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Polish Financial Supervision Authority
Annual consolidated financial report CR 2020

(Year)

(in accordance with article 56 of Act 1 point 2 and Act 6 of the Act on Public Offering)

 for issuers of securities engaged in manufacturing, construction and service industries or trade
 (type of issuer)

 for the fiscal year 2020 covering the period from 1st January 2020 to 31st December 2020
 containing consolidated financial statements in accordance with IFRS / IAS
 in the currency PLN
submission date: 18th May 2021

 ZAKŁADY URZĄDZEŃ KOMPUTEROWYCH ELZAB S.A

(full issuer name)

ELZAB

Informatics

(abbreviated issuer name)

(sector acc. to WNE classification)

41-813

Zabrze

(zip code)

(town city)

Elzab

1

(street)

(building number)

(32) 272 20 21

(32) 272 25 83

(telephone number)

(fax)

ir@elzab.com.pl

www.elzab.com.pl

(e-mail)

(www)

6480000255

270036336

(Vatin)

(National Business Registry Number)

 Mistery Auditor Adviser Spółka z o.o., (no. 3704)
 (entity authorized to audit)

SELECTED FINANCIAL DATA OF THE ELZAB GROUP	in thousand of PLN		in thousand of EUR	
	2020	2019	2020	2019
I. Net revenues from sale of products, goods and materials	119 653	125 183	26 743	29 100
II. Profit (loss) from operating activity	7 280	8 972	1 627	2 086
III. Gross profit (loss)	145	1 110	32	258
IV. Net profit (loss) attributable to the shareholders of the parent entity	-678	-218	-152	-51
V. Net cash flow from operating activities	19 306	4 285	4 183	1 006

VI. Net cash flows from investment activities	-4 682	-4 720	-1 015	-1 108
VII. Net cash flows from financial activities	-19 499	5 889	-4 225	1 383
VIII. Total net cash flows	-4 875	5 454	-1 056	1 281
IX. Annualized profit (loss) per ordinary share (in PLN/EUR)	-0,04	-0,01	-0,01	0,00
X. Annualized profit (loss) per ordinary share excluding own shares (in PLN/EUR)	-0,04	-0,01	-0,01	0,00
XI. SELECTED FINANCIAL DATA OF THE ELZAB GROUP	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
XII. Total assets	183 019	195 622	39 659	45 937
XIII. Long-term liabilities and provisions	17 197	20 829	3 726	4 891
XIV. Short-term liabilities and provisions	84 858	92 269	18 329	21 667
XV. Equity	81 237	82 524	17 604	19 379
XVI. Share capital	22 143	22 143	4 798	5 200
XVII. Total number of shares	16 137 050	16 137 050	16 137 050	16 137 050
XVIII. Number of shares adjusted for own shares	15 731 388	15 731 388	15 731 388	15 731 388
XIX. Book value per one share (in PLN/EUR)	5,03	5,11	1,09	1,20
XX. Book value per one share, excluding own shares (in PLN/EUR)	5,16	5,25	1,12	1,23

INFORMATION ON THE CORRECTION OF THE REPORT

The Management Board of ELZAB S.A. based in Zabrze, informs that there was a need to make a correction of the consolidated financial statements of the ELZAB Capital Group (annual report published on 23/04/2021).

The need to correct the consolidated financial statements of the ELZAB Capital Group results from the received from Comp Centrum Innowacji sp.z o.o. adjustments to the consolidated financial statements of the Comp Centrum Innowacji sp.z o.o. after the publication of the annual report by ELZAB S.A.

The adjustment made will have a negative impact on the consolidated statement of comprehensive income in the item: "Share in losses / profits of associates" by the amount of PLN 1,541 thousand PLN and in the relevant items of the other parts Consolidated Financial Statements.

§ 15 clause 4 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing information as equivalent required by the law of a non-member state.

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ELZAB

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SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

Date	Name and Surname	Position/Function	Signature
18 th May 2021	Bartosz Panek	President of the Management Board	
18 th May 2021	Jerzy Popławski	Vice President of the Management Board	



Report
on the audit of the annual consolidated financial
statements
for the financial year ended
on 31 December 2020 of the

**Capital Group, in which the parent company is Zakłady
Urządzeń Komputerowych ELZAB S.A.**

with its registered office in Zabrze

Misters Audytor Adviser Spółka z o. o.
Warsaw, 18 May 2021

Report of the independent auditor on the audit

**For the General Meeting and Supervisory Board of Zakłady Urządzeń
Komputerowych ELZAB S.A.**

Report on the audit of the annual consolidated financial statements

Opinion

We audited the annual consolidated financial statements of the capital group in which the parent company is **Zakłady Urządzeń Komputerowych ELZAB S.A.**

S.A. ("Parent Company") ("Group") containing the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the financial year from January 1 until December 31, 2020 and the additional information contain a description of the adopted accounting principles and other explanatory information "consolidated financial statements").

In our opinion, the attached consolidated financial statements:

- present a fair and clear situation of the Group's consolidated financial position as at December 31, 2020 and its consolidated financial result and cash flows for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting rules (policy);
- comply in terms of form and content with the provisions of law applicable to the Group and the Articles of Association of the Parent Company.

Our opinion is consistent with the additional report to the Audit Committee which we issued on May 18, 2021.

Basis of the opinion

We conducted our audit in accordance with the National Auditing Standards in the wording of the International Standards on Auditing, adopted by the Resolution of the National Council of Statutory

Auditors no. 3430/52a/2019 of March 21, 2019 on national auditing standards and other documents, as amended (KSB) and pursuant to the Act of May 11, 2017 on statutory auditors, audit companies and public supervision (Act on statutory auditors - i.e. the Journal of Laws of 2020, item 1415) and EU Regulation no. 537/2014 of April 16, 2014 on detailed requirements for statutory audits of financial statements of public-interest entities (EU Regulation - the Journal of Laws UE L158 of May 27, 2014, p. 77, as amended). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent from the Group Companies in accordance with the International Code of Ethics for Professional Accountants (including the International Standards of Independence) of the International Ethics Standards Board for Accountants ("IESBA Code") adopted by the resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March, 2019 on the principles of professional ethics of statutory auditors and other ethical requirements that apply to audits of financial statements in Poland. We met our other ethical obligations in accordance with these requirements and the IESBA Code. During the audit, the key statutory auditor and the audit company remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and Regulation of the EU.

We believe that the obtained audit evidence is adequate and appropriate to form the basis of our opinion.

Key audit issues

The key audit issues were, in our professional judgement, the most significant in the audit of the consolidated financial statements of the current period. These include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion, and summarized our responses to these risks and, where deemed appropriate, presented the most important observations related to these risks. We do not express a separate opinion on these issues.

Key audit issue

How our audit related to this issue

Recognition of revenues from the sale of products, materials and goods

In 2020, the Group recognized revenues from the sale of products, materials and goods in the amount of PLN 112.9 million, which in total accounts for 94% of sales revenues.

Considering the materiality of the items in the Group's consolidated financial statements, as well as the susceptibility of the items to the risk of misstatement, we found this to be a key issue for our audit.

Our audit procedures included, in particular:

- identification of internal control procedures relating to the process of recognizing and considering sales revenues,
- analysis and assessment of the accounting policy in the field of recognizing sales revenues,
- analysis of the correctness of the applied method of recognizing the moment of recognition of sales revenues,
- a comparative analysis of sales revenues in the period covered by the audit and in the previous year,
- conducting retail tests on a selected sample regarding the compliance of the amounts and the correctness of the recognition of sales revenue,
- verification, on a selected sample, of sales recognition at the turn of the financial year.

The applied procedures allowed us to obtain sufficient certainty that the Group correctly recognized sales revenues in the Group's consolidated financial statements.

Other issues

After the publication of the Annual Report, the Management Board of the Parent Company received information that the consolidated financial statements of the Comp Centrum Informacji Sp. z o.o., an entity consolidated using the equity method, were corrected. For this reason, the Management Board of ZUK Elzab S.A. prepared again the consolidated financial statements and the report on the activities of the Elzab S.A. Capital Group. The included adjustment will have a negative impact on the consolidated statement of comprehensive income in the item: "Share in losses/profits of the affiliates" by the amount of PLN 1,541 thousand and in the relevant items of the other parts of the Consolidated Financial Statements.

Due to the above, this report on the audit of the consolidated financial statements of the ELZAB S.A. Capital Group replaces the report on the audit of the consolidated financial statements, which was issued on April 23, 2021.

Responsibility of the Management Board and Supervisory Board of the Parent Company for the consolidated financial statements

The Management Board of the Parent Company is responsible for the preparation of the consolidated financial statements that present a fair and clear situation of the property and financial position and financial result of the Group in accordance with the International Financial Reporting Standards approved by the European Union, the adopted accounting rules (policy) and the applicable laws and the Articles of Association, as well as internal control deemed necessary by the Management Board of the Parent Company to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the Management Board of the Parent Company is responsible for assessing the Group's ability to continue as a going concern, disclosing, if applicable, going concern issues and adopting the going concern basis as the basis of accounting, except when the Management Board or intends to liquidate the Group, either to abandon the business, or there is no viable alternative to winding up or ceasing the business.

The Management Board of the Parent Company and members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements meet the requirements provided for in the Act of September 29, 1994, on accounting (the "Accounting Act" - the Journal of Laws of 2021, item 217). Members of the Supervisory Board of the Parent Company are responsible for supervising over the financial reporting process.

Responsibility of the statutory auditor for auditing the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable certainty is at a high level, but it does not guarantee that an audit conducted in accordance with the KSB will always detect the existing material misstatement. Misstatements can arise from fraud or error. They are considered material if, individually or in combination, they can be reasonably expected to impact on economic decisions of users taken on the basis of these consolidated financial statements. The concept of significance is used by the auditor in planning and carrying out the audit, as well as in assessing the influence of distortions corrected distortions identified during the audit, if any, on the financial statement, as well as during the formulation of an opinion in the auditor's report. With reference to the above, all opinions and statements contained in the audit report are expressed considering the qualitative and value level of materiality determined in accordance with the audit standards and the professional judgement of the statutory auditor.

The scope of the audit does not assure the future profitability of the Group or the effectiveness or efficiency of conducting its issues by the Management Board of the Parent Company now or in the future.

We use professional judgement and maintain professional scepticism when auditing under KSB, as well as:

- we identify and assess the risks of significant distortion of the financial statements due to fraud or error, drawing up and carrying out the audit procedures that address these risks, and obtain audit evidence that is adequate and relevant to form the basis of our opinion. The risk of not recognizing a significant distortion due to fraud is greater than that resulting from error, as fraud can involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;
- we understand 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 Group's internal control;
- we assess the appropriateness of the applied accounting rules (policy) and the validity of accounting estimates and related disclosures made by the Management Board of the Parent Company;
- we draw a conclusion on the appropriateness of the application by the Management Board of the Parent Company of the going concern basis as the basis of accounting and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may significantly question the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditor's

report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease as going concern;

- we assess the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that achieves fair presentation;
- we obtain sufficient appropriate audit evidence about the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statement. We are responsible for managing, supervision and conduction of the audit of the Group, and remain solely responsible for our audit opinion.

We provide the Supervisory Board of the Parent Company with information about, inter alia, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

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

Among the issues provided to the Supervisory Board of the Parent Company, we determine those issues that were the most significant in the audit of the consolidated financial statements of the current reporting period and are therefore considered as the key audit issues. We describe these issues in our auditor's report, unless law or regulation prohibits public disclosure, or when, in exceptional circumstances, we determine that the issue should not be presented in our report because the negative consequences could reasonably be expected to outweigh the benefits of the information for the public interest.

Other information, including the statement on operations

Other information includes the statements on the Group's operations for the financial year ended December 31, 2020 ("Report on operations") with the statement on the application of corporate governance, which is a separate part of this report, and the Annual Statements for the financial year ended December 31, 2020 ("Annual Statements") (together "Other information").

Responsibility of the Management Board and Supervisory Board of the Parent Company

The Management Board of the Parent Company is responsible for the preparation of Other information in accordance with the law.

In addition, the Management Board of the Parent Company and members of the Supervisory Board of the Parent Company are obliged to ensure that the statements on the Group's operations with the separate part meet the requirements provided for in the Accounting Act.

Responsibility of the statutory auditor

Our opinion about the audit of the financial statements does not include Other information. In connection with the audit of the consolidated financial statements, we are obliged to read the Other information and consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, on the basis of the work performed, we find material misstatements in the Other Information, we are obliged to inform about it in our audit report. In addition, in accordance with the requirements of the Act on certified auditors, it is our duty to issue an opinion on whether the statements on operations of the Group was drawn up in accordance with the regulations and whether it is consistent with the information contained in the consolidated financial statements. Furthermore, it is our duty to provide an opinion on whether the Group included the required information in its corporate governance statements.

We obtained the statements on the Group's operations before the date of this audit report, and the Annual Statements will be available after that date. If we find a material misstatement in the Annual Statements, we are obliged to inform the Supervisory Board of the Parent Company about it.

Opinion on the statement on operations

Based on our work performed during the audit, we conclude that the Statements on the Group's operations:

- were prepared in accordance with Art. 49 of the Accounting Act and paragraph 71 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 ("Regulation on current information" - the Journal of Laws of 2018, item 757);
- are consistent with the information contained in the consolidated financial statements.

In addition, in the light of the knowledge about the Company and its environment obtained during our audit, we declare that we did not find any significant distortion in the Statements on the Group's operations.

Opinion on the statement on the application of corporate governance

In our opinion, in the statement on the application of corporate governance, the Group included information specified in § 70 (6) (5) of the Regulation on current information. Furthermore, in our opinion, the information indicated in § 70 (6) (5) (c-f, h and i) of this Regulation included in the statements on corporate governance comply with the applicable regulations and the information included in the consolidated financial statements.

The statement on other legal requirements and regulations

Statement on the provision of non-audited financial statements

According to our best knowledge and belief, we declare that we did not provide the Company with non-audited services.

Selection of an audit company

We were selected for the first time to audit the Group's consolidated financial statements by a resolution of the Supervisory Board of the Parent Company of August 4, 2020. We audited the consolidated financial statements of the Group continuously, starting from the financial year ended December 31, 2018, i.e. for 3 consecutive years.

Bożena Grzegorzczuk is the key statutory auditor responsible for the audit, the result of which is the independent statutory auditor's report.

Acting on behalf of **Misters Audytor Adviser sp. z o. o.** with registered office in Warsaw, entered to the list of audit companies under the number 3704, on behalf of which the key statutory auditor has audited the financial statements.

**Bożena
Agnieszka
Grzegorzcyk**

Electronically signed by
Bożena Agnieszka
Grzegorzcyk
Date: 2021.05.18

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Bożena Grzegorzcyk, no. 12119

Warsaw, May 18, 2021

Statement of the Supervisory Board of ELZAB S.A.

The Supervisory Board of the company under the name ELZAB Spółka Akcyjna with its registered office in Zabrze (hereinafter the "**Company**"), acting pursuant to § 71 (1) (8) of the Regulation of the Minister of Finance of March 29, 2018, on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state, declares that in the Company:

- an audit committee was appointed by the Supervisory Board of the Company and it performed the tasks provided for in the applicable regulations,
- the provisions on the appointment, composition and operation of the audit committee are complied with, including the fulfillment by its members of the independence criteria and the requirements regarding knowledge and skills in the industry in which the Company operates, as well as in accounting or auditing of financial statements.

Furthermore, the Supervisory Board of the Company, acting pursuant to § 71 (1) (12) of the Regulation of the Minister of Finance of March 29, 2018, on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state, states that:

- the statements on the activities of the Company's capital group prepared by the Management Board and the consolidated financial statements of the Company's capital group for 2020 are consistent with the books, documents and the actual state of affairs, and the above statement is justified by, inter alia, year-round work of the audit committee, supervisory board and the opinion of the entity authorized to audit the financial statements of the Company. In addition, the Supervisory Board indicates that there were no indications that the Company kept its trading books improperly and incorrectly, or that the Company's documentation, including accounting records, did not correctly reflect economic events.

Mr. Grzegorz Należyty - Chairman of the Supervisory Board-----

Mr. Jarosław Wilk - Vice-Chairman of the Supervisory Board-----

Mr. Andrzej Wawer - Secretary of the Supervisory Board -----

Mr. Kajetan Wojnicz - Member of the Supervisory Board -----

Mr. Jerzy Kotkowski - Member of the Supervisory Board -----

Mr. Krzysztof Morawski - Member of the Supervisory Board -----

* Signatures are on the originals delivered to the Company

Dear Sir/Madam,

I present to you the statements on the activities and results of the ELZAB Group in 2020.

Last year was a very demanding period for the ELZAB Group. The ELZAB Group started 2020 with a very good result in 2019 and plans for record sales to the domestic market in the coming periods. Unfortunately, the unexpected outbreak of a global virus epidemic of SARS-CoV-2 made it necessary to revise the original plans. As a consequence of the epidemic, the dates of replacing fiscal devices with on-line devices were postponed once again, and the economic slowdown resulted in an additional reduction in the demand for fiscal devices.

Despite unfavourable circumstances, the ELZAB Group took advantage of the market opportunities and achieved in 2020 the result on revenues only 4.42% lower than in 2019. In addition, it is important to note that this is the third best year ever in terms of revenues.

The ELZAB Group, apart from its core activity, carries out projects in the field of new technologies and the application of the existing ones in new areas of activity. We will gradually transform the activities undertaken in the previous years into new products introduced to the domestic and foreign markets. The development of the basic offer involves, of course, fiscal devices and peripheral devices for retail industries. At the same time, we focus in particular on additional functionalities and development of services accompanying fiscal devices installed in retail outlets. We are working on our offer with a view to making the fiscal device a product and service hub of basic choice in favourable financing models for the end customer.

At the same time, we are continuing work on the introduction of a wide range of electric car charging devices in the commercial and private sectors. We expect that in 2021 we will strongly emphasize the presence of the ELZAB Group in new industries in which we plan to become a leader, also through product synergies resulting from offering products of our own production with complementary third-party products.

Our ambition is to constantly increase the value of the ELZAB Group, which we want to achieve by focusing on our own, advanced products and development based on innovative solutions. In the ELZAB Group, we are constantly looking for innovative solutions and advanced technologies, observing market trends and responding to the needs of our customers on the domestic and foreign markets.

On behalf of the Management Board of ELZAB S.A. I would like to thank all employees for their work to strengthen the market position and generated financial results. I would also like to thank the Investors for their trust and support. I wish to assure you that we will make every effort to strengthen our market position, improve financial results and build trust in the coming years. At the same time, I would like to thank our customers who constantly motivate us to develop and look for business solutions that are beneficial both for them and for us.

Best regards,

President of the Management Board of ELZAB S.A.

Bartosz Panek

**Financial Statements of the
ELZAB GROUP**
for the period
from January 1, 2020
until December 31, 2020

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SECTION I
INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ELZAB CAPITAL GROUP

a) Characteristics of the ELZAB Group

Entities in which ELZAB S.A. held shares as at December 31, 2020:

Subsidiaries:	- ELZAB HELLAS SPV Sp. z o. o., - ELZAB HELLAS S.A.
Affiliate	- Comp Centrum Innowacji Sp. z o.o.
Other entities	- Clou Sp. z o.o. in liquidation

On June 30, 2020, the Extraordinary General Meeting of Shareholders of Clou spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw adopted a resolution on the dissolution of the Company and opening its liquidation.

On December 20, 2019, ELZAB S.A. sold 7,000 shares in the share capital of Elzab Soft Sp. z o.o. with its registered office in Zabrze at ul. Elzab 1 for the B2B Soft s.r.o company with registered office in the Czech Cieszyn, address: Hlavní triada 87/2, entered into the commercial register kept by the District Court in Ostrava, under the number 80759, Regon [National Register of Economic Units] 08771961. As at the date of publication of the annual statements, ELZAB S.A. does not hold any shares in the share capital of Elzab Soft Sp. z o.o. The results of ELZAB SOFT Sp. o.o. were consolidated for the entire 2019.

Characteristics of the parent company:

Name the Parent company: Zakłady Urządzeń Komputerowych ELZAB S.A.,
ul. ELZAB 1, 41-813 Zabrze.

Sales Offices of the parent company:

The company has 3 sales offices:

- in Warsaw, ul. Taborowa 14 until the end of March 2021; and from January 4, 2021, in Warsaw, ul. Krakowiaków 2
- in Wrocław, ul. Słubicka 22
- in Suchy Las, near Poznań, ul. Akacjowa 4

The company operates in the form of a joint stock company, established by a notarial deed on November 16, 1992 prepared before Paweł Błaszczyk, notary public in Warsaw (Repertory A No. 12245). Currently, the Company is entered in the Register of Entrepreneurs kept by the District Court in Gliwice, the 10th Commercial Registration Department in Gliwice, NCR number 0000095317.

According to the PKD 26.20.Z classification [the Polish Business Classification], the main activity of the parent company was: "Production of computers and peripheral devices".

In accordance with IAS 27, the Consolidated Financial Statements must include all subsidiaries.

b) Indication of the duration of the issuer and units from the capital group, if applicable

Parent company ELZAB S.A. and other entities of the ELZAB Group were established for an indefinite period,

ELZAB Capital Group
Section I Introduction to the consolidated financial statements
31.12.2020 (in thousand PLN)

except for the Greek company ELZAB HELLAS SA, which was established for 50 years.

c) Indication of the periods for which the consolidated financial statements and comparable consolidated financial data are presented

The document presents financial statements for the period from 01/01/2020 to 31/12/2020 and the comparable period of the previous year, i.e. from 01/01/2019 to 31/12/2019.

In the statement of financial position, the data are presented as at December 31, 2020 and December 31, 2019.

The calendar year is the financial year of the Capital Group and its subsidiaries.

All entities of the ELZAB Capital Group prepare financial statements for the same balance sheet date.

d) Approval of the financial statements for publication

On April 23, 2021, the Management Board of ZUK ELZAB S.A. adopted a resolution approving the consolidated financial statements for the first half of 2020 for publication.

On May 18, 2021, the Management Board of ZUK ELZAB S.A. adopted a resolution to approve the correction of the consolidated financial statements for 2020 for publication.

The need to correct the consolidated financial statements results from the information sent by Comp Centrum Innowacji sp.z o.o. to the Company, after the publication of the Company's annual report, the correction made in the consolidated financial statements of the Comp Centrum Innowacji sp.z o.o. capital group

The correction had a negative impact on the consolidated statement of comprehensive income in the item: "Share in losses / profits of associates" by the amount of PLN 1,541 thousand. PLN and in the relevant items of the other parts of the Consolidated Financial Statements.

e) information on the composition of the Management Board and the Supervisory Board

As at December 31, 2020, the Management Board of the Company consisted of:

Bartosz Panek - President of the Management Board

Jerzy Popławski - Vice-President of the Management Board

In 2020, the composition of the Management Board changed.

Until August 31, 2020, the position of the President of the Management Board was held by Mr. Krzysztof Urbanowicz.

On August 31, 2020, the Supervisory Board elected the Management Board of the Company for a new three-year term. The number of members of the Management Board was set at 2 people.

Since September 1, 2020, Mr. Bartosz Panek has been appointed President of the Management Board and Jerzy Popławski has been appointed Vice-President of the Management Board.

As at December 31, 2020, the Company had no Proxies.

On September 1, 2020, the Management Board of ELZAB S.A. withdrew the proxies, Mrs. Małgorzata Kaczmarek and Mrs. Lucyna Tumaś.

As at the date of publication of the statements, the Supervisory Board of the Company was composed of:

Grzegorz Należyty - Chairman of the Supervisory Board

Jarosław Wilk - Vice-Chairman of the Supervisory Board

Andrzej Wawer - Secretary of the Supervisory Board

Jerzy Kotkowski - Member of the Supervisory Board

Krzysztof Morawski - Member of the Supervisory Board

ELZAB Capital Group
Section I Introduction to the consolidated financial statements
31.12.2020 (in thousand PLN)

Kajetan Wojnicz - Member of the Supervisory Board

In 2020, the composition of the Supervisory Board and the Audit Committee did not change.

As at the date of publication, the Audit Committee was composed of:

Kajetan Wojnicz - Chairman of the Audit Committee of the Supervisory Board

Grzegorz Należyty - Vice-Chairman of the Audit Committee of the Supervisory Board

Andrzej Wawer - Secretary of the Audit Committee of the Supervisory Board

f) Indication whether the consolidated financial statements have been prepared on the assumption that the issuer and the capital group entities will continue as going concerns in the foreseeable future and whether there are any circumstances indicating a threat to the going concern

The financial statements for 2020 have been prepared on the assumption that the business will be continued. In the opinion of the Management Board, there are no circumstances indicating a threat to the going concern in the foreseeable future, which results from the analyses of the Management Board, and in particular from the analysis of financial liquidity, which the Management Board considered a significant risk of going concern.

As at the balance sheet date, i.e. December 31, 2020, the financial statements show a positive value of net working capital of PLN 10,242,000.

In the management of short-term working capital deficits, the Management Board uses inter alia overdraft facilities (the total available limit is PLN 12 million) and factoring (PLN 12 million), as well as the Supplier Financing facility (up to PLN 15 million). The company obtained approval from the Management Board of COMP S.A. for the extension of the loan repayment date on the basis of separate annexes.

Additionally, the Management Board of ELZAB S.A. provides that in connection with the applicable changes in tax regulations, the act amending the act on tax on goods and services and the act on measures and the introduction of online cash registers, the company will generate positive operating cash flows in the years 2021-2022. An ongoing analysis of the demand for cash and the sources of its coverage is also conducted.

In addition, the risk of financial liquidity along with other risks for the operations of the ELZAB Group were disclosed in detail in Note 25.

g) Indication of whether adjustments have been made to the presented consolidated financial statements or comparable consolidated financial data resulting from reservations in the opinions of entities authorised to audit the consolidated financial statements or financial statements for the years for which the consolidated financial statements and comparable consolidated financial data are presented

The financial statements for 2020 of ELZAB HELLAS SPV Sp. z o.o. were not reviewed by an independent statutory auditor. The financial statements of ELZAB HELLAS S.A. were subject to review by an independent statutory auditor.

The report of the independent statutory auditor on the audit of the annual report of the Elzab Group for the period 01.01.2020-31.12.2020 does not contain any reservations.

h) List and explanation of differences between the data disclosed in the financial statements and comparable financial data and the previously prepared and published annual financial statements

Not applicable.

Transformation of the consolidated financial statements

The consolidated financial statements were not subject to transformation and no changes were made as a result of adjustments due to changes in accounting principles.

i) Declaration of conformity

These financial statements were prepared on the basis of the International Financial Reporting Standards as adopted by the European Union (EU).

Amendments in standards and interpretations applicable from 2020.

The following new standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for use in the EU enter into force for the first time in the Company's financial statements for 2020:

1. **Amendments to IFRS 3: Definition of a project** - As a result of the amendment to IFRS 3, the definition of a "project" was modified. The currently introduced definition was narrowed down and is likely to result in more acquisitions being classified as acquisitions of assets.
2. **Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of reference interest rate indicators** - The published amendments modify some specific requirements for hedge accounting, mainly so that the expected reform of the reference rates (IBOR reform) would generally not result in the termination of hedge accounting.
3. **Amendments to IAS 1 and IAS 8: Definition of the term "material"** - The amendments clarify the definition of materiality and increase the consistency between the standards.
4. **Conceptual Framework for Financial Reporting** of March 29, 2018 - The verified Concept Framework is used by the International Accounting Standards Board and the Interpretation Committee when working on new standards. Nevertheless, entities preparing financial statements may use the Conceptual Framework to develop accounting policies for transactions that are not regulated under current IFRS.

The aforementioned changes to the existing standards and the interpretation did not have a significant impact on the Company's financial statements for the twelve months of 2020.

New standards and amendments to the existing standards issued by the IASB, but still not approved for use in the EU

The following standards and interpretations were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet effective:

1. IFRS 14 Regulatory Deferral Accounts (issued on January 30, 2014) - according to the decision of the European Commission the standard approval process in preliminary version would not be initiated prior to publication of the standard in the final version - until the date of approval of this financial statement not approved by the EU - effective for annual periods beginning on or after January 1, 2016;
2. Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on September 11, 2014) - works leading to the approval of these changes were delayed indefinitely by the EU - the effective date was delayed indefinitely by the IASB;
3. IFRS 17 Insurance Contracts (published on May 18, 2017), including Amendments to IFRS 17 (published on June 25, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023;
4. Amendments to IAS 1: Presentation of financial statements - Division of liabilities into short-term and long-term (published on January 23, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023;
5. Amendments to IFRS 3 Amendments to references to the Conceptual Framework (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;

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6. Amendments to IAS 16 Property, plant and equipment: revenues achieved before putting into use (published on May 14, 2020) - until the date of approval of these financial statements not approved by the EU - applicable to annual periods beginning on January 1, 2022 or later;
7. Amendments to IAS 37 Onerous Contracts - Costs of Meeting Contractual Obligations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
8. Amendments resulting from the review of IFRS 2018-2020 (published on May 14, 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on January 1, 2022 or later;
9. Amendment to IFRS 16 Leasing: Covid-19 related rent concessions (published on May 28, 2020) - not approved by the EU until the date of approval of these financial statements - applicable for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including for financial statements not approved for publication as of May 28, 2020;
10. Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (published on June 25, 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2021.

The Company and the Capital Group are currently analysing how the implementation of the above standards and interpretations may affect the applied accounting principles and the financial statements. According to estimates of the Company, the aforementioned new standards and amendments to the existing standards would not have significantly impacted on the financial statements, if they had been applied on the balance sheet date.

Implementation of IFRS 16

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 Leases ("IFRS 16"), which replaced IAS 17 Leasing, IFRIC 4 Determining whether an agreement contains leasing, SIC 15 Operating leasing - special promotional offers and SKI 27 Assessment of substance transactions using the form of leasing. IFRS 16 governs the accounting treatment for leases in the valuation, presentation and disclosure of information.

IFRS 16 introduces a uniform accounting model for the lessee, and requires the lessee to recognize assets and liabilities arising from each lease with a period exceeding 12 months, unless the underlying asset is of low value. At the commencement date, the lessee shall recognize an asset on account of right-of-use of the underlying asset and a lease liability reflecting his obligation to make lease payments.

The lessee recognizes separately the depreciation of the right-of-use asset and interest on the leasing liability.

The lessee updates the valuation of the lease liability upon the occurrence of certain events (e.g. change in relation to the lease term, change in future lease payments resulting from a change in the index or rate used to determine these payments). As to principle, the lessee shall recognize valuation adjustment of lease liability as an adjustment of value of the right-of-use asset.

The Group is the lessee in the lease agreements for office space, technical equipment and vehicles.

In connection with IFRS 16, as at, January 1, 2019, the Group introduced to the books two fixed assets due to the right to use them and a financial liability due to leases, which reflects the amount of future fees.

As at December 31, 2020, the Group decided to extend the IFRS16 leasing period for another three-year period for agreements concluded for an indefinite period.

The changes for 2020 for IFRS 16 are as follows (in PLN thousand):

	Status as at 01.01.2020	Increases	Decreases	Depreciation	status as at 31.12.2020
Right to use, divided into assets class	0				0
Land properties	0				0
Land perpetual usufruct rights	0				0
Buildings and structures	889	788	18	441	1,218
Technical devices and machines	517	565		274	808
Means of transport	0	52			52

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Other fixed assets	0				0
Total	1,406	1,405	18	715	2,078

The following were adopted for the conversion of the leasing agreements:

- the period for which the agreement was concluded, and if the agreement is concluded for an indefinite period - 3 years,
- discount rates,
 - in the case of renting offices, buildings and warehouses in Warsaw - 3%,
 - in the case of renting offices, buildings and warehouses outside Warsaw - 3.5%,
 - for production machines 2.8%

The amount of monthly depreciation for the right to use rented properties and production machines is approximately PLN 60 thousand. The monthly interest accrued as part of the rental fee will tend to decrease as the capital is repaid.

- j) description of the adopted accounting principles (policy), including the methods of valuation of assets and liabilities as well as revenues and costs, determination of the financial result and the method of preparation of the consolidated financial statements and consolidated comparative data,*

1. Introduction

The consolidated financial statements of the ELZAB Group for 2020 were prepared in accordance with the historical cost concept, except for the revaluation of some fixed assets and financial instruments. The most important accounting principles are presented below.

The consolidated financial statements for 2020 were prepared considering the principles of IFRS, as approved by the European Union.

