Closing balance including depreciation and impairment allowance	0	0	306	0	306
Closing net balance	0	0	387	0	387

INTANGIBLE ASSETS	for the period from 01/01/2022 to 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
Reductions	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 did not provide security for the Company's liabilities as at 31 December 2023 and 31 December 2022.

There are no intangible assets held for sale as at 31 December 2023 and 31 December 2022.

8. Other financial assets

OTHER FINANCIAL ASSETS			
Long-term		31/12/2023	31/12/2022
Shares in Textilimpex Łódź		1	1
Total		1	1

9. Inventories

INVENTORY	balance as at				TOTAL
	Materials	Work in progress	Finished goods	Goods	
Valuation at cost	18,373	251	5,988	20	24,632
Valuation at net realisable value	0	0	9	0	9
Opening balance of inventory impairment losses	177	0	247	0	424
Amounts of reversal of inventory impairment losses recognised as a reduction of these write-downs in the period	124	0	0	0	124
Amounts of inventory impairment losses recognised as a cost in the period	57	0	98	0	155
Closing balance of inventory impairment losses	110	0	345	0	455
Amount of inventories recognised as a cost in the period	313	0	138,919	1	139,233
Carrying amount of inventories	18,263	251	5,643	20	24,177
Amount of inventories pledged as security for liabilities					0

INVENTORY	balance as at				TOTAL
	Materials	Work in progress	Finished goods	Goods	
Valuation at cost	25,880	253	5,552	22	31,707
Valuation at net realisable value	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
Amount of inventories recognised as a cost in the period	1,171	0	193,778	15	194,964
Carrying amount of inventories	25,703	253	5,305	22	31,283
Amount of inventories pledged as security for liabilities					0

Resolved values of written-off raw materials and materials in 2023 in the amount of PLN 38 thousand is related to their use for current production.

Resolved values of written-off spare parts in 2023 from the assumed write-off in 2021 in the amount of PLN 86 thousand was disposed of due to the inability to sell it.

10. Receivables from deliveries, works, and services

RECEIVABLES FROM DELIVERIES, WORKS, AND SERVICES	31/12/2023	31/12/2022
Receivables from deliveries, works and services from related parties	0	15
Receivables from deliveries, works and services from other parties	17,241	26,573
Total receivables	17,241	26,588
Allowance for receivables from deliveries	636	713
Net receivables from deliveries	16,605	25,875

CHANGES IN IMPAIRMENT LOSSES	31/12/2023	31/12/2022
Opening balance	713	761
Increases	61	47
Reductions	138	95
Closing balance	636	713

AGE STRUCTURE OF RECEIVABLES FROM DELIVERIES, WORKS, AND SERVICES	Gross value	Write-down	Gross value	Write-down
	31/12/2023		31/12/2022	
performing	14,407	5	21,961	5
Up to 3 months past due	2,081	11	3,921	13
From 3 up to 6 months past due	141	15	13	2
Over 6 to 12 months past due	32	25	3	3
Over 1 year past due	580	580	690	690
Total	17,241	636	26,588	713

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. Close to 95% of receivables are insured. In addition, the Company has applied simplifications to the write-down of receivables for the remaining 5% of uninsured customers in 2023. For the financial year, the Company has determined an allowance percentage calculated by the proportion of revenue earned in the last three years to the value of bad debts written off in the same period. This ratio for 2023 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 revaluation allowance for bad debt.

11. Other receivables and prepayments

OTHER RECEIVABLES AND PREPAYMENTS	31/12/2023	31/12/2022
Other non-financial assets:		
- budget receivables	464	483
- advances for fixed assets	90	9
- accruals	533	462
- other	220	3,065
TOTAL	1,465	4,733
- long-term part	0	0
- short-term part	1,465	4,733
TOTAL	1,465	4,733

12. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	31/12/2023	31/12/2022
Cash at bank and in hand	8,616	9,471
Short-term deposits	133	185
Total, including:	8,749	9,656

CASH AND CASH EQUIVALENTS DISCLOSED IN THE CASH FLOW STATEMENT	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Cash at bank and in hand	8,616	9,471
Short-term deposits	133	185
Forward transactions	0	0
Total	8,749	9,656

13. Share capital

STATED CAPITAL AS AT 31 December 2023				
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 2023, 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 31/12/2023	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 its 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 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 ending 31 December 2023

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 its subsidiary Finveco Investements Sp. z o.o.S.K.A.)	691,000	27.64%
Other	206,281	8.25%
	2,500,000	100.00%

NUMBER OF SHARES MAKING UP THE STATED CAPITAL	31/12/2023	31/12/2022
Ordinary shares with a nominal value of PLN 2	2,500,000	2,500,000
Total	2,500,000	2,500,000

SHARE CAPITAL	31/12/2023	31/12/2022
Ordinary shares	2.00	2.00
Value of stated capital in PLN thousand	5,000	5,000

14. Reserve and spare capitals

	for the period 01/01/2023 – 31/12/2023		
	Supplementary capital	Reserve capital	Total
Opening balance	83,076	1,000	84,076
Changes in accounting policies	0	0	0
Opening balance as adjusted (restated)	83,076	1,000	84,076
Increases due to reclassification of profit	0	0	0
Dividend payment	(18,631)	0	(18,631)
Closing balance	64,445	1,000	65,445

	for the period 01/01/2022 – 31/12/2022		
	Supplementary capital	Reserve capital	Total
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

15. Provisions for employee benefits

PROVISIONS		
Provisions for employee benefits	period	
	01/01/2023 – 31/12/2023	01.01.2022 - 31.12.2022
Opening balance, including:	684	274
<i>Opening balance of short-term provisions</i>	493	48
<i>Opening balance of long-term provisions</i>	191	226
Increases	708	490
Created in the period and increase of the existing ones	708	490
Reductions	494	80
Used during the year	488	46
Released in the period	6	34
Closing balance, including:	898	684
<i>Closing balance of short-term provisions</i>	710	493
<i>Closing balance of long-term provisions</i>	188	191

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.

CHANGES IN NET EMPLOYEE BENEFIT LIABILITIES/ASSETS DURING THE PERIOD	Retirement severance payments and jubilee rewards	
	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Opening balance of net liabilities/assets	235	247
Costs recognised in the revaluation reserve	28	(13)
Net expense recognised in the profit and loss account	27	20
Benefits paid	(39)	(19)
Closing balance of net liabilities/assets	251	235

NET COST OF EMPLOYEE BENEFITS	Retirement severance payments and jubilee rewards	
	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Current employment cost	(11)	(11)
Interest expense on employee benefit obligations	(16)	(9)
Actual return on plan assets	(27)	(20)

KEY ACTUARIAL ASSUMPTIONS USED IN THE DETERMINATION OF THE EMPLOYEE BENEFIT LIABILITIES		
	31/12/2023	31/12/2022
Discount rate	5.20%	6.70%
Employee turnover rate (women)	8.02%	8.50%
Employee turnover rate (men)	12.82%	13.17%
Increase in the basis for retirement and disability severance payments	2.83%	3.89%

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.

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	238,709	224,883	223,976	240,793	237,392	226,055
Disability severance payments	20,526	18,963	18,922	20,657	20,503	18,970
Total provisions	259,235	243,846	242,898	261,450	257,895	245,025

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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 2023, 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 thousand and a multiline agreement signed with mBank S.A. with a limit of PLN 5,700 thousand.

In 2023, NOVITA S.A. renewed its multiline with Santander Bank Polska S.A. for a further three years, i.e. to 8 August 2026.

The table below shows the loan agreements held by NOVITA S.A. as at 31 December 2023.

SHORT-TERM BANK LOANS AND BORROWINGS			31/12/2023	31/12/2022
Item	Effective interest rate	Due date		
SANTANDER multiline intended for overdraft, revolving credit or letters of credit	1M WIBOR + margin, 1M EURIBOR + margin, 1M LIBOR + margin	08/08/2026	0	0
mBank S.A. multiline intended for overdraft or letters of credit	WIBOR ON + margin, LIBOR ON + margin	30/09/2024	0	0
Total			0	0

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

17. Other financial liabilities

FINANCIAL LEASE LIABILITIES				
FUTURE MINIMUM LEASE FEES AND CURRENT VALUE OF NET MINIMUM LEASE FEES				
	31/12/2023		31/12/2022	
	Minimum payments	Present value of minimum charges	Minimum payments	Present value of minimum charges
in the period up to 1 year	157	28	157	27
in the period from 1 to 5 years	627	119	627	116
in the period over 5 years	9,565	4,790	9,722	4,821
Total	10,349	4,937	10,506	4,964

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 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 thousand, including PLN 23 thousand for short-term and PLN 5,041 thousand for long-term.

Carrying value of fixed assets – rights of perpetual usufruct of land as at 31 December 2023 was PLN 4,709 thousand. Liabilities under the right of perpetual usufruct as at 31 December 2023 were PLN 4,937 thousand, including short-term liabilities PLN 28 thousand and long-term liabilities PLN 4,909 thousand.

18. Liabilities for deliveries, works and services

LIABILITIES FOR DELIVERIES, WORKS, AND SERVICES	31/12/2023	31/12/2022
Trade payables from related parties	11	12
Trade payables from other parties	13,139	18,081
Total	13,150	18,093

19. Other liabilities and accruals

OTHER LIABILITIES AND ACCRUALS	31/12/2023	31/12/2022
Other liabilities:		
- accruals	128	49
- payroll liabilities	889	860
- investment liabilities	192	155
- other	1,238	1,275
TOTAL	2,447	2,339
- long-term part	0	0
- short-term part	2,447	2,339
Other tax liabilities:		
- VAT	598	1,952
- personal income tax	176	158
- social security liabilities	1,009	920
- Customs Office liabilities	0	152
TOTAL	1,783	3,182
- long-term part	0	0
- short-term part	1,783	3,182

20. Revenues on sales of products, goods and materials

REVENUE ON SALES OF PRODUCTS, GOODS AND MATERIALS		
period	Continuing operations	
	01/01/2023 31/12/2023	01/01/2022 31/12/2022
domestic		
Revenue on sales of products	86,778	119,601
Revenue on sales of services	5,391	5,138
Revenues on sales of materials	418	390
Revenue on sales of goods	4	17
international		
Revenue on sales of products	91,560	122,033
Revenue on sales of services	23	0
Revenues on sales of materials	721	1,670
Revenue on sales of goods	0	0
TOTAL	184,895	248,849

21. Costs by type

COSTS BY TYPE		
period	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Depreciation of fixed assets	4,629	4,697
Amortisation of intangible assets	45	45
Consumption of raw materials, supplies, and energy	127,144	180,295
Costs of outsourced services	9,852	12,530
Costs of employee benefits	18,695	17,138
Costs of taxes and charges	2,101	1,851
Other costs	2,163	1,980
Value of goods and materials sold	314	1,185

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Change in the balance of products and work in progress and write-downs	(405)	1,621
TOTAL	164,538	221,342
Sales costs	6,613	9,329
General administrative costs	16,174	14,866
Costs of products, goods and materials sold	141,751	197,147
TOTAL	164,538	221,342

COSTS OF EMPLOYEE BENEFITS		
period	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Costs of wages and salaries	15,035	13,937
Social security costs	2,972	2,561
Costs of the Employee Benefit Fund	330	308
Other costs of employee benefits	358	332
TOTAL	18,695	17,138

COSTS OF EMPLOYEE BENEFITS		
period	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Items recognised in cost of goods sold	9,473	8,635
Items included in cost of sales	0	0
Items recognised in general administrative costs	9,222	8,503
TOTAL	18,695	17,138

22. Other revenue and costs

OTHER REVENUE	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Profit on sales of property, plant, and equipment	120	0
Reimbursement for court fees	9	0
Release of the value of raw materials and supplies written off	0	680
Indemnities received	28	82
Compensation	6,194	0
Other	40	81
TOTAL	6,391	843

In 2023, the Company acquired twice the rights to receive public assistance under the government programme with the name of “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 2023, the Company received money under the assistance programme described above of PLN 6,354 thousand, which was recognised in the other operating income less the costs closely related to receiving the compensation in the amount of PLN 160 thousand. In the statement of comprehensive income, the Company recognised a compensated value of PLN 6,194 thousand.