In addition, the financial statements involve the requirements of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and the conditions for recognising as equivalent information required by the law of a non-member state (the Journal of Laws of 2018, item 757).

ELZAB S.A., as the parent company and its subsidiaries, apply the rules set out in IAS/IFRS as approved by the EU for keeping accounting books, accounting policy and preparing individual financial statements.

Statements on segments

The basic statements model of the ELZAB Group applied to the segments is the industry segment, while the geographic segment is a supplementary segment.

An industry segment is an identifiable area of an economic entity within which goods are distributed or services are rendered, which is subject to risks and is characterised by a return on expenditure other than other industry segments.

The activity of the ELZAB Group is homogeneous, conducted in the field of production and sale of electronic devices and purchased goods for resale. The sale of materials is a strict supplement to the basic offer of the ELZAB Group. The services provided include mainly maintenance and training services related to the commercial offer of the Company. The products of the ELZAB Group offered for sale are characterised by a similar production process. In terms of sales, similar methods of distribution and sale of services to a specific group of recipients are used.

For this reason, the ELZAB Group classifies all its activities in one industry segment - electronic, which includes

fiscal devices, scales and automatic identification devices as well as sales systems, IT services and other devices. A geographic segment is an identifiable area of operations of a business unit within which goods are distributed or services rendered in a specific economic environment, which is subject to risks and has a return on expenditure different from that of other areas operating in different economic environments.

The ELZAB Group operates mainly in Poland, the regions of which, due to the proximity of their location, similar economic conditions and the scope of risks, should be considered largely homogeneous. For management purposes, the value of sales the territory of Poland and on foreign markets is defined.

Important accounting estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the management boards of companies to apply certain accounting estimates and make assumptions as to future events that can affect the value of current assets and liabilities in future financial statements. The estimates and assumptions are subject to continuous evaluation, and are based on the best knowledge, historical experience and expectations of the Management Board as to future events that seem justified in a given situation. Nevertheless, they can contain a certain margin of error and actual results can differ from those projected.

The main assumptions and estimates that are significant for the Financial Statements include:

- Assets impairment test;
- Tangible fixed assets and intangible assets - depreciation write-offs;
- Provisions for liabilities;
- Costs of employees' benefits;
- Estimation of provisions for guarantees;
- Possibility to realise deferred tax assets;
- Revaluation write-offs for receivables;
- Impairment write-offs of inventories;
- Recognition of revenues in multi-element agreements and sales agreements with suspended delivery.

Descriptions of assumptions in relation to the above elements of the financial statements are presented in the detailed parts of this introduction.

Error correction

Errors can refer to the recognition, measurement, presentation or disclosure of information regarding individual elements of the financial statements.

Errors found at the stage of preparing the financial statements are corrected by the Group in the given financial statements. Errors found in the following periods are corrected by adjusting the comparative data presented in the financial statements of the period in which the error was discovered. The Group corrects errors of previous periods using a retrospective approach and retrospective restatement of data, if it is practicable, while following the principle of materiality.

External financing costs

External financing costs are recognised in the statement of comprehensive income in the period in which they were incurred. If external financing costs are directly attributable to the acquisition, construction or production of a qualifying asset, they are capitalised as part of the purchase price or the production price of the asset (IAS 23).

2. Fixed assets

Tangible fixed assets include assets and expenditure on fixed assets in progress, which are kept to be used in the production process, for the supply of goods and the provision of services, for use by other entities under lease

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agreements or for administrative purposes with an estimated period of use longer than 1 year, from which the Group is expected to achieve economic benefits in the future. Expenditures for fixed assets include the incurred investment expenditures as well as the advance payments made for future deliveries of machines, equipment and services related to the production of fixed assets.

The provisions of IAS 16 (Property, plant and equipment) and IAS 36 (Impairment of Assets) are applied to determine the carrying amount and to establish depreciation and impairment losses on property, plant and equipment.

Tangible fixed assets include:

- buildings and structures
- machines and devices
- means of transport
- other fixed assets
- lands
- machines and devices in progress requiring assembly and fixed assets in progress.

At the time of introduction as an asset, fixed assets and fixed assets in progress are valued at purchase price or production cost.

The purchase price is the purchase price from the supplier's invoice increased by the costs related to the purchase until the date of transferring the fixed asset for use (e.g. costs of transport, loading, unloading, insurance in transport, assembly, installation and commissioning, notary fees, duty and taxes).

The production cost is the value at purchase prices of tangible fixed assets, external services, payroll costs and other costs that can be assigned to the value of the produced fixed asset incurred until the date of putting the fixed asset for use.

The initial value also includes a reasonable portion of external financing costs in accordance with the guidelines of IAS 23.

Modernization costs are included in the carrying amount of tangible assets when it is probable that the resulting economic benefits will impact on the Group and the modernisation costs can be reliably measured. All other expenses incurred for the repair and maintenance of fixed assets are charged to the financial result in the statements periods in which they were incurred.

Lands are not depreciated.

Fixed assets are depreciated throughout their economic useful lives. Depreciation is calculated using the straight-line method, starting from the month following the month in which the fixed asset has been put into use.

As at the balance sheet date, fixed assets are recognised at the purchase price or production cost less the depreciation write-offs and any write-offs due to permanent loss of value.

The Group adopted the following useful lives for individual groups of fixed assets:

- buildings, structures - from 10 to 40 years,
- machines and devices - from 2 to 20 years,
- transport means - from 2.5 to 8 years
- other fixed assets - from 2 to 10 years

The right of perpetual usufruct of land granted to ELZAB S.A. by administrative means is presented off-balance sheet, as the decision does not contain the condition of transferring the legal title to the Company. If such rights are purchased on the secondary market, they are presented as intangible assets and depreciated over their expected useful life.

- is depreciated in 100% when they are put into use, if their initial value is higher than PLN 1,000.00 and lower than PLN 10,000.00,
- covers 100% of the costs of consumption of materials at the time of putting them into use, if their initial

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value does not exceed PLN 1,000.00. The quantitative records of these fixed assets are kept on an off-balance sheet account.

Depreciation of fixed assets is charged to the costs of basic operations, apart from the depreciation of the leased area, which is charged to other operating expenses.

The Group performs periodic, not later than at the end of the financial year, verification of the adopted economic useful lives of fixed assets, the residual value and the depreciation method. The consequences of changes in these estimates are considered in the next and subsequent financial years (prospectively).

Fixed assets and fixed assets in progress are tested for impairment if there are indications of impairment. The possible impairment is determined at each balance sheet date for fixed assets in progress in the period of their implementation. The rules for determining impairment are set out in the following paragraph on this topic. The effects of impairment of fixed assets and fixed assets in progress are charged to other operating costs.

Profits or losses from the sale/liquidation of property, plant and equipment items are defined as the difference between sales revenues and the carrying amount of these items. They are recognised in the statements of comprehensive income, respectively, as a balance as profit or loss on disposal in other operating income or costs.

Intangible assets include assets without a physical form, they are identifiable, remain under the entity's control as a result of past events and from which the Group is expected to achieve economic benefits in the future.

An intangible asset is recognised when and only when it is probable that the economic entity will achieve future economic benefits which can be assigned to a given asset and the purchase price or cost of a given asset is reliably determinable.

In the future, the economic benefits of an intangible asset can include revenues from the sale of products or services, cost savings, or other benefits arising from the use of the asset by the business unit.

The provisions of IAS 38 (Intangible Assets) and 36 (Impairment of Assets) are applied to determine the value at the time of initial recognition, and to establish depreciation and updating write-offs.

Intangible assets include:

- intangible assets resulting from own development work of the Group, provided that the following conditions are met:
 - it is possible to complete development work so that it can be used or sold,
 - there are provable premises of the intention to complete development work and use or sell it,
 - development work can be used or sold,
 - the method for development work to generate probable future economic benefits is known (existence of a market for products created through development work or for development work itself),
 - technical and financial means necessary to complete the development work and its use or sale are available,
- it is possible to reliably determine expenditure on development work.

The aforementioned criteria are applied to initial outlays and costs incurred at a later date.

- other intangible assets - copyrights and rights related to property rights, rights to inventions, patents, trademarks, utility models and licenses, know-how.

Expenditures on research and development works that do not meet the above conditions are recognised in the profit of the current period.

When introduced as an asset, intangible assets are valued at the cost of production or purchase price.

Production cost means all expenditures that can be directly subordinated to the activities of creating, producing and adapting an asset to be used in the manner intended by the management. The costs of producing intangible assets include: materials and services used or consumed in the production of an intangible asset, costs of employee benefits, justified external financing costs and other costs directly related to the preparation of an asset for use in accordance with its intended purpose.

Purchase price is the purchase price considering the import duty, non-deductible taxes included in the price, and other expenses related to the preparation of an intangible asset for use in accordance with its intended purpose. As at the balance sheet date, intangible assets are recognised at their production cost or purchase price, less any depreciation charges and any impairment. Intangible assets are depreciated using the straight-line method from 2 to 10 years for the costs of development works and other intangible assets.

Depreciation of intangible assets is recognised in the current costs of the core operations of the Group. The Group performs periodic, not later than at the end of the financial year, verification of the adopted economic useful lives of fixed assets, the residual value and the depreciation method. The consequences of changes in these estimates are considered in the next and subsequent financial years (prospectively). Goodwill is not subject to depreciation. It is tested for impairment annually. The made goodwill write-offs are charged to the financial costs of the Group and are not subject to reversal. Due to their immateriality, intangible and legal assets with a value lower than PLN 10,000 can be charged to the costs of the current period or can be redeemed once.

Impairment of fixed assets and intangible assets in addition to goodwill.

At each balance sheet date, the Group reviews the carrying amounts of its fixed assets and intangible assets in order to determine whether there are any premises indicating their impairment. This occurs when the Group is reasonably sure that a given asset will not generate the expected economic benefits in the future or will generate significantly lower benefits.

If such indications are found, the recoverable amount of a given asset is estimated in order to determine a potential write-off on this account. The recoverable amount is determined as the higher of the two values: fair value less sales costs or value in use.

If the recoverable amount is lower than the carrying amount of an asset (or a cash-generating unit), the carrying amount of that asset or unit will be reduced to its recoverable amount. Impairment is recognised immediately as an expense in the period in which it occurred, except when an asset was carried at a revalued amount (in which case the impairment is considered as a reduction of the previous revaluation).

The write-offs are made against other operating costs of the period in which impairment is stated, no later than at the end of the financial year.

If the Group with sufficient certainty concludes that the reason for which it made impairment for a fixed asset or an intangible asset has ceased to exist, it will reverse the previously made impairment, in part or in full, by recognising other operating income.

Leasing

A lease agreement under which the Group is entitled to substantially all of the risk and benefits from use is classified as financing lease. The subject of financing lease is recognised in assets as of the lease commencement date at the lower of the following two amounts: the fair value of the leased asset or the present value of the minimum lease payments.

Each lease fee is divided into an amount reducing the liability balance and the amount of financial costs so as to maintain a constant rate in relation to the outstanding part of the liability. The interest component of the lease installment is recognised in financing costs in the statements on comprehensive income over the lease period. Assets subject to depreciation acquired under financing leases are depreciated over the useful life of similar own assets, considering their residual value.

The operating leasing is leasing under which a significant part of the risks and rewards of the ownership is due to the lessor (the financing party). Lease fees paid under the operating lease, less any special promotional offers obtained from the lessor (financing party), are charged to costs using the straight-line method over the lease period.

3. Financial assets

The Group classifies its financial assets into the following categories:

- valued based on the depreciated cost,
- valued at the fair value by a financial result,
- valued at the fair value by other total incomes.

The Group currently has the following categories:

Item in the statements	Category according to IFRS 9
Shares in the affiliates	Financial assets valued at the fair value
Shares in other entities	Financial assets valued at the fair value
Trade receivables	Financial assets valued based on a depreciated cost
Other receivables	Financial assets valued based on a depreciated cost
Granted loans	Financial assets valued based on a depreciated cost
Receivables from leasing	Financial assets valued based on a depreciated cost
Bonds	Financial assets valued based on a depreciated cost
Cash	Financial assets valued based on a depreciated cost
Derivatives - forward contracts	Assets/liabilities valued based on a depreciated cost
Bank credits	Liabilities valued based on a depreciated cost
Loans	Liabilities valued based on a depreciated cost
Liabilities from leasing	Liabilities valued based on a depreciated cost
Commercial liabilities	Liabilities valued based on a depreciated cost
Other financial liabilities	Liabilities valued based on a depreciated cost

Financial assets valued at the fair value by a financial result

This category includes two subcategories:

- financial assets for the turnover. A financial asset is included in this category, if it was acquired principally for the purpose of selling in the short term or is a derivative that does not constitute a hedging instrument,
- financial assets designated upon their initial recognition as measured at fair value through profit or loss, if permitted by IAS 39.

Assets in this category are classified as current assets, if they are either held for trading or are expected to be realised within 12 months from the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with determined or determinable payments that are not listed on the active market. They occur when the Group spends cash, delivers goods or services directly to the debtor, without the intention of classifying these receivables as held for trading.

Loans and receivables are classified as current assets, provided that their maturity does not exceed 12 months from the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified as non-current assets. Loans and receivables are shown in the balance sheet under "receivable from deliveries and services and other receivables".

Investments kept to the maturity date

Investments kept to maturity are non-derivative financial assets with determined or determinable payments and fixed maturities that the Group intends and is able to kept to the maturity date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments designated as "available for sale" or not classified under any of the other categories. This category includes shares and stocks in unrelated entities.

Available-for-sale financial assets are included in non-current assets, unless the Group intends to dispose of the investment within 12 months from the balance sheet date.

Investment purchase and sale transactions are recognised as at the transaction date, i.e. the date on which the Group obliges to purchase or sell a given asset. Investments are initially recognised at fair value increased by transaction costs, except for investments classified as valued at fair value through profit or loss, which are initially recognised at fair value without transaction costs.

Investments are derecognised when the rights to receive cash flows from them have expired or these rights have been transferred, and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are initially valued at fair value. If it is not possible to determine fair value of available-for-sale financial assets, and they do not have a fixed maturity date, they will be valued at purchase price less impairment. Receivables and loans as well as held-to-maturity financial assets are valued at depreciated cost using the effective interest rate.

The valuation effects of financial assets at fair value through profit or loss are recognised in profit or loss for the period in which they occur. The valuation effects of available-for-sale financial assets are recognised in other components of comprehensive income, except for impairment and those gains and losses from exchange rate differences that occur for cash assets. Upon derecognition of an asset classified as "available-for-sale", the total profits and losses previously recognised in other comprehensive income items are recognised in profit or loss.

The fair value of investments for which an active market exists is based on their current purchase price. If there is no active market for financial assets (or if the securities are unlisted), the Group will determine the fair value using appropriate valuation techniques including recent transactions on normal market terms, comparison to other instruments that are essentially identical, analysis of discounted cash flows, option pricing models and other valuation techniques/models commonly used on the market, adjusted to the specific situation of the issuer.

At each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If such evidence exists in the case of available-for-sale financial assets, the total loss to date recognised in other components of comprehensive income - determined as the difference between the cost of acquisition and the current fair value, less any impairment previously recognised in profit or loss - will be excluded from other components of comprehensive income and is recognised in profit or loss. The reversal of impairment will be recognised, if, in subsequent periods, having recognised impairment, the fair value of financial instruments has increased as a result of events occurring after the recognition of the loss. Impairment recognised in profit or loss and relating to equity instruments are not reversed in correspondence with the financial result.

If there are indications of impairment of unlisted equity instruments valued at cost (due to the inability to reliably determine the fair value), the write-off amount will be determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the current market rate of return for similar financial assets. Such a copy is never reversed.

If there is evidence of possible impairment of loans and receivables or held-to-maturity investments valued at depreciated cost, the write-off amount will be determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate for these assets (i.e. the effective interest rate at the time of initial recognition for assets based on a fixed rate of interest and the effective interest rate at the time of the last revaluation for assets based on a variable rate of interest).

Impairment is recognised in profit or loss. The reversal of impairment will be recognised if, in subsequent periods, the impairment decreases and the decrease can be attributed to events occurring after the impairment was recognised. As a result of the write-off reversal, the carrying amount of financial assets cannot exceed the depreciated cost that would have been determined, if the impairment write-off had not been previously recognised.

The reversal of the write-off is recognised in profit or loss.

4. Current assets

Inventories

Inventories are assets intended for sale in the ordinary course of business, which are in the production process for sale and in a form of materials or raw materials consumed in the production process or in the course of providing the services. Inventories include materials, goods, finished products and production in progress. Inventories are valued at acquisition prices or production costs, however, not higher than net sales prices. The purchase price or production cost of inventories includes all purchase costs, processing costs and other costs incurred when bringing the inventories to their present location and condition.

The purchase costs of inventories consist of the purchase price, tax costs and transport, loading and unloading costs and other costs directly attributable to the acquisition of finished goods, materials and services. In determining the purchase costs, discounts, trade rebates and other similar items are deducted.

Finished products and products in progress are valued at the actual cost of production. Inventory processing costs include costs directly related to the production unit, such as direct labour and material costs. In addition, the production cost includes systematically assigned, fixed and variable indirect production costs, incurred in the processing of materials into finished products. Fixed indirect production costs are those indirect production costs that remain relatively constant regardless of the production volume, such as depreciation, building and plant maintenance costs, and production (departmental) management and administration costs. Variable indirect production costs are those indirect production costs that change directly or almost directly with a change in the volume of production, such as indirect costs of materials and labour.

The Group uses the weighted average method to determine the outgoing inventories costs.

At the end of the statements period, inventories are valued according to the prudence principle. Write-offs resulting from prudent valuation and write-offs for overdue items are included in the core operation. Until September 2012, inventories of goods, materials and finished products were covered by a revaluation write-off according to an individual assessment of the possibility of their consumption or resale and the price possible to be obtained as at the balance sheet date.

Since September 2012, the Group has applied the principle of linking the period of origin of the inventory with the agreed % of revaluation. The statistical revaluation of inventories is performed quarterly.

Receivables from deliveries and services and other receivables

Trade receivables are initially recognised at fair value and then valued at depreciation cost using the effective interest rate less impairment. As far as receivables with maturity up to 12 months are concerned, the discount effect is ignored.

Other receivables are valued at the amount due.

Write-offs of receivables are determined when there is objective evidence that the Group will not be able to receive all the amounts due under the original terms of receivables and the overdue period exceeds 150 days.

The Group creates write-offs updating the value of receivables for specific contractors after prior analysis, considering the premises as to the feasibility of the payment. The Group can also create collective write-offs for numerous but low amounts of receivables.

Decisions to write off the receivables are made by the Management Board at the request of the Credit Manager.

The write-off of receivables is presented under sales costs. Reversal of impairment results in a reduction of sales costs. The presentation of revaluation write-offs in the statements on comprehensive income is made on balance, respectively, under the sales costs of the core operations.

Cash

Cash comprises assets in the form of domestic currency and foreign currencies in hand and in bank accounts. Domestic cash is shown at the nominal value.

Exchange differences arising in connection with the valuation of cash in foreign currencies as at the balance sheet date are recognised as follows:

- positive exchange differences are included in financial revenues,
- negative exchange rate differences are included in financial costs.

Cash in bank accounts is shown together with interest, which is charged to financial revenue.

Short-term active accruals

The Group will make active accruals, if the expenses incurred relate to the periods following the period in which such expenses were incurred.

Fixed assets held for sale

The Group will classify non-current assets for sale (or a group of assets for sale) as held for sale (IFRS 5 Assets held for sale), if it decides that their carrying amount is recovered through a sale transaction and not through its further use in its business activities. This condition is considered to be met when the sale is highly probable and the asset (group of assets) is available in its present condition for immediate sale. Classification of fixed assets for sale assumes the intention of the management of the Group to complete the sale transaction within one year from the date of reclassification of fixed assets.

Extending the period needed to complete a sale transaction will not preclude an asset (or disposal group) from being classified as held for sale, if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity is determined to meet its sales plan for the asset (or a group to be sold).

There is no longer any depreciation write-offs in relation to assets held for sale.

The Group measures a non-current asset (or a group of assets held for sale) classified as held for sale at the lower of the carrying amount or fair value less sales costs.

In the statements on financial position, assets held for sale (or a group for sale) are presented as a separate item of current assets. If there are liabilities related to the disposal group that are transferred in the sale transaction together with the disposal group, these liabilities will be presented as a separate item of short-term liabilities.

As at the balance sheet date, the Group does not have any assets held for sale.

5. Capitals

The equity of the Group consists of the following:

- share capital - it is shown in the amount specified in the articles of association of the parent company and the National Court Register,
- supplementary capital - it is divided into two categories in the amount corresponding to the supplementary capital of the parent company:
 - capital from the issue of shares above their nominal value - surplus obtained during the issue, less costs incurred in connection with the issue of shares, are transferred to this capital,
 - reserve capital - created from profit write-offs for subsequent financial years in the amount and according to the principles set out in the Commercial Companies Code,
- reserve capital - created for the purposes specified by the Group,
- own shares - are the value of own shares purchased by the parent company for redemption and for resale or for other purposes related to the implementation of the Company's strategy (the value of own shares purchased reduces the Company's equity),

- exchange differences resulting from the conversion of financial statements of consolidated entities preparing financial statements in a functional currency other than that of the parent company,
- retained earnings, which include:
 - undivided profit or uncovered loss from previous years (accumulated profits/losses from previous years),
 - financial result in the financial year.

6. Liabilities and provisions for liabilities

Provisions

The Group creates provisions when there is a current, legal or constructive obligation resulting from past events, of arising of a liability that is likely to be paid. There must be a higher probability that an outflow of resources will be required to settle the liability than that will not be required and if its value can be reliably estimated.

Provisions costs, depending on their type, are recognised in the appropriate cost category.

If it is probable that some or all of the economic benefits required to settle the provisions can be recovered from a third party, the receivable will be recognised as an asset, if the probability of recovering this amount is sufficiently high and can be reliably measured.

The amount of the created provisions is verified as at the balance sheet date in order to adjust the estimates to the state of knowledge as at that date.

Reserves for employees' benefits

The employees of the Company acquire the right to payment of certain benefits having acquired certain rights to these benefits. Provisions for retirement and disability benefits are estimated at the level of 1-month severance pay. Retirement and disability benefits are estimated by an independent actuary or the Company's employees at the request of the Company.

In addition, the Company creates a provision for outstanding holiday leaves, the value of which is estimated based on the principles of determining the equivalent for unused holiday leaves.

Provisions for employee benefits are charged to the costs of core operations.

The Company also estimates the provision for the annual bonus of the Management Board and quarterly bonuses for some employees covered by the Management by Objectives Program. The bonus of the Management Board discretionary, depending on the decision of the Supervisory Board. Is is paid after the the Company's annual statements have been approved. The payment of the quarterly bonus for employees depends on the achievement of the Company's goals and individual goals. The provision for the Management Board bonus and quarterly employee bonuses is recognised in core operations costs.

Bank credits

Bank credits are recognised at the fair value of the funds obtained, less the costs directly related to their obtaining. In subsequent periods, bank credits are valued at the depreciated purchase price using the effective interest rate. Insignificant discount amounts are not included in the books and in the financial statements.

The Group companies consider long-term credits as the ones the maturity date of which is later than 12 months from the balance sheet date.

Short-term liabilities

Short-term liabilities include liabilities with maturity dates from the balance sheet date shorter than 12 months. Liabilities from deliveries and services are shown in the balance sheet, regardless of their maturity date, as short-term liabilities.

Short-term liabilities include in particular: liabilities for deliveries and services, credits and borrowings taken, salaries, taxes, customs, insurance and other benefits.

Financial liabilities, including trade liabilities, are initially recognised at fair value, and then they are valued at depreciated cost using the effective interest rate method. In the case of liabilities with maturities of up to 12 months, the discount effect is ignored.

Any late payment interest is recognised upon receipt of notes from suppliers.

Other liabilities are recognised at the amount due.

Special funds include the Company Social Benefit Fund.

This item is presented per balance in relation to loans granted from this fund and cash on the account of the CSBF.

Revenues of future periods

Revenues of future periods include accrued but not received benefits revenues, which are recognised as revenues on a cash basis.

7. Recognition of revenues

Sales revenues are recognised at the fair value of the payment received or receivable, less any expected discounts, customer returns and similar decreases, including VAT and other sales-related taxes.

Revenues from the sale of products, goods and materials are recognised when all following conditions are met:

- transferring to the buyer the significant risks and benefits resulting from the ownership of goods/products/materials,
- assigning managerial functions to a degree generally related to the ownership right and effective control over the sold positions,
- the possibility of a reliable valuation of the amount of revenues,
- the probability that the entity will obtain economic benefits related to the transaction,
- the possibility of a reliable valuation of costs incurred or expected in connection with the transaction.

In the case of sales with suspended delivery in the Group, revenues are recognised when the buyer takes over the title, provided that the following assumptions are met;

- a. there is a probability of delivery,
- b. the goods are available, separated and prepared for delivery to the buyer upon recognition of the sale,
- c. the buyer expressly acknowledges delayed delivery instructions and
- d. normal payment terms apply.

Dividend revenues are recognised when the right to receive payment is established.

Interest revenues are recognised on an accrual basis using the effective interest rate, if its recovery is not doubtful.

Revenues with many elements

The Company analyses the concluded agreements in the scope of separating contractual elements. Under certain circumstances, it is necessary to apply the recognition criteria to the separable elements of a single transaction, which reflects the essence of this transaction.

8. Consolidation principles

Subsidiaries and non-controlling interests

Subsidiaries are all entities in relation to which ELZAB S.A. is able to govern their financial and operational policies, which is usually associated with having a majority of the total number of votes in governing bodies. When assessing whether ELZAB S.A. controls a given entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered.

The financial results of the subsidiaries acquired or sold during the year are recognised in the consolidated financial statements from/to the time of their effective acquisition or disposal.

If appropriate, in the financial statements of the subsidiaries, adjustments are made to unify the accounting principles applied by a given entity with the principles applied by other entities of the Group.

All transactions, balances, revenues and costs between the affiliates covered by consolidation are subject to consolidation exclusions.

Non-controlling interests are presented separately from the Group's equity. Non-controlling interests can be initially valued either at the fair value or in proportion to the fair value share of the net assets acquired. The choice of one of the aforementioned methods is available for each business combination. In subsequent periods, the value of non-controlling interests includes the value initially recognised adjusted by changes in the value of the entity's equity in proportion to the shares held. Comprehensive income will be allocated to non-controlling interests, even if it causes a negative value of these interests.

Changes in the share in a subsidiary that do not result in a loss of control are recognised as equity transactions. The book values of the Group's share as well as the non-controlling interest are appropriately modified to reflect changes in the share structure. The difference between the value by which the value of minority shares is modified and the fair value of the payment received or transferred is recognised directly in the Group's equity.

If control over a subsidiary has been lost, the profit or loss on disposal will be determined as the difference between: (i) the total fair value of the consideration received and the fair value of the entity's shares remaining in the Group, and (ii) the carrying amount of the assets (including goodwill), liabilities and minority interests. The amounts recognised in relation to the sold entity, in other components of total income, are reclassified to the statements on comprehensive income. The fair value of shares in the entity remaining in the Group after the sale is considered the initial fair value for the purpose of their subsequent recognition in accordance with IAS 39, or the initial cost of shares in associates or joint ventures.

Goodwill arising on the acquisition results from the occurrence, as at the acquisition date, of a surplus in the sum of the payment transferred, the value of non-controlling interests and the fair value of previously held shares in the acquired entity over the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the entity recognised as at the acquisition date.

In the event of a negative value, the Group reviews the determination of the fair values of the individual components of the net assets acquired. If, as a result of the review, the value is still negative, it will be immediately included in the financial result.

Goodwill is initially recognised as an asset at cost, and then valued at cost less any accumulated impairment.

For the purpose of testing for impairment, goodwill is allocated to the individual Group's cash-generating units that should benefit from the synergies resulting from the merger. Units generating cash flows, to which goodwill is allocated, will be tested for impairment once a year or more frequently, if it can be reasonably assumed that the impairment occurred. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss will be allocated first to reduce the carrying amount of the goodwill allocated to that unit, and then to the remaining assets of that unit in proportion to the carrying amounts of the individual assets of that unit. The impairment recognised for goodwill is not reversed in the next period.

Upon disposal of a subsidiary or a jointly controlled entity, its goodwill falling is considered when calculating the profit/loss on disposal.

Shares in the subsidiaries in the separate financial statements

Due to the fact that there is no active market for entities the shares of which are held by ELZAB S.A., investments

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in subsidiaries and associates are valued at acquisition cost less impairment. It is assessed at each balance sheet date whether there is any objective evidence that the investment is impaired by comparing the net assets or part of the net assets of the entities with the value of the shares or stocks held.

The impairment on investments is charged to financial costs. If the reason for which the impairment was made has ceased to exist, the equivalent of all or a relevant part of the previously made impairment will increase the value of the investment and is recognised as financial income.

Subsidiaries are subject to full consolidation from the date of taking control over them by ELZAB S.A. They cease to be consolidated on the day the control ceases.

The Company can decide not to consolidate a given subsidiary. This decision must be made considering the criteria set out in IAS 27 and SIC 12 regarding control in terms of the ability to govern the financial and operating policies of the entity and other conditions determining the ability to direct the entity's decision-making process in order to benefit.

An associate is consolidated using the equity method. In the separate balance sheet, it is presented in non-current assets in the line - "Long-term financial assets", and in the consolidated balance sheet, in non-current assets in the line "Shares in subsidiaries measured using the equity method".

9. Foreign currency transactions and measurement of items denominated in foreign currencies

Functional and presentation currency

Items included in the Group's financial statements are valued in the currency of the primary economic environment in which the Group's companies operate (in the functional currency). Business operations are recognised in Polish zloty (PLN), and in EURO in the case of ELZAB HELLAS S.A., which are the functional currency. PLN is the presentation currency. Items in the financial statements are rounded to the nearest whole thousand PLN. The cases of including data with greater accuracy can occur.

Transactions and balances

Transactions denominated in foreign currencies are converted as of the initial recognition into the functional currency at the average exchange rate announced by the bank on the last business day preceding the transaction day.

As at the balance sheet date, cash items expressed in foreign currencies are converted using the closing rate (i.e. the average bank rate applicable on the valuation date).

Assets and liabilities valued at the fair value and denominated in foreign currencies are valued at the exchange rate applicable on the date of determining the fair value. Non-cash items are valued at historical cost. Foreign exchange gains and losses arising from the settlement of transactions in a foreign currency and the balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognised in the statements on comprehensive income.

During consolidation, the assets and liabilities of entities located abroad are converted into the Polish currency at the average exchange rate of the National Bank of Poland as at the balance sheet date. Income and costs are converted using the average exchange rate from the average NBP exchange rates as of the last day of each month of the statements period.

Equity is converted at the rate on the day of capital acquisition.

In order to convert the items of the statements on cash flows, the Group uses the average exchange rate announced by the National Bank of Poland at the end of the statements period, including the items of changes in inventories, receivables, provisions and liabilities, respectively, using the average exchange rate announced by the National Bank of Poland at the end of the current statements period and at the end of the comparable reporting period. The items resulting from the statements on comprehensive income, such as interest and other financial expenses, are converted at the average exchange rate announced by the National Bank of Poland on the last day of each month in

a given statements period.

10. Principles of the preparation the statements on comprehensive incomes

ELZAB S.A. prepares consolidated statements on comprehensive income in a multiple-step variant, in a single-element system, which covers all components of the total income.

Continued and discontinued operations are separated in the statements on comprehensive income.

Net financial result consists of:

- sales result
- result of other operations,
- result of financial operations,
- mandatory charging the financial result due to corporate income tax,
- deferred income tax.

The production cost of sold products is adjusted accordingly by the result of updating inventories of finished goods. The value of sold goods and materials considers the result of updating the inventory of goods and materials.

The result of updating receivables corrects sales costs.

The statements on comprehensive income presents the results:

- in other operating activities, profit or loss on the sale of non-financial fixed assets,
- in financial operations:
 - profit or loss on disposal of investments in financial income or costs, respectively,
 - surplus of positive exchange rate differences over negative differences in other financial revenues,
 - surplus of negative exchange rate differences over positive ones in other financial costs.

11. Principles of the preparation the statements on cash flows

The Company prepares consolidated statements on cash flows using the indirect method.

The following division of operations is used in the cash flow statement:

- Operations including the sale of products, goods, materials and services. It includes all activities aiming at making a profit. The value of net cash flows from operations is obtained by adjusting the financial result for items that did not generate cash flow but were recognised in the result and for cash titles related to activities other than operations.
- Investment operations include:
 - cash spent on the acquisition of tangible fixed assets and intangible assets,
 - cash inflows from the sale of property, plant and equipment and intangible assets,
 - cash spent on the acquisition of shares, stocks and bonds as well as securities,
 - cash inflows from the sale or redemption of foreign shares, stocks and bonds,
 - expenditures from granted loans,
 - repayment of granted loans with interests,
 - inflows from dividends obtained on shares and interests held and interest on cash from long-term investments,
- Financial operations include the following:
 - cash inflows from bank loans taken out,
 - credit repayment as well as servicing (interest),
 - inflows of cash from the issue of own shares,
 - expenditures for the payment of dividends to shareholders.

12. Current income tax and deferred tax

Current income tax is calculated on the basis of the tax result (tax base) for a given financial year.

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The tax result is determined on the basis of the balance sheet result, excluding taxable income and tax deductible costs in years other than the financial year, as well as such income that will never be taxable and such costs that will never be tax deductible.

Current tax charge is calculated based on the tax rates applicable in a given financial year.

For tax purposes, exchange rate differences are calculated according to the principles set out in Article 15a of the Corporate Income Tax Act.

Realised positive exchange differences are tax income and realised negative exchange differences are tax cost, depending on the change in the foreign currency exchange rate.

Deferred income tax is determined in connection with temporary differences between the stated value of assets and liabilities and their tax value.

Deferred income tax in the profit and loss account and in the statements on comprehensive income results from the change in assets and provisions for income tax:

- **deferred income tax assets** are specified in the amount of expected future income tax deduction in respect of deductible temporary differences which result in the future reduction of the tax base and tax loss deduction, determined considering the precautionary principle. Deferred tax assets will be recognised, if it is probable that taxable profit will be generated in the future that will allow the use of the temporary differences.
- **deferred income tax reserve** is created in the amount of the income tax that will be paid in the future, in connection with the occurrence of positive temporary differences, which will increase the tax base in the future. Positive temporary differences occur when the book value of assets is higher than their tax value and the book value of liabilities is lower than their tax value.

Deferred tax assets and liabilities are disclosed in the statements on financial position on balance. Deferred tax assets and liabilities are verified at the end of each quarter of the financial year.

The amount of deferred tax assets and liabilities is determined according to the rates applicable in the year in which the tax obligation arises.

Compensation of assets with deferred income tax liabilities is made in the statements on financial position at the level of individual statements of subsidiaries.

k) Indication of the average PLN exchange rates in the periods covered by the consolidated financial statements and comparable consolidated financial data, in relation to Euro, determined by the National Bank of Poland, in particular:

- foreign exchange rate on the last day of each period,***
- the average rate in the period, calculated as the arithmetic mean of the rates applicable on the last day of each month in the period, and in justified cases - calculated as the arithmetic mean of the rates applicable on the last day of the period and the last day of the preceding period,***
- the highest and the lowest exchange rate valid in each period,***

The following EURO exchange rates were adopted for the conversion of selected financial data in 2020:

- for the conversion of assets and liabilities as at December 31, 2020 as well as cash flows for 2020, the average EUR exchange rate announced by the National Bank of Poland for December 31, 2020 - 4.6148

- for the conversion of the items in the profit and loss account in 2020, the arithmetic mean of the average EUR exchange rates announced by the National Bank of Poland on the last day of each month from January to December 2020 - 4.4742

The highest rate used to calculate the average rate in 2020 was 4.6188 (October 30, 2020), while the lowest was - 4.3010 (January 31, 2020).

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The following EURO exchange rates were adopted for the conversion of selected financial data in 2019:

- for the conversion of assets and liabilities as at December 31, 2019 as well as cash flows for 2019, the average EUR exchange rate announced by the National Bank of Poland for December 31, 2019 - 4.2585
- for the conversion of the items in the profit and loss account in 2019, the arithmetic mean of the average EUR exchange rates announced by the National Bank of Poland on the last day of each month from January to December 2019 - 4.3018

The highest rate used to calculate the average rate in 2019 was 4.3844 (August 30, 2019), while the lowest was - 4.2520 (June 28, 2019).

CONVERSION OF THE FINANCIAL STATEMENTS OF ELZAB HELLAS SA - Greece

For the conversion of the financial statements of ELZAB HELLAS S.A., expressed in EUR, the following EUR exchange rates were adopted to be converted into PLN:

- for the conversion of assets and liabilities, the average EUR exchange rate announced by the National Bank of Poland for December 31, 2020 - 4.6148, 4.2520 (January 31, 2020).
- for the conversion of cash flow, the average EUR exchange rate announced by the National Bank of Poland for December 31, 2020 - 4.6148, including items resulting from the income statement: interest and other financial expenses at the average exchange rate announced by the National Bank of Poland on the last day of each month in the period from January until December 2020 - 4.4742
- for the conversion of the profit and loss account items for the period from January 1, 2020 to December 12, 2020, the arithmetic mean of average EUR exchange rates announced by the National Bank of Poland on the last day of each month in the period from January to December 2020 - 4.4742

The highest rate used to calculate the average rate in 2020 was 4.6188 (October 30, 2020), while the lowest was - 4.3010 (January 31, 2020).

D) Basic line items of the financial statements and comparable financial data converted into EURO

SELECTED FINANCIAL DATA OF THE ELZAB GROUP	in thousand PLN		in thousand EUR	
	2020	2019	2020	2019
Net revenues from sale of products, goods and materials	119,653	125,183	26,743	29,100
Profit (loss) from operating activities	7,280	8,972	1,627	2,086
Gross profit (loss)	145	1,110	32	258
Net profit (loss) attributable to the shareholders of the parent entity	-678	-218	-152	-51
Net cash flow from operating activities	19,306	4,285	4,183	1,006
Net cash flows from investment activities	-4,682	-4,720	-1,015	-1,108
Net cash flows from financial activities	-19,499	5,889	-4,225	1,383
Total net cash flows	-4,875	5,454	-1,056	1,281
Annualized profit (loss) per ordinary share (in PLN/EUR)	-0.04	-0.01	-0.01	0.00
Annualized profit (loss) per ordinary share (in PLN/EUR) excluding own shares	-0.04	-0.01	-0.01	0.00

SELECTED FINANCIAL DATA OF THE ELZAB GROUP	in thousand PLN		in thousand EUR	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Total assets	183,019	195,622	39,659	45,937
Long-term liabilities and provisions	17,197	20,829	3,726	4,891
Short-term liabilities and provisions	84,585	92,269	18,329	21,667
Equity	81,237	82,524	17,604	19,379
Share capital	22,143	22,143	4,798	5,200
Total number of shares	16,137,050	16,137,050	16,137,050	16,137,050
Number of shares adjusted for own shares	15,731,388	15,731,388	15,731,388	15,731,388
Book value per one share (in PLN/EUR)	5.03	5.11	1.09	1.20
Book value per one share (in PLN/EUR) excluding own shares	5.16	5.25	1.12	1.23

STATEMENTS ON THE FINANCIAL SITUATION

ELZAB GROUP

(in thousand PLN)

ASSETS	Note number	As at 31.12.2020	As at 31.12.2019
A. Fixed assets		88 192	96 012
1. Tangible fixed assets	Note no. 1	25 046	24 739
2. Investment properties	Note no. 1a	0	0
3. Goodwill	Note no. 2	0	0
4. Intangible assets	Note no. 2a	19 058	19 716
5. Shares in subsidiaries valued using the equity method	Note no. 3	43 867	50 082
6. Shares in other entities	Note no. 3	84	206
7. Long-term financial assets	Note no. 3a	0	720
8. Deferred income tax assets	Note no. 4	64	467
9. Long-term receivables and accruals	Note no. 5, 3a	73	82
B. Current assets		94 827	99 610
1. Inventories	Note no. 6	36 849	32 227
2. Short-term receivables and accruals	Note no. 5, 3a	51 894	56 601
3. Receivables from financial leasing		0	0
4. Receivables from income tax		161	0
5. Short-term financial assets	Note no. 3a	1 968	1 952
6. Cash and cash equivalents	Note no. 7, 3a	3 955	8 830
C. Fixed assets classified as intended for sale	Note no. 8	0	0
Total assets		183 019	195 622

LIABILITIES	Note number	As at 31.12.2020	As at 31.12.2019
A. Equity		81 237	82 524
1. Basic capital	Note no. 9	22 143	22 143
2. Surplus from the sale of shares above their nominal value		11 211	11 211
3. Own shares	Note no. 10	-1 997	-1 997
4. Other reserve capital - own shares		3 315	3 315
5. Reserve capital and spare capital	Note no. 11	59 041	55 141
6. Exchange differences arising on the translation of the subsidiaries		-386	17
7. Profit/loss from previous years and the current year, including:		-10 063	-5 485
7.1. Accumulated profits/losses from previous years		-9 385	-5 267
7.2. Profit/loss of the current year		-678	-218
8. Capitals for non-controlling shares	Note no. 12	-2 027	-1 821
B. Long-term liabilities		17 197	20 829
1. Provisions	Note no. 13	394	453
2. Deferred income tax provisions	Note no. 4	0	0
3. Long-term bank credits and loans	Note no. 14	14 414	18 528
4. Other long-term financial liabilities (leasing)	Note no. 14a	2 131	1 528
5. Long-term financial liabilities		0	0
6. Long-term liabilities and accruals	Note no. 15	258	320
C. Short-term liabilities		84 585	92 269
1. Provisions	Note no. 13	4 402	5 991
2. Short-term bank credits and loans	Note no. 14	57 512	69 350
3. Other short-term financial liabilities (leasing)	Note no. 14a	1 525	1 651
4. Short-term financial liabilities		0	3
5. Short-term liabilities and accruals	Note no. 15	21 146	14 492
6. Liabilities from income tax		0	782
Total equities and liabilities		183 019	195 622

STATEMENT ON TOTAL INCOMES

ELZAB GROUP

BY FUNCTION OF EXPENSE	Note number	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
A. Revenues from sale of products, goods and materials	Note no. 16	119 653	125 183
B. Costs of sold products, goods and materials	Note no. 17	90 830	90 012
C. Gross profit/loss from sales (A-B)		28 823	35 171
D. Sale costs	Note no. 17	8 613	11 898
E. General management board costs	Note no. 17	14 756	14 910
F. Net profit/loss from sales (C-D-E)		5 454	8 363
G. Other revenues	Note no. 18	2 422	1 044
H. Other costs	Note no. 18	596	435
I. Profit/loss from operating activities (F+G-H)		7 280	8 972
J. Financial revenues	Note no. 19	2 117	918
K. Financial costs	Note no. 19	3 037	7 403
L. Share in profits/losses of the affiliates		-6 215	-1 377
M. Gross profit/loss (I+J-K+L)		145	1 110
N. Income tax	Note no. 20	1 029	1 668
O. Net profit/loss from operating activities (M-N)		-884	-558
P. Profit/loss from discontinued operations	Note no. 21	0	0
R. Net profit/loss (O+P)		-884	-558
Attributable for:			
Shareholders of the parent company		-678	-218
Profit/loss attributable to non-controlling shares		-206	-340
S. Other total income		-389	47
Other total incomes		14	0
Exchange differences arising on the translation of the subsidiaries		-403	47
T. Total income (R+S)		-1 273	-511
Total income		-1 273	-511
Attributable to:			
Shareholders of the parent company		-1 067	-171
Non-controlling shares		-206	-340

	Note number	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Profit per share:			
- net profit/loss of parent company shareholders		-678	-218
- number of all shares		16 137 050	16 137 050
- number of shares without own shares		15 731 388	15 731 388
- basic from the financial result of continuing operations (to all shares)	Note no. 21	-0,04	-0,01
- basic from the financial result of continuing operations (up to the number of shares adjusted for own shares)		-0,04	-0,01
- basic from the financial result of discontinued operations		0	0

STATEMENT OF CASH FLOWS

ELZAB GROUP

(in thousand PLN)

INDIRECT METHOD	For the period from 01.01 to	For the period from 01.01 to 31.12.2019
Cash flows from operating activities		
Net profit/loss	-678	-218
Adjustments for items:	19 984	4 503
Share in net profits/losses of the affiliates and joint ventures settled using the ownership method	6 215	1 377
Non-controlling shares	-206	-340
Depreciation of fixed assets	3 363	3 634
Depreciation of intangible assets	3 467	2 694
Goodwill impairment	0	0
Profits/losses from foreign exchange differences	-211	43
Costs and revenues from interests	2 258	3 216
Revenues from dividends	0	0
Profit/loss from investment activity	385	-768
Change in provisions status	-1 649	2 466
Change in inventories status	-4 622	-1 063
Change in status of receivables and active accruals	4 709	-3 261
Change in status of receivables and passive accruals	6 813	-3 930
Tax disclosed in the statements of total income	1 029	1 668
Paid/returned income tax	-1 567	-1 233
Other adjustments	0	0
Net cash flows from operating activities	19 306	4 285
Cash flows from investment activities		
Inflows from sale of fixed assets and intangible assets	86	613
Net inflows from sale of affiliates, subsidiaries and other units	0	1
Inflows from sale of short-term financial assets	0	0
Inflows from interests	0	9
Inflows from dividends	0	0
Repayment of granted loans	805	0
Expenditures for the acquisition of property, plant and equipment and intangible	5 573	5 143
Net expenditures for the acquisition of subsidiaries and associates	0	200
Expenditures for the acquisition of short-term financial assets	0	0
Granted loans	0	0
Other	0	0
Net cash flows from investment activities	-4 682	-4 720
Cash flow from financial activities		
Inflows from credits and loans	15 440	22 455
Net inflows from the issue of shares, bonds, bills of exchange, vouchers	0	0
Other inflows - funding for remunerations	1 588	0
Repayment of credits and loans	32 088	12 879
Payment of liabilities in respect of finance leasing agreements	1 783	928
Dividends paid to shareholders of the Company	0	0
Dividends paid to non-controlling shareholders	0	0
Debt securities repurchase	0	0
Paid interests	2 656	2 759
Other	0	0
Net cash flow from financial activities	-19 499	5 889
Increase/decrease in cash and cash equivalents	-4 875	5 454
Cash and cash equivalents at the beginning of the period	8 830	9 674
Profits/losses from foreign exchange differences on valuation of cash, cash equivalents	0	0
Cash and cash equivalents at the end of the period	3 955	8 830
Amount of unused credit limit in a bank account	11 538	217

CONSOLIDATED STATEMENTS ON CHANGES IN THE EQUITY

ELZAB GROUP

(in thousand PLN)

	Share capital	Surplus from the sale of shares above their nominal value	Own shares	Other reserve capital - own shares	Supplementary capital created from profits	Reserve capital from revaluation of assets	Exchange differences arising on the translation of the subsidiaries	Profit/loss from previous years and the current year, including:	profit/loss from previous years	net profit/loss from current year	Total	Capitals for non-controlling shares	Total equities of the Group
Balance as at January 1, 2020	22 143	11 211	-1 997	3 315	54 527	614	17	-5 485	-5 485	0	84 345	-1 821	82 524
Changes in the accounting principles	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance as at January 1, 2020 after adjustments (after conversion)	22 143	11 211	-1 997	3 315	54 527	614	17	-5 485	-5 485	0	84 345	-1 821	82 524
Total income	0	0	0	0	3 886	14	-403	-4 578	-3 908	-678	-1 081	-206	-1 287
Adjustment from liquidation of fixed assets	0	0	0	0	0	14	0	-14	-14	0	0	0	0
Settlement of the financial result for the previous financial year	0	0	0	0	3 886	0	0	-3 886	-3 886	0	0	0	0
Exchange differences arising on the translation of the subsidiaries	0	0	0	0	0	0	-403	0	0	0	-403	0	-403
Profit/loss from the financial year	0	0	0	0	0	0	0	-678	0	-678	-678	-206	-884
Other changes in equity capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance as at December 31, 2020	22 143	11 211	-1 997	3 315	58 413	628	-386	-10 063	-9 385	-678	83 264	-2 027	81 237

	Share capital	Surplus from the sale of shares above their nominal value	Own shares	Other reserve capital - own shares	Supplementary capital created from profits	Reserve capital from revaluation of assets	Exchange differences arising on the translation of the subsidiaries	Profit/loss from previous years and the current year, including:	profit/loss from previous years	net profit/loss from current year	Total	Capitals for non-controlling shares	Total equities of the Group
Balance as at January 1, 2019	22 143	11 211	-1 997	3 315	57 103	612	-30	-7 841	-7 841	0	84 516	-1 070	83 446
Changes in the accounting principles	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance as at January 1, 2019 after adjustments (after transformation)	22 143	11 211	-1 997	3 315	57 103	612	-30	-7 841	-7 841	0	84 516	-1 070	83 446
Total income	0	0	0	0	0	2	47	-220	-2	-218	-171	-340	-511
Adjustment from liquidation of fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Exchange differences arising on the translation of the subsidiaries	0	0	0	0	0	0	47	-2	-2	0	47	0	47
Profit/loss from the financial year	0	0	0	0	0	0	0	-218	0	-218	-218	-340	-558
Other changes in equity capital	0	0	0	0	-2 576	0	0	2 576	2 576	0	0	0	-411
sale of affiliated company	0	0	0	0	-2 576	0	0	2 576	2 576	0	0	0	-411
Balance as at December 31, 2019	22 143	11 211	-1 997	3 315	54 527	614	17	-5 485	-5 267	-218	84 345	-1 021	82 524

NOTE NO. 1

TANGIBLE FIXED ASSETS (thous. PLN)

TANGIBLE FIXED ASSETS	As at 31.12.2020	As at 31.12.2019
Fixed assets	23 802	23 914
Fixed assets in progress	1 244	825
Tangible fixed assets, total	25 046	24 739

Liabilities for the purchase of fixed assets as at December 31, 2020 amount to PLN 159 thousand.
There were claims for property, plant and equipment in the amount of PLN 24 thousand.
In 2020, external financing costs were not included in the gross value of property, plant and equipment.

For the period from 01.01 to 31.12.2020

	Lands	Buildings	Means of transport	Machines and devices	Other	Total
Gross value at the beginning of the period	0	25 105	1 331	18 172	10 388	54 996
Increases	0	1 102	1 004	1 027	164	3 297
- acquisition, modernization	0	314	89	293	66	762
- accepted under the lease agreement	0	0	907	40	0	947
- improvement	0	0	0	0	0	0
- transfers to other items of assets	0	0	8	169	98	275
- other	0	788	0	525	0	1 313
Decrease	0	55	209	87	81	432
- liquidation	0	0	0	30	76	106
- sale	0	0	141	57	5	203
- derecognition of depreciated fixed assets	0	0	0	0	0	0
- termination of the financial lease agreement	0	55	68	0	0	123
- transfers to other items of assets	0	0	0	0	0	0
- other	0	0	0	0	0	0
Assigned to discontinued operations	0	0	0	0	0	0
Gross value at the end of the period	0	26 152	2 126	19 112	10 471	57 861
Depreciation value at the beginning of the period	0	11 584	596	10 232	8 670	31 082
depreciation for the period	0	986	380	1 377	620	3 363
decreases	0	37	187	81	81	386
- sale	0	0	130	52	4	186
- liquidation	0	0	0	29	76	105
- termination of lease agreements	0	37	56	0	0	93
- other	0	0	1	0	1	2
Internal displacement (+/-)	0	0	0	0	0	0
Depreciation value at the end of the period	0	12 533	789	11 528	9 209	34 059
Updating write-off from the loss of value at the beginning of the period	0	0	0	0	0	0
Recognition of an impairment loss in the period	0	0	0	0	0	0
Reversal of an impairment loss during the period	0	0	0	0	0	0
Value recognizing depreciation and write-off from impairment at the end of the period	0	12 533	789	11 528	9 209	34 059
Net value at the end of the period	0	13 619	1 337	7 584	1 262	23 802

For the period from 01.01 to 31.12.2019

	Lands	Buildings	Means of transport	Machines and devices	Other	Total
Gross value at the beginning of the period	0	23 541	1 286	17 378	10 313	52 518
Increases	0	1 847	338	1 392	552	4 129
- acquisition, modernization	0	241	56	103	148	548
- accepted under the lease agreement	0	1 558	258	789	0	2 605
- improvement	0	0	0	0	0	0
- transfers to other items of assets	0	0	24	500	404	928
- other	0	48	0	0	0	48
Decrease	0	283	293	598	477	1 651
- liquidation	0	0	1	498	388	887
- sale	0	0	0	47	43	90
- derecognition of depreciated fixed assets	0	0	0	0	0	0
- termination of the financial lease agreement	0	0	292	0	0	292
- transfers to other items of assets	0	0	0	0	0	0
- other	0	283	0	53	46	382
Gross value at the end of the period	0	25 105	1 331	18 172	10 388	54 996
Depreciation value at the beginning of the period	0	10 595	467	9 217	8 373	28 652
depreciation for the period	0	1 034	354	1 491	755	3 634
decreases	0	45	225	476	458	1 204
- sale	0	0	0	36	43	79
- liquidation	0	0	1	498	381	880
- termination of lease agreements	0	0	224	0	0	224
- other	0	45	0	-58	34	21
Internal displacement (+/-)	0	0	0	0	0	0
Depreciation value at the end of the period	0	11 584	596	10 232	8 670	31 082
Updating write-off from the loss of value at the beginning of the period	0	0	0	0	0	0
Recognition of an impairment loss in the period	0	0	0	0	0	0
Reversal of an impairment loss during the period	0	0	0	0	0	0
Value recognizing depreciation and write-off from impairment at the end of the period	0	11 584	596	10 232	8 670	31 082
Net value at the end of the period	0	13 521	735	7 940	1 718	23 914

FIXED ASSETS RECOGNISED OFF-BALANCE SHEET (thous. PLN)
not applicable.

As at December 31, 2020 there are the following collaterals on tangible fixed assets of ELZAB S.A.:

a) collateral for ING BANK SŁĄSKI loans - contractual mortgage MR GL12/00010341/8 with assignment of rights under the insurance policy up to the amount of PLN 69,150 thousand;

b) registered pledge on the PK1225 STRIPPIT INC punching machine for the benefit of ING BANK SŁĄSKI - loan collateral - up to the amount of PLN 69,150 thousand;

ELZAB S.A. leases space for offices in Warsaw, Suchy Las and Wrocław. There is no information about the value of the leased space.

The off-balance sheet records include land in perpetual usufruct in the amount of PLN 0 thousand.

NOTE NO. 2

GOODWILL (tys. zł)

GOODWILL OF THE SUBSIDIARIES	As at 31.12.2020	As at 31.12.2019
a) goodwill - subsidiaries	0	0
Goodwill of the subsidiaries, total	0	0

CHANGE IN GOODWILL OF THE SUBSIDIARIES	As at 31.12.2020	As at 31.12.2019
a) gross goodwill at the beginning of the period	0	55
b) gross goodwill at the end of the period	0	55
c) goodwill write-off at the beginning of the period	0	0
d) sale of shares	0	-55
e) goodwill write-off at the end of the period	0	-55
f) inclusion in consolidation	0	0
g) net goodwill at the end of the period	0	0

As at December 31, 2020, there was no goodwill from the consolidation of the subsidiaries. In December 2019, the shares held by the ELZAB Group in ELZAB SOFT Sp. z o.o. was disposed of.

There was no need to conduct a test for impairment of goodwill.

NOTE NO. 2a

INTANGIBLE ASSETS (EXCLUDING GOODWILL) (thous. PLN)

INTANGIBLE ASSETS	As at 31.12.2020	As at 31.12.2019
Internally generated intangible assets	8 302	10 091
Development work in progress, expenditure on intangible assets in progress	7 540	5 780
Other intangible assets	2 854	3 483
Intangible assets, total	18 696	19 354

As at December 31, 2020, there were no liabilities regarding the purchase of intangible assets.

INTANGIBLE ASSETS - GOODWILL	As at 31.12.2020	As at 31.12.2019
The goodwill was created as a result of the merger of ELZAB S.A. and MEDESA Sp.	362	362
Intangible assets - goodwill, total	362	362

As at the balance sheet date, the company performed a test for impairment of goodwill in accordance with the guidelines of IAS 36. The test was performed based on the estimated future cash flows and the discount of the value to the present value. The main assumptions of the test indicated the annual increase in revenues generated by the sale of scales.

A weighted average cost of capital of 5.10% was used for the calculations.

In view of the performed test, the Management Board of the Company did not find premises for recognizing impairment of this asset in the books.

	For the period from 01.01 to 31.12.2020				Total
	Internally generated		Other intangible assets		
	Development work in progress	Other	Development work in progress	Other	
Gross value at the beginning of the period	27 842	0	0	9 014	36 856
Increases	840	0	0	206	1 046
- acquisition	0	0	0	124	124
- development work on its own	840	0	0	82	922
- acquisition as part of mergers of business units	0	0	0	0	0
- transfers from other items of assets	0	0	0	0	0
- other	0	0	0	0	0
Decrease	0	0	0	0	0
- withdrawal from use	0	0	0	0	0
- liquidation	0	0	0	0	0
- sale	0	0	0	0	0
- from revaluation of value	0	0	0	0	0
- other	0	0	0	0	0
Internal displacement (+/-)	0	0	0	0	0
Adjustment for net exchange differences due to translation	0	0	0	0	0
Gross value at the end of the period	28 682	0	0	9 220	37 902
Depreciation value at the beginning of the period	17 751	0	0	5 531	23 282
depreciation for the period	2 629	0	0	838	3 467
other increases	0	0	0	0	0
decreases	0	0	0	3	3
Internal displacement (+/-)	0	0	0	0	0
Depreciation value at the end of the period	20 380	0	0	6 366	26 746
Updating write-off from the loss of value at the beginning of the period	0	0	0	0	0
Recognition of an impairment loss in the period	0	0	0	0	0
Reversal of an impairment loss during the period	0	0	0	0	0
Value recognizing depreciation and write-off from impairment at the end of the period	20 380	0	0	6 366	26 746
Net value at the end of the period	8 302	0	0	2 854	11 156

Depreciation of intangible assets charged: production costs PLN 2,954 thousand, selling costs PLN 196 thousand, general and administrative costs PLN 317 thousand.

	For the period from 01.01 to 31.12.2019				Total
	Internally generated		Other intangible assets		
	Development work in progress	Other	Development work in progress	Other	
Gross value at the beginning of the period	18 567	0	0	8 371	26 938
Increases	9 280	0	0	622	9 902
- acquisition	0	0	0	85	85
- development work on its own	9 280	0	0	538	9 818
- acquisition as part of mergers of business units	0	0	0	0	0
- transfers from other items of assets	0	0	0	0	0
- from revaluation of value	0	0	0	149	149
- other	0	0	0	0	0
Decrease	5	0	0	23	28
- withdrawal from use	0	0	0	0	0
- liquidation	0	0	0	0	0
- sale	0	0	0	0	0
- from revaluation of value	0	0	0	0	0
- other	5	0	0	23	28
Internal displacement (+/-)	0	0	0	44	44
Adjustment for net exchange differences due to translation	0	0	0	0	0
Gross value at the end of the period	27 842	0	0	9 014	36 856
Depreciation value at the beginning of the period	15 661	0	0	4 218	20 879
depreciation for the period	2 095	0	0	599	2 694
other increases	0	0	0	0	0
decreases	5	0	0	7	12
Internal displacement (+/-)	0	0	0	21	21
Adjustment for net exchange differences due to translation	0	0	0	0	0
Depreciation value at the end of the period	17 751	0	0	5 531	23 282
Impairment write-off from the loss of value at the beginning of the period	0	0	0	0	0
Recognition of an impairment loss in the period	0	0	0	0	0
Reversal of an impairment loss during the period	0	0	0	0	0
Value recognizing depreciation and write-off from impairment at the end of the period	17 751	0	0	5 531	23 282
Net value at the end of the period	10 091	0	0	3 483	13 574

Depreciation of intangible assets charged: production costs PLN 2,294 thousand, selling costs PLN 195 thousand, general and administrative costs PLN 205 thousand.

EXPENDITURES FOR DEVELOPMENT WORKS IN A GIVEN YEAR

	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Depreciation	37	38
Consumption of raw materials and auxiliary materials	152	113
Remunerations with add-ons	2 274	2 319
Other costs (including: departmental costs, external services)	1 050	910
TOTAL	3 513	3 380

Development expenditure is recognized on intangible assets in progress until the completion of work.

The costs of the period were charged with the costs of development works: depreciation write-off in the amount of PLN 2,629 thousand and the cost of written development works - PLN 331 thousand.

In 2020, the Company continued to prepare online devices for approval. The expenditure for this purpose in this period amounted to PLN 66 thousand. In 2020, the company received approval for 4 types of online devices.

NOTE NO. 3**SHARES IN FULLY CONSOLIDATED SUBSIDIARIES (in thousand PLN)**

Detailed information on subsidiaries as at 30 December 31, 2020 is as follows:

Name of a subsidiary	Basic operations	Place of registration and business	Percentage of shares and voting rights held by the Group	
			Status as at 31.12.2020	Status as at 31.12.2019
ELZAB HELLAS SPV Sp. z o.o.	see production and distribution of medical devices	Poland	67.00%	67.00%
ELZAB HELLAS S.A.		Greece	67%.00*)	67%.00*)

*) indirect share of ELZAB SA, share of ELZAB HELLAS SPV in ELZAB HELLAS SA 100%

Basic operations	Place of registration and business	Number of companies in which less than 100% of shares are held	
		Status as at 31.12.2020	Status as at 31.12.2019
Consultancy	Poland	1	1
Production and distribution of electronic equipment	Greece	1	1
		2	2

The following table presents details of the subsidiaries of the Group, which have significant non-controlling shares:

Name of the unit	Percentage of shares and voting rights held by the Group		Profit (loss) allocated to non-controlling shares		Cumulative value of non-controlling shares	
	Status as at 31.12.2020	Status as at 31.12.2019	Status as at 31.12.2020	Status as at 31.12.2019	Status as at 31.12.2020	Status as at 31.12.2019
ELZAB SOFT Sp. z o.o. *)	0.00%	0.00%	0	12	0	0
ELZAB HELLAS SPV Sp. z o.o.	67.00%	67.00%	-118	-95	-340	-222
ELZAB HELLAS S.A.	67% (indirect share of ELZAB S.A.)	67% (indirect share of ELZAB S.A.)	-88	-257	-1 587	-1 599
Total					-2 027	-1 821

*) the company subject to consolidation by the end of 2019.

As at December 31, 2020, the nominal values of shares shown in the table above are considered intangible in relation to the value of the ELZAB Group's equity. Consequently, no summary of the financial information was included in relation to the Group's subsidiary with significant non-controlling shares.

Ownership changes of the ELZAB Group - shares in subsidiaries

No ownership changes occurred in 2020. In 2019, the shares held in ELZAB SOFT Sp. z o.o.

Important limitations

There are no significant restrictions on the ability of the Company or its subsidiaries to access and use assets and to settle the Group's liabilities.

Financial Support

In 2020, no loans were granted to subsidiaries.

There is no significant risk related to the performance of the above obligations to ELZAB SA from the above entities.

Surety agreements

Not applicable.

SHARES IN THE SUBSIDIARIES VALUED USING THE OWNERSHIP RIGHTS METHOD (in thous. PLN)

Detailed information on the affiliate of the ELZAB Group as at December 31, 2020 is as follows:

Name of the affiliate	Basic operations <small>activities related to IT consulting</small>	Place of registration and business	Percentage of shares and voting rights held by the Group	
			Status as at 31.12.2020	Status as at 31.12.2019
COMP Centrum Innowacji Sp. z o.o.		Poland	49,88%	49,88%

Name of the affiliate	As at 31.12.2020			As at 31.12.2019		
	Cost	Share in profits/losses of the affiliates	Net value	Cost	Share in profits/losses of the affiliates	Net value
COMP Centrum Innowacji Sp. z o.o.	59 021	-15 154	43 867	59 021	-8 939	50 082
Total investments in the companies	59 021	-15 154	43 867	59 021	-8 939	50 082

As a result of identifying the premises for a potential impairment in Centrum Innowacji Sp. z o.o. (CCI), the Issuer, which holds 49.88% of shares, together with the parent company, i.e. COMP S.A., which holds 50.12%, performed a test for impairment of the investment held. The tests were performed at the level of the CCI Capital Group using the discounted free cash flow model. It did not show any impairment of the asset.