OTHER COSTS	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Impairment losses on receivables	15	0
Value of liquidated non-financial fixed assets	0	9
Litigation costs	0	1
Donations made	9	11
Value of raw materials and supplies written off	19	0
Other	3	4
TOTAL	46	25

23. Financial revenue and costs

FINANCIAL INCOME	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Revenue on interest	735	16
Foreign exchange gains	860	0
TOTAL	1,595	16

FINANCIAL COSTS	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Cost of interest, including ones related to:	167	297
bank loans	19	146
financial lease contracts	130	130
provisions for employee benefits	16	9
budget costs	2	11
Foreign exchange losses	0	2,322
Other	117	155
TOTAL	284	2,774

24. Income tax

MAIN COMPONENTS OF TAX DEBIT/CREDIT IN THE STATEMENT OF COMPREHENSIVE INCOME	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Current income tax disclosed in the profit and loss account	4,345	2,806
- current income tax (debit)	4,345	2,806
Deferred income tax disclosed in the profit and loss account	382	1,392
- deferred tax (debit)/credit related to the emergence and reversal of temporary differences	382	1,392
tax (debit)/credit disclosed in the profit and loss account, including:	4,727	4,198
- attributed to continuing operations	4,727	4,198
Income tax related to items disclosed in other comprehensive income	5	(2)
- deferred tax (debit)/credit related to the revaluation of provisions for employee benefits	5	(2)
tax (debit)/credit disclosed in the statement of comprehensive income	4,732	4,196

RECONCILIATION OF INCOME TAX ON GROSS PROFIT (LOSS) BEFORE TAX WITH INCOME TAX DISCLOSED IN THE PROFIT AND LOSS ACCOUNT		
Period	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Gross financial result before tax for continuing operations	28,013	25,567
Profit/loss before tax from discontinued operations	0	0
Gross financial result before tax	28,013	25,567
Tax rate applicable in Poland	19.0%	19.0%
tax (debit) according to the applied tax rate	5,322	4,858
Charges to PEFRON (Polish Rehabilitation Fund for the Disabled)	0	1
Exchange differences due to VAT	5	0
Representation costs	15	11
Supervisory Board	6	2
Management Board insurance	3	0
Donation	2	2
Other	12	9
R&D tax relief	638	685
tax (debit)/credit disclosed in the profit and loss account	4,727	4,198

Period	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Gross financial result before tax for continuing operations	28,013	25,567
Profit/loss before tax from discontinued operations	0	0
Gross financial result before tax	28,013	25,567
tax (debit) disclosed in the profit and loss account	4,727	4,198
Effective tax rate (in %)	16.9%	16.4%

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In its 2023 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 thousand. 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	
	31/12/2023	31/12/2022	01/01/2023 31/12/2023	01/01/2022 31/12/2022	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Deferred income tax provision						
- exchange differences	54	25	29	(12)	0	0
- depreciation differences	7,583	6,703	880	783	0	0
- activated right of perpetual usufruct of land	3,106	3,106	0	0	0	0
- other	0	547	(547)	547	0	0
Gross deferred income tax provision	10,743	10,381	362	1,318	0	0
Deferred tax assets						
- inventory impairment losses	67	47	20	10	0	0
- exchange differences	6	7	(1)	(43)	0	0
- write-downs of receivables	116	117	(1)	(6)	0	0
- employee benefits	48	45	(2)	0	5	(2)
- provision for future expenses	24	10	14	0	0	0
- unpaid wages (provisions for bonuses and annual leave)	125	171	(46)	91	0	0
- perpetual usufruct of land fee	44	35	9	9	0	0
- settlement of sales (return)	0	0	0	(6)	0	0
- value of materials/raw materials written off	21	34	(13)	(129)	0	0
Gross deferred income tax assets	451	466	(20)	(74)	5	(2)
Deferred tax assets recognised in the statements	0	0				
Deferred tax liability recognised in the statements	10,292	9,915				

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25. Earnings per share

EARNINGS PER SHARE	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Earnings for the reporting period attributable to:	23,286	21,369
Shareholders of the entity	23,286	21,369

Net earnings attributable to ordinary shareholders (basic)						
Item	01/01/2023 31/12/2023			01.01.2022 31.12.2022		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net earnings for the reporting period attributable to shareholders	23,286	0	23,286	21,369	0	21,369
Total	23,286	0	23,286	21,369	0	21,369

Weighted average number of ordinary shares	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Weighted average number of shares at the beginning of the period	2,500,000	2,500,000
Closing weighted average number of ordinary shares	2,500,000	2,500,000

Basic earnings per share	01/01/2023 31/12/2023	01/01/2022 31/12/2022
on continuing and discontinued operations	9.31	8.55
on continuing operations	9.31	8.55

26. Dividends

DECLARED AND PAID DURING THE REPORTING PERIOD		
Dividends on ordinary shares:	01/01/2023 31/12/2023	01/01/2022 31/12/2022
Dividend for 2022 of PLN 21,369,000 and additional dividend from supplementary capital of PLN 413,000 for 2020 and PLN 8,218,000 for 2021 paid on 17 July 2023 – AGM Resolution No 6 of 17 July 2023. A total amount of PLN 30,000 thousand was allocated for the payment of dividend to the Company's Shareholders, i.e. PLN 12.00 per one share of the Company.	30,000	0
Additional dividend for 2021 paid on 28 December 2023 – EGM Resolution No 4 of 13 December 2023. A total amount of PLN 10,000 thousand was allocated for the payment of dividend to the Company's Shareholders, i.e. PLN 4.00 per one share of the Company.	10,000	0
Total	40,000	0

27. Information about operating segments

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

- the segment of mechanically needled nonwovens;
- the segment of water-needed nonwovens (spunlace);
- the segment of tenancy services; and
- 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 spunlace products is based differences in the manufacturing technology. These operating segments are separated in the accounting records of the Company.

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 from 01/01/2023 to 31/12/2023				
	Continuing operations				Total operations
	Mechanically needled nonwovens	Water-needed nonwovens (spunlace)	Tenancy	Other	
Revenues from external customers	14,648	163,820	5,284	1,143	184,895
Material items of revenue and costs, including:	(13,900)	(147,505)	(2,819)	(314)	(164,538)
Cost of manufacture of the sold products	(11,941)	(126,978)	(2,518)	0	(141,437)
Costs of goods and materials sold	0	0	0	(314)	(314)
Sales costs	(593)	(6,020)	0	0	(6,613)
General administrative costs	(1,366)	(14,507)	(301)	0	(16,174)
Reporting segment profit or loss	748	16,315	2,465	829	20,357
Other operating revenue/costs	259	5,949	20	117	6,345
Operating profit/loss of the segment	1,007	22,264	2,485	946	26,702
Amortisation	481	3,578	615	0	4,674
EBITDA	1,488	25,842	3,100	946	31,376

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Revenue

Total revenue of reportable segments	184,895
Other revenue	6,391
Financial revenue	1,595
Exclusion of revenue from inter-segment transactions	0
Entity revenue	192,881

Costs

Total costs of reportable segments	(164,538)
Other costs	(46)
Financial costs	(284)
Exclusion of expenses for inter-segment transactions	0

Entity expenses (164,868)

Profit

Total profit of reportable segments	26,702
Exclusion of profits from inter-segment transactions	0
Profit(loss) on unallocated items	1,311
Profit before tax	28,013

Information about geographic areas	Revenue	Tangible assets
Domestic sales	92,591	*
Sales abroad	92,304	*

* The tangible assets used in operating activities serve the manufacture of the products sold to the domestic as well as international market.

Sales by countries	percentage
Poland	50%
Country 1	17%
Country 2	14%
Other	19%

The basis for assigning revenues to individual countries is identified according to the registration data of the clients.

Information about major customers	Share in revenue	Operating segment
Customer 1	17%	Spunlace nonwovens
Customer 2	10%	Spunlace nonwovens
Customer 3	10%	Spunlace nonwovens

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OPERATING SEGMENTS	for the period from 01/01/2022 to 31/12/2022				
	Continuing operations				Total operations
	Mechanically needed nonwovens	Water-needed nonwovens (spunlace)	Tenancy	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)
Costs 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

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	*
Sales abroad	123,703	*

* The tangible assets used in operating activities serve the manufacture of the products sold to the domestic as well as international market.

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

Information about major customers	Share in revenue	Operating segment
Customer 1	16%	Spunlace nonwovens
Customer 2	16%	Spunlace nonwovens
Customer 2	11%	Spunlace nonwovens

28. Transactions with affiliates

All transactions with the affiliates 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 2023 and from 1 January to 31 December 2022.

TRANSACTIONS WITH RELATED PARTIES*	for the period			
	01/01/2023 31/12/2023			
Parties to the transaction	Sale	Receivables*	Purchase	Liabilities*
TEBESA SP. Z O.O.	7	0	0	0
VAPORJET	0	0	319	11

*The amounts are shown gross

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

29. Remuneration of key executive staff

REMUNERATION OF KEY EXECUTIVE STAFF	01/01/2023 31/12/2023*	01/01/2022 31/12/2022*
Short-term employee benefits	1,870	1,613
Total	1,870	1,613

* The figures presented for 2023 include a provision for a bonus for the Management Board of PLN 590 thousand.

* The figures presented for 2022 include a provision for a bonus for the Management Board of PLN 402 thousand.

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.

30.1.1. 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		31/12/2023	
	Carrying amount	Increase/decrease by percentage points	Effect on gross profit (loss)
Financial assets			
Cash	8,749	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	4,937	1	+50/-50
Other financial liabilities	0	0	0

FINANCIAL INSTRUMENTS – INTEREST RATE RISK – SENSITIVITY ANALYSIS			
Balance as at		31/12/2022	
	Balance sheet value	Increase/decrease by percentage points	Effect on gross financial result
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

30.1.2. 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.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

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		31/12/2023	
	Carrying amount	Increase/decrease by percentage points	Effect on gross profit (loss)
Financial assets			
Cash in EUR	4,635	5	+232/-232
Cash in USD	603	5	+30/-30
Trade and other receivables in EUR	12,167	5	+608/-608
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	6,154	5	+308/-308
Trade liabilities in USD	11,593	5	+580/-580

FINANCIAL INSTRUMENTS – CURRENCY RISK – SENSITIVITY ANALYSIS			
Balance as at		31/12/2022	
	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

30.1.3. Credit risk

The Company's credit risk is closely related to its core activities. It results from the agreements concluded 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. In addition, by insuring almost 95% of receivables, the Company's exposure to credit risk is negligible.

30.1.4. 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 prevents any negative events related to delays in the timely payment of liabilities.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

The Company's financial liabilities as at 31 December 2023 and 31 December 2022 are presented below by maturity date based on contractual undiscounted payments:

31/12/2023	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	28	119	4,790	4,937
Liabilities for deliveries, works and services	0	13,150	0	0	13,150
TOTAL	0	13,178	119	4,790	18,087

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. Financial instruments

The following tables show the carrying amounts of all financial instruments by class and category of assets and liabilities as at 31 December 2023 and 31 December 2022:

CARRYING VALUES AND FAIR VALUES BY FINANCIAL INSTRUMENT CATEGORY					
	Category according to IFRS 9*	Carrying amount		Fair value	
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
Financial assets		25,354	35,531	25,354	35,531
Cash	FVTPL	8,749	9,656	8,749	9,656
Receivables from deliveries, works, and services	AC	16,605	25,875	16,605	25,875
Loans receivable	AC	0	0	0	0
Financial liabilities		20,534	25,396	20,534	25,396
Financial lease liabilities	AC	4,937	4,964	4,937	4,964
Liabilities for deliveries, works, and services Other liabilities	AC	15,597	20,432	15,597	20,432
Bank loans	AC	0	0	0	0

* 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 liabilities, overdrafts and short-term receivables and liabilities does not deviate from the carrying values mainly due to the short maturity.