In the perspective of 5 years, a significant increase in the revenues of the CCI Capital Group depends on the one hand on the dynamic development of the m/platform project, as well as the expansion of export activities. The discount rate used to calculate the present value of the estimated cash flows is an estimate of the weighted average cost of capital, which was 7.2%. Additionally, a sensitivity analysis was performed in relation to the performed impairment test. This analysis examined the impact of the change:

- WACC increase and decrease by 0.5 pp.

- 5% decrease in sales.

as a factor affecting the recoverable amount of the cash-generating unit, with the remaining factors unchanged.

The sensitivity analysis performed did not indicate impairment of the tested asset with a 5% decrease in sales and a 0.5 pp change in WACC.

Presentation in financial statements

In the separate report of ZUK ELZAB S.A., the company showed its shares in subsidiaries - as long-term financial assets valued according to the purchase price corrected by possible write-offs due to impairment.

In the consolidated financial statements of ZUK ELZAB S.A., Comp Centrum Innowacji Sp. z o.o. will be consolidated using the equity method and presented in the balance sheet under non-current assets in the line - "Shares in subsidiaries measured with the equity method".

A summary of the financial data of the associate of the ELZAB Group is presented below. The amounts shown below are from the consolidated financial statements of the CCI Group.

Comp Innovation Centre Group	As at 31.12.2020	As at 31.12.2019
Current assets	13 450	46 746
Fixed assets	193 678	161 997
Short-term liabilities	53 016	51 405
Long-term liabilities	58 227	46 708

Comp Innovation Centre Group	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Revenues	16 161	18 722
Profit (loss) from continued activities	-12 459	-2 627
Profit (loss) on discontinued operations (after tax)	0	0
Profit (loss) from the financial year	-12 691	-2 627
Other changes in equity	232	-133
Total changes in equity for the period of time	-12 459	-2 760
Dividends received from the affiliate	0	0

Comp Innovation Centre Group	for the period from 01.01.2020 to 31.12.2020	for the period from 01.01.2019 to 31.12.2019
Balance amount of the Group's shares in Comp Centrum Innowacji at the beginning of the period	50 082	51 079
Change in equities of the Comp Centrum Innowacji Group	-12 459	-2 760
Percentage share of the Group in the shares of Comp Centrum Innowacji	49,88%	49,88%
Equities of the Comp Centrum Innowacji Group attributable to the ELZAB Group	-6 215	-1 377
Equity increase	0	380
Balance amount of the Group's shares in Comp Centrum Innowacji at the end of the period	43 867	50 082

Important limitations

There are no significant restrictions on the ability of an associate to transfer the Group's funds in the form of cash dividends or to repay any loans or advances made by the Group.

LONG-TERM FINANCIAL ASSETS (in thous. PLN)

Financial instrument type	As at 31.12.2020	As at 31.12.2019
Granted loans	0	720
Interest-bearing loan	0	720
Held-to-maturity investments carried at depreciated cost	0	0
Other cash (bonds)	0	0

NOTE NO. 3a

SHORT-TERM FINANCIAL ASSETS (in thous. PLN)

	As at 31.12.2020	As at 31.12.2019
A. Cash	3 560	8 672
Cash at bank	3 560	8 672
B. Granted loans and own receivables	52 809	57 710
Receivables from granted loans	1 968	1 952
Receivables without receivables due to taxes	50 841	55 758
C. Held-to-maturity investments carried at depreciated cost	0	0
Other cash (bonds)	0	0

NOTE NO. 4

ASSETS AND PROVISIONS FOR DEFERRED INCOME TAX (in thous. PLN)

	Balance sheet		Profit and loss account	
	As at 31.12.2020	As at 31.12.2019	For the period from 01.01 to	For the period from 01.01 to
Deferred income tax provisions				
Temporary differences				
- financial lease	405	174	232	-19
- difference between the balance sheet value and the tax value from the increase in the value of tangible fixed assets	620	635	-15	55
- other (interest)	100	85	15	-36
Gross reserve from deferred income tax	1 126	894		
Deferred income tax assets				
- retirement and pension benefits	66	81	15	0
- for unused leaves	77	48	-29	-9
- accrued costs	335	429	94	-76
- suspended margin on inventory	18	5	-13	3
- promotional and advertising fund	59	289	230	-89
- guarantee fund	370	377	7	-283
- interests from granted loans	265	132	-133	92
Deductible tax loss	0	0	0	0
Gross assets from deferred income tax	1 190	1 361	0	0
Deferred tax charge/credit			403	-361

Compensation of assets with deferred income tax liabilities is made in the statements on financial position at the level of individual statements of subsidiaries.

	As at 31.12.2020	As at 31.12.2019
Deferred income tax assets	1 190	1 361
Deferred income tax provisions	1 126	894
Balance of assets from deferred income tax	64	467
Balance of provisions from deferred income tax	0	0

NOTE NO. 5

RECEIVABLES AND ACCRUALS (in thous. PLN)

	As at 31.12.2020	As at 31.12.2019
Receivables from deliveries and services from other units	31 311	36 993
- long-term part	420	535
- short-term part	30 891	36 458
Receivables from deliveries and services from the affiliates	15 788	14 918
- long-term part	0	0
- short-term part	15 788	14 918
Prepayments	216	254
- long-term part	0	0
- short-term part	216	254
Other receivables	5 159	5 421
- long-term part	0	0
- short-term part	5 159	5 421
Active accruals	279	310
- long-term part	73	82
- short-term part	206	228
Impairment write-off from the loss of value at the beginning of the period	959	1 091
Recognition of an impairment loss in the period	37	217
Reversal of an impairment loss during the period	70	186
Exit from consolidation	301	163
Adjustment for foreign exchange differences from translation	0	0
Impairment write-off from the loss of value at the end of the period	625	959
TOTAL	52 128	56 683

SHORT-TERM RECEIVABLES	As at 31.12.2020	As at 31.12.2019
a) from the affiliates	15 788	14 918
- from deliveries and services by the due period:	15 788	14 918
- up to 12 months	15 788	14 918
- above 12 months	0	0
- other	0	0
b) receivables from other entities	36 061	41 455
- from deliveries and services by the due period:	30 686	36 034
- up to 12 months	30 266	35 499
- above 12 months	420	535
- from the sale of non-financial fixed assets	3 658	4 059
- from taxes, subsidies, custom duties, social securities, health securities and other benefits	1 008	615
- other, advance payments	709	747
Total net short-term receivables	51 849	56 373
c) impairment write-offs of receivables	625	959
Total gross short-term receivables	52 474	57 332

As at December 31, 2020, there are collateral on receivables - a pledge on receivables, excluding receivables transferred to ING Commercial Finance Polska SA.

CHANGE IN IMPAIRMENT WRITE-OFFS FOR SHORT-TERM RECEIVABLES	As at 31.12.2020	As at 31.12.2019
Status at the period beginning	959	1 091
a) increases (from)	37	217
- made impairment write-offs	30	217
- adjustment for foreign exchange differences from translation	7	0
b) decreases (from)	371	349
- release of impairment write-offs	70	186
- use of impairment write-offs	301	163
Status of impairment write-offs of short-term receivables at the end of the period	625	959

SHORT-TERM RECEIVABLES FROM THE AFFILIATES	As at 31.12.2020	As at 31.12.2019
a) from deliveries and services, including	15 788	14 918
- from the affiliates	15 788	14 918
b) other, including:	0	0
- from the affiliates	0	0
Net short-term receivables from the affiliates, total	15 788	14 918
c) impairment write-offs of receivables from the affiliates	0	0
Gross short-term receivables from the affiliates, total	15 788	14 918

GROSS SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	As at 31.12.2020	As at 31.12.2019
a) in Polish currency	36 331	42 596
b) in foreign currencies (by currencies and after conversion into PLN)	16 143	14 736
>1. unit/currency GBP	43 112	20
in thousand PLN	221	98
b2. unit/currency EUR	3 360	3 196
in thousand PLN	15 504	13 610
b3. unit/currency USD	0	125
in thousand PLN	0	477
>4. unit/currency HUF	33 040	42 751
in thousand PLN	418	551
b5. other currencies and foreign exchange differences on translation of foreign entities, in thousand PLN	0	0
Short-term receivables, total	52 474	57 332

(GROSS) DELIVERIES AND SERVICES RECEIVABLES - OF A REPAYMENT PERIOD REMAINING FROM THE BALANCE SHEET DATE:	As at 31.12.2020	As at 31.12.2019
a) up to 1 month	15 410	14 982
b) from 1 month up to 3 months	9 781	14 658
c) from 3 months up to 6 months	19 888	15 124
d) from 6 months to 1 year	3 677	4 132
e) more than 1 year	420	452
d) overdue receivables	1 581	6 622
Receivables from deliveries and services, total (gross)	50 757	55 970
g) write-offs updating receivables from deliveries and services	625	959
Receivables from deliveries and services, total (net)	50 132	55 011

(GROSS) OVERDUE DELIVERIES AND SERVICES RECEIVABLES - DIVIDED INTO RECEIVABLES NOT REPAID IN THE PERIOD:	As at 31.12.2020	As at 31.12.2019
a) up to 1 month	761	3 317
b) from 1 month up to 3 months	6	386
c) from 3 months up to 6 months	0	25
d) from 6 months to 1 year	0	1 832
e) more than 1 year	814	1 062
Overdue receivables from deliveries and services, total (gross)	1 581	6 622
g) impairment write-offs of receivables from deliveries and services, overdue	625	959
Overdue receivables from deliveries and services, total (net)	956	5 663

SHORT-TERM ACCRUALS	As at 31.12.2020	As at 31.12.2019
Property insurance	57	55
Other (mainly cost invoices for the subsequent periods)	149	173
Short-term accruals, total	206	228

LONG-TERM ACCRUALS	As at 31.12.2020	As at 31.12.2019
Other	73	82
Long-term accruals, total	73	82

NOTE NO. 6
INVENTORIES (thousand PLN)

	As at 31.12.2020	As at 31.12.2019
Materials	18 631	16 807
Semi-finished products and products in progress	5 509	5 341
Finished products	8 713	6 739
Goods	3 996	3 340
Total inventories	36 849	32 227

STATEMENT OF IMPAIRMENT WRITE-OFFS FOR INVENTORY VALUE AS AT 31.12.2020	Gross inventories value	Impairment write-off	Net inventories value
Materials	20 043	-1 412	18 631
Semi-finished products and products in progress	5 804	-295	5 509
Finished products	9 404	-691	8 713
Goods	4 198	-202	3 996
Total inventories	39 449	-2 600	36 849

STATEMENT OF IMPAIRMENT WRITE-OFFS FOR INVENTORY VALUE AS AT 31.12.2019	Gross inventories value	Impairment write-off	Net inventories value
Materials	17 859	-1 052	16 807
Semi-finished products and products in progress	5 591	-250	5 341
Finished products	7 362	-623	6 739
Goods	3 517	-177	3 340
Total inventories	34 329	-2 102	32 227

STATEMENT OF IMPAIRMENT WRITE-OFFS FOR INVENTORY VALUE	31.12.2020	31.12.2019
Status at the period beginning	2 102	1 909
Increase from	1 368	1 330
- creation of write-off	1 368	1 330
Decrease from	870	1 137
- revision of write-off	870	1 046
- exit from consolidation	0	91
Status of impairment write-offs at the end of the period	2 600	2 102

At the end of 2020, there is a collateral on inventories - a registered pledge on inventories (goods, finished goods and materials) in favour of ING BANK SŁĄSKI S.A.

NOTE NO. 7
CASH AND CASH EQUIVALENTS (thous. PLN)

	As at 31.12.2020	As at 31.12.2019
Cash in hand and in bank	3 955	8 830
Other cash	0	0
Short-term deposits	0	0
Bills of exchange of trade contractors	0	0
Total gross	3 955	8 830
Write-offs of the value of bills of exchange of trade partners	0	0
Total net	3 955	8 830
Including cash in the VAT account	370	128
Amount of unused credit limit in a bank account	11 538	217

Cash and cash equivalents disclosed in the cash flow statement are consistent with the balance sheet values. Cash in the VAT account is shown in a separate item in the note.

There were no non-monetary transactions disclosed in the cash flow statements that would be excluded from investing and financing activities.

There were no cash flows related to discontinued operations.

NOTE NO. 8
FIXED ASSETS CLASSIFIED AS HELD FOR SALE (thous. PLN)

Not applicable.

NOTE NO. 9

SHARE CAPITAL (thousand PLN)

Seria / emisja	Rodzaj akcji	Rodzaj uprzywilejowania akcji	Liczba akcji	Wartość serii / emisji wg wartości nominalnej	Sposób pokrycia kapitału	Data rejestracji	Prawo do dywidendy (od daty)
A	zwyczajne		7 955 460	10 819	wpłata gotówką	1992-12-01	1997-01-01
B	uprzywilejowane	co do głosu 1.5	36 470	50	wpłata gotówką	1997-09-17	1997-09-17
C	zwyczajne		1 463 530	1 990	wpłata gotówką	1997-09-17	1997-09-17
D	zwyczajne		3 060 000	4 162	wpłata gotówką	1998-03-11	1997-01-01
E	zwyczajne		3 621 590	4 925	wpłata gotówką	2004-09-22	2004-01-01
Liczba akcji razem			16 137 050				
Kapitał zakładowy, razem				22 143			
Wartość nominalna jednej akcji = 1,36 zł							

NOTE NO. 10

OWN SHARES (thousand PLN)

	As at 31.12.2020	As at 31.12.2019
Own shares acquired for redemption	-1 743	-1 743
Own shares acquired for resale or other purpose related to the Company's Strategy	-254	-254
Own shares	-1 997	-1 997

ELZAB SA - AKCJE WŁASNE	rok	liczba akcji	suma zakupów	wartość akcji w czasie wykupu	% kapitału własnego	% głosów na WZA	wartość nominalna nabytych akcji	wartość nabytych akcji
ELZAB SA - akcje własne nabyte w celu wykupu	2020	405 662	4,91	1 995	2,51%	2,49%	552	1 997

NOTE NO. 11

RESERVE, SPARE CAPITALS AND VALUATION UPDATE CAPITALS (thous. PLN)

For the period from 01.01 to 31.12.2020

	Supplementary capital created from profits	Reserve capital from valuation of fixed assets	Total
Balance at the beginning of the period	54 527	614	55 141
Changes in the accounting principles (policy)	0	0	0
Balance at the beginning of period after adjustments (reclassified)	54 527	614	55 141
Increase from transfer of the result of the last year of the parent company	3 886	0	3 886
Revaluation of fixed assets	0	14	14
Balance at the end of the period	58 413	628	59 041

For the period from 01.01 to 31.12.2019

	Supplementary capital created from profits	Reserve capital from valuation of fixed assets	Total
Balance at the beginning of the period	57 103	612	57 715
Changes in the accounting principles (policy)	0	0	0
Balance at the beginning of period after adjustments (reclassified)	57 103	612	57 715
Purchase of the affiliate	-2 576	0	-2 576
Balance at the end of the period	54 527	614	55 141

The capital created from profits may be subject to payment in the form of dividends.
ELZAB S.A. creates a reserve capital for purchase of own shares.

NOTE NO. 12

NON-CONTROLLING SHARES (thous. PLN)

	As at 31.12.2020	As at 31.12.2019
Non-controlling shares at the beginning of the period	-1 821	-1 070
Share in profits/losses during the year	-206	-340
Sale of the affiliate	0	-411
Non-controlling shares at the end of the period	-2 027	-1 821

NOTE NO. 13

PROVISIONS (thous. PLN)

	For the period from 01.01 to 31.12.2020				
	Provisions for guarantee repairs	Provisions for retirement and disability benefits, unused holidays	Other employee benefits (quarterly and annual bonuses)	Other provisions (including: provision for promotion and advertising)	Total
Value at the beginning of the period, including:	1 987	704	1 902	1 851	6 444
- short-term at the beginning of the period	1 987	251	1 902	1 851	5 991
- long-term at the beginning of the period	0	453	0	0	453
Increases	2 251	174	3 898	1 154	7 477
- created in the period and increasing the existing ones	2 251	174	3 898	1 154	7 477
- acquisition as part of mergers of business units	0	0	0	0	0
Decrease	2 294	79	4 285	2 466	9 124
- used during the year	2 294	79	4 188	2 205	8 766
- revoked but not used	0	0	97	261	358
Adjustment for net foreign exchange differences from translation	0	0	0	0	0
Value at the end of the period, including:	1 944	798	1 515	539	4 796
- short-term at the end of the period	1 944	404	1 515	539	4 402
- long-term at the end of the period	0	394	0	0	394

The main items of the provisions are as follows:

A. Provisions for employee benefits include:

- Provision for unused employee leaves in the amount of anticipated remunerations of employees for this holiday.
- Provision for retirement and disability benefits, calculated using the unit credit method.

The value of the provision for a given benefit depends on the number of units of entitlement to benefits, the full amount of the anticipated benefit, the current basis for the benefit calculation, the anticipated increase in the minimum benefit, the discount rate and the probability of the performance of a given benefit. Only employees who have not lost their entitlement to benefits are considered in the calculations.

- Provision for the Management Board bonus - it is discretionary, dependent on the Supervisory Board's decision, it is created in the amount approved by the Supervisory Board.

- Provision for the quarterly bonus for employees for 2020 and the annual bonus for 2019.

The last valuation of the current value of obligations resulting from benefits related to retirement and disability benefits was made as at December 31, 2020 by the Company.

B. Provision for guarantee repairs - the guarantee period provided by ELZAB S.A. does not exceed 12 months, which means that the change in the value of money over time does not have a significant impact on the estimation of provisions. The value of the provision is estimated at the amount resulting from the difference between the amount of the guarantee service fee for equipment sold in 2019, equipment covered by the service and the charges for equipment sold and installed at the end customer.

C. Provision for marketing activities - it is the cost of the promotion organized in 2019, the implementation of which will occur at a later date (shift due to COVID-related restrictions).

NOTE NO. 14

Liabilities from bank credits and loans								status as at 31.12.2020	
Loan/credit type	Bank name/lender	Currency	Interest terms	Repayment date	Security	Amount in accordance with the agreement	Amount in accordance with the agreement in PLN	Liabilities in currency	Liabilities in PLN
Multi-product agreement / Investment credit of August 27, 2018	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	31.05.2023	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement;	18 002	18 002	10 876	10 876
Multi-product agreement / Non-renewable loan of August 27, 2018	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	31.05.2023	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement;	10 000	10 000	6 166	6 166
Multi-product agreement / Supplier financing of August 27, 2018 + annex	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	26.12.2022	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement;	15 000	15 000	11 740	11 740
Multi-product agreement / Credit in the current account of August 27, 2018 + annex	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	30.06.2022	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement; a guarantee granted by Bank Gospodarstwa Krajowego,	10 000	10 000	0	0
Credit in the current account of December 29, 2015 and subsequent	Bank Millennium SA	PLN	WIBOR 1M+ BANK MARGIN	28.02.2023	Own blank promissory note with a promissory note declaration	6 000	6 000	5 137	5 137
Loan agreement of August 14, 2014 with subsequent annexes	Voivodeship Fund for Environmental Protection and Water Management in Katowice	PLN	rediscount rate plus a margin of not less than 3.50%	30.06.2021	The bank guarantee	1 493	1 493	522	522
Credit in the current account of July 6, 2015 with subsequent annexes	mBank	PLN	WIBOR 10/N+ BANK MARGIN	08.07.2021	Blank promissory note with a promissory note declaration, declaration of subject to enforcement	6 000	6 000	5 325	5 325
Loan agreement of November 30, 2017	Comp SA	PLN	WIBOR 3M + margin	31.12.2021	Own blank promissory note with a promissory note declaration	4 000	4 000	4 595	4 595
Loan agreement of June 27, 2018	Comp SA	PLN	WIBOR 3M + margin	30.06.2021	Own blank promissory note with a promissory note declaration	1 800	1 800	1 169	1 169
Loan agreement of November 29, 2019	Comp SA	PLN	WIBOR 3M + margin	31.01.2022	datio in solutum agreement, settlement of liabilities between ELZAB SA, COMP SA and CCI Sp. z o.o.	3 696	3 696	3 728	3 728
Loan agreement of November 22, 2019	Comp SA	PLN	WIBOR 3M + margin	31.12.2021	conversion of liabilities including interest on the loan. No provision in the agreement on securing a loan	13 407	13 407	13 956	13 956
Agreement of March 27, 2018, Annex No. 3 of June 29, 2020	Multis Sp. z o.o.	PLN	fixed interest rate	30.06.2027	Registered pledge on own shares 405 662; declaration of subject to enforcement	700	700	700	700
Agreement of March 16, 2018, Annex No. 6 of April 6, 2020	ING Commercial Finance Polska SA	PLN	interests WIBOR 1M+ bank margin	15.03.2022	Own blank promissory note with a promissory note declaration; power of attorney to the accounts	12 000	12 000	7 205	7 205
Loan agreement of September 22, 2016	MONEA V Sp. z o.o.	EUR	EURIBOR 1M + margin	31.12.2021	none	150	692	175	807
Total							102 790		71 926

Liabilities from bank credits and loans								status as at 31.12.2019	
Loan/credit type	Bank name/lender	Currency	Interest terms	Repayment date	Security	Amount in accordance with the agreement	Amount in accordance with the agreement in PLN	Liabilities in currency	Liabilities in PLN
Multi-product agreement / Investment credit of August 27, 2018	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	31.12.2022	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement;	18 002	18 002	13 502	13 502
Multi-product agreement / Non-renewable loan of August 27, 2018	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	31.12.2022	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement;	10 000	10 000	7 657	7 657
Multi-product agreement / Supplier financing of August 27, 2018 + annex	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	26.12.2022	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement;	15 000	15 000	14 869	14 869
Multi-product agreement / Supplier financing of August 27, 2018 + annex	ING BANK ŚLĄSKI SA	PLN	WIBOR 1M+ BANK MARGIN	March 31, 2020	registered pledge on inventories with assignment of rights under the insurance policy; registered pledge on receivables; registered pledge on the punching machine along with the assignment of rights under the insurance policy; the first place mortgage - MR with assignment of rights under the insurance policy; declaration of submission to enforcement in the form of a notarial deed; assignment of receivables from the factoring agreement;	9 613	9 613	5 113	5 113
Credit in the current account of December 29, 2015 and subsequent	Bank Millennium SA	PLN	WIBOR 1M+ BANK MARGIN	28.02.2021	Own blank promissory note with a promissory note declaration	8 000	8 000	7 881	7 881
Loan agreement of August 14, 2014 with subsequent annexes	Voivodeship Fund for Environmental Protection and Water Management in Katowice	PLN	rediscount rate plus a margin of not less than 3.50%	31.12.2020	The bank guarantee	1 493	1 493	522	522
Credit in the current account of July 6, 2015 with subsequent annexes	mBank	PLN	WIBOR 10/N+ BANK MARGIN	09.07.2020	Blank promissory note with a promissory note declaration, declaration of subject to enforcement	6 000	6 000	5 902	5 902
Loan agreement of November 30, 2017	Comp SA	PLN	WIBOR 3M + margin	31.05.2020	Own blank promissory note with a promissory note declaration	4 000	4 000	4 454	4 454
Loan agreement of November 22, 2019	Comp SA	PLN	WIBOR 3M + margin	June 30, 2020	Own blank promissory note with a promissory note declaration	1 800	1 800	1 950	1 950
Loan agreement of November 29, 2019	Comp SA	PLN	WIBOR 3M + margin	31.01.2022	datio in solutum agreement, settlement of liabilities between ELZAB SA, COMP SA and CCI Sp. z o.o.	3 696	3 696	3 706	3 706
Loan agreement of June 29, 2019	Comp SA	PLN	WIBOR 3M + margin	22.11.2020	conversion of liabilities including interest on the loan. No provision in the agreement on securing a loan	13 407	13 407	13 486	13 486
Loan agreement of March 27, 2018	Multis Sp. z o.o.	PLN	fixed interest rate	June 30, 2020	Registered pledge on own shares 405 662; declaration of subject to enforcement	1 500	1 500	1 200	1 200
Agreement of March 16, 2018 with subsequent annexes, including: Annex No. 5 of January 16, 2020, increase to PLN 12 000 million.	ING Commercial Finance Polska SA	PLN	interests WIBOR 1M+ bank margin	15.03.2020	Own blank promissory note with a promissory note declaration; power of attorney to the accounts	7 000	7 000	6 916	6 916
Loan	MONEA V Sp. z o.o.	EUR	EURIBOR 1M + margin	31.12.2021	none	150	639	150	720
Total							100 150		87 876

NOTE NO. 14a

OTHER FINANCIAL LIABILITIES (LEASE) * (thous. PLN)

FINANCIAL LEASE AT THE USER	As at 31.12.2020	As at 31.12.2019
1. The total amount of future lease payments as at the balance sheet date	3 860	3 242
2. The present value of the lease payments payable in each of the following periods:	3 656	3 179
- up to 1 year	1 525	1 651
- more than 1 year	1 939	1 505
- more than 3 years up to 5 years	192	23
- more than 5 years	0	0
3. The amount of interests in the current year	84	74
4. The amount of interests to the end of the lease	204	63

* financial liabilities valued based on a depreciated cost.

The total amount of future lease fees includes, apart from typical lease, the value of future fees for the use of real estate and movable property in the form of machines rented for the needs of ELZAB S.A.

This is due to the fact that, from 2019, IFRS 16 significantly changed the concept of considering agreements in terms of the need to disclose both lease and rental transactions in the lessee balance sheet, i.e. whenever the right to use the asset for a specified period is transferred in exchange for the fee. The financial liability under financial lease as at December 31, 2020 amounted to 1 571 thousand PLN, while the liability for leases (movable and immovable property) closed at PLN 2,085 thousand.

The following assumptions were made to calculate the financial liability for leases:

- if the lease agreement was concluded for an indefinite period, with the possibility of termination, the term of 3 years was assumed;
 - in the case of real properties, a discount rate of 3.25% was used to convert agreements;
 - in the case of renting machinery and equipment, a discount rate similar to that adopted in lease agreements was applied;
 - in the case of renting means of transport, the average discount rate applied to the ones adopted in lease agreements was used.
- The lease covers means of transport, production equipment and warehouse equipment, rented real estate and movables. The net value of the leased fixed assets as at December 31, 2020 is PLN 3,268 thousand, the net value of fixed assets to be leased as at December 31, 2020 is PLN 2 078 thousand.

Important provisions of the lease agreements:

During the term of the agreement, the Financing Party is entitled to make proportional changes in the amount of remuneration due to changes in (tax rates, stamp duties or other public law taxes).

As far as ELZAB S.A. does not terminate the agreement earlier and, provided that the obligations arising from the agreement are fulfilled, the Company has the right to purchase vehicles for the sale price corresponding to the assumed residual value.

Agreements may be terminated both by the financing party (for reasons specified in the agreement) and by the user (without giving reasons). Termination of the agreements involves the payment by the user of the amounts due specified in the agreement.

The Beneficiary will immediately notify the Financing Party about any events and circumstances that may affect its ability to perform its obligations under this Agreement, including the deterioration of its financial situation.

NOTE NO. 15

LIABILITIES AND ACCRUALS (in thous. PLN)

	As at 31.12.2020	As at 31.12.2019
Liabilities from deliveries and services for other units:	13 341	9 748
- long-term part	0	0
- short-term part	13 341	9 748
Liabilities from deliveries and services for the affiliates	748	1 130
- long-term part	0	0
- short-term part	748	1 130
Prepayments:	0	0
- long-term part	0	0
- short-term part	0	0
Other liabilities:	6 115	3 226
- long-term part	28	28
- short-term part	6 087	3 198
Passive accruals:	50	47
- long-term part	0	0
- short-term part	50	47
Revenue accruals:	1 150	661
- long-term part	230	292
- short-term part	920	369
TOTAL	21 404	14 812

SHORT-TERM LIABILITIES WITHOUT FINANCIAL LIABILITIES	As at 31.12.2020	As at 31.12.2019
a) for the affiliates	748	1 130
- from deliveries and services with the maturity:	748	1 130
- up to 12 months	748	1 130
- above 12 months	0	0
- other	0	0
b) for other units	19 428	12 946
- from deliveries and services with the maturity:	13 341	9 748
- up to 12 months	13 223	9 610
- above 12 months	118	138
- from taxes, custom duties, social security and other benefits	5 919	3 141
- from remunerations	9	25
- other	159	32
Short-term liabilities, total	20 176	14 076

SHORT-TERM LIABILITIES WITHOUT FINANCIAL LIABILITIES (CURRENCY STRUCTURE)	As at 31.12.2020	As at 31.12.2019
a) in Polish currency	17 567	12 697
b) in foreign currencies (by currencies and after conversion into PLN)	2 609	1 379
b1. unit/currency EUR	410	123
in thousand PLN	1 777	523
b2. unit/currency USD	113	222
in thousand PLN	424	844
b3. unit/currency GBP	12	2
in thousand PLN	63	12
b4. unit/currency HUF	0	34
in thousand PLN	0	0
b5. currencies and foreign exchange differences on translation of foreign units in thousand PLN	345	0
Short-term liabilities, total	20 176	14 076

ACCRUALS	As at 31.12.2020	As at 31.12.2019
a) passive accruals of costs	50	47
- short-term (by title)	50	47
- costs of auditing the financial statements	50	47
b) revenue accruals	1 150	661
- long-term-term (by title)	230	292
- subsidy	230	292
- short-term (by title)	920	369
- other	920	369
Accruals, total	1 200	708

Contingent liabilities:

- as at December 31, 2020:

- promissory note collateral for operating lease agreements (on balance sheet finance lease) concluded with ING Lease (Polska) Sp. z o.o. in Warsaw to finance the purchase of production and non-production equipment and cars. The total value of the leasing subject was PLN 4,583 thousand.

- promissory note collateral for the credit agreement in the Millennium S.A. current account - the credit limit is PLN 8,000,000, mBank SA - the credit limit is PLN 6,000,000, ING Commercial Finance Polska SA. - the credit limit is PLN 12,000 thousand; Contingent liability due to collateral limits for ING S.A. bank guarantees - liability amount: PLN 535 thousand; Contingent liability due to the guarantee covered by Bank Gospodarstwa Krajowego PLN 8 million in the value of a loan of PLN 10 million obtained in August 2020 from ING Bank Śląski S.A.

- as at December 31, 2019:

- promissory note collateral for operating lease agreements (on balance sheet finance lease) concluded with ING Lease (Polska) Sp. z o.o. in Warsaw to finance the purchase of production and non-production equipment and cars. The total value of the leasing subject was PLN 4,162 thousand.

- promissory note collateral for the credit agreement in the Millennium S.A. current account - the credit limit is PLN 8,000,000, mBank SA - the credit limit is PLN 6,000,000, ING Commercial Finance Polska SA. - the credit limit is PLN 7,000,000.

Contingent liability from collateral limits under ING S.A. bank guarantees - liability amount: PLN 535,000.

Contingent assets:

Loan collateral in the amount of EUR 150,000 granted by ELZAB S.A. to a natural person involves a registered pledge on all shares of MONEA V Sp. z o.o. to the highest collateral amount of EUR 300,000, and a surety of up to EUR 300,000 granted by MONEA V Sp. z o.o. to a natural person, as well as a registered pledge on shares constituting 33% of the share capital of ELZAB HELLAS SPV Sp. o.o., which MONEA V Sp. o.o. has in ELZAB HELLAS SPV Sp. z o.o. up to the highest collateral amount of EUR 300,000.

EXPLANATORY NOTES TO THE STATEMENTS OF TOTAL**NOTE NO. 16**

NET REVENUES FROM THE SALE OF PRODUCTS, GOODS AND MATERIALS (ACTUAL STRUCTURE)	For the period from 01.01 to	For the period from 01.01 to
Revenues from the sale of products	92 370	99 998
Revenues from the sale of services	6 780	5 628
Revenues from the sale of materials	3 079	2 542
Revenues from sale of goods	17 424	17 015
Total	119 653	125 183
- including: revenues from the affiliates	2 958	3 727

The ELZAB Group did not have customers for which the sales realized exceeded 10% of the total sales revenues in 2020.

NET REVENUES FROM THE SALE OF PRODUCTS, GOODS AND MATERIALS (TERRITORIAL STRUCTURE)	For the period from 01.01 to	For the period from 01.01 to
Sales revenues in the territory of the Republic of Poland	109 580	117 577
% share in total sales	91,6%	93,9%
Sales revenues on the foreign market	10 073	7 606
% share in total sales	8,4%	6,1%
Total	119 653	125 183

Revenues and results of industry

The ELZAB Group generates sales revenues in one industry segment of electronic devices, which includes fiscal and non-fiscal devices, being products of own production and goods purchased for resale. Income derived from other sales i.e. from the sale of materials, supplement the main offer of the Group. The services rendered in the field of guarantee, post-guarantee, training and installation services are closely related to the trade offer of the Group.

As for most of the factors specified in the segment definition, the similarity criterion is met and the areas of the Company's operations do not meet the conditions to be considered reporting segments in accordance with IFRS 8, there is no need to separate industry and geographical segments with different risk levels and return on expenditure. In this situation, the balance sheet values in terms of assets and liabilities are not divided, because they contribute to generating the financial result in one segment of the electronics industry.

The range offered for sale is characterised by a similar production process, distribution methods used and the scope of rendered services, and is intended for a specific group of recipients. In this situation, there is no need to divide the balance amounts in terms of assets and liabilities, as they participate in generating the financial result in one segment of the electronics industry. Currently, sales are performed through sales offices in Warsaw, Wrocław and Suchy Las. Sales are supported by regional sales managers serving various regions of the country.

The data on revenues and gross margin of the industry segment for the period of 2020 and for the comparable period of 2019 are presented below, including the specification of electronic equipment of own production and services, as well as goods and materials.

For management purposes, the gross margin achieved on individual assortments or assortment groups is reported in each entity included in the ELZAB Capital Group.

Entity name/ 2020	Own-production electronic equipment and services including maintenance	Goods (electronic equipment), materials and accessories	TOTAL REVENUES FROM SALES
ELZAB S.A.	85,1%	15%	100%
- revenues	100 442	17 640	118 082
ELZAB HELLAS SPV Sp. z o.o.	100,0%	0,0%	100%
- revenues	139	0	139
ELZAB HELLAS S.A.	12,2%	87,8%	100%
- revenues	580	4 183	4 763
REVENUES VALUE for external clients	82,9%	17,1%	100%
- revenues	99 150	20 503	119 653
Gross margin on sales achieved in 2020	27 010	1 813	28 823

Entity name/ 2019	Own-production electronic equipment and services including maintenance	Goods (electronic equipment), materials and accessories	TOTAL REVENUES FROM SALES
ELZAB S.A.	85,5%	14%	100%
- revenues	106 253	17 998	124 251
ELZAB HELLAS SPV Sp. z o.o.	99,4%	0,6%	100%
- revenues	1 080	6	1 086
ELZAB HELLAS SPV Sp. z o.o.	100,0%	0,0%	100%
- revenues	50	0	50
ELZAB HELLAS S.A.	14,6%	85,4%	100%
- revenues	374	2 191	2 565
REVENUES VALUE for external clients	84,4%	15,6%	100%
- revenues	105 626	19 557	125 183
Gross margin on sales achieved in 2019	32 702	2 469	35 171

NOTE NO. 17

COSTS BY NATURE AND IN THE CALCULATION SYSTEM (thous. PLN)

TYPE OF INCURRED COSTS	For the period from 01.01 to	For the period from 01.01 to
Depreciation of fixed assets	3 363	3 634
Depreciation of intangible assets	3 467	2 694
Costs of employees' benefits	27 577	30 170
Consumption of materials and energy	41 596	39 878
Costs of foreign services	23 347	26 323
Costs of taxes and fees	1 224	1 255
Other costs (including the remuneration of the members of the Supervisory Board)	568	841
Change in products, production in progress and the cost of manufacturing products for own needs	-2 261	-5 754
Total	98 881	99 041

COSTS IN THE CALCULATION SYSTEM	For the period from 01.01 to	For the period from 01.01 to
Sales costs	8 637	11 867
General management board costs	14 756	14 910
Cost of production of sold products	71 745	72 264
Total	95 138	99 041
Value of the sold goods and materials	17 893	16 509
Result of updating inventories	395	660
Result of updating inventories of goods and materials	797	579
Results of receivables update	-24	31
Total own costs of sale	114 199	116 820

COSTS OF EMPLOYEES' BENEFITS	For the period from 01.01 to	For the period from 01.01 to
Costs of remunerations	22 561	24 691
Costs of social insurances	3 889	4 335
Costs of services resulting from occupational health and safety regulations	184	256
Costs for employee training and qualification improvement	242	322
Costs of retirement and disability benefits	58	47
Other employee benefits	491	477
Reserves for employees' benefits	152	42
Total	27 577	30 170

NOTE NO. 18

OTHER REVENUES AND COSTS (thous. PLN)

OTHER REVENUES	For the period from 01.01 to	For the period from 01.01 to
Revenues from lease of fixed assets	512	479
Profit from sale of tangible fixed assets	101	0
Co-financing of remunerations from the VLO	1 588	0
Other	221	565
TOTAL	2 422	1 044
including: non-monetary income from the exchange of goods or services	0	0

OTHER COSTS	For the period from 01.01 to	For the period from 01.01 to
Costs of abandoned development work	331	3
Property liquidation costs	2	119
Enforcement, court and procedural costs	16	18
Costs of leased space	178	196
Loss from sale of tangible fixed assets	0	3
Other	69	96
TOTAL	596	435

NOTE NO. 19

FINANCIAL REVENUES AND COSTS (thous. PLN)

FINANCIAL REVENUES	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Revenues from interests	164	805
Reversal of updating deduction of interests of receivables	51	34
Profits from foreign exchange differences	1 663	0
Other (accrued commissions, accrued interest on bonds and loans, late payments)	239	79
TOTAL	2 117	918

FINANCIAL COSTS	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Interest costs, including:	2 414	4 044
- bank credits	1 407	1 898
- loans	179	188
- financial lease agreements	84	139
- other interests	744	1 819
Other external financing costs (commission)	452	233
Losses from foreign exchange differences	0	249
Evaluation of forward transactions	0	1
Impairment write-offs for interests on main receivables	30	34
Impairment write-offs for the value of investments (share in the company)	122	0
Loss from sale of shares *)	0	2 816
other	19	26
TOTAL	3 037	7 403

*) LOSS FROM SALES OF THE AFFILIATES	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Value of the shares sold	0	0
Share selling price	0	2 816
The result on the sale of shares in ELZAB SOFT Sp. z o.o.	0	2 816

NOTE NO. 20

INCOME TAX (thousand PLN)

CURRENT INCOME TAX	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Gross financial result before tax from continuing activities	145	1 110
Profit/loss before tax from discontinued activities	0	0
Differences between the gross result and the tax base with income tax, including:	1 609	9 569
a / exclusions of non-taxable revenues	-2 889	-2 114
b / adding costs that are not tax deductible costs	6 436	12 503
c / deduction of a donation	-6	-10
d / relief for innovation	-1 858	-705
e / deduction of losses from previous years	-74	-105
f / exclusion of gross loss from the tax base	0	0
Tax basis	1 754	10 679
Tax burden according to the applied tax rate	333	2 029
Tax charge / credit shown in the income statement	333	2 029

DEFERRED INCOME TAX	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Decrease from the creation of assets and the reversal of provisions for temporary differences	-1 844	-2 661
Increase from write-off of assets and provisions for temporary differences	2 247	2 300
Deferred income tax, total	403	-361

THE MAIN COMPONENTS OF TAX CHARGE / RECOGNITION IN THE PROFIT AND LOSS ACCOUNT	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Current income tax	333	2 029
- current charge from income tax	333	2 029
Deferred income tax	403	-361
- charge/recognition from deferred tax relating the creation and reversal of temporary differences	403	-361
- charge/recognition from deferred tax relating to changes in tax rates	0	0
Tax charge/recognition showed in the profit and loss account, including:	736	1 668
- from continuing activities	736	1 668
- from discontinued activities	0	0

NOTE NO. 21

DISCONTINUED ACTIVITIES (thous. PLN)

In 2020, the ELZAB Group did not discontinue any activity and does not plan to discontinue any activity in the next year.

NOTE NO. 22

PROFIT PER SHARE**DATA ON THE FINANCIAL RESULT AND SHARES USED TO CALCULATE BASIC AND DILUTED PROFIT PER SHARE**

	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
Net profit/loss from continuing activities	-678	-218
Profit/loss from discontinued operations	0	0
Net profit/loss	-678	-218
Number of all shares	16 137 050	16 137 050
Number of own shares	405 662	405 662
Number of shares adjusted for own shares	15 731 388	15 731 388

The company does not have any instruments that would cause the share capital to be diluted.

Basic profits per share are calculated as the quotient of the net profit/loss attributable to the Company's shareholders and the weighted average number of ordinary shares during the year, excluding ordinary shares acquired by the Company and accounted for as treasury shares.
The calculation of the profit/loss per share can be found under the Statements of Total Income.

NOTE NO. 23

TRANSACTIONS WITH THE AFFILIATES

Detailed information on the transactions between the Group and the affiliates is presented below.

In 2020 and 2019, the following transactions with the affiliates occurred:

Trade transactions

Sales of the ELZAB Group to:	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
COMP S.A.	1 118	1 229
COMP CENTRUM INNOWACJI Sp. z o.o.	0	7
JNJ Limited	0	0
MICRA METRIPOND KFT	1 808	2 491
ENIGMA SYSTEMY OCHRONY INFORMACJI Sp. z o.o.	0	0
INSOFT Sp. z o.o.	2	0
POLSKI SYSTEM KORZYŚCI Sp. z o.o.	2	0
CLOU Sp. z o.o. in liquidation	28	0
total	2 958	3 727

There were no sales transactions that would differ from the terms commonly used in sales contracts.

Trade transactions

Purchases of the ELZAB Group from:	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
COMP S.A.	5 260	8 599
COMP CENTRUM INNOWACJI Sp. z o.o.	0	0
INSOFT Sp. z o.o.	183	117
POLSKI SYSTEM KORZYŚCI Sp. z o.o.	5	0
MICRA METRIPOND KFT	1	10
CLOU Sp. z o.o. in liquidation	63	329
total	5 512	9 055

Receivables

Gross receivables of the ELZAB Group from:	As at 31.12.2020	As at 31.12.2019
COMP S.A.	149	206
COMP CENTRUM INNOWACJI Sp. z o.o.	1 875	1 875
JNJ Limited	13 314	12 286
MICRA METRIPOND KFT	418	551
INSOFT Sp. z o.o.	2	0
POLSKI SYSTEM KORZYŚCI Sp. z o.o.	1	0
Other non-consolidated entities	29	0
Gross receivables of the ELZAB Group from the affiliates:	15 788	14 918
Impairment losses of receivables	0	0
Net receivables of the ELZAB Group from the affiliates:	15 788	14 918

Liabilities

Liabilities of the ELZAB Group for:	As at 31.12.2020	As at 31.12.2019
COMP S.A.	544	780
POLSKI SYSTEM KORZYŚCI Sp. z o.o.	2	0
CLOU Sp. z o.o. in liquidation	102	306
INSOFT Sp. z o.o.	100	44
total	748	1 130

Liabilities of the ELZAB Group for the affiliates from granted loans	As at 31.12.2020	As at 31.12.2019
COMP S.A.	23 448	23 596
total	23 448	23 596

Other operating	As at 31.12.2020	As at 31.12.2019
COMP CENTRUM INNOWACJI Sp. z o.o. interests from bonds	0	709
total	0	709

Other costs	As at 31.12.2020	As at 31.12.2019
COMP S.A. interests from a loan	693	1 723
total	693	1 723

NOTE NO. 24

EVENTS AFTER THE BALANCE SHEET DATE

On April 21, 2018, ELZAB S.A. and ING Commercial Finance Polska S.A. concluded Annex 9 to the agreement for the provision of factoring services, under which the factor purchases, records, collects and settles receivables regarding the sale of goods and services due to ELZAB S.A.

Pursuant to the concluded Annex, the exposure limit was increased from PLN 12 million (say: twelve million zlotys, 00/100) to PLN 17 million (say: seventeen million, 00/100) for the period from the date of signing the annex to September 30, 2021. From January 1, 2021, the exposure limit will be PLN 12 million (say: twelve million zlotys, 00/100).

NOTE NO. 25

BASIC RISKS AND THREATS IN THE OPERATIONS OF THE ELZAB GROUP

The strategic purpose of the ELZAB Group is to increase the value of the Group for shareholders, realized by increasing financial results, the main element of which involves the increase in sales in the country and on foreign markets. There is a risk of occurrence of independent factors that will affect the results of the implementation of this strategy, in particular: decrease in demand for products, perturbations in winning foreign markets, intensification of competition in the markets where the ELZAB Group operates or intends to operate, weakening of the economic situation.

In 2020, as in previous years, the ELZAB Group operated on a competitive market. The source of competition includes local manufacturers and importers of devices from abroad. Competition in the market forces the necessity to undertake promotional and marketing activities that reduce the obtained margin, which may be noticeable in the results achieved by the Group.

At ELZAB S.A., 86% domestic suppliers and 14% foreign suppliers are the main suppliers of materials, components for the production of cash registers as well as goods and trade materials.

The four largest suppliers (over 5% of deliveries of materials and goods in total deliveries) among domestic companies account for a total of 54% of total deliveries.

None of the suppliers among foreign companies exceeded 5% of the total deliveries. The largest supplier of components for production in 2020 was Fideltronik Poland Sp. z o.o. (21% of total supplies of materials and goods). The value of net purchases from this company in 2020 exceeded 10% of the value of sales revenues.

Purchase of materials for production as well as goods and trade materials for foreign currencies creates a risk of increased costs in the event of a weakening of zloty. The exchange rate risk is difficult to estimate due to the unpredictability of changes in exchange rates. In addition, for some deliveries, changes in currency exchange rates do not directly translate into the Group's results, due to the purchases of imported materials from domestic suppliers.

Seasonality is the specificity of the fiscal market in Poland. In the scope of basic products of ELZAB S.A., i.e. fiscal devices, seasonality is associated with the entry into force of ordinances of the Minister of Finance imposing the obligation to install fiscal devices on new groups of taxpayers.

At the end of 2014, in connection with the entry into force of the Regulation of the Minister of Finance of November 4, 2014 on exemptions from the obligation to keep records using cash registers, obliging from March 1, 2015, to register sales with cash registers of certain groups of taxpayers previously exempted from this obligation, irrespective of the turnover, the sales of small cash registers on the Polish market increased. Previous decisions resulting from the Regulations that stimulated demand were: - in 2013 - the Ordinance of the Minister of Finance of November 29, 2012 on exemptions from the obligation to keep records with the use of cash registers. In the first quarter of 2013, the obligation to register sales by means of a fiscal device was imposed on taxpayers that in 2012 realized turnover for natural persons with a value exceeding PLN 20,000 (so far it was PLN 40 thousand). The obligation to register sales also covers, inter alia, driving schools; - in 2011, when the obligation to register turnover, from May 1, 2011, was extended with new, important groups of taxpayers - doctors and lawyers.

A new organization of sales registration at cash registers has been in force in Poland since 2020. Online fiscalisation has been implemented in accordance with the amendment to the Act on Value Added Tax and the Act - Law on Measures, as well as the amendment of relevant implementing acts in the form of the Regulation of the Minister of Entrepreneurship and Technology on the criteria and technical conditions that must be met by cash registers and the Regulation of the Minister of Finance on cash registers. It means that each cash register is equipped with a communication interface to transmit data on transactions on an ongoing basis to the servers of the Central Repository of Cash registers run by the Head of the National Revenue Administration at the Ministry of Finance. The implementation of the concept requires a gradual/phased replacement of all currently operating cash registers (the number of cash registers is estimated at 1.6 million) with new models equipped with functions that meet the technical requirements of the new regulation. There is also an obligation for each fiscal device to cooperate with a payment terminal, which is to support the idea of electronic payments and limit cash transactions. Ultimately, the changes are to tighten the fiscal system and systematically eliminate the sources of the shadow economy.

The phenomenon of sales seasonality is not significant in the case of the replacement market.

The economic situation of the country will also impact on the financial situation of ELZAB S.A.

The volume of the Company's sales revenues depends on the fact to what extent the economic situation in the country will impact on the activity customers of ELZAB S.A.

Financial risks

The activities performed by the ELZAB Group are exposed to various types of financial risk.

Risk management is aimed at minimizing the potential unfavourable impact of these risks on the Group's financial result.

The financial risk factors to which the ELZAB Group's activities are exposed to a greater or lesser extent include:

- Credit risk,
- Liquidity risk,
- Market risk, which consists of: price risk, interest rate risk and exchange rate risk.

Bank loans (short-term and long-term) and trade liabilities are the main financial instruments used by the ELZAB Group.

Market risk

The ELZAB Group companies are not exposed to significant risk due to participation in trading in securities on an active market.

In addition, the ELZAB Group has financial assets, which mainly include trade receivables, cash and cash equivalents.

Categories and classes of financial instruments are presented in the tables below:

ASSETS AND FINANCIAL LIABILITIES DIVIDED INTO	As at 31.12.2020	As at 31.12.2019
CATEGORIES		
Financial assets		
Own receivables	51 633	56 119
Granted loans	1 968	2 672
Cash and cash equivalents	3 955	8 830
Held-to-maturity investments carried at depreciated cost	0	0

Financial liabilities

Liabilities valued based on the depreciated cost.	95 758	105 136
The fair value of the above assets and liabilities does not differ from their balance sheet value.		
Loans granted and own receivables do not include: tax receivables, advance payments for deliveries, active accruals.		
Liabilities valued based on the depreciated cost do not include: tax liabilities, received advance payments for		

Considering the nature and specific features of the aforementioned categories of financial instruments, the following classes of instruments are distinguished within each group:

GRANTED LOANS AND OWN RECEIVABLES	As at 31.12.2020	As at 31.12.2019
Receivables from the affiliates (Note 5)	15 788	14 918
Receivables from other entities, short-term (Note 5) - trade	30 470	35 780
Receivables from other entities, short-term (Note 5) - other	1 717	1 362
Loans granted (Note 5)	1 968	2 672
Total	49 943	54 732

Impact on the category on the result of the period:

change in the write-off for receivables and written off receivables recognized in the result of the period	-24	31
change in the write-off for loans in the result of the period	0	0
interest accrued on the loan granted, charged to the result for the period	0	1
Revenues from interests on receivables	33	36

LIABILITIES VALUED BASED ON THE DEPRECIATED COST	As at 31.12.2020	As at 31.12.2019
Liabilities from credits and loans (Note 14)	71 926	87 878
Liabilities from issued bonds and other financial liabilities	0	3
Trade liabilities towards the affiliates (Note 15)	748	1 130
Other liabilities towards the affiliates (Note 15)	0	0
Short-term trade liabilities towards the affiliates (Note 15)	13 341	9 748
Short-term other liabilities towards the affiliates (Note 15)	6 087	3 198
Long-term liabilities from financial lease (Note 14a)	3 656	3 179
Total	95 758	105 136

Impact on the category on the result of the period:

interest on credit and loans included in the result of the period	1 586	2 086
interest on issued bonds, recognized in the result for the period	0	0
interest on the lease charged to the result for the period	84	139

Credit risk

The table below presents the maximum credit risk to which the ELZAB Group is exposed.

Maximum exposure to credit risk	As at 31.12.2020	As at 31.12.2019
Shares in the affiliates	43 867	50 082
Shares in other entities	84	206
Receivables	50 841	55 758
Loan	1 968	3 392
Cash and cash equivalents, excluding deposits and cash in hand	3 560	8 672
Other financial instruments - deposits and bonds, bills of exchange	0	0
Total	100 320	118 110

Shares in the subsidiaries

A subsidiary, as part of the control of ELZAB S.A., is obliged to present its financial results on a monthly basis and to analyse deviations between planned and achieved results. ELZAB S.A. regularly assesses the financial situation and basic indicators of the subsidiary.

Receivables

ELZAB S.A. applies to its contractors the rules of credit policy consisting in assigning each customer an appropriate trade credit limit depending on the amount of gross annual purchases, timely payment of receivables and the financial situation of the customer. In 2013, the payment terms, which are counted from the invoice issuance date, were changed (30, 60 or intermediate terms, e.g. 45 days). In rare cases, a payment term of 90 days is granted, counted from the date of issuing the invoice. As far as factoring of receivables is concerned, in very rare cases, after the analysis of the financial condition of companies, a period of 120 days is granted. The balance of receivables is monitored on an ongoing basis. ELZAB S.A. consistently treats recipients that do not make payments on time. In the event of failure to comply with the agreed payment terms, the conditions for prepayment, cash payment or blockage of deliveries to the customer are changed when processing subsequent orders. Consistent application of the above procedures increases the guarantee of concluding transactions with reliable contractors.

Additionally, as part of the credit policy pursued, ELZAB S.A. uses business intelligence agencies to verify new customers that are to be assigned a deferred payment date.

ELZAB HELLAS SPV Sp. z o.o. applies a 21-day payment period from the date of invoice, for the recipients of its services.

ELZAB HELLAS SA applies the following conditions to its customers: sale for cash or from 30 to 120 days from the date of issuing the invoice.

Concentration of receivables

There is no significant concentration of receivables in the ELZAB Capital Group.

For this reason, the Group is slightly exposed to the loss of liquidity.

Ageing of receivables and receivables divided into payment dates are shown in the notes to the balance sheet.

Cash and cash equivalents

The Company's policy is to balance cash inflows and outflows on a current basis in order to generate a surplus of cash from operating activities on a monthly basis. Cash loss is acceptable. In the presented period, the Company financed itself with a credit from the current account, factoring, credit for financing suppliers and received loans. The Company analyses the inflows and expenses on a daily basis in relation to the forecast set for a given month. In February 2020, the Company and Bank Millennium signed an annex, under which the available limit was reduced from PLN 8,000 thousand up to PLN 6,000 thousand. At the end of 2020, pursuant to another annex concluded with ING Bank Śląski S.A., the multi-product loan limit was reduced from PLN 49,100 thousand to PLN 46,100 thousand. As at December 31, 2020, the Company has available credits on the current account of up to PLN 22,000 thousand.

Liquidity risk

The Group is exposed to the risk of losing financial liquidity, understood as the ability to settle liabilities within the specified deadlines. The liquidity risk arises from a mismatch between the amounts and maturities of assets and liabilities.

In the opinion of the Management Board of the parent entity, the risk occurs due to the following factors:

- possible payment delays (from the perspective of receivables and liabilities);
- the possibility of changes in the schedule of fiscalising groups of taxpayers;
- the possibility of difficult access to external financing;
- the possibility of breaking bank covenants in the loan agreements held;

In the opinion of the Management Board, the Group adequately monitors the occurrence of the above factors, which allows the Company to adequately minimize the risk of losing liquidity. The Company is in constant contact with both its contractors and financial institutions providing financing. The Company constantly monitors the course of legislative processes related to fiscalisation and currently finds no premises that could indicate a possible change of the fiscalisation schedule. An ongoing analysis of the demand for cash and the sources of its coverage is also conducted.

The tables below present an analysis of the maturity of financial liabilities by the remaining period until the contractual maturity date from the balance sheet date.

31.12.2020	Current value	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Financial liabilities	89 553	73 008	15 653	192	700
Liabilities due to financial leasing	3 656	1 525	1 939	192	-
Bank credits, including on the current account, loans	71 926	57 512	13 714	-	700
Liabilities from deliveries	13 971	13 971	-	-	-
Financial liabilities - derivatives	0	0	0	0	0

31.12.2019	Current value	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Financial liabilities	101 797	81 741	20 033	23	0
Liabilities due to financial leasing	3 179	1 651	1 505	23	-
Bank credits, including on the current account, loans	87 878	69 350	18 528	-	-
Liabilities from deliveries	10 740	10 740	-	-	-
Financial liabilities - derivatives	0	0	0	0	0

The Management Board is the only responsible unit for liquidity risk management. It developed an appropriate system to manage the short, medium and long-term funding and liquidity requirements. According to the Company's assessment, the cash balance, funds available under the credit line and the forecast regarding the generation of cash from operating activities will be sufficient to service liabilities, including loans with interests and bank commissions.

Note 13 provides detailed information on the use of credit lines available to the Group as a liquidity risk reduction tool.

In 2020, the activities of ELZAB S.A. were adjusted to the events caused by the effects of the COVID-19 epidemic, which had an impact on the financial situation of the Company.

In the presented period, the amount of overdue liabilities decreased significantly.

The Company settles its financial liabilities towards banks and liabilities towards offices and public-law institutions in a timely manner.

Interest rate risk

The Group is exposed to interest rate risk due to partial financing of its operations with bank loans, issued bonds and lease.

The table below presents susceptibility of the ELZAB Group to the risk of changes in interest rates and their impact on the financial result, assuming that the % rates will change by 1%.

Financial instruments with variable interest rate	31.12.2020	31.12.2019
Bank credits and loans	71 926	87 878
Bonds	0	0
Liabilities from leasing	3 656	3 179
Impact of changes in interest rates on the financial result		
increase by 1%	-756	-911
decrease by 1%	756	911

Foreign exchange risk

The ELZAB Group is exposed to foreign exchange risk because some of the sale and purchase transactions are concluded in foreign currencies. This risk is low considering the low percentage of the share of foreign currency sales to total sales. The currency risk is higher in the case of foreign and domestic deliveries, bought by intermediaries but coming from abroad, where domestic prices are determined in relation to currency prices.

In 2020, the ELZAB Group hedged the currency risk by concluding forward transactions. As at December 31, 2020, the following open forward transactions occurred.

transaction date	currency	quantities	implementation course	completion deadline	valuation as at the balance sheet date	future expenses/inflows
25.11.2020	USD/PLN	24 509,50	3,7596	07-01-2021	92	92
				total	92	92

The tables below present the profile of susceptibility to the risk of changes in exchange rates divided into currencies (in thousand PLN):

31.12.2020	Total	In EUR	In USD	In HUF	In GBP	In CZK
Receivables from deliveries and services and other receivables in currency		3 360	0	33 040	43 112	0
after conversion into PLN as at 31.12.2020	16 143	15 504	0	418	221	0
change in the exchange rate, the impact on the financial result						
result in thousand PLN with 5% increase of the rate	807	775	0	21	11	0
result in thousand PLN with 10% increase of the rate	1 614	1 550	0	42	22	0
change in the exchange rate, the impact on the financial result						
result in thousand PLN with 5% decrease of the rate	-807	-775	0	-21	-11	0
result in thousand PLN with 10% decrease of the rate	-1 614	-1 550	0	-42	-22	0
31.12.2020	Total	In EUR	In USD	In HUF	In GBP	In CZK
Liabilities from deliveries and services and others in currency		410	113	0	12	1 979
after conversion into PLN as at 31.12.2020	2 609	1 777	424	0	63	345
result in thousand PLN with 5% increase of the rate	-130	-89	-21	0	-3	-17
result in thousand PLN with 10% increase of the rate	-261	-178	-42	0	-6	-35
change in the exchange rate, the impact on the financial result						
result in thousand PLN with 5% decrease of the rate	130	89	21	0	3	17
result in thousand PLN with 10% decrease of the rate	261	178	42	0	6	35

Balance sheet exposure of the ELZAB Group to foreign exchange risk	Total	In EUR	In USD	In HUF	In GBP	In CZK
change in the exchange rate, the impact on the financial result per saldo						
result in thousand PLN with 5% increase of the rate	694	686	-21	21	8	-17
result in thousand PLN with 10% increase of the rate	1 388	1 373	-42	42	16	-34
change in the exchange rate, the impact on the financial result per saldo						
result in thousand PLN with 5% decrease of the rate	-694	-686	21	-21	-8	17
result in thousand PLN with 10% decrease of the rate	-1 388	-1 373	42	-42	-16	35

31.12.2019	Total	In EUR	In USD	In GBP	currencies
Receivables from deliveries and services and other receivables in currency		3 196	125	42 751	20
after conversion into PLN as at 31.12.2019	14 736	13 610	477	551	98
change in the exchange rate, the impact on the financial result					
result in thousand PLN with 5% increase of the rate	737	681	24	28	5
result in thousand PLN with 10% increase of the rate	1 474	1 361	48	55	10
change in the exchange rate, the impact on the financial result					
result in thousand PLN with 5% decrease of the rate	-737	-681	-24	-28	-5
result in thousand PLN with 10% decrease of the rate	-1 474	-1 361	-48	-55	-10

31.12.2019	Total	In EUR	In USD	In GBP	currencies
Liabilities from deliveries and services and others in currency		123	222	34	2
after conversion into PLN as at 31.12.2019	1 379	523	844	0	12
result in thousand PLN with 5% increase of the rate	-69	-26	-42	0	-1
result in thousand PLN with 10% increase of the rate	-138	-52	-84	0	-1
change in the exchange rate, the impact on the financial result					
result in thousand PLN with 5% decrease of the rate	69	26	42	0	1
result in thousand PLN with 10% decrease of the rate	138	52	84	0	1

Balance sheet exposure of the ELZAB Group to foreign exchange risk	Total	In EUR	In USD	In GBP	currencies
change in the exchange rate, the impact on the financial result per saldo					
result in thousand PLN with 5% increase of the rate	668	654	-18	28	4
result in thousand PLN with 10% increase of the rate	1 336	1 309	-37	55	9
change in the exchange rate, the impact on the financial result per saldo					
result in thousand PLN with 5% decrease of the rate	-668	-654	18	-28	-4
result in thousand PLN with 10% decrease of the rate	-1 336	-1 309	37	-55	-9

In connection with the sale and purchase in foreign currencies, changes in exchange rates may affect the financial result through the value of material consumption, through sales in foreign currencies and by making payments in foreign currencies.

Capital risk management

The purpose of capital risk management is to protect the ELZAB Group's ability to continue as a going concern, so that it is possible to generate returns for shareholders and to maintain an optimal capital structure in order to reduce its cost.

The ELZAB Group monitors capital using the debt ratio. The debt ratio is calculated as the ratio of net debt to total equity. Net debt is calculated as the sum of liabilities (loans, trade and other liabilities) less cash and cash equivalents. The total value of capital is calculated as the sum of equity and net debt.

The debt ratio is as follows:	31.12.2020	31.12.2019
Total liabilities, excluding provisions	95 786	105 164
Cash and cash equivalents and short-term financial assets, excluding restricted cash	5 923	10 782
Total net debt	89 863	94 382
Total equity	81 237	82 524
Total capital	171 100	176 906
Debt ratio %	52,52	53,35

Signatures of Members of the Management Board

18.05.2021 Bartosz Panek President of the Management Board

18.05.2021 Jerzy Popławski Vice-President of the Management Board

Signature of a person entrusted with keeping of the accounting books:

18.05.2021 Agata Gierczak Chief Accountant

Zakłady Urządzeń Komputerowych ELZAB S.A.

**THE REPORT OF THE OPERATIONS OF
THE ELZAB GROUP
2020**



Zabrze, 31.12.2020

The ELZAB GROUP
STATEMENTS ON THE OPERATIONS OF THE ELZAB GROUP
31.12.2020 (in thousand PLN)

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I. Introduction

1. Basic information

The parent entity, Zakłady Urządzeń Komputerowych ELZAB S.A. in Zabrze, ul. Elzab 1 is a joint stock company of commercial law.

The company has 3 sales offices:

- in Warsaw, ul. Taborowa 14 until the end of March 2021; and from January 4, 2021, in Warsaw, ul. Krakowiaków 2
- in Wrocław, ul. Słubicka 22
- Suchy Las, near Poznań, ul. Akacjowa 4

Auditor:

Misters Audytor Adviser Spółką z o.o., ul. Wiśniowa 40 lok. 5, 02-520 Warszawa

The financial statements of ELZAB S.A. for 2020 was audited on the basis of the agreement of August 4, 2020, by Misters Audytor Adviser Spółka z o.o.

The company is entered in the National Court Register - Register of Entrepreneurs - KRS 0000095317.

The company has the BDO registration number 000003645 assigned in March 2018 in accordance with article 50 (1), and in connection with article 54 (2) of the Act of December 14, 2012 on waste (the Journal of Laws of 2018, item 21).

ELZAB SA is registered in the register of telecommunications operators under the number 12684. Since 2019, the company has the status of a telecommunications operator in the field of telecommunications services sold on its own behalf and for its own account, provided by another service provider solely in the field of data transmission.

Electronic devices are the main subject of the operations of entities included in the ELZAB Capital Group and the main source of revenues from sales.