ITEMS OF REVENUE, COSTS, PROFIT AND LOSS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME BY CATEGORY OF FINANCIAL INSTRUMENTS					
for the period	01/01/2023 31/12/2023				
	Category according to IFRS 9*	Interest income/revenue	Foreign exchange gains/losses	Release/creation of impairment losses	Gains/losses on sales of financial instruments
Financial assets					
Cash	FVTPL	707	(538)	0	0
Trade and other receivables	AC	9	(1,069)	77	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	2,486	0	0
Short-term bank loans	AC	0	0	0	0
Provisions for employee benefits	AC	(16)	0	0	0

Separate financial statements of "NOVITA" S.A. for the year ending 31 December 2023

ITEMS OF REVENUE, COSTS, PROFIT AND LOSS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME BY CATEGORY OF INSTRUMENTS					
for the period	Category according to IFRS 9*	01.01.2022 31.12.2022			
		Interest income/revenue	Foreign exchange gains/losses	Release/creation of impairment losses	Gains/losses on sales of financial instruments
Financial assets					
Cash	FVTPL	(143)	(848)	0	0
Receivables from deliveries, works, and services	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
Liabilities for deliveries, works and services	AC	0	(2,119)	0	0
Short-term bank loans	AC	0	0	0	0
Provisions for employee benefits	AC	(9)	0	0	0

32. Contingent liabilities

As at 31 December 2023 and 31 December 2022, the Company had no contingent liabilities.

As at 31 December 2023 and 31 December 2022, the Company had no liability for lawsuits of material value.

33. Information on audit firms' fees

Performing audits and reviews of statements for 2023 and 2022

The Company entered into an audit services agreement on 22 June 2023 with UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością, entered in the list of audit firms, Entry No 3886. The agreement was concluded for 2 years.

The subject matter of the agreement includes:

- 1) Review of the separate interim financial statements for the following periods:
 - for the half-year ending 30/06/2023; and
 - for the half-year ending 30/06/2024;

The value of the fee due for each year is net PLN 21 thousand.

- 2) Statutory audits of the separate financial statements for the following periods:
 - for the financial year ending 31/12/2023; and
 - for the financial year ending 31/12/2024.

The value of the fee due for each year is net PLN 34 thousand.

- 3) Another attestation service consisting of an assessment of the Employer's remuneration report for the following periods:
 - for the financial year ending 31/12/2023; and
 - for the financial year ending 31/12/2024.

The value of the fee due for each year is net PLN 5 thousand.

Separate financial statements of “NOVITA” S.A. for the year ending 31 December 2023

On 25 August 2023, the Company signed an order with Kancelaria Porad Finansowo - Księgowych dr Piotr Rojek Sp. z o.o. for the provision of services concerning the confirmation of the correctness of the calculation of the value of the electricity consumption intensity factor for 2021–2023. The fee for the service was net PLN 5,5 thousand.

Performing audits and reviews of statements for 2022

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 was concluded for a period of 2 years.

The subject matter of the first contract covers:

- to review the interim separate financial statements prepared as at 30 June 2022.

The value of the fee due is net PLN 10 thousand.

The subject matter of the other agreement includes:

- conducting a review of the annual separate financial statements for the financial year ending 31 December 2022.

The value of the fee due is net PLN 21 thousand.

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 01.01.2022 to 31.12.2022.

The value of the fee due is net PLN 2 thousand.

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 of calculating the coefficient of electricity consumption intensity for 2020-2022. The fee for the service was net PLN 4,5 thousand.

34. Headcount structure

The Company's headcount as at 31 December 2023 was 178 (as at 31 December 2022 – 194) and was as follows:

As at	31/12/2023	31/12/2022
Management Board *	2	2
Managing Director Division	6	6
Economic and Financial Director Division	6	6
Supply Chain Director Division	28	31
Operating Director Division	136	149
Total	178	194

* In 2023, the composition of the Management Board is 4 members, of which 2 Management Board members are not under employment relationship but are by appointment.

35. Research and development

In 2023, 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

None.

37. Other significant events

None.

Zielona Góra, 28 March 2024

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 operations of the Issuer
for the year ended on 31 December 2023



ZIELONA GÓRA, 28 MARCH 2024

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2 Information on the organisational or capital links of the Issuer and identification of its main domestic and foreign investments, in particular securities, financial instruments, intangible fixed assets and properties

The NOVITA joint-stock company can trace its roots to the state-owned company Fabryka Dywanów “NOWITA”, which was established on 1 January 1974. The company was located in Zielona Góra, at 3 Dekoracyjna Street, where it has continued to operate to this day. The company started producing floor coverings and technical nonwovens in 1976. In 1991, the company was transformed into a single-person state-owned company, which took the name Spółka Akcyjna NOVITA, and NOVITA S.A. in its abbreviated form. Shares of the Company have been listed on the Warsaw Stock Exchange since 1994. The current total number of shares is 2,500 thousand and the Company's share capital is PLN 5,000 thousand. For several years, since the Company ceased to produce floor coverings, it has been one of the leading manufacturers of technical nonwovens in Poland.

Until 3 August 2016, NOVITA S.A. was a part of the LENTEX S.A. Group as a subsidiary. As a result of the tender offer for NOVITA S.A. shares announced by Tebesa sp. z o.o., LENTEX S.A. sold all the shares it held, representing 63.17% of NOVITA S.A.'s share capital. As a result of the transaction, NOVITA S.A. became a subsidiary of Tebesa sp. z o.o. on 3 August 2016.

Tebesa sp. z o.o. is a subsidiary of Israel-based Vaporjet Ltd. with its main office in Israel, which holds 100% of shares in Tebesa.

During the reporting year, NOVITA S.A. did not make any domestic or foreign investments, in securities, financial instruments and real estate, or other equity investments. The Company only carried out investments related to the Company's current operations, which are described in more detail in paragraph 5.1 NOVITA S.A.'s growth programme and investments.

General information about the Issuer	
Full company name	NOVITA Spółka Akcyjna
Short name of company	NOVITA S.A.
Country of registered office	Poland
Registered office address	65-722 Zielona Góra, ul. Dekoracyjna 3
National Court Register - District Court in Zielona Góra 7th Commercial Division of the National Court Register	No. 0000013306
Telephone number	+48 68,456 15 00
Fax No.	+48 68,456 13 51
E-mail	novita@novita.com.pl
Website:	www.novita.pl
NIP (Tax Identification No.)	929-009-40-94
REGON (National Business Registry Number)	970307115

3 Changes in the key management principles of the Issuer and its capital group

There were no changes in the management principles of the Issuer during the reporting year.

4 Description of activities during the reporting year

4.1 Major events during the reporting year:

- In the first quarter of 2023, the Company acquired the rights to receive state aid under the government programme called “Support 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 recognised such support upon its receipt. In March 2023, the Company received a benefit under the assistance programme described above, in the amount of PLN 3,872 thousand, which was recognised in other operating income less costs incurred and strictly related to the receipt of compensation in the amount of PLN 89 thousand.
- In the first months of 2023, the Company has observed stabilisation on the gas and energy market.
- On 11 May 2023, the Management Board of NOVITA S.A., taking into account the Company's current financial situation and the interests of its Shareholders, announced its decision to recommend the distribution of the Company's net profit for 2022 in the amount of PLN 21,368,899.41 to the Company's Annual General Meeting (hereinafter “AGM”), as follows:
 1. allocate the net profit of PLN 21,350,000.00 for the payment of dividends to the Company's shareholders, i.e. the amount of PLN 8.54 per share,
 2. allocate the net profit of PLN 18,899.41 to the Company's reserve capital.
- On 25 May 2023, the Management Board of NOVITA S.A. announced that it had received a draft resolution from the Company's majority shareholder, TEBESA Spółka z ograniczoną odpowiedzialnością, for the Company's Annual General Meeting, increasing the amount of the dividend payment from PLN 21,350,000.00 to PLN 30,000,000.00.
- On 14 June 2023, the Annual General Meeting of NOVITA S.A. adopted resolutions on:
 - the approval of the Management Board's report on the Company's operations and the Company's financial report for the financial year 2022,
 - the distribution of profit achieved by NOVITA S.A. for the 2022 financial year, whereby it decided to allocate PLN 21,368,899.41 in its entirety to the payment of dividends and to also allocate PLN 8,631,100.59 from the distributed net profit for 2020 and 2021 to the payment of dividend. The total amount of PLN 30,000,000.00, i.e. PLN 12.00 per Company share, will be allocated to the payment of dividends to the Company's Shareholders; at the same time, the AGM set the dividend date as 3 July 2023 and the dividend payment date as 17 July 2023.
 - granting the members of the Management Board of the Company a vote of approval on the performance of their duties in 2022.
 - granting the members of the Supervisory Board of the Company a vote of approval for the performance of their duties in 2022,
 - approval of the written report of the Supervisory Board,

- giving a positive opinion on the Report on the remuneration of the Members of the Management Board and Supervisory Board of NOVITA S.A. for 2022.

- On 8 August 2023, the Management Board of NOVITA S.A. announced that it had concluded Annex 6 to the MultiLine Agreement No. K00693/17 (the "Agreement") with a limit of PLN 35,000,000.00 with Santander Bank Polska Spółka Akcyjna on 7 August 2023, which provides for the following:
 - a) granting an overdraft facility and a foreign currency loan on the bank account to the Company, with the option to simultaneously use an overdraft facility and a foreign currency loan in several currencies to finance current business activities,
 - b) opening of letters of credit on the basis of the Company's instruction/order, in PLN, EUR and USD.

The Company may use the facility and the option to open letters of credit during the availability period, which is the period from the date of fulfilment of the relevant conditions until the repayment date, i.e. 8 August 2026.

- On 23 October 2023, the Management Board of NOVITA S.A. received a request from TEBESA sp. z o.o., holding 1,602,719 shares in NOVITA S.A., representing 64.11% of the Company's share capital, to convene an Extraordinary General Meeting of Shareholders of NOVITA S.A. on 13 December 2023. The request indicated an agenda including the adoption of a resolution on the payment of an extraordinary dividend of PLN 10,000,000.00 from the Company's existing reserve capital created from the profit for 2021.
- On 26 October 2023, the Management Board of NOVITA S.A., taking into account the Company's stable economic and financial situation, good operating results and the fact that the requested dividend payment date was set for 28 December 2023, informed that in its opinion the payment of an extraordinary dividend of PLN 10,000,000.00 by NOVITA S.A. in 2023 would not have a negative impact on its ongoing operations.
- On 2 November 2023, the Supervisory Board of the Company issued a positive opinion on the adoption of a resolution on the payment of an extraordinary dividend of PLN 10,000,000.00 from the Company's existing reserve capital created from the profit for 2021 by the Extraordinary General Meeting of NOVITA S.A., in accordance with the draft resolution submitted by the Company's shareholder TEBESA Sp. z o.o.
- On 13 December 2023, the Extraordinary General Meeting of Shareholders of the Company adopted a resolution, according to which a part of the funds accumulated in the Company's reserve capital from the Company's distributed profit for 2021, in the total amount of PLN 10,000,000.00, was allocated to the payment of dividends to Shareholders, i.e. PLN 4.00 per share. The dividend covered 2,500,000 shares of the Company.

At the same time, the EGM set 19 December 2023 as the dividend date and 28 December 2023 as the dividend payment date.

- In the fourth quarter of 2023, the Company acquired the rights to receive state aid under the government programme called "Support for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022". In December 2023, the Company received a benefit under the support programme described above, in the amount of PLN 2,482 thousand, which was recognised in other operating income less costs incurred strictly related to the receipt of compensation in the amount of PLN 71 thousand. Taking into account both aid instalments, in 2023 income the Company reported the value of the compensation in the amount of PLN 6,194 thousand in the statement of comprehensive, i.e. the amount offset by the value of the costs incurred in connection with its receipt.

4.2 Major events after the balance sheet date

- On 22 February 2024, the Management Board of NOVITA S.A. announced that it had received information that the Deputy Chairman of the Supervisory Board, Mr Uriel Mansoor, had resigned from the Company's Supervisory Board on 21 February 2024, effective from the date of delivery of the resignation.
- On 6 March 2024, the Management Board of NOVITA S.A. announced that, due to the resignation of Mr Uriel Mansoor from his position as a Supervisory Board member, the Supervisory Board of the Company adopted a resolution on 6 March 2024 to appoint (co-opt) a new member to the Supervisory Board, Mr Adi Mansoor.

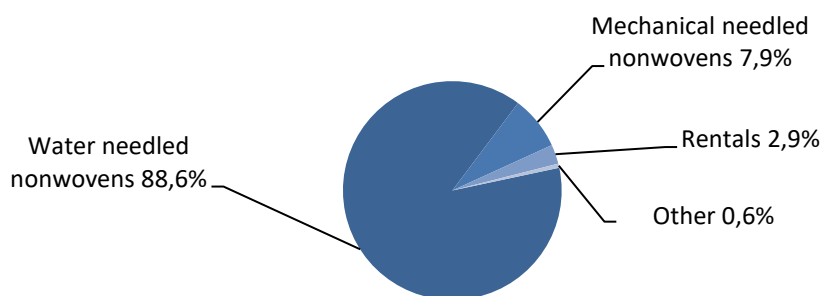
4.3 Information on products and services

NOVITA S.A. is a major national and international manufacturer of non-woven fabrics for the sanitary and hygiene industry, households, earthworks and road construction sectors, and the footwear, textile, automotive and other industries.

Products manufactured using water needling technology account for the largest share in sales; in addition, the Company manufactures nonwovens using mechanical needling technology. The Company's products were divided into the following four sales business segments during the reporting year:

- sales of nonwovens manufactured using water-needling technology (spunlace),
- sales of mechanically needled nonwovens,
- rentals,
- other (sales of goods and materials).

Share of segments in the revenue in 2023.



4.4 Sales revenue by portfolio

In 2023, revenues from sales of products, services, goods and materials amounted to PLN 184,895 thousand, a decrease of 25.7%, or PLN 63,954 thousand, compared with the sales value achieved in 2022. Lower sales revenues were a consequence of the decline in demand for spunlace nonwovens, which was particularly evident in the second and third quarters of last year.

The value of sales of spunlace nonwovens fell by 27.8%, or PLN 63,234 thousand, in 2023 compared to the previous year. During the same period, net revenues from the sale of mechanically needled nonwovens remained at a similar level of PLN 14,648 thousand. Comparison of the results for 2023 and 2022 showed that rental income increased by 3.9%, i.e. by PLN 196 thousand. At the same time, revenues from the sale of goods and materials decreased by 45.0% and stood at PLN 1,143 thousand.

Detailed information on sales by product group is provided in the table below:

Sales by portfolio							
Product portfolio	2023		2022		changes (year 2023 to 2022)		
	net value in thousand PLN	share	net value in thousand PLN	share	net worth (PLN 2-4) thousand	change indicator (2/4)	structure (3-5)
1	2	3	4	5	6	7	8
Total sales, including:	184895	100.0%	248849	100.0%	-63954	74.3%	0.0%
- total product sales, including:	183752	99.4%	246771	99.2%	-63019	74.5%	0.2%
- total finished goods, including	178468	96.5%	241683	97.1%	-63215	73.8%	-0.6%
- spunlace	163820	88.6%	227054	91.2%	-63234	72.2%	-2.6%
- mechanically needled nonwovens	14648	7.9%	14629	5.9%	19	100.1%	2.0%
- rentals	5284	2.9%	5088	2.0%	196	103.9%	0.9%
- other (goods and materials)	1143	0.6%	2078	0.8%	-935	55.0%	-0.2%

4.5 Sales markets and geographical structure of exports

In 2023, sales to domestic customers amounted to PLN 92,591 thousand, a decrease of 26.0%, or by PLN 32,555 thousand. At the same time, export sales stood at PLN 92,304 thousand, down by 25.4%, compared to 2022.

Geographical structure of revenue from sales of products, goods and materials							
Direction of sales	2023		2022		changes (year 2023 to 2022)		
	net value in thousand PLN	share	net value in thousand PLN	share	net worth (PLN 2-4) thousand	change indicator (2/4)	structure (3-5)
1	2	3	4	5	6	7	8
Total sales of products, goods and materials, including:	184895	100.0%	248849	100.0%	-63954	74.3%	0.0%
- exports, including:	92304	49.9%	123703	49.7%	-31399	74.6%	0.2%
- EU countries	79259	42.9%	105527	42.4%	-26268	75.1%	0.5%
- countries outside the EU	13045	7.1%	18176	7.3%	-5131	71.8%	-0.2%
- country	92591	50.1%	125146	50.3%	-32555	74.0%	-0.2%

In the studied year, NOVITA S.A. had three customers for which the turnover reached 10% of total sales revenue. The Company has no capital links with any of the mentioned entities.

4.6 Supply

Most of the import deliveries came from suppliers in the European Union and Asia. In selecting suppliers, the Company is guided by: prices, payment terms, the quality of the raw materials offered, as well as the distance from the supplier and the timeliness of deliveries. As a result, NOVITA S.A. has no difficulty completing raw materials for production.

The types of raw materials and their quantities sourced by the Company depend on the production mix, which is decisively influenced by the placed orders and the requirements of the Company's customers. Currently, the following products from the chemical and paper industry are used in production: viscose fibre, polyester, polypropylene, two-component and polyamide fibres, synthetic latexes, thickeners, films, cartons and cardboard sleeves, among others.

In 2023, the company continued its efforts to obtain the lowest prices for purchased raw materials by selecting sourcing destinations, renegotiating concluded contracts and guaranteeing the Company more favourable payment terms.

Last year, NOVITA S.A. worked with two suppliers, turnover for which exceeded the threshold of 10% of total sales revenue. The company has no capital links with the mentioned entities.

4.7 Outsourced research activities

In 2023, the Company obtained a further recertification of its Quality Management System confirming compliance with ISO 9001:2015. The audit was carried out by the accredited certification body Det Norske Veritas.

The nonwovens manufactured in and by the Company are certified by the Polish National Institute of Hygiene. Spunlace products manufactured by NOVITA S.A. have once again been approved by the TextilCERT Certification Institute for human and environmental safety as defined by the requirements of Oekotex™ Standard 100 in Class I with Appendix VI, and also comply with European safety requirements for food contact, as evidenced by the certificate issued by the ISEGA Institute.

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

In 2023, the Company entered for the first time the assessment conducted by the international organisation EcoVadis, determining the degree of implementation of sustainability (ESG) issues. Novita S.A. achieved a very good result, warranting the award of an EcoVadis bronze medal, placing the Company among the top 25% of textile companies in the world participating in this assessment.

4.8 Information on concluded agreements significant for the operations of NOVITA S.A.

None.

4.9 Agreements between shareholders

The Company is not aware of any agreements between shareholders.

4.10 Insurance agreements

NOVITA S.A. transfers the risk of incurring losses as a result of damage resulting from entering insurance agreements. The scope of the insurance cover does not deviate from the generally used standards and is adequate to the specific nature of the Company's business.

During the reporting year, the Company continued its business and property liability insurance agreement, its property and loss of profit insurance agreement, as well as its company car and receivables insurances.

In 2023, NOVITA S.A. continued its director and officer liability insurance agreements and its group international travel insurance agreement.

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

The Company did not conclude transactions under conditions different than market conditions.

4.12 Borrowings and loans taken and terminated

In 2023, NOVITA S.A. renewed the multi-line facility with Santander Bank Polska S.A. for a further three years, i.e. until 8 August 2026.

The following table shows the loan agreements held by NOVITA S.A. as of 31 December 2023:

Lender	Type of loan	Currency	Date of conclusion of the agreement/annex	Repayment date	Effective interest rate	Limit available as of 31.12.2023, thousand. PLN	Balance of loan debt as of 31.12.2023, thousand. PLN
Santander Bank Polska S.A. (former BZ WBK S.A.)	multi-line facility for overdraft, revolving credit or letters of credit	PLN, EUR, USD	07/08/2023	08/08/2026	WIBOR 1M EURIBOR 1M 1M LIBOR + margin	35,000	0
mBank S.A.*	multi-line facility for overdrafts or letters of credit	PLN, EUR, USD	27/09/2021	30/09/2024	WIBOR ON LIBOR ON + margin	5,700	0
Total						40,700	0

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

4.13 Granted loans

None.

4.14 Sureties and guarantees granted and received

The Company did not issue or receive any sureties or guarantees during the reporting year.

5 Growth directions and prospects

5.1 NOVITA S.A. development programme and investments

Growth strategy

In 2024, NOVITA S.A. intends to maintain high level of sales of spunlace products and maximum occupancy of its production lines of this technology.

Given that globally, sales of nonwovens in the spunlace segment are on the rise, the Company plans to further focus on the development of this technology in the coming years.

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

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

Investment and development activities

In 2023, Novita S.A continued the objective adopted in earlier years, focused primarily on environmental protection through reduced energy intensity of the plant and the efficient use of energy resources.

Two photovoltaic installations were installed last year in order to support the plant's electricity supply system. More of the Company's facilities saw a thermal upgrade and modernisation of the central heating system. In addition, the lighting in the administration and office building was replaced with energy-efficient LED technology.

One of the transformers was replaced to achieve efficient use of electricity, thus improving the fire safety of the facilities.

A number of investments have been made in the machinery fleet, aimed at increasing the efficiency and reliability of the equipment by upgrading its control system and improving operational safety at individual production lines. Also noteworthy is the installation of a new cutting and folding machine for packaged products.

The process of replacing forklift trucks with modern, low-emission vehicles is still continued.

In 2023, the Group incurred investment expenditures of PLN 2,782 thousand.

The investment plan for 2024 envisages the implementation of measures intended to improve safety and increase the efficiency of production lines by, for example, upgrading the control systems and mechanical gears of the fleece stacker, upgrading the drives of the high-pressure pumps and the inverters of the linear drives, as well as expansion of the safety systems at all production lines.

In 2024, the Company's buildings are also scheduled to undergo thermal modernisation and lighting upgrades. An upgrade of the ventilation systems of the production halls was also planned to improve the working conditions of the staff.

The company also intends to equip the Maintenance Department with specialised equipment to improve the efficiency and effectiveness of repairs to the machinery fleet and will continue to replace forklift trucks with low-emission vehicles.

Through a series of upgrades planned in 2024, the Company intends to continue its policy of emission mitigation from its buildings and the machinery fleet.

5.2 Sources of funding for the investment programme and assessment of the feasibility of the investments

In 2023, the Company has maintained external financing at the same level when compared to the previous year. The company renewed the multi-line facility agreement with Santander Bank Polska S.A. with a limit of PLN 35,000 thousand valid until 8 August 2026 and continued the multi-line facility agreement signed with mBank S.A. with a limit of PLN 5,700 thousand, valid until 30 September 2024.

At the end of 2023, the Company had no loan debt. However, the company used the aforementioned multi-line facilities to open letters of credit to secure some of the raw material purchase contracts.

The company does not foresee any difficulties in implementing the investment plan set for 2024.

5.3 Business risks and risk management policy

In the ordinary course of its operations, NOVITA S.A. is exposed to various operational, market and financial risks. These risks have or may have a significant and adverse effect on the Company's business and its financial position or results of operations. The Company's procedures are designed to identify and assess risks, monitor them and attempt to assess the Company's exposure to these risks.