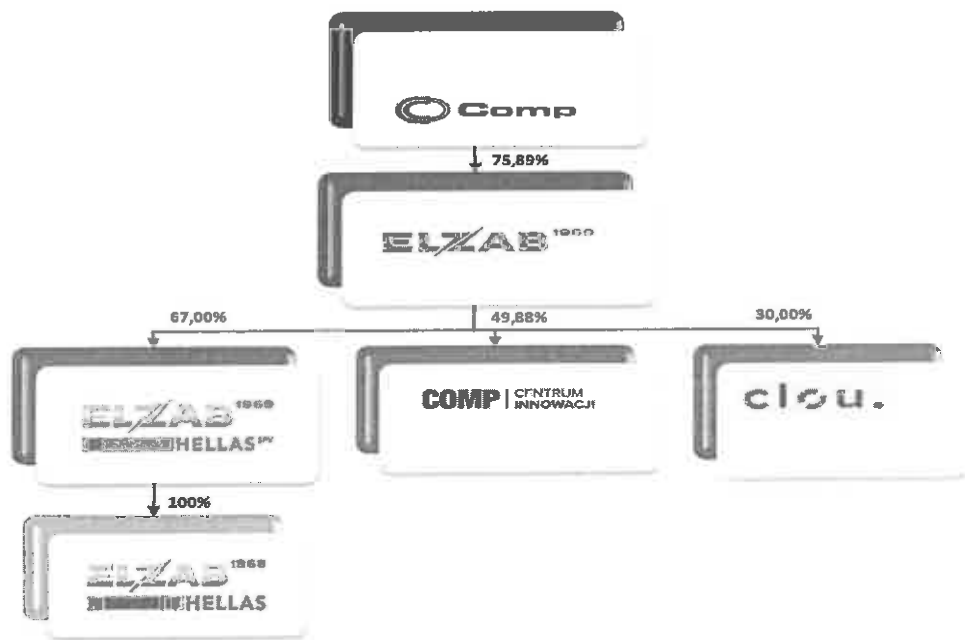
As at December 31, 2020, the ELZAB Capital Group consisted of the following entities:

- | | |
|---|-------------------------|
| • ELZAB HELLAS SPV Sp. z o.o. in Zabrze | 67.00 % |
| • ELZAB HELLAS S.A. in Greece | 67,00% (indirect share) |
| • Comp Centrum Innowacji Sp. z o.o. in Warsaw | 49.88 % |
| • CLOU Sp. z o.o. in liquidation in Warsaw | 30.00% |

On June 30, 2020, the Extraordinary General Meeting of Shareholders of Clou spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw adopted a resolution on the dissolution of the Company and opening its liquidation.

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Graphical representation of the organisational structure of the group and the issuer's related entities as at December 31, 2020.



2. Composition of the Management Board and the Supervisory Board

As at December 31, 2020, the Management Board of the Company was composed of:

Bartosz Panek - President of the Management Board

Jerzy Popławski - Vice-President of the Management Board

In 2020, the composition of the Management Board changed.

Until August 31, 2020, the position of the President of the Management Board was held by Mr. Krzysztof Urbanowicz.

On August 31, 2020, the Supervisory Board elected the Management Board of the Company for a new three-year term. The number of members of the Management Board was set at 2 people.

Since September 1, 2020, Mr. Bartosz Panek has been appointed President of the Management Board and Jerzy Popławski has been appointed Vice-President of the Management Board.

As at December 31, 2020, the Company did not have Proxy.

On September 1, 2020, the Management Board of ELZAB S.A. withdrew the proxies, Mrs. Małgorzata Kaczmarek and Mrs. Lucyna Tumaś.

As at December 31, 2020, the Supervisory Board of the Company was composed of:

Grzegorz Należyty - Chairman of the Supervisory Board

Jarosław Wilk - Vice-Chairman of the Supervisory Board

Andrzej Wawer - Secretary of the Supervisory Board

Jerzy Kotkowski - Member of the Supervisory Board

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Krzysztof Morawski - Member of the Supervisory Board
Kajetan Wojnicz - Member of the Supervisory Board

As at the date of publication of the statements, the Audit Committee was composed of:
Kajetan Wojnicz - Chairman of the Audit Committee of the Supervisory Board
Grzegorz Należyty - Vice-Chairman of the Audit Committee of the Supervisory Board
Andrzej Wawer - Secretary of the Audit Committee of the Supervisory Board

3. Employment

The total employment in the ELZAB Capital Group as at December 31, 2020, was 311 people, and as at December 31, 2019 - 349 people. The reduction in employment resulted from activities related to the reduction of activities in connection with the pandemic situation.

Control system of the employees' shares

There is no employees' shares program in the ELZAB Group.

4. Remuneration paid to the members of the bodies of the Management Board:

Remuneration paid in 2020 to the members of the Management Board and other benefits amounted to PLN 1,939 thousand, including for individual members of the Management Board:

Person	Management Board/Function	Basic remuneration	Bonus	Non-competition agreement	Other benefits	TOTAL
Panek Bartosz	President of the Management Board since September 1, 2020	220			20	240
Jerzy Popławski	Vice-President of the Management Board	576	60		134	770
Krzysztof Urbanowicz	President of the Management Board until August 31, 2020	480	240		53	773
Krzysztof Urbanowicz	Non-competition agreement since September 1, 2020			156		156
The Management Board in total		1,276	300	156	207	1,939

Bonus of the Management Board is discretionary. In December 2020, a bonus was paid to the former President of the Management Board - Mr. Krzysztof Urbanowicz for 2019. The Vice-President of the Management Board, Mr. Jerzy Popławski, received a bonus for 2019 in the first quarter of 2021. Based on a resolution of the Supervisory Board of Elzab S.A. of August 31, 2020, a non-competition agreement was signed with Mr. Krzysztof Urbanowicz, the term of which ends on May 31, 2021.

Managing and supervising persons were not granted any advances, credits, loans and guarantees.

At ELZAB S.A. or the subsidiaries, there were no equity-based incentive or bonus programs.

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Remuneration paid in 2020 to members of the Supervisory Board of ELZAB S.A. and other benefits amounted to PLN 282 thousand, including: individual members of the Supervisory Board (in PLN thousand):

Person	Supervisory Board / Function	Basic remuneration	Other benefits	TOTAL
Grzegorz Należyty	Chairman of the Supervisory Board (serves as Vice-Chairman of the Audit Committee of the Supervisory Board)	105	1	106
Jarosław Wilk	Vice-Chairman of the Supervisory Board	33	1	34
Andrzej Wawer	Secretary of the Supervisory Board (serves as Secretary of the Audit Committee of the Supervisory Board)	44	1	45
Kajetan Wojnicz	Member of the Supervisory Board (serves as Chairman of the Audit Committee of the Supervisory Board)	49	2	51
Jerzy Kotkowski	Member of the Supervisory Board	22	1	23
Krzysztof Morawski	Member of the Supervisory Board	22	1	23
Total		275	7	282

II. Basic economic and financial amounts

In the presented statements period, as a result of realised revenues and incurred costs, the ELZAB Group achieved results on individual types of operations, which, compared to the first half of 2019, are presented in the table below.

	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019
1. Gross result from sales	28,823	35,171
Gross profitability from sales	24.09%	28.10%
2. Net result from sales	5,454	8,363
Net profitability from sales	4.56%	6.68%
3. Result of other operations	1,826	609
Operating profitability	6.08%	7.17%
4. Result of financial operation	-7,135	-7,862
5. Gross result before tax	145	1,110
Gross profitability	0.12%	0.89%
6. Net result	-884	-558
Net return	-0.74%	-0.45%

Consolidated gross profit on sales in the amount of PLN 28,823 thousand generated by the ELZAB Group in 2020 was by 18% lower than in the comparable period of the previous year. Its amount is influenced by the gross results on sales generated by individual companies and the consolidation exclusions made.

Gross result of the ELZAB Group for 2020 including:	PLN 28,823 thousand
• gross profit from sales of ELZAB S.A.	PLN 27,539 thousand
• gross profit from sales in the subsidiaries	PLN 1,375 thousand
• adjustment of the result for the unrealised margin from inventories	- PLN 66 thousand

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- adjustment of the result by turnover within the Group - PLN 25 thousand
- Gross result of the ELZAB Group for 2019 PLN 35,171 thousand
including:
- gross profit from sales of ELZAB S.A. PLN 34,782 thousand
 - gross profit from sales in the subsidiaries PLN 1,269 thousand
 - adjustment of the result for the realised margin from inventories PLN 14 thousand
 - adjustment of the result by turnover within the Group - PLN 894 thousand

Consolidated net profit on sales in the statement period in the amount of PLN 5,454 thousand was lower than that achieved in 2019, which amounted to PLN 8,363 thousand. The net return from sales in 2020 was 4.56% compared to 6.68% in the same period last year.

The balance of other operating activities was positive and amounted to PLN 1,826 thousand in 2020, in 2019. it amounted to PLN 609 thousand. The high level of other operating costs was affected by the grant for the remunerations obtained from the Regional Labour Office - as a form on assistance partly financed from the Guaranteed Employee Benefits Fund, for which Elzab S.A. applied and received a total of PLN 1,588 thousand.

The balance of other operating activities was negative in both presented periods and amounted to PLN 5,594 thousand in 2020, and PLN 7,862 thousand in 2019, respectively.
In both periods, the financial activities also included participation in the losses of the affiliates for the amount of PLN 4,674 thousand in 2020, and PLN 1,377 thousand in 2019.

The consolidated gross profit in 2020 amounted to PLN 145 thousand compared to the gross profit of PLN 1,110 thousand in 2019.

Having considered the income tax burden and the result attributable to minority shareholders, the ELZAB Group, in 2020, generated a consolidated net loss of PLN 884 thousand. In the comparable period last year, the ELZAB Group generated a net loss of PLN 558 thousand.

In the entities of the ELZAB Capital Group in the presented period, there were no revenues and costs due to discontinued operations.

1. Revenues

In 2020, the ELZAB Group generated revenues from basic operating activities and from other operating and financial activities.

The total revenues (in PLN thousand) achieved in the presented period, compared to the corresponding period of the previous year, are presented in the table below:

	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019	Dynamics %
1. Revenues from sale of products and services	99,150	105,626	94%
2. Income from sale of goods and materials	20,503	19,557	105%
3. Other operating revenue	2,422	1,044	232%

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4. Revenues from financial operations	2,117	918	231%
Total	124,192	127,145	98%

Sales revenues

The ELZAB GROUP

Revenues from sales of products, services, goods and materials of the ELZAB Group in 2020 amounted to PLN 119,653 thousand, which means a decrease by 4.42% compared to the amount achieved in 2019, i.e. PLN 125,183 thousand.

ELZAB S.A. - PARENT ENTITY

Revenues from sale of own production products and services as well as goods and materials in 2020 amounted to PLN 118,082 thousand, and were by 5% lower than in 2019 (in PLN thousand).

Industry segments	2020	2019	Dynamics in %
Fiscal devices	74,522	80,006	93.15%
Non-fiscal products	19,659	20,640	95.25%
Industrial and non-industrial services	6,261	5,607	111.66%
Goods and materials	17,640	17,998	98.01%
Together revenues	118,082	124,251	95.03%

In the fiscal devices segment, in 2020 sales were by 6.85% lower than in 2019, mainly due to the reduced number of ELZAB fiscal devices sold for taxpayers who were less interested in replacing fiscal devices (replacement market) due to the situation in the country related to COVID-19.

Level of achieved sales revenues lower than expected, resulting from the COVID-19 pandemic situation. Sales decreased mainly in the segment of fiscal devices (decrease by 6.8%) and non-fiscal products (decrease by 4.7%).

Due to the current situation caused by the coronavirus pandemic, for entities providing services related to gastronomy (also seasonally), hotel and coal sales, the obligation to replace the existing cash registers with online cash registers was postponed from July 1, 2020 to January 1, 2021.

Due to the current situation caused by the coronavirus pandemic, for taxpayers providing hairdressing, cosmetic, construction, legal services, medical care provided by doctors and dentists and from the fitness industry (in terms of admission), the obligation to replace previously held cash registers with online cash registers was postponed from January 1, 2021 to July 1, 2021.

Sales of goods and materials in 2020 decreased by 2% compared to the previous year.

ELZAB HELLAS GROUP

The group's purpose is to supply fiscal and non-fiscal devices directly to the Greek market.

The Group consists of two entities: ELZAB HELLAS SPV Sp. z o.o. and ELZAB HELLAS S.A.

In 2020, the revenues of the ELZAB HELLAS Group amounted to PLN 4,902 thousand with gross profitability on sales 28.0%.

In 2019, the revenues of the ELZAB HELLAS Group amounted to PLN 2,615 thousand with gross profitability on sales 29.2%.

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Sales revenues to foreign markets

In 2020, the value of sales on foreign markets of the ELZAB Group amounted to PLN 9,933 thousand, which is 8.3% of the total sales value. In 2019, the value of sales on foreign markets of the ELZAB Group amounted to PLN 7,606 thousand, which is 6.1% of the total sales value.

In 2020, as in the previous years, the dominant market for the operations of ELZAB S.A. was the domestic market where 92.9% of sales revenues were realized.

Sales to foreign markets, in the case of fiscal devices, concerned the Hungarian, Greek and Kenyan markets. The remaining sales to foreign markets mainly concern Great Britain, Ireland and Germany. The main factor influencing the high level of exports in 2020 was the increased number of recipients of fiscal devices in Greece, where the obligation to replace and update cash registers according to the new legal regulations was introduced. The original date for the replacement of cash registers in Greece was July 1, 2020. However, due to the COVID-19 pandemic, it was initially postponed to March 31, 2021, and now a further postponement of this deadline is expected to June 30, 2021.

ELZAB HELLAS S.A. Group carries out sales on the Greek market.

Other operating and financial revenues

The revenues from other operating activities in 2020 included mainly:

- | | |
|---|--------------------|
| - income from lease of fixed assets | PLN 512 thousand |
| - co-financing for remunerations from the Voivodeship Labour Office | PLN 1,588 thousand |

The revenues from other operating activities in 2019 included mainly:

- | | |
|-------------------------------------|------------------|
| - income from lease of fixed assets | PLN 479 thousand |
|-------------------------------------|------------------|

The financial revenues in 2020 include mainly:

- | | |
|--|--------------------|
| - interest on loans, deposits and bonds granted, including | PLN 164 thousand |
| - adjustment of the write-off of interest on receivables | PLN 51 thousand |
| - profits from foreign exchange differences | PLN 1,663 thousand |

The financial revenues in 2019 include mainly:

- | | |
|--|------------------|
| - interest on loans, deposits and bonds granted, including | PLN 805 thousand |
| - adjustment of the write-off of interest on receivables | PLN 34 thousand |

2. Costs

In 2020, the ELZAB Group incurred costs for the implementation of production and sales and for other operating activities and financial costs, the value of which is presented in the table below compared to the previous year (in PLN thousand).

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	For the period from 01.01 to 31.12.2020	For the period from 01.01 to 31.12.2019	Dynamics %
1. Production cost of sold products and services	72,140	72,924	99%
2. Value of sold goods and materials	18,690	17,088	109%
3. Sales costs and general costs	23,369	26,808	87%
4. Other operating costs	596	435	137%
5. Financial costs	3,037	7,403	41%
6. Share in profits/loses of the affiliates	6,215	1,377	451%
Total	124,047	126,035	98%

Sale own cost

In 2020, expenditures on production, distribution and sales costs as well as general costs of operating companies, having adjusted for costs resulting from intra-group turnover, decreased by approximately 2% compared to 2019.

Comparing the production cost of products and services sold in 2020 and in 2019, it decreased by 1% compared to the previous year.

The cost of production was influenced by:

- the level of sales of own products, which was lower than in 2019,
- the sales assortment structure,
- a slightly higher level of warranty service costs, depending on the product range sold in the country and the level of invoicing for guarantee service costs by the Company's dealers,
- lower effects of inventory updates than in 2019

The general and administrative costs and selling costs decreased in total by 12.8% in 2020 compared to 2019.

The general and administrative costs were at a comparable level and in 2020 amounted to PLN 14,756 thousand compared to 14 910 thousand in 2019.

The sales costs, excluding the effects of revaluation of receivables, were lower by 27% compared to 2019.

The costs by type incurred in 2020 in the amount of PLN 98 881 thousand were comparable to those incurred in 2019. In 2020, the share of selected cost items in incurred costs by type was:

- 42.07% were the costs of materials and energy consumption, which at the consolidated level, increased by 4% compared to 2019. The material costs are mainly influenced by the level of sales and the structure of production, exchange rates on which the price of imported purchases depends and domestic purchases with prices denominated against foreign currencies. The outsourcing of electronic packages to external companies continued. The costs of materials also include advertising and information materials related to the conducted advertising campaigns in the country and abroad, as well as promotions.

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- 27.89% was the cost of remunerations and employee benefits. The remunerations with add-ons and costs of other employee benefits decreased by 8.59% compared to the same period last year. The reduced remunerations in 2020 resulted from the agreement signed with ELZAB S.A. reducing the number of positions to 4/5 for a period of 3 months 2020 (May, June, July)

- 23.61% was the cost of external services, the level of which was 11.31% lower than in 2019. A significant item in the costs of services are the costs of guarantee service, which constitute 59.68%. Other major cost items involve external processing, promotion costs and advertising services.

- 6.91% were depreciation costs, which were by 8% higher than those incurred in 2019.

In 2020, the result of updating the inventories of finished products amounted to PLN 395 thousand and increased the production cost. In 2019, the result on the update of product inventories also increased the production cost by PLN 660 thousand.

In 2020, the result on the updating of inventories of goods and materials in the amount of PLN 797 thousand increased the cost of goods and materials sold. In 2019, the result of updating inventories of goods and materials amounted to PLN 579 thousand and increased the cost of goods and materials sold.

In 2020, the result of updating receivables reduced selling costs by PLN 24 thousand, and in 2019 increased them by PLN 31 thousand.

Other operating and financial costs

Other operating costs amounted to PLN 596 thousand, and were higher than last year by PLN 161 thousand, and included, inter alia, costs of leased space in the amount of PLN 178 thousand and the costs of discontinued development works and intangible assets as well as the liquidation of assets in the amount of PLN 333 thousand.

Other financial costs amounted to PLN 3,037 thousand, and included, inter alia, the costs of interest, loan commissions and write-offs updating interest on main receivables and write-downs updating the value of shares in Clou Sp. z o.o. in liquidation in the amount of PLN 122 thousand.

In 2020, the financial activities of the ELZAB Group also included a share in losses of associates in the amount of PLN 6,215 thousand. In 2019, the share of losses of associates amounted to PLN 1,377 thousand.

Financial result

Gross profit in 2020 amounted to PLN 145 thousand, and in 2019 it amounted to PLN 1,110 thousand. Having considered the income tax in the amount of PLN 1,029 thousand, the net loss of the ELZAB Group amounted to PLN 884 thousand. In 2019, a net loss of PLN 558 thousand was generated. The net profitability ratio in 2020 was -0.74%, while in 2019 it was -0.45%.

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In 2020, ELZAB S.A., like most enterprises, did not avoid the negative effects of the COVID-19 pandemic.

In the following quarters, there was a noticeable decrease in revenues from the sale of fiscal devices, which was related to the prudent approach to purchases by the Company's dealers. The amount of revenues was also influenced by the postponement of the obligation to replace fiscal devices with online devices, mainly for the HORECA industry (hotels, restaurants and catering) from July 1, 2020 to January 1, 2021. The effects of increased sales to the HORECA industry were visible in Q4 2020. For half a year, from January 1, 2021, to July 1, 2021, the obligation to replace fiscal devices for entities providing hairdressing and cosmetic services, construction, medical and those related to the improvement of physical condition was also postponed.

3. Financial instruments

Information on open forward transactions is presented in note 25 on risks - exchange rate risk.

As at December 31, 2020, the ELZAB Group had receivables under loans granted in the amount of PLN 1,968 thousand including accrued interest.

4. Structure of assets and liabilities in the consolidated balance sheet of the capital group

Structure of the consolidated balance sheet (in PLN thousand)	31.12.2020	% share	December 31, 2019	% share
ASSETS				
Fixed assets (long-term)	88,192	48.19%	96,012	49.08%
Current assets (short-term)	94,827	51.81%	99,610	50.92%
TOTAL	183,019	100.00%	195,622	100.00%
LIABILITIES				
Equity	81,237	44.39%	82,524	42.19%
Long-term liabilities	17,197	9.40%	20,829	10.65%
Short-term liabilities	84,585	46.21%	92,269	47.17%
TOTAL	183,019	100.00%	195,622	100.00%

5. Development works

In 2020, the Development Department of ELZAB S.A. worked on the following issues:

1. The company completed the work and obtained approval for online devices: K2Pay cash register, K1Slim cash register and a virtual cash register for use in the KW1 passenger transport.
2. A dedicated e-fiscalisation service for Uber was implemented using the KW1 virtual cash register and the IT system provided by ELZAB.
3. Work was commenced to introduce Android fiscal devices to the offer.
4. Work was continued to maintain the continuity of approval and commercial availability for the offered fiscal devices.
5. Work was continued for the development of new devices and adaptation of cash registers on export markets (including Romania, Hungary, Kenya) to the changes in regulations.
6. Works related to the integration of ELZAB registers with the M/Platform, M/promo +, Hop & Shop, e-receipt, etc. service platform.
7. Development of the integration of cash registers with non-cash payments.

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8. Development work aimed at providing several models of chargers for electric vehicles to the European market.
9. Development of the ELZAB cash register management system by adjusting it to the growing population of devices on the market and using it as a service support platform.
10. Commencing the development of the ElzabCare product line for air sterilization with UV rays.

6. Guarantees and sureties

Not applicable.

7. The position of the Management Board as regards to the possibility of execution of published predictions of the results

The Company did not publish the results forecast for 2020 of the ELZAB Group.

8. Dependence on suppliers and recipients

Suppliers

At ELZAB S.A. purchases are mostly made from domestic suppliers. The total share of imports and intra-Community purchases in total purchases in 2020 remained at a similar level as in the previous year and amounted to approximately 14%.

The products in the trade offer of ELZAB S.A. come largely from the production carried out by ELZAB S.A. They are mostly the result of the work of our own development department, and the production process is carried out according to our own technology.

ELZAB S.A. properly plans the supply of raw materials, materials and components for production, both in terms of quantity and type of purchases, based on the sales forecast prepared by the sales department.

The four largest suppliers (over 5% of deliveries of materials and goods in total deliveries) among domestic companies account for a total of 47% of total deliveries.

The share of other domestic suppliers accounted for less than 5% of the total deliveries. Purchases from other suppliers can be replaced with deliveries from other companies.

The experience from previous years shows that there were no negative phenomena in terms of continuity of production and sales due to deliveries.

None of the suppliers among foreign companies exceeded 5% of the total deliveries.

The largest supplier of components for production in 2020 was Fideltronik Poland Sp. z o.o. (21% of total supplies of materials and goods). The value of net purchases from this company in 2020 exceeded 10% of the value of sales revenues.

In the opinion of the Management Board, this does not pose a threat to the continuity of production and sales. Currently, there are difficulties with access to selected materials, mainly electronics. Some suppliers are postponing delivery times. The company is in constant contact with all suppliers and

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actively monitors delivery schedules. At the same time, the company carries out tasks to identify substitutes and alternative sources of supply.

Recipients

The domestic market dominates in terms of operations of the ELZAB Capital Group.

Revenues from domestic sales realized in 2020 by ELZAB S.A. accounted for 92.9%, and in the previous year 94.6%.

ELZAB S.A. sells its products directly through a dealer network.

The ELZAB HELLAS Group sells on the Greek market.

The aforementioned sales organisation does not pose a threat to continue it.

9. Important proceedings pending before court, competent arbitration authority or public administration authority

There are no significant proceedings pending before a court, body competent for arbitration proceedings or public administration body.

III. Basic financial indicators

	The ELZAB Group	01.01 - 31.12.2020	01.01. - 31.12.2019
1	Gross sales profitability ratio %	24,09	28,10
2	Net profit margin ratio %	-0,74	-0,45
3	Return on equity ROE %	-1,08	-0,67
4	Return on total assets ROA %	-0,47	-0,28
5	Current fluidity ratio	1,18	1,26
6	High liquidity ratio	0,76	0,83
7	Total debt ratio	56,75	58,15

1 gross profit on sales / net revenues from sales %

2 net profit / net revenues from sales %

3 net profit / equity %*

4 net profit / total assets %*

5 current assets* / short-term liabilities (excluding provisions and accruals)*

6 current assets - inventories - prepayments* / short-term liabilities*

7 liabilities and provisions for liabilities* / total assets*

* (as at the beginning of the period + as at the end of the period)/2

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IV. Contingent and off-balance sheet liabilities and assets

Contingent liabilities amount:

- as at December 31, 2020:

- promissory note collateral for operating lease agreements (on balance sheet finance lease) concluded with ING Lease (Polska) Sp. z o.o. in Warsaw to finance the purchase of production and non-production equipment and cars. The total value of the leasing subject was PLN 4,583 thousand.
- promissory note collateral for the credit agreement in the Millennium S.A. current account - the credit limit is PLN 8,000,000, mBank SA - the credit limit is PLN 6,000,000, ING Commercial Finance Polska SA. - the credit limit is PLN 12,000 thousand; Contingent liability due to collateral limits for ING S.A. bank guarantees - liability amount: PLN 535 thousand; Contingent liability due to the guarantee covered by Bank Gospodarstwa Krajowego PLN 8 million in the value of a loan of PLN 10 million obtained in August 2020 from ING Bank Śląski S.A.

- as at December 31, 2019:

- promissory note collateral for operating lease agreements (on balance sheet finance lease) concluded with ING Lease (Polska) Sp. z o.o. in Warsaw to finance the purchase of production and non-production equipment and cars. The total value of the leasing subject was PLN 4,162 thousand.
- promissory note collateral for the credit agreement in the Millennium S.A. current account - the credit limit is PLN 8,000,000, mBank SA - the credit limit is PLN 6,000,000, ING Commercial Finance Polska SA. - the credit limit is PLN 7,000,000. Contingent liability from collateral limits under ING S.A. bank guarantees - liability amount: PLN 535,000.

Contingent assets:

Loan collateral in the amount of EUR 150,000 granted by ELZAB S.A. to a natural person involves a registered pledge on all shares of MONEA V Sp. z o.o. to the highest collateral amount of EUR 300,000, and a surety of up to EUR 300,000 granted by MONEA V Sp. z o.o. to a natural person, as well as a registered pledge on shares constituting 33% of the share capital of ELZAB HELLAS SPV Sp. o.o., which MONEA V Sp. o.o. has in ELZAB HELLAS SPV Sp. z o.o. up to the highest collateral amount of EUR 300,000.

V. Amount and types of capitals of the ELZAB Group

1. Equity

As at December 31, 2020 and December 31, 2019, the equity of the ELZAB Group included (in PLN thousand):

	As at 31.12.2020	As at 31.12.2019
A. Equity	81 237	82,524
1. Basic capital	22 143	22,143
2. Surplus from the sale of shares above their nominal value	11 211	11,211
3. Own shares	-1 997	-1,997
4. Other reserve capital - own shares	3 315	3,315
5. Reserve capital and spare capital	59 041	55,141
6. Exchange differences arising on the translation of the subsidiaries	-386	17
7. Profit/loss from previous years and the current year, including:	-10 063	-5,485
7.1. Accumulated profits/losses from previous years	-9 385	-5,267
7.2. Profit/loss of the current year	-678	-218
8. Capitals for non-controlling shares	-2 027	-1,821

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2. Settlement of the parent company's financial result from the previous years

Pursuant to Resolution no. 8 of the OGM of August 31, 2020, the net profit of ELZAB S.A. for 2019 in the amount of PLN 3 886 thousand PLN was fully transferred to the supplementary capital of the Company.

In the statements of 2020, ELZAB S.A. did not pay or declare the payment of dividends for the previous financial year.

3. Proposed distribution of the parent company's result for the current period

At the time of publishing the financial statements, the Management Board of the Company had not yet decided on the recommendation to the General Meeting of Shareholders of the method of distribution of profit for 2020.

4. Ownership structure of the equity

The structure of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting as at December 31, 2020, and as at the date of publication of the statements, according to the knowledge of the Company, is as follows:

Full name (Company)	Number of ordinary shares	Number of preference shares	Total number of shares	Total number of votes	% of votes during the GM	Share in the share capital
COMP S.A.*	12,228,189	18,450	12,246,639	12,320,439	75.66	75.89
ELZAB S.A. (own shares)	405,662	0	405,662	405,662	2.49	2.51
Other shareholders	3,466 729	18,020	3,484 749	3,556 829	21.84	21.59
TOTAL	16,100,580	36,470	16,137,050	16,282,930	100.00	100.00

** COMP. S.A. with its registered office in Warsaw holds a total of 12,652,301 shares of ELZAB S.A. which represents 78.41% of the share capital (directly - 12,228,189 ordinary shares, which is 75.78% of the share capital; directly - 18,450 preference shares, which is 0.11% of the share capital, indirectly - 405,662 own shares of ELZAB S.A. which is 2.51% share in the share capital). Total number of votes from shares held by COMP S.A. amounts to 12,726,101, representing 78.16% of the total number of votes (directly 12,322,439 votes, representing 75.66% of the total number of votes; indirectly - 405,662 votes arising from own shares of ELZAB, representing 2.49% share in the total number of votes).*

Total:

Share capital	22,142,962.40 PLN
total number of shares	16,137,050
total number of votes	16,282,930
number of shares in public trading	16,137,050
number of shares on the stock exchange	16,100,580

5. Shares of ELZAB S.A. held by members of the Management Board and the Supervisory Board

Number of shares held by the Management Board of ELZAB S.A. as at December 31, 2020 and as at the date of approval of the financial statements by the Management Board of the Company, according to the Company's knowledge, is as follows (pcs.):

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Bartosz Panek	President of the Management Board	1,000
Jerzy Popławski	Vice-President of the Management Board	0
Total		1,000

Members of the Supervisory Board of ELZAB S.A., according to the knowledge of the Company as at the date of submitting the statements, do not own any shares of ELZAB S.A.

6. Shares in the affiliates held by members of the Management Board and the Supervisory Board

According to the best knowledge of the Company, members of the Management Board and the Supervisory Board do not hold shares in the subsidiaries of ELZAB S.A.

President of the Management Board of ELZAB S.A., Mr. Bartosz Panek, has 37 shares of COMP S.A.

Members of the Management Board of ELZAB S.A. do not hold shares in other affiliates.

Shares and stakes in other affiliates held by members of the Supervisory Board of ELZAB S.A. (pcs):
- as at December 31, 2020:

		COMP S.A.
Grzegorz Należyty	Chairman of the Supervisory Board	0
Jarosław Wilk	Vice-Chairman of the Supervisory Board	2,420
Andrzej Wawer	Secretary of the Supervisory Board	4,200
Jerzy Kotkowski	Member of the Supervisory Board	0
Kajetan Wojnicz	Member of the Supervisory Board	0
Krzysztof Morawski	Member of the Supervisory Board	1,615

After December 31, 2020, members of the Supervisory Board directly sold the shares of Comp S.A.:

1. Andrzej Wawer sold 2,420 shares (Comp S.A. current report no. 3/2021 of January 14, 2021);
2. Krzysztof Morawski sold 1,615 shares (Comp S.A. current report no. 4/2021 of January 14, 2021);
3. Jarosław Wilk sold 2,420 shares (Comp S.A. current report no. 5/2021 of January 14, 2021).

- as at April 23, 2020:

		COMP S.A.
Grzegorz Należyty	Chairman of the Supervisory Board	0
Jarosław Wilk	Vice-Chairman of the Supervisory Board	0
Andrzej Wawer	Secretary of the Supervisory Board	1,780
Jerzy Kotkowski	Member of the Supervisory Board	0
Kajetan Wojnicz	Member of the Supervisory Board	0
Krzysztof Morawski	Member of the Supervisory Board	0

In addition, as at December 31, 2020, Mr. Jerzy Popławski held 37,800 shares with a total value of PLN 1,890,000.00, representing 22.73% votes at the shareholders meeting in CE Management Group Sp. z o.o., which holds 192,917 shares of Comp S.A.

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As at the date of publication of the financial statements, Mr. Jerzy Popławski holds 37,800 shares with a total value of PLN 1,890,000.00, constituting 17.25% votes at the shareholders meeting in CE Management Group Sp. z o.o., which holds 302,719 shares of Comp S.A.