The objectives of the risk management process include:

- maintaining good financial condition of the Company,
- reducing the volatility of the gross financial result,
- maximised likelihood of meeting budget targets, thereby achieving financial performance at least at the assumed level.

The most significant identified risks to which the Company is exposed include:

- **Interest rate risk**

The Company is exposed to interest rate risk when using a bank loan with a variable interest rate. Given the volatile economic situation, the Company closely monitors events that have direct impact on interest rates on loans. Any increase in interest rates on the market will be associated with increased loan service fees.

- **Currency risk**

The currency risk is directly related to changes in the exchange rate causing uncertainty regarding the future level of cash flows denominated in foreign currencies. The exposure of the Company to currency risk results from the fact that a significant part of its cash flows is expressed or denominated in foreign currencies.

The currency risk management strategy assumes using the natural security as much as possible – the so-called natural currency hedging. In order to minimise the risk, the Company will seek to maintain natural balance between receivables and payables denominated in foreign currencies in order to minimise exposure to foreign exchange risk.

- **Credit risk**

The Company's credit risk is closely related to its core business. It results from the concluded agreements and is related to the potential occurrence of events which may take the form of insolvency of the other party, partial repayment of receivables or a significant delay in the repayment of receivables. Providing customers with the so-called trade credit is currently an inherent element of business activity, however, the Company is undertaking a series of activities aimed at minimising the risks associated with cooperation with a potentially unreliable customer. All customers who wish to use trade credit undergo preliminary verification. Furthermore, by insuring nearly 95% of its receivables, the Company's exposure to credit risk is negligible.

- **Liquidity risk**

The Company is exposed to liquidity risk in the event of a mismatch in the age structure of cash flows on contracts in progress. The Company strives to ensure the so-called positive cash flows, which, assuming that receivables are paid in due time, eliminates the risk of liquidity disruption. The nominal value of credit lines which the Company can access effectively prevents possible negative events related to delays in the payments of receivables.

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

The prices of raw materials and utilities also have a significant impact on the production costs of the Company. In order to limit price increases, the Company constantly monitors the terms and conditions granted by various suppliers and makes purchases from various sources. In addition, the increasing prices of raw materials and utilities are a signal indicating that specific measures should be taken and, if necessary, selling prices should be increased.

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

During the reporting year, NOVITA S.A. was not a party to any material proceedings underway before a court, a competent authority for arbitration proceedings or a public administration authority in terms of proceedings concerning liabilities or receivables of the Issuer or its subsidiary.

6 Financial situation

6.1 Financial performance

STATEMENT OF TOTAL INCOME				
PLN thousand	2023	2022	Difference 2023-2022	Change 2023/2022
Revenues from sales of products, goods and materials	184895	248849	-63954	74.3%
Costs of products, goods and materials sold	141751	197147	-55396	71.9%
Gross profit from sales	43144	51702	-8558	83.4%
Sales costs	6613	9329	-2716	70.9%
Total general administration expenses including:	16174	14866	1308	108.8%
Other revenue	6391	843	5548	758.1%
Other costs	46	25	21	184.0%
Profit from operations	26702	28325	-1623	94.3%
Financial revenues	1595	16	1579	9968.8%
Financial expenses	284	2774	-2490	10.2%
Gross profit	28013	25567	2446	109.6%
Income taxes	4727	4198	529	112.6%
Net profit on continued operations	23286	21369	1917	109.0%

Revenue

In 2023, revenue from the sale of products, goods and materials decreased by 25.7% compared to the previous year and stood at PLN 184,895 thousand. Lower sales revenues followed a decline in demand for spunlace nonwovens.

A detailed description of the revenue structure and the factors that influenced it was presented in the earlier chapters: Information about products and services, Sales revenue by portfolio, Sales markets and geographic structure of exports.

Core business costs

In 2023, the costs of products, goods and materials sold decreased by 28.1 per cent and amounted to PLN 141,751 thousand.

During the reporting year, the cost of sales decreased by 29.1%, i.e. by PLN 2,716 thousand, to PLN 6,613 thousand, compared to 2022.

During the corresponding period, general administration expenses increased by 8.8%, or PLN 1,308 thousand, to PLN 16,174 thousand.

Operating result

In 2023, the Company twice acquired the rights to receive public aid under the government programme called "Support for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022". The aforementioned aid, after taking into account the aid obtaining cost, amounted to PLN 6,194 thousand and was recognised in other operating income.

In 2023, the Company achieved an operating profit of PLN 26,702 thousand, a decrease of 5.7%, or PLN 1,623 thousand, compared with the result for 2022.

EBITDA for 2023 amounted to PLN 31,376 thousand, a decrease of 5.0% compared to the 2022 figure.

Financial revenue and costs

In 2023, the Company recorded a profit of PLN 1,311 thousand on financial activities. The positive result was mainly generated by the surplus of positive exchange rate differences over negative exchange rate differences and interest on deposits.

Achieved financial results

In the year under review, the Company achieved a pre-tax profit of PLN 28,013 thousand, an increase of 9.6% compared to 2022.

The net profit for 2023 stood at PLN 23,286 thousand, an increase of 9.0%, or PLN 1,917 thousand, compared with the previous year.

6.2 Company balance sheet and cash position

As of 31 December 2023, the balance sheet total amounted to PLN 164,298 thousand, down by PLN 22,450 thousand from the balance sheet total as of 31 December 2022.

The value of fixed assets as of 31 December 2023 amounted to PLN 113,302 thousand, down by PLN 1,899 thousand when compared with the balance as of 31 December 2022.

At the end of the period under review, current assets stood at PLN 50,996 thousand, down 28.7%, i.e. by PLN 20,551 thousand, compared with the balance at the end of 2022. The biggest change in the current assets can be observed in trade receivables, which decreased by PLN 9,270 thousand to PLN 16,605 thousand and in inventories, which decreased by PLN 7,106 thousand to PLN 24,177 thousand.

The Company's equity as of 31 December 2023 amounted to PLN 130,519 thousand. Compared to 31 December 2022, its value decreased by PLN 16,737 thousand. Following the decision to pay dividends, the value of the reserve and provision capital decreased by PLN 18,631 thousand to PLN 65,445 thousand at the end of 2023.

A comparison of the corresponding periods shows that the value of long-term liabilities increased by PLN 346 thousand to PLN 15,389 thousand at the end of 2023. At the same time, short-term liabilities decreased by PLN 6,059 thousand to PLN 18,390 thousand. The lower value of liabilities followed a reduction in the level of payables from deliveries, works and services.

6.3 Selected economic and financial indicators

Selected economic and financial indicators			
Details	2023	2022	Indicator diagram
Gross return on sales	11.0%	11.1%	Profit (loss) on sales / Revenue from sales of products, goods and materials
Net return on sales	12.6%	8.6%	Net financial result / Revenue from sales of products, goods and materials
Return on assets (ROA)	13.3%	11.2%	Net financial result / ((Balance sheet total at the beginning of the period + balance sheet total at the end of the period) / 2)
Return on equity (ROE)	16.8%	15.6%	Net financial result / ((Equity at the beginning of the period + equity at the end of the period) / 2)
Current ratio	2.7	2.9	(Total current assets - trade receivables over 12 months - short-term inter-periodic settlements) / (Current liabilities - current trade payables over 12 months)
Quick ratio	1.4	1.6	(Total current assets - reserves - trade receivables over 12 months - short-term inter-periodic settlements) / (Current liabilities - current trade payables over 12 months)
Net Current Capital (NCC) [PLN thousand]	32606	47098	Equity + long-term liabilities + short-term trade receivables over 12 months - fixed assets
Net current capital in trading days [days]	79	50	(Average net current capital x number of days in the period) / Revenue from sales of products, goods and materials
Receivables turnover ratio [days]	42	37	(Average trade receivables x number of days in the period) / Revenue from sales of products, goods and materials
Reserve turnover ratio [days]	62	61	(Average reserve x number of days in the period) / (Cost of products, goods and materials sold + sales costs + general administration expenses)
Liability turnover ratio [days]	35	40	(Average trade payables x number of days in the period) / (Cost of products, goods and materials sold + sales costs + general administration expenses)
Overall debt ratio	20.6%	21.1%	(Balance sheet total - equity) / Balance sheet total
Current liabilities coverage ratio	146.5%	81.8%	EBITDA / Average short-term liabilities
Profit per share (EPS) [PLN]	9.31	8.55	Net profit / Number of shares at the end of the reporting period
EBIDTA [in PLN thousand]	31376	33067	

The value of gross return on sales decreased marginally from 11.1% in 2022 to 11.0% in 2023. The result on core business generated in 2023, together with the received state aid and the positive impact of financing activities, translated into an improvement of the other profitability indicators.

Comparing the end of 2022 and 2023, the value of the current ratio decreased from 2.9 to 2.7, while the value of the quick ratio decreased from 1.6 to 1.4.

Compared to the previous year, the value of the receivables turnover ratio increased from 37 to 42 days in 2023. During the same time, the value of the reserve turnover rate increased from 61 days in 2022 to 62 days in 2023.

The value of the liabilities turnover ratio decreased from 40 days to 35 days.

The Company's overall debt decreased from 21.1% at the end of 2022 to 20.6% at the end of 2023.

Earnings per share increased from PLN 8.55 in 2022 to PLN 9.31 in 2023.

6.4 Financial performance forecasts

The company has not published forecasts for 2023.

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

Major events that have or may have a significant impact on the Company's operations and financial performance in the future have already been described in earlier sections: Major events in 2023, Major events after the balance sheet date, NOVITA S.A. growth programme and Investments.

6.6 Financial resources and instruments

6.6.1 Management of financial resources

In 2023, NOVITA S.A. could create liabilities of up to PLN 35,000 thousand under the multi-line facility agreement signed with Santander Bank Polska S.A. valid until 8 August 2026 and under the multi-line facility agreement signed with mBank S.A. with a limit of PLN 5,700 thousand valid until 30 September 2024. These multi-line facility agreements and the Company's own funds provided the support for all expenses related to the Company's operations. As of 31 December 2023, the Company had no loan commitments under the aforementioned agreements.

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

Management of financial resources of the Company is also linked to a detailed analysis of the inflow of receivables, constant monitoring of bank accounts, as well as the ongoing accumulation of cash in bank accounts.

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 obtain funds for operations. The Company also holds other financial instruments, such as trade receivables and liabilities, which arise directly from 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 such risks in advance. The applied procedures are based on the highest management standards and are in line with the best market practices used in this field. The Company's adequate policies and procedures support the management of the financial risks to which it is exposed.

A broader description of the financial risk management policy was provided earlier in the chapter: Business risks and risk management policy.

7 Information on shares and ownership

7.1 Share capital structure

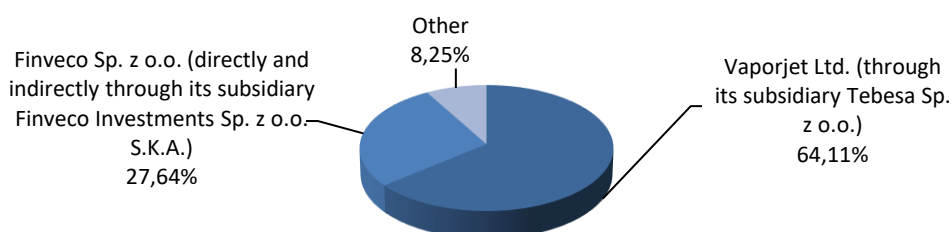
As of 31 December 2023, NOVITA S.A.'s share capital had a value of PLN 5,000 thousand and included 2,500 thousand ordinary bearer shares with a nominal value of PLN 2 per share. The total number of votes at the general meeting, resulting from all issued shares of the Issuer, corresponds to the number of shares and amounted to 2,500 thousand votes. Registered and preference shares were not present.

7.2 Shareholding structure

The shareholding structure of NOVITA S.A. as of 31 December 2023, 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 as follows:

Shareholding structure of NOVITA S.A. as of 31/12/2023				
Shareholder	Number of shares	Percentage of the share capital	Number of votes	Share in the total number of votes at the GM
Vaporjet Ltd. (through its 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 its subsidiary Finveco Investments Sp. z o.o. S.K.A.)	691000	27.64%	691000	27.64%
Other	206281	8.25%	206281	8.25%
Total	2,500 000	100.00%	2,500 000	100.00%

List of shareholders with 5% or more of the votes at the AGM as of 31/12/2023



Up to the date of the Report on the operations of the Issuer for the year ended on 31 December 2023, the presented shareholding structure remained unchanged.

In the period from 10 November 2023, i.e. from the date of the previous interim report (Q3 2023 report) to the date of this report, the shareholder structure of NOVITA S.A. has not changed.

7.3 Own shares

As of 31 December 2023, the Company does not hold any own shares.

7.4 Information on the system of control for employee stock ownership schemes

Not applicable.

7.5 Description of the of the proceeds from share issue by the Issuer

The Company did not issue securities during the reporting year.

8 The management of NOVITA S.A.

8.1 Members, rules of appointment and description of powers of NOVITA S.A.'s management.

8.1.1 Supervisory Board

There were no changes to the membership of the Company's Supervisory Board in the 2023 financial year. As of 31 December 2023, the Company's Supervisory Board included:

Members of the Supervisory Board as of 31/12/2023	
Eyal Maor	Chairman of the Supervisory Board
Uriel Mansoor	Deputy Chairman of the Supervisory Board
Ilanit Ella	Member of the Supervisory Board
Ohad Tzkhori	Member of the Supervisory Board
Janusz Piczak	Member of the Supervisory Board

The following personnel changes occurred in the Company's Supervisory Board after the balance date:

- Mr Uriel Mansoor - held his position until 21 February 2024,
- Mr Adi Mansoor - on 6 March 2024, by a resolution of the Supervisory Board, its membership was supplemented by the appointment (co-option) of a new member

Members of the Supervisory Board as of the date of the Report on the operations of the Issuer:

Members of the Supervisory Board as of the date of the Report on the operations of the Issuer	
Eyal Maor	Chairman of the Supervisory Board
Adi Mansoor	Deputy Chairman of the Supervisory Board
Ilanit Ella	Member of the Supervisory Board
Ohad Tzkhori	Member of the Supervisory Board
Janusz Piczak	Member of the Supervisory Board

8.1.2 Management Board

There were no changes to the membership of the Management Board in 2023. As of 31 December 2023, the Company's Management Board included the following persons:

Members of the Management Board as of 31/12/2023	
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

As of the preparation date of this report, the composition of the Management Board had not changed.

The rules of appointment and a description of the scope of powers of NOVITA S.A.'s governing bodies are provided in the Statement on Corporate Governance at NOVITA S.A. 2023.

8.2 Remuneration and level of remuneration of the Company's management

A description of remuneration principles of the Company's management is included further in the Statement on Corporate Governance at NOVITA S.A. in 2023.

The value of remuneration, rewards or benefits of the members of the Issuer's Management Board in 2023:

Remuneration of the members of the Management Board of NOVITA S.A.						
PLN thousand	2023			2022		
	Remuneration value	Function	Tenure	Remuneration value	Function	Tenure
Radoslaw Muziol	949	President of the Management Board	01/01/2023 - 31/12/2023	918	President of the Management Board	01/01/2022 - 31/12/2022
Jakub Rękosiewicz	331	Member of the Management Board	01/01/2023 - 31/12/2023	293	Member of the Management Board	01/01/2022 - 31/12/2022
Shlomo Finkelstein	0	Member of the Management Board	01/01/2023 - 31/12/2023	0	Member of the Management Board	01/01/2022 - 31/12/2022
Rami Gabay	0	Member of the Management Board	01/01/2023 - 31/12/2023	0	Member of the Management Board	01/01/2022 - 31/12/2022
Reserve for bonus for the Management Board	590			402		
Total	1870			1613		

The value of remuneration, rewards or benefits of Supervisory Board in 2023:

Remuneration of the members of the Supervisory Board of NOVITA S.A.						
PLN thousand	2023			2022		
	Remuneration value	Function	Tenure	Remuneration value	Function	Tenure
Eyal Maor	0	Chairman of the Supervisory Board	01/01/2023 - 31/12/2023	0	Chairman of the Supervisory Board	01/01/2022 - 31/12/2022
Uriel Mansoor	0	Deputy Chairman of the Supervisory Board	01/01/2023 - 31/12/2023	0	Deputy Chairman of the Supervisory Board	01/01/2022 - 31/12/2022
Janusz Piczak	24	Member of the Supervisory Board	01/01/2023 - 31/12/2023	24	Member of the Supervisory Board	01/01/2022 - 31/12/2022
Ohad Tzkhori	0	Member of the Supervisory Board	01/01/2023 - 31/12/2023	0	Member of the Supervisory Board	01/01/2022 - 31/12/2022
Ilanit Ella	0	Member of the Supervisory Board	01/01/2023 - 31/12/2023	0	Member of the Supervisory Board	01/01/2022 - 31/12/2022
Total	24			24		

8.3 Agreements between the Issuer and members of management providing for compensation

During the reporting year, the Company was not bound by agreements providing for the obligation to compensate the members of management in the event of their resignation or dismissal from their position without good reason or in cases where the manager dismissal or employment termination would be caused by a merger of the Issuer by acquisition.

8.4 Information on commitments for former management or supervisory persons or former members of administrative bodies

During the reporting year, the Company did not have any liabilities arising from pensions and benefits of a similar nature for former management staff, supervisors or former members of administrative bodies.

8.5 List of NOVITA S.A. shares held by management and supervisory personnel

As of the date of the report, the Company's shares were not held directly by any of the Company's managerial staff or supervisors.

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. is not aware of any agreements which may result in future changes in the proportions of shares held by existing shareholders and bondholders.

9 Other information

9.1 Audit of the report

Information on the auditing company and the fees for the audit of the statements and other services are presented in the Separate Financial Statements for the year ended on 31 December 2023 in Section 33.

9.2 Employment information

As of 31 December 2023, there were 178 people employed.

The average employment in 2023 was 183 people, a decrease of 10 people compared to 2022.

Average employment in persons						
Details	2023		2022		Changes 2023 to 2022	
	persons	share	persons	share	persons (2-4)	change indicator (2/4)
1	2	3	2	3	6	7
Production employees	92	50%	101	55%	-9	91%
Non-productive employees in the industrial group	43	24%	47	26%	-4	92%
White-collar workers	48	26%	45	25%	3	107%
Total	183	100%	193	106%	-10	95%

9.3 Environmental measures

In 2023, Novita S.A continued the objective adopted in earlier years, focused primarily on environmental protection through reduced energy intensity of the plant and the efficient use of energy resources. The thermal upgrades of some of the premises by replacing window joinery and the insulation of the building's external walls continued, and the installation of a higher efficiency heating system was upgraded. This reduced heat loss and increased the heating efficiency of the building.

During the previous year, two photovoltaic installations with a total capacity of 100 kWp were installed to support the site's electricity supply system. This reduced energy consumption from the power grid by using solar energy. In addition, the lighting in some of the offices in the administration and office building was replaced with energy-efficient LED technology.

In addition, a further production line was extended to include process equipment for returning and reusing edge cuttings, comprising post-production material. Thanks to the implemented solutions, the amount of generated post-production waste was reduced, thus reducing the amount of raw material used by the value of the reused post-production waste.

10 Statement on corporate governance at NOVITA S.A. during the 2023 financial year

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

1. In the 2023 financial year, the Company applied the principles of corporate governance resulting from the "Best Practices for Companies Listed on the Warsaw Stock Exchange in 2021", adopted by the Board of the Warsaw Stock Exchange on 29 March 2021 by Resolution No. 13/1834/2021.
2. The Company would like to inform that it does not apply a set of corporate governance principles other than those indicated above, which it may have decided to apply voluntarily. The Company did not apply corporate governance practices beyond the requirements under national law.
3. In 2023, the Company deviated from the provisions of the set of corporate governance principles referred to in section 1, in that it did not apply the following specific principles:

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

Justification of non-application:

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

1.3.2.: social and employee issues, related i.e. to actions taken and planned to ensure equal treatment of genders, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

Justification of non-application:

Explanation of non-application - as in p. 1.3.1.

1.4.: In order to ensure quality communication with stakeholders on the adopted business strategy, the Company publishes on its website information concerning the assumptions of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. Information on ESG strategy should, among other things:

Justification of non-application:

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

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

Justification of non-application:

Explanation of non-application - as in p. 1.4.

1.4.2. present the value of the equal remuneration ratio paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and present information on the actions taken to eliminate any inequality in this respect, including a presentation of the risks associated with this and the time period over which equality is planned to be achieved.

Justification of non-application:

Explanation of non-application - as in p. 1.4.

1.5.: At least once a year, the company shall disclose expenditures incurred by it and its group supporting culture, sport, charities, the media, social organisations, trade unions, etc. If the company or its group has incurred expenditure for such purposes in the year under review, the provided information shall include a breakdown of such expenditure.

Justification of non-application:

The Company does not disclose the amount of expenses it incurs supporting culture, sports, charities, media, social organisations, 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 recorded with the WIG20, mWIG40 or sWIG80 index, once a quarter, and in the case of other companies at least once a year, the company organises an investor meeting, inviting in particular shareholders, analysts, industry experts and media representatives. During the meeting, the Management Board of the Company presents and comments on the adopted strategy and its implementation, the financial results of the company and its group, as well as the most important events affecting the operations of the company and its group, the achieved results and future prospects. During such meetings, the company's management publicly provides answers and explanations to the asked questions.

Justification of non-application:

The company does not have a formalised business strategy. The Company's financial results, as well as other relevant information concerning the Company's operations, are published in the form of current and periodic reports on the Company's website, in accordance with the applicable legal regulations.

2.1.: The company should have a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board or the general meeting, respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, education, specialised knowledge, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

Justification of non-application:

The principle is applied partially. The Company has a Diversity Policy, however, the Company does not currently ensure gender diversity of the Company's bodies (minority participation in the given body at a level of at least 30%).

2.6.: Membership in the Company's Management Board is the main area of professional activity of the Management Board Member. A Management Board member should not undertake

additional professional activity if the time devoted to such activity prevents him or her from diligently performing his or her duties in the Company.

Justification of non-application:

The Management Board function is the main area of activity of two key Management Board members 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 of non-application:

Not everyone responsible for the areas indicated reports directly to the President of the Management Board or another Management Board Member, but they are able to report directly both to individual Management Board Members and to the Supervisory Board or the Audit Committee.

3.6.: The person in charge of internal audits reports organisationally to the President of the Management Board and functionally to the Chairman of the Audit Committee, or to the Chairman of the Supervisory Board if this body serves as the audit committee.

Justification of non-application:

The Company has not appointed an internal auditor. In accordance with Rule 3.3, the Audit Committee of the Company assesses annually whether there is a need to appoint such a person.

4.3.: The Company provides a public real-life broadcast of the general meeting.

Justification of non-application:

The persons with the right to access the real-time transmission of the Meeting are only those persons entitled to attend the Meeting in accordance with the law (i.e. in particular shareholders or their proxies, Members of the Supervisory Board or the Management Board).

4.4.: Representatives of the media can be present during the General Meetings.

Justification of non-application:

The presence of the media at a Meeting is decided by the shareholders, via a vote, in each and every case.

6.2.: Incentive schemes should be constructed in a way necessary, among others, to have the level of remuneration of members of the Company's Management Board and key managers reflect the actual long-term situation of the company measured by its financial and non-financial results as well as long-term value increase for shareholders, sustainable development and the company's stability.