In addition, members of the Supervisory Board had an indirect share in COMP S.A. by CE Management Group Sp. z o.o.:

- as at December 31, 2020:
 - Mr. Andrzej Wawer holds 5,100 shares with a total value of PLN 255,000.00, constituting 3.07% votes at the shareholders meeting in CE Management Group Sp. z o.o. with its registered office in Warsaw, which holds 192,917 shares of Comp S.A.;
 - Mr. Krzysztof Morawski held 5,100 shares with a total value of PLN 255,000.00, constituting 3.07% votes at the shareholders meeting in CE Management Group Sp. z o.o. with its registered office in Warsaw, which holds 192,917 shares of Comp S.A.;
 - Mr. Jarosław Wilk held 2,100 shares with a total value of PLN 105,000.00, constituting 1.26% votes at the shareholders meeting in CE Management Group Sp. z o.o. with its registered office in Warsaw, which holds 192,917 shares of Comp S.A.;
- as at the date of publication of the financial statements:
 - Mr. Andrzej Wawer holds 7,883 shares with a total value of PLN 394,150.00, constituting 3.60% votes at the shareholders meeting in CE Management Group Sp. z o.o. with its registered office in Warsaw, which holds 302,719 shares of Comp S.A.;
 - Mr. Krzysztof Morawski held 6,957 shares with a total value of PLN 347,850.00, constituting 3.18% votes at the shareholders meeting in CE Management Group Sp. z o.o. with its registered office in Warsaw, which holds 302,719 shares of Comp S.A.;
 - Mr. Jarosław Wilk held 4,883 shares with a total value of PLN 244,150.00, constituting 2.23% votes at the shareholders meeting in CE Management Group Sp. z o.o. with its registered office in Warsaw, which holds 302,719 shares of Comp S.A.;

CE Management Group Sp. z o.o. is not under the control of any of the aforementioned persons (together they have a minority share).

7. Call for the sale of shares - Changes in ELZAB S.A.

In 2020, there was no call for the sale of ELZAB S.A. shares.

8. Purchase of own shares

ELZAB S.A. carried out the following transactions as part of the purchase of own shares:

- 2008 the Company bought 405,662 own shares for redemption.

In 2017, the Company sold a total of 768,093 ordinary bearer shares (own shares) with a total nominal value of PLN 1,045 thousand in two block trades on the regulated market, constituting 4.76% of the share capital and entitling to 768,093 votes, which constitutes 4.72% of the total number of votes at the general meeting of the Company, at the average unit selling price of PLN 7.00 (seven) per share.

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ELZAB SA - OWN SHARES	year	number of shares	purchase price	value of shares at the purchase price	% of the share capital	% votes at the GSM	nominal value of the purchased shares	value of the purchased shares
<i>ELZAB S.A. - own shares acquired for redemption</i>	2008	405,662	4.91	1,993	2.51%	2.49%	552	1,997
TOTAL	X	405,662	4.91	1,993	2.51%	2.49%	552	1,997

The purchased shares are recognised in the equities of ELZAB S.A. with a negative sign.

9. Listing of ELZAB S.A. shares on the Warsaw Stock Exchange

The basic amounts in terms of listing of the Company's shares in 2020 are as follows:

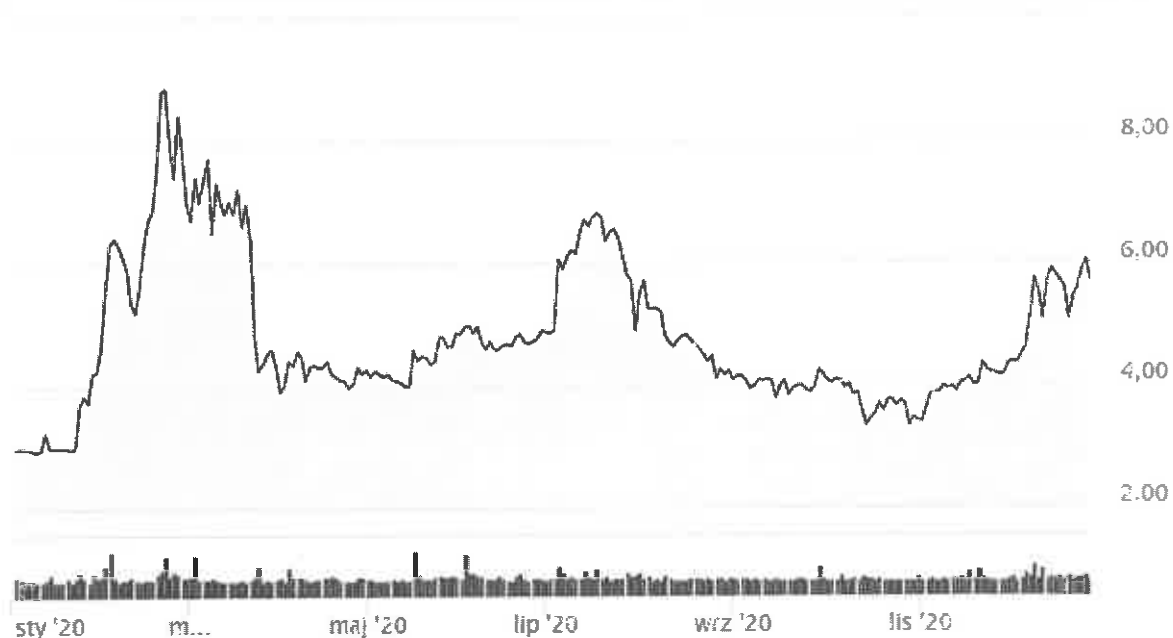
· Average share price	4.79
· Maximum share price	9.85
· Minimum share price	2.72
Rate of return ((final rate - initial rate)/initial rate))	91.3%
· Amplitude ((rate max.-rate min.)/rate min.))	262%
· rate as at January 2, 2020	2.98
· rate as at December 30, 2020	5.70

The company has been listed on the WSE since May 13, 1998.

Listing market: basic

Sector: IT

ELZAB S.A. share price according to listing on the WSE in 2020



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VI. Unusual events and other factors affecting the financial situation of the ELZAB Group

The financial situation of the ELZAB Group is largely determined by the parent company ELZAB S.A.

In 2020, the COVID-19 pandemic was the most important factor affecting the financial situation for both the parent company and the companies of the ELZAB Group. Its effects are described in detail in individual sections of this Report.

VII. Financial resources management

In previous years, ELZAB S.A. made investments and purchases of production materials for the fiscalisation of new taxpayers required to have an online cash register. The delays in the entry into force of the online fiscalisation regulations had an impact on the Company's financial position and the management of its day-to-day liquidity.

In order to limit the negative effects of the pandemic and to improve financial liquidity, it was decided to use the possibility of postponing payments of certain public-law liabilities, and negotiated with the financing banks: (i) in the case of ING Bank Śląski S.A. postponement of payment dates of 5 installments by 5 months, (ii) in the case of Bank Millenium S.A. postponing the limit reduction date (from PLN 7,000 thousand to PLN 6,000 thousand) in the current account from the end of April 2020 until the end of July 2020.

The company monitors its financial situation on an ongoing basis and adjusts the payment options to the proceeds obtained. The company has credit limits at banks and the possibility of using supplier financing.

On August 5, 2020, Annex 6 to the Multi-product Agreement was concluded with ING Bank Śląski S.A. with its registered office in Katowice, reducing the multi-product loan limit from PLN 49,100 thousand up to the amount of PLN 46 100 thousand. On the basis of the Annex, a sublimit was made available for use under the working capital loan in a bank account and it was covered by a guarantee granted by Bank Gospodarstwa Krajowego on the basis of the portfolio agreement of the Liquidity Guarantee Fund No. 3/PLG-FGP/2020 in the amount of PLN 8,000 thousand, constituting 80% of the granted loan amount for the loan period extended by 3 months, i.e. until September 30, 2022.

VIII. Information on the impact of the spread of the covid-19 coronavirus on the operations of the Company

In 2020, ELZAB S.A., like most enterprises, did not avoid the negative consequences resulting from the SARS-CoV-2 and COVID-19 pandemic. The negative effects of the pandemic were seen in ELZAB S.A. from the end of March 2020, therefore the results for three quarters of 2020 include this negative trend.

The following factors also had an impact on the amount of revenues achieved in 2020:

- due to the current situation caused by the coronavirus pandemic, for entities providing services related to gastronomy (also seasonally), hotel and coal sales, the obligation to replace the existing cash registers with online cash registers was postponed from July 1, 2020 to January 1, 2021.

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- due to the current situation caused by the coronavirus pandemic, for taxpayers providing hairdressing, cosmetic, construction, legal services, medical care provided by doctors and dentists and from the fitness industry (in terms of admission), the obligation to replace previously held cash registers with online cash registers was postponed from January 1, 2021 to July 1, 2021.

In 2020, the Company took the following measures to mitigate the negative effects of the pandemic:

- in order to improve financial liquidity, it was decided to take advantage of the possibility of postponing the payment of certain public law liabilities, and also negotiated with the banks financing:
 - (i) in the case of ING Bank Śląski S.A. postponement of payment dates for 5 instalments by 5 months,
 - (ii) in the case of Bank Millenium S.A. postponing the deadline to reduce the current account limit from the end of April to the end of July this year;
- in April this year The Management Board of the Company, in consultation with the trade unions, decided that in the period from May 1, 2020 to July 31, 2020, the working time of employees will be reduced by 20% compared to their current working time. The reduced working time applies to all professional groups present at ELZAB S.A. During the period of work in reduced working hours, employees were entitled to remuneration for work - proportional to the reduced working time, financed partly from the funds of the Guaranteed Employee Benefits Fund, for which the Company applied and received in total in the amount of PLN 1,588,000.
- in April this year The Management Board of the Company, in consultation with the trade unions, decided to suspend the bonus regulations for a period of 3 months;
- at the end of April this year, in production and production-related departments, the Management Board of the Company introduced a 2-week leave break;
- negotiations were initiated with suppliers of certain services or goods,
- on August 5, 2020, it and ING Bank Śląski S.A. with its registered office in Katowice, concluded annex 6 to the Multi-Product Agreement reducing the multi-product credit limit from PLN 49,100,000 to the amount of PLN 46,100,000, with the repayment date until June 7, 2023.

Pursuant to the Annex, a sublimit was made available for use under the working capital credit in the bank account in the amount of:

- PLN 10,000,000 from August 5, 2020 to September 30, 2021
- PLN 9,000,000 from October 1, 2021 to October 31, 2021
- PLN 8,000,000 from November 1, 2021 to November 30, 2021
- PLN 7,000,000 from December 1, 2021 to December 31, 2021
- PLN 6,000,000 from January 1, 2022 to January 31, 2022
- PLN 5,000,000 from February 1, 2022 to February 28, 2022
- PLN 4,000,000 from March 1, 2022 to March 31, 2022
- PLN 3,000,000 from April 1, 2022 to April 30, 2022
- PLN 2,000,000 from May 1, 2022 to May 31, 2022
- PLN 1,000,000 from June 1, 2022 to June 30, 2022

The sublimit was covered by a guarantee granted by Bank Gospodarstwa Krajowego on the basis of the portfolio agreement of the Liquidity Guarantee Fund no. 3/PLG-FGP/2020 in the amount of PLN 8,000 thousand, representing 80% of the granted credit amount for the credit period extended by 3 months, i.e. until September 30, 2022.

There are currently difficulties in accessing certain materials, mainly electronics, and some suppliers are postponing delivery times. The company is in constant contact with all suppliers, and the search for replacements is in progress, as well.

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The Company notes that it is not able to fully estimate the potential effects of the SARS-CoV-2 and COVID-19 coronavirus-related pandemic on the future results of the Company, as many factors are currently beyond the control of the Company and are heavily dependent on development situation in the country and in the world, as well as decisions taken by state organs.

IX. Basic risks and threats in the operations of the ELZAB Group

The description of risks and threats related to the conducted activity of the ELZAB Group can be found in note 25 to the financial statements.

X. Information about the issue, redemption and repayment of non-equity and equity securities

Not applicable.

XI. Information about significant transactions and transaction with the affiliates

The following table includes the turnover for the period from 01.01. - 31.12.2020 and the status of receivables and liabilities as at 31.12.2020.

	<i>Sale of the ELZAB Group to the affiliates</i>	<i>Purchases of the ELZAB Group from the affiliates</i>	<i>Trade receivables of the ELZAB Group from the affiliates</i>	<i>Receivables of the ELZAB Group from the affiliates from granted loans</i>	<i>Trade liabilities of the ELZAB Group for the affiliates</i>	<i>Liabilities of ELZAB for the affiliates from taken loans</i>
Transactions with the affiliates	2,958	5,512	15,759	0	748	23,448
COMP S.A.	1,118	5,260	149	0	544	23,448
Comp Centrum Innowacji Sp. z o.o.	0	0	1,875	0	0	0
Insoft Sp. z o.o.	2	183	2	0	100	0
Polski System Korzyści Sp. z o.o.	2	5	1	0	2	0
JNJ Limited	0	0	13,314	0	0	0
CLOU Sp. z o.o. in liquidation	28	63	0	0	102	0
Micra Metripond KFT	1,808	1	418	0	0	0

Elzab S.A., due to loans taken from Comp S.A., incurred financial costs in the amount of PLN 693 thousand, while the value of interest from the parent company in the Elzab Group subject to consolidation adjustment for 2020 amounted to PLN 129 thousand.

Details of transactions with the affiliates can be found in note 23 to the financial statements and in the further part concerning concluded agreements and granted loans and sureties.

As at December 31, 2020, contingent liabilities for the affiliates did not occur.

XII. Information on agreements of the ELZAB Group

Long-term selected agreements in operations of the Company :

Agreement on joint purchases of components and automatic identification devices concluded on July 25, 2011, by and between ELZAB S.A. and COMP S.A. (formerly NOVITUS S.A.). The agreement was concluded in order to obtain optimal conditions for the purchase of components and automatic identification devices (AI).

Under the agreement, ELZAB S.A. commissioned COMP S.A. conducting negotiations and making purchases for the needs of ELZAB S.A. in the scope of purchasing components, AI devices for distribution and AI devices for production.

Agreement for the sale of Dial electronic scales concluded on July 25, 2011 by and between: ELZAB S.A. and COMP S.A. (formerly NOVITUS S.A.) on the sale by COMP S.A. for ELZAB S.A. electronic scales by DIBAL.

ELZAB S.A. obliges to purchase scales in accordance with the orders placed and place them on the market in its own sales network and to Strategic Clients of ELZAB S.A. Pursuant to the agreement, the remuneration for ELZAB S.A. for the sale of scales was set as a trade discount.

Agreement on the rules of cooperation in the field of the production of electronic packages concluded on September 19, 2011 by and between ELZAB S.A. and FIDELTRONIK IMEL Sp. z o.o. Under the agreement, the company commissions FIDELTRONIK IMEL Sp. z o.o. performance of the service of purchasing electronic components, assembly and testing of packages in accordance with the arrangements and documentation of ELZAB S.A.

Agreement on rules principles of cooperation in the field of the production of electronic packages concluded on August 10, 2012 between ELZAB S.A. and JM Elektronik Sp. z o.o. Under the agreement, the company commissions JM Elektronik Sp. z o.o. performance of the service of purchasing electronic components, assembly and testing of packages in accordance with the arrangements and documentation of ELZAB S.A.

The agreement concluded on December 16, 2013 by and between ELZAB S.A. and MICRA METRIPOND KFT on the rules of cooperation in the production and delivery of fiscal devices intended for the Hungarian market and the definition of the terms and conditions of the Parties' activity in the field of distribution, provision of guarantee and post-guarantee services of the devices in question in the territory of Hungary.

On June 18, 2018, the company concluded a cooperation agreement with JNJ Limited based in Dubai, World Trade Centre, Level 12, P.O. Box. 9353 Dubai, United Arab Emirates. The subject of the agreement is to develop software and the sale of proprietary copyrights to cache repositories, embedded software for recording devices on the Kenyan and Zambia markets for a total value of EUR 1,060 thousand, payable within 90 days from the date of signing the carrier and the software acceptance protocol. The financial terms of the agreement do not differ from those commonly used in agreements of this type.

On July 6, 2020, the company concluded a settlement agreement with JNJ regarding the change of the debt repayment date until June 30, 2021.

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Credit agreements

On August 27, 2018, a multi-product agreement was concluded with ING Bank Śląski S.A. with its registered office in Katowice, with a maximum credit limit of PLN 49,100 thousand, and with a maximum repayment date until December 31, 2022. On the basis of Annex 6 of August 5, 2020 to the above agreement, new credit repayment dates were established. At the end of 2020 they are as follows:

- PLN 10,000,000 non-renewable loan in a current account until May 31, 2023
- PLN 18,000,000 investment loan until May 31, 2023

At the same time, pursuant to the annex, the multi-product loan limit was reduced from PLN 49,100,000 to the amount of PLN 46,100,000, the payment deadline by June 7, 2023. Pursuant to the Annex, a sublimit will be made available for use under the working capital loan in the bank account in the amount of:

- PLN 10,000,000 from August 5, 2020 to September 30, 2021
- PLN 9,000,000 from October 1, 2021 to October 31, 2021
- PLN 8,000,000 from November 1, 2021 to November 30, 2021
- PLN 7,000,000 from December 1, 2021 to December 31, 2021
- PLN 6,000,000 from January 1, 2022 to January 31, 2022
- PLN 5,000,000 from February 1, 2022 to February 28, 2022
- PLN 4,000,000 from March 1, 2022 to March 31, 2022
- PLN 3,000,000 from April 1, 2022 to April 30, 2022
- PLN 2,000,000 from May 1, 2022 to May 31, 2022
- PLN 1,000,000 from June 1, 2022 to June 30, 2022

The sublimit was covered by a guarantee granted by Bank Gospodarstwa Krajowego on the basis of the portfolio agreement of the Liquidity Guarantee Fund no. 3/PLG-FGP/2020 in the amount of PLN 8,000 thousand, representing 80% of the granted credit amount for the credit period extended by 3 months, i.e. until September 30, 2022.

On April 7, 2020, ELZAB S.A. concluded annex 6 to the loan agreement at Bank Millennium regarding the renewal of the loan agreement of December 29, 2015 for the period until February 28, 2021. As part of the annex, new overdraft limits were set as follows:

- PLN 8,000,000 in the period from December 29, 2015 to February 27, 2020
- PLN 6,000,000 in the period from February 28, 2020 to July 30, 2020
- PLN 6,000,000 in the period from July 31, 2020 to February 28, 2021

Another annex 7, signed on March 1, 2021, extended the credit period until February 28, 2023.

The financial terms of this agreement do not differ from those commonly used in agreements of this type. The above limit was allocated to finance current operations.

On July 6, 2015, ELZAB S.A. concluded a PLN loan agreement with mBank S.A. in the amount of PLN 4,000 thousand for the purpose of financing the current business activities of the Company. The financial terms of the agreement do not differ from those commonly used in agreements of this type. On August 20, 2015, the Company concluded Annex No. 1 to the PLN loan agreement with mBank regarding the increase of the limit from PLN 4,000 thousand up to PLN 6,000 thousand. Other terms remained unchanged. On July 7, 2020, Annex No. 6 was signed, which extended the loan repayment date until July 8, 2021.

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Lease agreements

Lease agreements concluded with ING Lease (Polska) Sp. z o.o. to finance the purchase of production and non-production equipment (storage racks, forklifts) and to finance the purchase of cars.

The total value of financial lease liabilities as at December 31, 2020 was PLN 3,656 thousand.

Factoring agreements

On March 16, 2018, ELZAB S.A. and ING Commercial Finance Polska S.A. concluded an agreement for the provision of factoring services, under which the Factor purchases, records, collects and settles receivables regarding the sale of goods and services due to ELZAB S.A. up to PLN 4,000 thousand in the period from March 16, 2018 to March 15, 2019.

In the following years, the Company increased the factoring limit and, in accordance with Annex No. 5 of January 16, 2020, it was at the level of PLN 12,000,000 with the deadline until March 15, 2021. Due to the fact that neither of the parties submitted changes to the agreement in accordance with the provisions of the original agreement March 3, 2021, this term was automatically extended until March 15, 2022.

On April 21, 2021, pursuant to Annex No. 9, the factoring limit was increased from the amount of PLN 12,000 thousand up to the amount of PLN 17,000 thousand for the period from the date of signing the annex to September 30, 2021.

From October 1, 2021, the exposure limit will be PLN 12,000 thousand.

Loan agreements

Loans granted by the ELZAB Group as at December 31, 2020

Borrower	Year of conclusion of the agreement	Interest rate	Total amounts of granted loans	Loan amount repaid in 2020	Loan amount to be repaid as at December 31, 2020
private individual	for 2016	EURIBOR 1M + margin	150 thousand EUR	0 thousand EUR	150 thousand EUR
private individual	for 2020	EURIBOR 1M + margin	5 thousand EUR	0 thousand EUR	5 thousand EUR
ELZAB HELLAS SPV	for 2016	EURIBOR 1M + margin	400 thousand EUR	72 thousand EUR	328 thousand EUR
ELZAB HELLAS S.A.	*2019 (consolidation of previous loans)	EURIBOR 1M + margin	324 thousand EUR	0 thousand EUR	324 thousand EUR
B2B SOFT Sp. z o.o. (former ELZAB SOFT Sp. z o.o.)	for 2018	WIBOR 1M + margin	1,800 thousand PLN	805 thousand PLN	1,000 thousand PLN

Loans granted to ELZAB HELLAS SPV Sp. z o. o. and ELZAB HELLAS S.A. are excluded from the consolidated statements.

*) In December 2019, ELZAB S.A. and ELZAB HELLAS S.A. concluded an agreement under which 11 loans granted by ELZAB S.A. were consolidated for ELZAB HELLAS S.A. As a result of the agreement, the amount of accrued interest as at December 31, 2019 in the amount of EUR 26 thousand together with the original amounts of loans granted in the total amount of EUR 298 thousand were consolidated into one loan of EUR 324 thousand.

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On June 8, 2020, Elzab S.A. signed annex 2 to the loan of June 21, 2018 granted to Elzab Soft Sp. z o.o. in the amount of PLN 1,800 thousand, extending the repayment date to June 30, 2021.

On June 11, 2020, Elzab Hellas S.A. granted a loan to a natural person

in the amount of EUR 5 thousand with the repayment date of May 31, 2021. The interest rate on the loan was determined based on the EURIBOR rate for one-month interbank deposits, increased by a margin.

The financial terms of the aforementioned agreements do not differ from those commonly used in agreements of this type.

Loans taken by the ELZAB Group as at December 31, 2020 (PLN thousand):

Lender:	amount of the loan	amount to be repaid with interests	interest rate
Voivodeship Fund for Environmental Protection and Water Management in Katowice	1,493	522	rediscount rate plus a margin of not less than 3.50%
Comp SA	4,000	4,595	WIBOR 1M + margin
Comp SA	1,800	1,169	WIBOR 1M + margin
Comp SA	3,696	3,728	WIBOR 1M + margin
Comp SA	13,407	13,956	WIBOR 1M + margin
Multis Sp. z o.o.	700	700	fixed interest rate
Monea Sp. z o.o.	150 thousand €	175 thousand € (PLN 807 thousand)	EURIBOR 1M + margin

Loan agreement with the Provincial Fund for Environmental Protection and Water Management in Katowice as part of de minimis aid. A loan in the amount of PLN 1,493 thousand was granted to finance the task: "Thermomodernization of the buildings of Zakłady Urządzeń Komputerowych ELZAB S.A., located in Zabrze at ul. Elzab 1" (formerly: Kruczkowskiego 39). The remaining amount to be repaid if PLN 522 thousand, as at December 31, 2020

On November 30, 2017, ELZAB S.A. took a loan from Comp S.A. in the amount of PLN 4,000 thousand. The repayment was to be made by March 8, 2018. The financial terms of the loan did not differ from those commonly used in agreements of this type. The loan interest rate was determined based on the WIBOR 3M rate increased by the margin. The loan was secured with a declaration and a blank promissory note.

On July 1, 2020, ELZAB S.A. concluded Annex No. 4 with COMP S.A. to the loan agreement in the amount of PLN 4,000 thousand together with due interest, under which, from the date of signing the agreement, the interest rate on the loan was changed to WIBOR 1M increased by a margin. Annex 5 of January 21, 2021 extended the loan repayment date until December 31, 2021

On June 27, 2018, ELZAB and COMP S.A., with its registered office in Warsaw at ul. Jutrzenki 116, concluded a loan agreement in the amount of PLN 1,800 thousand, paid by December 31, 2018, with due interests. The financial terms of this loan do not differ from those commonly used in agreements of this type. The loan interest rate was determined based on the WIBOR 3M rate increased by the margin.

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On January 16, 2020, Elzab S.A. concluded Annex No. 2 with COMP S.A. to the loan agreement in the amount of PLN 1,800 thousand together with due interest, under which the loan repayment date was extended until June 30, 2021.

On July 1, 2020, ELZAB S.A. concluded Annex No. 3 with COMP S.A. to the loan agreement in the amount of PLN 1,800 thousand together with due interest, under which, from the date of signing the agreement, the interest rate on the loan was changed to WIBOR 1M increased by a margin.

On November 29, 2019, the Company concluded with Comp S.A. with its registered office in Warsaw, an agreement under which, in return for reducing Comp S.A.'s claims towards ELZAB SA resulting from the loan agreement of June 29, 2018 concluded between Comp S.A. and ELZAB S.A. for the amount of PLN 19,647 thousand plus interests (about which the Company informed in the current report no. 18/2018 of June 29, 2018), *datio in solutum* was transferred to Comp S.A. receivables (and rights and obligations) due to ELZAB S.A. towards Comp Centrum Innowacji Sp. z o.o. with its registered office in Warsaw under the loan agreement of June 28, 2019 concluded between ELZAB S.A. and Comp Centrum Innowacji Sp. z o.o. for the amount of PLN 17 156 thousand increased by interests (the conclusion of which was announced by the company in the current report No. 15/2019 of June 28, 2019). The change of the creditor was approved by Comp Centrum Innowacji Sp. z o.o. In connection with the aforementioned agreement, ELZAB S.A. also concluded annexes to the aforementioned loan agreements, regulating the current amounts of debt, interest rates and setting the repayment date of both loans as at January 31, 2022. The remaining terms of the concluded annexes do not differ from those typical for this type of transaction on the market. As a result of concluding the activities described above, the debt of ELZAB S.A. towards Comp S.A. due to the aforementioned loan agreement, decreased to the level of PLN 3,695,000. As a result, Comp Centrum Innowacji Sp. z o.o. ceased to be a debtor of ELZAB S.A. on June 29, 2018. On November 22, 2019, the Company and Comp S.A., with its registered office in Warsaw, concluded a loan agreement for the total amount of PLN 13,407. The agreement converts some of the receivables under trade agreements into a loan, the repayment date of which is 12 months from the date of the agreement, i.e. until November 22, 2020. The total value of the converted commercial receivables as at the date of this agreement is PLN 13,081 thousand.

In addition, the parties agreed that interests for the delay will be calculated also for the period after 180 days from the date of issuing a given invoice resulting from the trade agreements, and will be included in the total amount of PLN 326 thousand to the nominal amount of the loan. The loan bears interest at a variable interest rate, determined based on the WIBOR rate for three-month interbank deposits increased by the market margin. In the remaining scope, the terms of the agreement do not differ from the ones typical for this type of transaction on the market. On July 1, 2020, ELZAB S.A. concluded Annex No. 1 with COMP S.A., pursuant to which, from the date of signing the agreement, the interest rate on the loan was changed to WIBOR 1M plus margin. Annex 2 of January 21, 2021 extended the loan repayment date until December 31, 2021

On March 27, 2018, the Company took out a loan in the amount of PLN 2,000 thousand from Multis Sp. z o.o., with its registered office in Warsaw (02-757) at ul. Pory 78. The financial terms of this loan do not differ from those commonly used in agreements of this type. The loan is hedged with a registered pledge on the Company's own shares (405,662) and submission to enforcement in accordance with Article 777 of the Code of Civil Procedure. On November 23, 2018, the Company concluded Annex No. 1 to the loan agreement in which it undertook to repay the amount of PLN 500 thousand until November 30, 2018, and the amount of PLN 1,500 thousand no later than June 30,

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2020. On June 29, 2020, the Company concluded Annex No. 3 to the loan agreement, in which it undertook to repay the remaining amount of the loan, i.e. PLN 700 thousand, until June 30, 2027.

Surety agreements

Not applicable.

Insurance agreements

- Property Insurance Agreement concluded with AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. The agreement is valid from March 30, 2020 to 28 February 2021.
- Third Party Liability Insurance Agreement concluded with AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. The agreement is valid from February 1, 2020 to January 31, 2021.
- Group employee insurance is valid from January 4, 2021 to March 31, 2021.

Agreements regarding the acquisition of bonds

Not applicable.

XIII. Agreements with the entity authorised to audit the financial statements

On August 4, 2020, ELZAB S.A. and Misters Audytor Adviser Sp. z o.o. concluded an agreement for the audit and review of the separate and consolidated statements of ELZAB S.A. and the ELZAB Group for 2020 and 2021. Remuneration for the performance of the agreement is PLN 168 thousand in total for 2020 and 2021. The agreement allows for the extension of the subject of the thereof to include review for 2022, if the parties agree to do so in the form of an annex to the aforementioned agreement by October 30, 2021.

In 2020, ELZAB S.A. paid Misters Audytor Adviser Spółka z o.o., pursuant to the aforementioned agreements, remuneration in the net amount of PLN 82 thousand. In 2019, ELZAB S.A. paid Misters Audytor Adviser Spółka z o.o., pursuant to the aforementioned agreements, remuneration in the net amount of PLN 80 thousand.

XIV. Employee Pension Program

At ELZAB S.A. there is no Employee Pension Program.

XV. Development forecasts of the capital group

The development of the Company in 2021 and in the following years, as in 2020, will be carried out in synergy with the strong COMP industry group.

Macroeconomic and Company-independent factors:

- a) size of the replacement market for fiscal devices;
- b) economic situation and possible changes in law affecting the demand for fiscal devices exported by ELZAB (inter alia Hungary, Greece);
- c) The situation related to the SARS-CoV-2 coronavirus pandemic and the incidence of COVID-19,
- d) return of the economy to the potential preceding the pandemic by reducing the restrictions by the Polish and other governments.

Market and Company-dependent factors:

- a) increasing the share of the ELZAB brand on the fiscal devices market by introducing new functions of fiscal devices, new fiscal and non-fiscal products and new services to the offer,
- b) ability to quickly adapt the offer to new requirements related to the project of implementing online fiscalisation;
- c) increase in the non-fiscal market share by developing sales of proprietary and distributed solutions in the field of electronic scales, price checkers, automatic identification devices, cash drawers, POS elements and sales management software.

The group will continue to invest in new products, including software, technologies, moulds and production tools, and will continue its organic growth strategy based on its own developments.

In addition, the group will focus on improving the quality system of its own products and ensuring the constant availability of equipment for customers in order to strengthen its market position.

The COMP Group and ELZAB S.A. continue to develop an integrated platform for selling services, i.e. M/platform. It is the first internet platform in Poland which, based on a network of cash registers, will allow service providers and points of sale to develop their businesses.

M/platform allows using attractive promotional offers from producers participating in the program and integrates many additional services such as sales analytics or the e-Mka Your Shopping application enabling safe shopping in the "order and collect" model. The platform already associates over 10,000 traditional trade stores throughout the country.

- M/promo+ – a service enabling producers to implement modern promotional campaigns targeted individually at specific retailers,
- M/store – marketplace sales platform connecting wholesalers with retail store owners; the system prompts the user to optimally divide the order basket into wholesalers, considering prices, available promotions, logistic minimum, delivery date or credit balance at individual distributors,
- e-Mka – Twoje Zakupy – the application was created with the safety of consumers in mind, which allows them to plan their purchases, limiting the time they spend in a closed store space, and allows them to pick up prepared purchases in the "order and pick up" model or with home delivery.

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On May 1, 2019, the amendment to the Act on tax on goods and services and the amendment to the Act - Law on Measures entered into force, thus introducing the obligation to have online cash registers according to a specific schedule for individual groups of taxpayers:

- from January 1, 2020, for taxpayers selling fuel and providing vehicle mechanics and tire replacement services,
- due to the current situation caused by the coronavirus pandemic, for entities providing services related to gastronomy (also seasonally), hotel and coal sales, the obligation to replace the existing cash registers with online cash registers was postponed from July 1, 2020 to January 1, 2021.
- due to the current situation caused by the coronavirus pandemic, for taxpayers providing hairdressing, cosmetic, construction, legal services, medical care provided by doctors and dentists and from the fitness industry (in terms of admission), the obligation to replace previously held cash registers with online cash registers was postponed from January 1, 2021 to July 1, 2021.