Justification of 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 sets out the financial and non-financial criteria for variable remuneration components. The principles for the payment of remuneration to key managers and other employees who are not members of the Company's Management Board are set out in the legislation generally applicable in this respect and in the internal sources of labour law adopted by the Company (Remuneration Rules).

6.3.: If one of the company's incentive schemes is a stock option scheme for managers, the implementation of the stock option scheme should depend on the achievement by beneficiaries of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company over a period of at least 3 years, and the share price or option exercise price for the eligible beneficiaries cannot differ from the value of the shares at the time of approval of such a scheme.

Justification of non-application:

The Company does not use incentive schemes. Explanation of non-application - as in p. 6.2.

6.4.: The Supervisory Board carries out its tasks on a continuous basis and therefore the remuneration of the board members cannot depend on the number of held meetings. The remuneration of the members of the committees, in particular the Audit Committee, should take into account the additional workload related to the work of these committees.

Justification of non-application:

The Company does not have any committees other than the Audit Committee. The General Meeting of the Company did not grant remuneration to the members of the Audit Committee for their work on this Committee.

4. With regard to the main features of the internal control and risk management systems in relation to the preparation of the financial statements and consolidated financial statements, the Company's Management Board declares as follows.

During preparation of financial statements, one of the key control mechanisms is the periodic review of the financial statements by an independent expert (auditor).

The auditor's performance is assessed in accordance with the principles arising from the provisions of the Act on Expert Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws 2023.1015, consolidated text of 26 May 2023, 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 16 April 2014 on specific requirements regarding statutory audits of financial reports of public interest entities, repealing Commission Decision 2005/909/EC.

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

The Company has an active Audit Committee, the tasks of which include monitoring the financial reporting process and the effectiveness of the internal control and risk management systems and internal audit, including financial reporting, as well as monitoring the performance of financial auditing activities. The Audit Committee, in particular, controls, monitors and assesses the independence of the expert auditor and the audit firm.

5. Shareholders of the Company who directly or indirectly hold large blocks of shares as of the date of the declaration:

Shareholding structure of NOVITA S.A. as at the date of the declaration				
Shareholder	Number of shares	Percentage of the share capital	Number of votes	Share in the total number of votes at the GM
Vaporjet Ltd. (through its subsidiary Tebesa Sp. z o.o.)	1602719	64.11%	1602719	64.11%
Finveco Sp. z o.o. (directly and indirectly through its subsidiary Finveco Investments Sp. z o.o. S.K.A.)	691000	27.64%	691000	27.64%

6. Given that all shares in the Company are equal in rights, there are no holders of shares or other securities which confer special control rights.
7. The Company does not have any restrictions on the exercise of voting rights from its shares, other than those imposed by the relevant legislation.
8. The Company's Articles of Association do not impose 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. The appointment and dismissal of the managerial personnel takes place by a decision of the Supervisory Board, on the basis of the regulations contained in the Company's Articles of Association and the relevant legal provisions in force. The powers of the managerial personnel are set out in the Commercial Companies Code and the internal acts of the Company. According to the Articles of Association, the Management Board does not have extraordinary powers, in particular with regard to decisions on the issue of shares and their redemption. The issue or repurchase of shares may take place within the framework of the authorisation granted to the Management Board by the General Meeting.
10. The rules for amending the Company's Articles of Association are set out in the Commercial Companies Code and the Company's Articles of Association. The Articles of Association are amended by the General Meeting by means of a resolution passed by the required majority of votes, in accordance with the provisions of the Commercial Companies Code and the Company's Articles of Association applicable in this respect. Once amendments to the Articles of Association have been adopted, the Executive Board shall immediately apply to the competent court to have the amendments officially registered.

Upon receipt of the decision of a competent court on the registration of amendments to the Articles of Association, the Company publishes information on the amendments made to the Articles of Association in the form of a current report, at the same time announcing the consolidated text of the Company's Articles of Association, if a decision has been made to establish it. The consolidated text of the amended Articles of Association is also posted on the Company's website.

11. The manner of operation of the General Meeting and its powers, as well as the rights of the shareholders and the manner of their exercise, coincide with the generally applicable legal

provisions in this respect. Additional regulations are set out in the Company's internal legal acts: Articles of Association and Regulations of the SGM, which are available on the website www.novita.pl, under the Investor Relations tab.

12. As at the date of the statement, the Company's Management Board includes:

Members of the Management Board 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 changes to the membership of the Company's Management Board during the financial year 2023.

In the period from 1 January 2023 to 21 February 2024, the Supervisory Board of NOVITA S.A. operated with the following members:

Members of the Supervisory Board in the period 01/01/2023- 21/02/2024.	
Eyal Maor	Chairman of the Supervisory Board
Uriel Mansoor	Deputy Chairman of the Supervisory Board
Ilanit Ella	Member of the Supervisory Board
Ohad Tzkhori	Member of the Supervisory Board
Janusz Piczak	Member of the Supervisory Board

On 6 March 2024, by resolution of the Supervisory Board, the Board was supplemented by the appointment (co-option) of a new member, Mr Adi Mansoor.

As of the date of the statement, the Company's Supervisory Board includes:

Membership of the Supervisory Board at the date of the statement	
Eyal Maor	Chairman of the Supervisory Board
Adi Mansoor	Deputy Chairman of the Supervisory Board
Ilanit Ella	Member of the Supervisory Board
Ohad Tzkhori	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. Management Board meetings are held as and when required. The Management Board adopts resolutions on the matters listed in the Regulations of the Management Board. Minutes of each meeting of the Management Board shall be drawn up, briefly describing the agenda of the meeting and listing and including as appendices the resolutions adopted during the meeting of the Management Board.

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 by the Commercial Companies Code and the Articles of Association. The Supervisory Board elects from a Chairman of the Supervisory Board, a Deputy Chairman of the Supervisory Board and, if necessary, a Secretary of the Supervisory Board among its members. The Regulations of the Supervisory Board set out the procedure for the convening and meetings of the Supervisory Board.

Resolutions of the Supervisory Board shall be adopted at meetings held at the Company's registered main office or at other agreed locations in Poland. The Regulations also provide for the possibility of passing resolutions outside the Supervisory Board meetings, either in writing or by means of direct remote communication, as well as the option of casting a vote through another member of the Supervisory Board. Appropriate minutes are recorded during each meeting of the Supervisory Board, the contents of which are set out in the Regulations of the Supervisory Board. The minutes of the Supervisory Board meeting shall be accompanied by an attendance list, the passed resolutions and one copy of the materials provided to each Board member. The book of minutes is kept at the Company.

13. The Company has had an Audit Committee since 16 October 2017. For the financial year 2023, and as of the date of the statement, the Audit Committee includes:

Members of the Audit Committee as of 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 11 May 2017 on Expert Auditors, Audit Firms and Public Supervision (Journal of Laws 2023.1015, consolidated text of 26 May 2023, as amended), and in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements for the statutory audit of public interest entities, repealing Commission Decision 2005/909/EC, and on the basis of the Regulations it has adopted. Meetings of the Audit Committee are held as and when required.

14. With regard to the Audit Committee, the Company's Management Board indicates that:

- a. the statutory criteria for independence are met by the following members of the Audit Committee: Ohad Tzkhori and Ilanit Ella;
- b. all members of the Audit Committee have knowledge and skills in the fields of accounting or financial statement auditing. They gained their competences in the aforementioned fields in the course of their education and across many years of extensive professional experience;
- c. Mr Eyal Maor has the knowledge and skills in the industry in which the Company operates, supported by many years of professional experience;
- d. a permitted non-audit service was provided to the Company by the audit firm auditing its financial statements, which included an assessment of the report on the remuneration of the members of the Company's Supervisory Board and the Management Board. In connection with the above service, an independence assessment of the audit firm was carried out and approval was given for the provision of this additional service;

- e. the main objectives of the developed policy for the selection of the audit firm and the policy for the provision of permitted non-audit services by the audit firm are to ensure that the Company has effective monitoring of the financial reporting process, to ensure the effectiveness of internal control measures and risk management systems for financial reporting and to ensure the lawful performance of financial audit activities, in particular in terms of the audit performed by the audit firm.

The aforementioned assumptions are implemented, among other things, through the verification of bids submitted by audit firms and the active role of the Audit Committee which, in particular, recommends the selection of an audit firm to the Company's Supervisory Board and monitors the audit firm's competence enabling auditing the financial statements. In accordance with the provisions of the audit firm selection policy, it is recommended, inter alia, that the Company negotiates the introduction of contractual clauses in audit contracts obliging the audit firm to provide the Company with regular information regarding the occurrence of circumstances which may result in the audit firm losing its competences enabling auditing the financial statements or about pending proceedings in this regard;

- f. The company selected an audit firm in 2023, to which it entrusted the statutory audit for 2023-2024. The recommendation for the selection of the audit firm to carry out the audit met the applicable conditions, in particular the aforementioned recommendation was made following a selection procedure organised by the Issuer which met the applicable criteria;
- g. 7 meetings of the Audit Committee and one meeting of the Supervisory Board concerning the performance of the Audit Committee's duties were held in 2023;
- h. In 2023, the Company met the criteria referred to in §70.6(5)(m) of the Regulation of the Minister of Finance of 29 March 2018. on current and periodic information provided by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws 2018.757 of 20 April 2018).

Accordingly, the Company has a "Diversity Policy" - hereafter referred to as the "Policy" or "Document". The document sets out the principles for promoting diversity in employment at each level of the Company's organisational structure. The main objective of the Diversity Policy is, inter alia, to create equal and non-discriminatory conditions and working environment at the Company, while striving to eliminate negative phenomena and examples of unequal treatment in employment, stereotypes and prejudices existing in the society and their effects. The means of implementing the Policy in 2023 included the obligation to ensure diversity in the processes and tools of human resources management (i.e. in particular: adopting uniform employment rules across the Company, adopting and applying organising rules and rules for qualifying employees for training and remuneration rules based on objective criteria and shaping the Company's organisational culture promoting diversity among the staff). The Company estimates that during the reporting period, the most important effect of the Policy's implementation has been the increase in staff awareness in terms of considering and recognising the positive aspects for the Company resulting from staff diversity.

Statement of the Management Board of NOVITA S.A. on the reliability of the preparation of the annual financial statements

We declare that to the best of our knowledge, the annual financial statements and the comparative data have been prepared in accordance with the applicable accounting principles and that they reflect, in a true, reliable and clear manner, the assets and financial position as well as the financial result of NOVITA Spółka Akcyjna, and that the annual report on the activities of the Issuer contains a true picture of the development, achievements and situation of NOVITA Spółka Akcyjna, including a description of the main threats and risks.

The 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, 28 March 2024

4th April, 2024

**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 2023**

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.2018.757 of 20 April 2018, as amended), on the basis of the resolution of the Supervisory Board No. 4 of 4th April 2024, the choice of auditing firm UHY ECA Audyt Sp. z o.o. with its registered office in Warszawa to conduct the audit of the annual financial statements for the year 2023, 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.

Radostaw Muziot

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

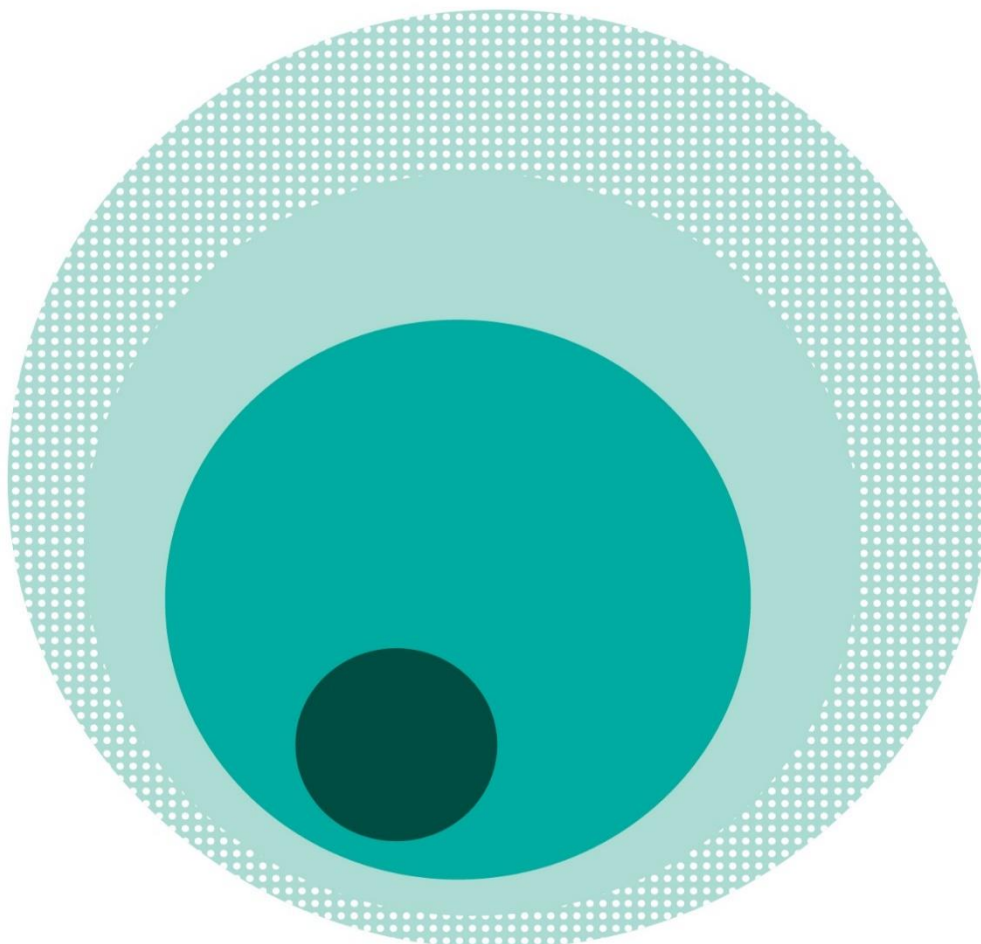
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NOVITA S.A.

INDEPENDENT STATUTORY AUDITOR'S REPORT
ON THE AUDIT OF ANNUAL FINANCIAL STATEMENT
AS OF 31 DECEMBER 2023

(UNAUTHORISED TRANSLATION FROM THE POLISH LANGUAGE)

03.04.2024



INDEPENDENT STATUTORY AUDITOR'S REPORT

For the General Meeting and Supervisory Board of Novita S.A.

Report on the Audit on the annual financial statement

Opinion

We have audited the annual financial statements of Novita S.A. (the 'Company'), which comprise the annual statement of financial position as at December, 31 2023 and the annual statement of comprehensive income, annual statement of changes in equity and annual statement of cash flows for the year then ended, and notes to the annual financial statement, including a summary of significant accounting policies (the 'annual financial statement').

In our opinion, the accompanying annual financial statement:

- give a true and fair view of the annual financial position of the Company as at December 31, 2023 and its annual financial performance and its annual cash flows for the financial year then ended in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union (IFRSs) and applied accounting principles (policy).
- is in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute;
- has been prepared based of properly maintained accounting records in accordance with the chapter 2 of the Accounting Act dated September 29, 1994 ("the Accounting Act" – i.e. Journal of Laws of 2023, item 120, as amended).

This opinion is consistent with the additional report to the Audit Committee issued on 02.04.2024.

Basis for opinion

We conducted our audit in accordance with the National Auditing Standards in the version of the International Auditing Standards adopted by Resolution No. 3430/52a/2019 of the National Council of Statutory Auditors of March 21, 2019 on national auditing standards and other documents, as amended, the Resolution of the Board of the Polish Agency for Audit Oversight No. 38/I/2022 of 15 November 2022 on national quality control standards and National Auditing Standard 220 (Amended) ("NAS"), as well as pursuant to the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Supervision ("Act on Statutory Auditors" – i.e. Journal of Laws of 2023, item 1015, as amended) and EU Regulation No. 537/2014 of April 16, 2014 on specific requirements regarding statutory audit of public interest entities, repealing Commission decision 2005/909/EC ("EU Regulation" – Official Journal of the European Union UE L158 z 27.05.2014, p. 77, as amended). Our responsibilities under those standards is further described in the *Auditor's responsibility for the audit of the annual financial statement* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants (including International Standards of Independence) of the Code of Ethics for Professional Accountants (the 'IESBA Code') adopted by resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of March 25, 2019 on the principles of professional ethics of statutory auditors as amended, and with other ethical requirements that are relevant to our audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon and have summarised our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
<p style="text-align: center;">Revenue – valuation and disclosures</p> <p>As of December 31, 2023 the Company recognised sales revenues of PLN 184,895 thousand as part of significant items in the income statement. The position decreased by 25,7% compared to previous year.</p> <p>It has been identified as a key issue due to its value, which is material to the financial statements, as well as the potential possibility for misstatement of revenue, including as a result of mistakes or fraud</p> <p><i>Reference to disclosures in the annual financial statement</i></p> <p>The Company has included disclosures regarding sales revenue in the introduction to the financial statements in point 5.23 and 20 of the financial statements.</p>	<p>Our procedures for the identified key issues of the audit included, but were not limited to:</p> <ul style="list-style-type: none"> - reviewing the Company's system of internal control and policies for recognizing revenue from contracts with customers and identifying the moment of obtain control of the transferred good or service, as well as understanding any changes in the aforementioned scope; - analytical tests of the development of sales revenues over the months of the financial year and in comparison with the previous year; - substantive tests on a random sample of accounting records; - cut-off tests enabling assessment of sales revenue recognition in the correct reporting period; - analysis of untypical transactions and adjustments made after balance sheet date <p>We also assessed the disclosures in the financial statements regarding revenue from contracts with customers.</p>
<p style="text-align: center;">Inventory - valuation and disclosures</p> <p>As of December 31, 2023 the Company disclosed inventories in the amount of PLN 24,177 thousand as part of significant items on the balance sheet. The inventory represent 14,7 % of total assets.</p> <p>It has been identified as a key issue due to its value, which is material to the financial statements.</p>	<p>Our procedures for the identified key issues of the audit included, but were not limited to:</p> <ul style="list-style-type: none"> - understanding of the internal control system and the rules adopted by the Company for inventory management, as well as an understanding of any changes in the aforementioned scope; - reconciling the value of inventory on stock to the value in the accounts; - substantive tests of the inventory purchase price used;

Part of the inventories rotate very slowly, which could indicate potential impairment risk. Additionally, the estimate of inventory write downs is largely based on the Management Board's judgement.

Reference to disclosures in the annual financial statement

The Company has included disclosures regarding inventories in the introduction to the financial statements in point 5.15 and 9 of the financial statements.

- assessment of the aging structure of inventories on stock and the recognised write-down;
- for slowly rotating items additional procedures were carried out to confirm the net realisable value (by comparing book values with market values)
- cut-off tests related to the receipt inventory on stock;
- conducting net realizable value tests obtainable after the balance sheet date;
- sample analysis of net selling prices after the balance sheet date to confirm the correctness of inventory valuation

We also assessed the disclosures in the financial statements regarding inventories.

Other Matter – Scope of the Audit

The Company's annual financial statements for the year ended December 31, 2022 were audited by an auditor acting on behalf of another audit firm, who expressed the unmodified opinion on those statements on 30 March 2023.

Responsibility of the Company's Management and members Supervisory Board for the annual financial statement

The Company's Management is responsible for the preparation the annual financial statements that give a true and fair view of the annual financial position and the annual financial performance in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless 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 members of the Supervisory Board are required to ensure that the annual financial statements meets the requirements of the Accounting Act. The members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for audit of the annual financial statement

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

The scope of the audit does not include assurance as to the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

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

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 independent auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 also provide to the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Supervisory Board, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including Company Activity Report

The Other information comprise Company Activity Report as at December 31, 2023 (the "Company Activity Report") together with the representation on the corporate governance and the Annual Report for the financial year ended December 31, 2023 ("Annual Report") (together with "Other Information").

Responsibility of the Company's Management and Supervisory Board

The Company's Management is responsible for preparing the Other Information in accordance with the law.

The Company's Management and members of the Supervisory Board are required to ensure that the Company Activity Report along with separate elements meets the requirements of the Accounting Act.

Auditor's responsibility

Our audit opinion on the annual financial statement does not include the Other Information. In connection with the audit of the annual financial statements, our responsibility is to read the Other Information and, in doing so, to consider whether the Other Information is materially inconsistent with the annual financial statement or our knowledge obtained during the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this Other Information, we are required to report that fact in independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Other Information was prepared in accordance with relevant laws and that it is consistent with the information contained in the annual financial statements. Moreover, we are required to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

We obtained the Other Information before the date of this audit report and the Annual Report will be available after that date. In the event that we identify a material misstatement in the Annual Report, we are required to inform the Company's Supervisory Board.

Opinion on the Company Activity Report

Based on the work performed during our audit, in our opinion, the Company Activity Report:

- has been prepared in accordance with Article 49 of the Accounting Act and section 70 of the Decree of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the laws of non-EU member state ('Decree on current and periodic information' – Journal of Laws of 2018, item 757, as amended);
- is consistent with the information contained in the annual financial statement.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the in the Company Activity Report.

Opinion on the corporate governance representation

In our opinion, the representation on application of corporate governance, the Company has included stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information. Furthermore, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the annual financial statements.

Report on other legal and regulatory requirements

Representation on the provision of non-audit services

To the best of our knowledge and belief, we declare that we have not provided services other than audits of the financial statements to the Company and its subsidiaries, in particular we have not rendered services other than audits, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors.

Selection of the audit firm

We were appointed to audit the annual financial statements of the Company initially based on the resolution of Supervisory Board from 30.05.2023. The annual financial statements of the Company have been audited by us for the first time.

The engagement partner responsible for the audit resulting in this independent auditor's report is Piotr Woźniak

Woźniak

.....
no in the register: 11625

acting on behalf of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością of Warsaw, Poland, entered into the list of audit firms under entry No. 3886 on behalf of which the key auditor has audited the annual financial statements.

This document is a foreign language version of the original Independent Auditor's Report issued in Polish version and only the original version is binding. This document has been prepared for information purposes and could be used only for company's internal purposes. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

Zielona Góra, 03.04.2024

4th April, 2024

**DECLARATION
OF THE NOVITA S.A. SUPERVISORY BOARD REGARDING THE FUNCTIONING
OF THE AUDIT COMMITTEE IN YEAR 2023**

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).

1. 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 Tzkhori, 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

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 2023

(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 Supervisory Board of NOVITA 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 2023 including:
 - a) statement of financial position showing as at 31 December 2023 on the assets side and on equity and liabilities the sum 164 298 thousand PLN (in words: one hundred and sixty four million two hundred and ninety eight thousand zlotys);
 - b) statement of comprehensive income showing as at 31 December, 2023 total net income in the amount of 23 263 thousand PLN (in words: twenty three million two hundred and sixty three thousand zlotys) and net profit of 23 286 thousand PLN (in words: twenty three million two hundred and eighty six thousand zlotys);
 - c) statement of changes in equity showing as at 31 December, 2023 a decrease in equity 16 737 thousand PLN (in words: sixteen million seven hundred thirty seven thousand zlotys);
 - d) cash flow statement showing as at 31 December, 2023 a net decrease in cash by the amount of 907 thousand PLN (in words nine hundred and seven thousand zlotys);
- 2) financial statements for the financial year 2023, in terms of compliance with the books, documents and the facts;
- 3) reports on the Issuer's activity in the financial year 2023, 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 UHY ECA Audyt Sp. z o.o. with registered office in Warszawa from the examination of the Issuer's financial report for the financial year 2023;
 - 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 2023 and the Issuer's financial statements for the financial year 2023 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