The implemented on-line fiscalisation means that each cash register will be equipped with a communication interface to transmit data on transactions on an ongoing basis to the servers of the Central Repository of Cash registers run by the Head of the National Revenue Administration at the Ministry of Finance. The implementation of the concept requires a gradual/phased replacement (according to the above schedule) of all currently operating cash registers with new models, equipped with functions that meet the technical requirements of the new regulation. There is also an obligation for each fiscal device to cooperate with a payment terminal, which is to support the idea of electronic payments and limit cash transactions. Ultimately, the changes are to tighten the fiscal system and systematically reduce unregistered economic turnover.

XVI. Non-financial data statement

Not applicable.

XVII. Description of the diversity policy

ELZAB S.A. has created a culture of an atmosphere of dialogue, openness, tolerance and teamwork, as well as an approach minimizing the risks associated with the loss of valuable employees.

The company has not developed a diversity policy with regard to the company's governing bodies and its key managers. When selecting the company's governing bodies and its key managers, the Company strives to ensure versatility and diversity, especially in the area of gender, education, age and professional experience. Members of the Management Board and members of the Supervisory Board of the Company are selected by the Supervisory Board and the General Meeting of the Company, respectively, on the basis of qualifications held by the candidates and substantive preparation to perform a specific function.

The company is considering the future implementation of the rule of diversity management and an equal treatment policy, bearing in mind the respect for a diverse, multicultural society and putting particular emphasis on equal treatment regardless of sex, age, disability, health, race, nationality, ethnic origin, religion, non-denominational, political beliefs, trade union membership, psychosexual

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orientation, gender identity, family status, lifestyle, form, scope and basis of employment or cooperation, and other grounds that risk discrimination.

XVIII. Statement on the application of corporate governance

1. Set of corporate governance rules to which the issuer is subject and the place where the text of the set of rules is publicly available.

In the financial year 2020, ELZAB S.A. applied the rules of corporate governance specified in the set "Best Practices of WSE Listed Companies 2016". The content of the document is available on the website of the Warsaw Stock Exchange S.A. <https://www.gpw.pl/dobre-praktyki>. Information on the status of use by ELZAB S.A. of the Best Practices of WSE Listed Companies 2016 can be found at <https://www.elzab.com.pl/pl/relacje-inwestorskie/lad-korporacyjny/dobre-praktyki>.

2. Provisions of the set of corporate governance rules from which the issuer deviated, along with an explanation of the reasons for such deviation

The Company complies with most of the recommendations and rules resulting from the "Best Practices of WSE Listed Companies 2016", except for:

- 3 recommendations: I.R.2, II.R.2., IV.R.2.

- 10 detailed rules: I.Z.1.7, I.Z.1.10, I.Z.1.11, I.Z.1.15, I.Z.16, I.Z.1.20., II.Z.2., III.Z.3., IV.Z.2., V.Z.6.

With regard to the aforementioned regulations and rules, the Company does not exclude the possibility of introducing appropriate solutions in the future.

I. Information policy and communication with investors

A listed company cares for proper communication with investors and analysts, pursuing a transparent and effective information policy. For this reason, it provides easy and non-discriminatory access to the disclosed information, using a variety of communication tools.

Recommendations

I.R.2. If the Company carries out sponsorship, charity or other activities of a similar nature, it will include information on its policy in this regard in its annual activity statement.

Recommendation is not applied.

Comment of the Company: The Company does not conduct policy on sponsorship or charitable activities. Occasionally, the Company supports institutions and individuals from the Silesian region.

Detailed rules

I.Z.1.7. Information materials published by the Company on the Company's strategy and its financial results.

The rule is not applied.

Comment of the Company: The Company did not publish materials on the Company's strategy and financial results, apart from the obligatory statements.

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I.Z.1.10. financial forecasts - if the Company has decided to publish them - published at least in the last 5 years, along with information on the degree of their implementation.

The rule is not applied.

Comment of the Company: The Company has not decided to publish financial forecasts.

I.Z.1.11. Information about the content of the Company's internal rule of changing the entity authorized to audit financial statements, or information about the absence of such rule.

The rule is not applied.

Comment of the Company: There is no formal rule in the Company to change the entity authorized to audit financial statements. Pursuant to the provisions in the Company's articles of association, this entity is selected by the Company's Supervisory Board.

I.Z.1.15. Information that contains the description of the Company's diversity policy in relation to the authorities of the Company and its key managers; this description should consider such diversity, gender, education, age, work experience, as well as indicate the purposes of the applied policy of diversity and its implementation in the statement period; if the Company did not draw up and does not implement the policy of diversity on its website - the explanation of the decision.

The rule is not applied.

Comment of the Company: The Company has not developed a diversity policy. The members of the management board and supervisory board of the Company are selected by the Supervisory Board and the General Meeting of the Company, respectively, based on the qualifications of the candidates.

I.Z.1.16. Information on the planned broadcast of the general meeting - no later than 7 days before the date of the general meeting.

The rule is not applied.

Comment of the Company: The Company does not plan to broadcast the general meeting due to the fact that lack shareholders are not interested in it and the costs of broadcasting the meeting are high.

I.Z.1.20. Recording of the course of the general meeting, in the form of audio or video.

The rule is not applied.

Comment of the Company: The Company does not record the proceedings in the form of audio or video due to the fact that shareholders are not interested in it and due to high costs.

I.Z.2. The Company whose shares are included in the WIG20 or mWIG40 exchange indices also ensures that its website is available in English, at least to the extent indicated in I.Z.1 rule. This rule should also be applied by companies outside the above indices if it is justified by their shareholding structure or the nature and scope of their business.

The rule does not apply to the Company.

Comment of the Company: Shares of the Company are not qualified to WIG20, WIG or 40.

II. Management Board and Supervisory Board

A listed company is managed by the management board, its members act in the company's interest and are responsible for its activities. The management board is responsible, in particular, for leadership in the company, commitment to setting its strategic goals and their implementation, as well as ensuring the company's efficiency and security. The company is supervised by an effective and competent supervisory board. Members of the supervisory board act in the interest of the company and follow the independence of their opinions and judgements in their conduct. In particular, it gives opinions on the company's strategy and verifies the work of the management board in terms of achieving the set strategic goals and monitors the results achieved by the company.

Recommendations

II.R.2. Persons making decisions on the selection of members of the management board or supervisory board of a company should strive to ensure the versatility and diversity of these bodies, including in terms of gender, education, age and professional experience.

Recommendation is not applied.

Comment of the Company: When selecting members of the management board or supervisory board, the company's bodies are guided by the company's interests.

Detailed rules

II.Z.2. The presence of members of the company's management board on the management or supervisory boards of companies outside the company's group requires the consent of the supervisory board.

The rule is not applied.

Comment of the Company: The Company's management board members may be a part of management boards or supervisory boards of competing companies without the consent of the supervisory board.

III. Internal systems and functions

A listed company maintains effective systems of: internal control, risk management and supervision over compliance with the law, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of its activities.

Detailed rules

III.Z.3. With regard to the person in charge of the internal audit function and other people responsible for carrying out its tasks, the rules of the independence specified in the generally accepted international standards of professional practice of internal audit are applied.

The rule is not applied.

Comment of the Company: An internal audit function has not been established in the Company.

IV. General meeting and relations with shareholders

The management board of a listed company and its supervisory board should encourage shareholders to become involved in the Company's affairs, primarily through active participation in the general meeting. The general meeting should respect the rights of shareholders and should ensure that the adopted resolutions do not violate the legitimate interests of individual groups of shareholders. Shareholders participating in the general meeting exercise their rights so as not to violate decency.

Recommendations

IV.R.2. If it is justified by the shareholder structure or the company's expectations of shareholders, if the company is able to provide the technical infrastructure necessary for the smooth conduct of the general meeting using electronic means of communication, it will allow the shareholders to participate at the general meeting using such means, in particular by:

- 1) real-time broadcasting of the general meeting;
- 2) real-time, two-way communication within which the shareholders may express their opinions at the general meeting, being in other place than the one of the general meeting,
- 3) carrying out, in person or by a proxy, the voting rights in the course of the general meeting.

Recommendation is not applied.

Comment of the Company: Due to the shareholding structure and the lack of expectations of shareholders, as well as economic reasons, the Company does not allow shareholders to participate in the General Meeting by means of electronic communication.

Detailed rules

IV.Z.2. If it is justified by the Company's shareholding structure, the Company will make broadcasting of the general meeting in real time publicly available.

The rule is not applied.

Comment of the Company: Due to the shareholding structure and economic reasons, the Company does not provide broadcasting of the meetings in real time.

V. Conflict of interest and transactions with affiliates

The Company should have transparent procedures for preventing conflicts of interest and concluding transactions with affiliates in conditions of a possible conflict of interest. Procedures should provide for methods to identify, disclose and manage such situations.

Detailed rules

V.Z.6. In its internal regulations, the Company specifies the criteria and circumstances in which a conflict of interest may arise in the company, as well as the rules of conduct in the face of a conflict of interest or the possibility of its occurrence. The Company's internal regulations include, but are not limited to, the prevention, identification and resolution of conflicts of interest, as well as the exclusion of a member of the management board or the supervisory board from participation in the consideration of a subject to or at risk of conflict of interest.

The rule is not applied.

Comment of the Company: The Company has not introduced specific rules on solving internal conflicts of interest. In the event of a conflict of interest, generally applicable laws are applied.

VI. Remunerations

The company has a remuneration policy at least for members of the Company's governing bodies and key managers. The remuneration policy specifies in particular the form, structure and method of determining the remuneration of members of the Company's governing bodies and its key managers.

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3. Description of the main features of the issuer's internal control and risk management systems in relation to the process of preparing financial statements and consolidated financial statements.

The Management Board of ELZAB S.A. and the Financial Director supported by the accounting and financial controlling department are responsible for control, risk management and the correctness of financial reporting. The Company's financial reporting is carried out in compliance with the standards set out by the International Accounting Standards and the International Financial Reporting Standards. Persons responsible for the preparation of financial statements constantly monitor legal changes that affect the shape of the reporting standards applied. The prepared half-yearly and annual financial statements are subject to: reviews or audits by an independent statutory auditor, respectively. The statutory auditor is selected in accordance with the rules set out in the Act of May 11, 2017, on statutory auditors, audit companies and public supervision. The selection is made by the Supervisory Board of ELZAB S.A. after receiving the recommendation of the Audit Committee.

4. Indication of shareholders holding, directly or indirectly, significant blocks of shares with an indication of the number of shares held by these entities, their percentage share in the share capital, the resulting number of votes and their percentage share in the total number of votes at the general meeting.

The shareholding structure of ELZAB S.A. as at the date of the annual statement is presented below:

Full name (Company)	Number of ordinary shares	Number of preference shares	Total number of shares	Total number of votes	% of votes at the GM	Share in the share capital
COMP S.A.*	12,228,189	18,450	12,246,639	12,320,439	75.66	75.89
ELZAB S.A. (own shares)	405,662	0	405,662	405,662	2.49	2.51
Other shareholders	3,466,729	18,020	3,484,749	3,556,829	21.84	21.59
TOTAL	16,100,580	36,470	16,137,050	16,282,930	100.00	100.00

* COMP. S.A. with its registered office in Warsaw holds a total of 12,652,301 shares of ELZAB S.A. which represents 78.41% of the share capital (directly - 12,228,189 ordinary shares, which is 75.78% of the share capital; directly - 18,450 preference shares, which is 0.11% of the share capital, indirectly - 405,662 own shares of ELZAB S.A. which is 2.51% share in the share capital). Total number of votes from shares held by COMP S.A. amounts to 12,726,101, representing 78.16% of the total number of votes (directly 12,322,439 votes, representing 75.66% of the total number of votes; indirectly - 405,662 votes arising from own shares of ELZAB, representing 2.49% share in the total number of votes).

5. Indication of the owners of all securities with special control rights, together with a description of these rights

At ELZAB S.A. there are no special powers of inspection.

6. Indication of any restrictions on the exercise of voting rights, such as restrictions on the exercise of voting rights by holders of a certain proportion or number of votes, time restrictions on the exercise of voting rights or provisions according to which equity rights related to securities are separated from the ownership of securities.

In ELZAB S.A., there are no restrictions on the exercise of voting rights.

7. Indication of any restrictions on the transfer of ownership of the issuer's securities

The Articles of Association of ELZAB S.A. do not limit the transfer of ownership of the Issuer's securities. All shares of the Company are transferable in accordance with Art. 337 § 1 of the

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Commercial Companies Code. However, it should be noted that series B registered shares are privileged and in accordance with paragraph 10 of the Company's Articles of Association. The conversion of registered shares into bearer shares requires the consent of the Supervisory Board. Bearer shares may not be converted into registered shares.

8. Description of the rules governing the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issue or redemption of shares

Pursuant to § 13 and § 14 of the Company's Articles of Association, the Management Board of the Company consists of one or more members, including the President of the Management Board, appointed for a joint term of office. The term of office of the Management Board is three years. Members of the Management Board are appointed and dismissed by the Supervisory Board, specifying the number of members of the Management Board for each term of office and the function that a person is to perform in the Management Board. Changing the position in the Management Board of the Company is not allowed without prior dismissal of a given person from the Management Board of the Company. The Supervisory Board may dismiss a member of the Management Board or the entire Management Board of the Company before the end of the term of office. The Management Board of the Company manages the Company and represents it outside. All matters related to the running of the company's business, not reserved by law or the Articles of Association as the competence of the General Meeting or the Supervisory Board, fall within the competence of the Management Board. In order to submit declarations of will and sign on behalf of the company, cooperation between the President of the Management Board and a member of the Management Board or two members of the Management Board or one member of the Management Board and the Proxy is required.

9. Description of the rules for changing the issuer's articles of association or agreement

Pursuant to § 30 (5) of the Articles of Association, the powers of the General Meeting include, in particular, amendments to the Articles of Association. Pursuant to the provisions of Art. 415 § 1. of the Commercial Companies Code, a resolution to amend the Articles of Association is passed by a three-fourths majority of votes. The General Meeting may adopt resolutions regardless of the number of shareholders present and shares represented, unless the Code of Commercial Companies provides otherwise. Each share gives the right to one vote at the General Meeting. Resolutions of the General Meeting are adopted by an absolute majority of votes of shareholders present at the Meeting, unless the Articles of Association or applicable law provide otherwise. The General Meeting may adopt resolutions only on matters included in the agenda, unless the entire share capital is represented at the Meeting and no one present has objected to adopting the resolution.

10. The method of operation of the general meeting and its fundamental powers as well as a description of the shareholders' rights and the method of execution of resolutions, in particular the rules resulting from the rules of the general meeting, if such rules have been adopted, unless the information in this respect results directly from legal provisions

The General Meeting is held as Ordinary or Extraordinary and, as a body of the Company, it acts pursuant to the provisions of the Code of Commercial Companies, the Articles of Association and the provisions of the Regulations of the General Meeting available to the public, the content of which is available on the Issuer's website at www.elzab.pl.

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The rules of convening and conducting general meetings of ELZAB S.A. are specified in the Regulations of the General Meeting of the Company. General Meeting of ELZAB S.A. is convened and held in accordance with the provisions of the Commercial Companies Code and the provisions of the Company's Articles of Association.

Only persons who are shareholders of ELZAB S.A. may participate in the GMS sixteen days before the date of the meeting, i.e. the "Registration Date". In order to participate in the general meeting, shareholders should apply not later than on the first working day after the Registration Date to the entities maintaining their securities accounts for issuing a personal certificate confirming the right to participate in the general meeting. The meeting is attended by members of the Supervisory Board and the Management Board in a composition that allows for substantive answers to questions asked during the meeting. If the Company's financial matters are included in the agenda, the Company's Statutory Auditor, Chief Accountant or Financial Director are invited to participate in the meeting. The meeting may also be attended by experts and guests invited by the Management Board, Supervisory Board or Shareholders who have requested that the meeting be convened, including former members of the Company's bodies, if the agenda includes an assessment of their performance in the Company. A shareholder who is a natural person may participate in the meeting and exercise the voting right in person or through a proxy. A shareholder who is not a natural person may participate in the meeting and exercise the voting right through a person authorized to make declarations of will on its behalf or through a proxy. The Company's internal regulations do not provide for the possibility of participating in the meeting by means of electronic communication or exercising the right to vote by means of electronic communication or by correspondence. Resolutions of the meeting are adopted by an absolute majority of votes, unless the provisions of applicable law or the provisions of the Articles of Association of ELZAB S.A. do not state otherwise.

The competences of the General Meeting of the Company include matters not reserved by the Issuer's Articles of Association for other bodies and specified by the provisions of the Commercial Companies Code:

- considering and approving the statements of the Management Board and Supervisory Board, balance sheet and profit and loss accounts for the previous financial year,
- adopting a resolution on distribution of profits or coverage of losses,
- granting a discharge to the authorities of the Company on the performance of their duties,
- changing the Company's Articles of Association,
- changing the subject of the Company's business,
- increasing or decreasing the share capital of the Company, increasing or decreasing reserve capitals,
- merger or transformation of the Company,
- dissolution and liquidation of the Company, selection and dismissal of liquidators and establishing the rules for the division of the Company's assets after liquidation,
- bond issue,
- dissolution and liquidation of the Company,
- consent to introduce the Company's shares to public trading
- sale and lease of the enterprise or its organized part and establishment of a limited property right thereon,
- matters relating to claims to repair damage caused in the establishment of the Company or in the exercise of management or supervision,

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- establishing the rules for remunerating members of the Supervisory Board,
- consideration of matters submitted by Shareholders pursuant to the Act or the Articles of Association.

Detailed rules for the operation of the General Meeting are set out in the Regulations of the General Meeting adopted by the General Meeting.

11. Description of the operation of the issuer's management, supervisory or administrative bodies and their committees, including the composition of these bodies and changes to them during the last financial year

Management Board of ELZAB S.A.

The Management Board of the Company acted pursuant to the provisions of the Commercial Companies Code, the provisions of the Company's Articles of Association, the Regulations of the Management Board, open and available to the public, approved by a resolution of the Supervisory Board and in accordance with the principles of the "Best Practices of WSE Listed Companies 2016". The current text of the Regulations of the Management Board is available on the Issuer's website at www.elzab.pl

The Management Board is obliged to manage all matters of the Company, except for matters reserved by the relevant provisions of law to the competence of the Supervisory Board or the General Meeting of the Issuer. The detailed mode of operation is specified in the Regulations of the Management Board. The Management Board of ELZAB S.A. consists of one to five persons appointed by the Supervisory Board for a joint three-year term of office. In the case of a multi-person Management Board, the cooperation of two members of the Management Board or one member of the Management Board with a proxy is required to submit declarations of will and sign on behalf of the Company. Agreements with members of the Management Board of the Company are concluded on behalf of the Company by a representative of the Supervisory Board delegated from among its members. The same procedure applies to other legal actions between the Company and a member of the Management Board. A member of the Management Board may not deal with competitive interests or participate in a competitive company as a partner, shareholder or member of the authorities, without the consent of the Supervisory Board. The remuneration of the members of the Management Board is determined by the Supervisory Board. The work of the Management Board is managed by the President of the Management Board: he divides the work between the members of the Management Board, coordinates their work, sets the agenda, convenes and chairs the meetings of the Management Board, represents the Management Board in front of the General Meeting.

As at 31 August 2020, the Management Board of "ELZAB" SA was as follows:

- Krzysztof Urbanowicz – President of the Management Board
- Jerzy Popławski – Vice-President of the Management Board

Until August 31, 2020, the position of the President of the Management Board was held by Mr. Krzysztof Urbanowicz. On August 31, 2020, the Supervisory Board elected the Management Board of the Company for a new three-year term. The number of members of the Management

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Board was set at 2 people. Since September 1, 2020, Mr. Bartosz Panek has been appointed President of the Management Board and Jerzy Popławski has been appointed Vice-President of the Management Board.

As at 31 December 2020, the Management Board of ELZAB S.A. was as follows:

- Bartosz Panek – President of the Management Board
- Jerzy Popławski – Vice-President of the Management Board

Until the publication of the annual statements, there were no changes in the composition of the Issuer's Management Board.

Supervisory Board of ELZAB S.A.

The Supervisory Board acted in accordance with the provisions of the Commercial Companies Code, the provisions of the Company's Articles of Association, the publicly available Regulations of the Supervisory Board, defining its organization and manner of performing activities, and the rules of the "Best Practices of WSE Listed Companies 2016". The content of the Regulations of the Supervisory Board is available on the Issuer's website at www.elzab.pl. The Issuer's Supervisory Board consists of 5 to 7 members, including the Chairman and Vice-Chairman. The number of members of the Supervisory Board is adopted by the General Meeting. At least two members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant connections with the Company. Remuneration for members of the Supervisory Board is determined by the General Meeting. The term of office of the Supervisory Board of ELZAB S.A. lasts for 3 years and expires on the date of the Ordinary General Meeting of the Company approving the financial statements for the last year of operation.

The specific duties and powers of the Supervisory Board include:

- a) auditing the balance sheet and profit and loss account,
- b) auditing the statements of the Management Board of the Company and the motions of the Management Board regarding the distribution of profit or coverage of losses,
- c) submitting to the General Meeting a written report on the results of the activities referred to above,
- d) appointing and dismissing members of the Issuer's Management Board and determining the amount of remuneration for them,
- e) adopting the regulations of the Management Board of the Company,
- f) expressing consent to granting the Management Board consent to perform the following activities:
 - acquisition, as part of one or more related transactions of an enterprise or its organized part,
 - purchase or sale of real estate, perpetual usufruct or share in them,
 - encumbering real estate, perpetual usufruct or a share in it by creating a mortgage or other limited property right,
 - taking up or acquiring shares (stocks) in another company and disposal of owned shares (stocks),
 - expressing consent to incur liabilities relating to a single transaction or a series of related transactions with a total value exceeding 5% (five percent) of the value of the

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Company's equity not provided for in the Company's financial plan (budget) approved in accordance with the provisions of the Articles of Association.

- g) selecting a statutory auditor to audit the Company's financial statements,
- h) expressing consent to the conversion of registered shares into bearer shares,
- i) approving changes to the accounting principles (policy) applied by the Company,
- j) establishing the uniform text of the Company's Articles of Association,
- k) delegating members of the Supervisory Board to perform specific supervisory activities independently,
- l) issuing bonds other than convertible bonds or bonds with priority rights.

As at December 31, 2020, the Supervisory Board of the Company was composed of:

Grzegorz Należyty - Chairman of the Supervisory Board
Jarosław Wilk - Vice-Chairman of the Supervisory Board
Andrzej Wawer - Secretary of the Supervisory Board
Jerzy Kotkowski - Member of the Supervisory Board
Krzysztof Morawski - Member of the Supervisory Board
Kajetan Wojnicz - Member of the Supervisory Board

As at the date of publication of the statements, the Audit Committee was composed of:

Kajetan Wojnicz - Chairman of the Audit Committee of the Supervisory Board
Grzegorz Należyty - Vice-Chairman of the Audit Committee of the Supervisory Board
Andrzej Wawer - Secretary of the Audit Committee of the Supervisory Board

	A member of the Committee meets the statutory criteria of independence.	A member of the Committee has knowledge and skills in the field of accounting or auditing of financial statements.	A member of the Committee has knowledge and skills in the industry in which the issuer operates.
Kajetan Wojnicz	YES	YES	
Grzegorz Należyty	YES		
Andrzej Wawer		YES	YES

The members of the Audit Committee who meet the conditions of independence are: Mr. Kajetan Wojnicz - Chairman of the Audit Committee and Grzegorz Należyty - Vice-Chairman of the Audit Committee.

The members of the Audit Committee with knowledge and skills in accounting or auditing of financial statements are: Mr. Kajetan Wojnicz - Chairmen the Audit Committee, and Mr. Andrzej Wawer, Secretary of the Audit Committee. The member of the Audit Committee with knowledge and skills in the industry in which ELZAB S.A. operates is: Mr. Andrzej Wawer - Secretary of the Audit Committee. The CVs of the members of the Audit Committee were published by the Company in Current Report No. 20/2017 on August 9, 2017.

The Audit Committee and the Supervisory Board, acting pursuant to the Act on Statutory Auditors, Audit Companies and Public Supervision of May 11, 2017 (the Journal of Laws 2017 No. 1089) (hereinafter referred to as the "Act"), established:

1. The policy of selecting an audit company to conduct an audit in the Company
2. The procedure for selecting an audit company to conduct an audit in the Company

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3. The policy for the provision by the audit company conducting the audit, by entities related to this audit company and by a member of the network of the audit company of permitted non-audit services in the Company
4. The regulations of the Audit Committee of the Supervisory Board of ELZAB S.A.

The main assumptions of the audit company selection policy adopted by the Audit Committee and the Supervisory Board are:

- a) selection of an audit company made by the Supervisory Board after getting acquainted with the recommendation of the Audit Committee,
- b) the audit company is selected in accordance with the procedure adopted by the Audit Committee of the Supervisory Board,
- c) selection of the audit company complies with the provisions of the Act, in particular considering the rule of rotation of the audit company and the key statutory auditor in such a way that the maximum uninterrupted duration of statutory audit engagements conducted by the same audit company or an audit company associated with this audit company or any member of the network operating in the European Union countries to which these audit companies belong, does not exceed five years. At the same time, the key statutory auditor may not conduct the statutory audit in the Company for a period longer than five years. In addition, he/she may again conduct the statutory audit in the Company at least three years after the end of the last statutory audit.

The main assumptions of the policy adopted by the Audit Committee and the Supervisory Board of the provision of permitted non-audit services at ELZAB S.A. by the audit company conducting the audit, by entities related to this audit company and by a member of the network of the audit company are:

- a) the audit company or the statutory auditor conducting the audit, an entity related to this audit company, or any member of the network of the audit company or the statutory auditor, do not provide, directly or indirectly, to the Company or its related entities any prohibited services that are not auditing or financial audit activities,
- b) prohibited non-audit services are listed in Article 5 (1) of the Regulation of the European Parliament and of the Council No. 537/2014 of April 16, 2014,
- c) the provision of prohibited services is possible only to the extent unrelated to the Company's tax policy, after the Audit Committee has carried out an assessment of threats and safeguards to independence.

The composition of the Audit Committee, the method of appointment, tasks, scope of activities and mode of operation are specified in the Regulations of the Audit Committee adopted by the Supervisory Board on November 27, 2017.

Pursuant to the Regulations, the Audit Committee operates collectively, unless a resolution of the Audit Committee delegates its member to perform a specific activity. The Chairman of the Audit Committee is responsible for the cooperation of the Audit Committee with the Supervisory Board, in particular by submitting opinions, conclusions and reports of the Audit Committee to the Supervisory Board. The Audit Committee meets at least four times a year, on dates determined by the Chairman of the Audit Committee, if possible before the dates of the Supervisory Board meetings. In special cases, the meeting of the Audit Committee may be convened by the Chairman of the Supervisory Board. Meetings of the Audit Committee may be convened by its Chairman on his own initiative, a member of the Audit Committee or another member of the Supervisory Board,

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as well as at the request of the Management Board, a person responsible in the Company for the internal control system, risk management system or internal audit. Meetings of the Audit Committee may be held without being formally convened, provided that all members of the Audit Committee are present and agree to hold the meeting with a specific agenda. The Audit Committee adopts resolutions if at least half of its members are present at the meeting of the Audit Committee, and all members have been properly invited on time. The Audit Committee may adopt resolutions in writing (by circulation) or by means of remote communication. Resolutions of the Audit Committee are adopted by a simple majority of votes cast. In the event of an equal number of votes, the vote of the Chairman of the Audit Committee is decisive. In order to perform its activities, the Audit Committee may:

- a) demand the submission of specific information or documents by employees or associates of the Company, in particular in the field of accounting, finance, internal audit and risk management,
- b) invite employees or associates of the Company or third parties to meetings (with or without the presence of members of the Company's Management Board),
- c) seek, at the Company's expense, advice from external advisors to the extent necessary to perform the tasks of the Audit Committee. The Audit Committee may request that the key statutory auditor discuss with the Audit Committee key issues arising from the audit of the Company's statements.

The tasks of the Audit Committee include in particular:

- a) monitoring the financial reporting process, the effectiveness of internal control systems and risk management systems in the field of financial reporting, performance of financial audit activities, in particular, the audit conducted by the audit company,
- b) controlling and monitoring the independence of the statutory auditor and the audit company,
- c) informing the Supervisory Board or other supervisory authority about the results of the audit,
- d) assessing the independence of the statutory auditor,
- e) developing a policy for the audit company to provide permitted non-audit services,
- f) determining the procedure for selecting an audit company by the Company,
- g) submitting recommendations to the Supervisory Board regarding the appointment of a statutory auditor in accordance with the adopted policy and performing all entrusted tasks under a resolution of the Supervisory Board.

In 2020, the Audit Committee held 5 meetings, during which it performed tasks in the following scope:

- analysis of financial statements,
- approval of the audit committee's reports on the assessment of the Management Board's report on the Company's operations,
- activities in the procedure related to the selection of an entity authorized to audit the Company's financial statements,
- analysis of the fulfillment by the Management Board of the Company of the periodic assessment procedure for concluding transactions with the affiliates,
- work related to the development of the remuneration policy in the Company,
- entrusting functions to members of the Audit Committee.

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12. Permitted non-audit services provided to the issuer and its capital group by the audit company auditing their financial statements and whether, therefore, the independence of this audit company was assessed and consented to the provision of these services

The audit company auditing the financial statements of ELZAB S.A. and the consolidated financial statements of the ELZAB Capital Group did not provide non-audit services for the Issuer and its subsidiaries in 2020.

13. The main assumptions of the developed policy of selecting an audit company to conduct the audit and the policy of providing by the audit company conducting the audit, by entities associated with this audit company and by a member of the network of the audit company of permitted non-audit services

Recommendation concerning the selection of an audit company to conduct an audit of the separate and consolidated financial statements of ELZAB S.A. complied with the applicable conditions and was drawn up as a result of the selection procedure organized by the Issuer that meets the applicable criteria.

XIX. Declaration of conformity

Pursuant to § 70 (1) (6) of Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities, we declare that, to the best of our knowledge, the semi-annual consolidated financial statements of the ELZAB Group and the semi-annual condensed separate statements of ELZAB S.A. covering the period from January 1 to December 31, 2020 and comparable data for the period from January 1 to December 31, 2019 (for the items in the statement of financial position, these data represent the status as at December 31, 2019) were prepared in accordance with the Group's accounting principles and principles of the International Accounting Standards considering the principle of materiality and that they truthfully, fairly and clearly reflect the property and financial situation as well as the financial result of the Capital Group and the Company.

In addition, we declare that the statements on the operations of the ELZAB Group contains a true picture of the development, achievements of the ELZAB Group and its situation, including a true description of the basic risks and threats.

Bartosz Panek - President of the Management Board

Jerzy Popławski - Vice-President of the Management Board

XX. Statement on the selection of the auditor

Pursuant to § 70 (1) (7) of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities, we declare that pursuant to § 22 (2) (9) of the Company's Articles of Association, selection of the entity authorised to audit financial statements, Misters Audytor Adviser Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, reviewing the presented financial statements of ELZAB S.A. for 2020 was made in accordance with the law.

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In our opinion, Misters Audytor Adviser Spółka z o.o. ul. Wiśniowa 40 lok. 5, 02-520 Warsaw, and certified auditors reviewing the semi-annual condensed separate financial statements of ELZAB S.A. and the semi-annual consolidated financial statements of the ELZAB Group for the financial year 2020 meet the conditions for the preparation of an impartial and independent report on the review of interim financial statements in accordance with applicable regulations, professional standards and professional ethics rules,

- at ELZAB S.A. and its Capital Group, the applicable legal regulations related to the rotation of the audit company and the key statutory auditor as well as the mandatory grace periods are complied with,

- ELZAB S.A. has a policy for the selection of an audit company and a policy for the provision of additional non-audit services to the issuer by the audit company, entity related to the audit company or a member of its network, including services conditionally exempt from the prohibition of providing by the audit company.

Zabrze, 18.05.2021

Bartosz Panek - President of the Management Board

Jerzy Popławski - Vice-President of the Management Board