Condensed Consolidated Financial Statements of Makarony Polskie Group for the period from January 1 to September 30, 2021



Rzeszów, November 10, 2021

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General information

Organizational structure of Makarony Polskie Group

The Makarony Polskie Group ("Group") consists of the following three companies:

- Makarony Polskie SA (the "Company", "parent company")
- Stoczek Natura Sp. z o.o.
- MP Trade Sp. z o. o.



Makarony Polskie SA is a manufacturer of a wide range of pasta, produced in stamped and rolled technology. The Company offers pasta in many different shapes, made on the basis of durum flour and wheat flour. In its portfolio, the Company also has products that respond to the trends of pro-health food, such as pasta from spelled, buckwheat, rye flours. The range of products is enriched with large pasta shapes for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The company has great opportunities to expand the range of pasta made from rare flours, such as legumes, and the portfolio will be developed accordingly.
The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand z Makarony Polskie) and Sorenti.

Stoczek Natura Sp. z o.o. is a manufacturer of meat and vegetable preserves (ready meals in jars, trays and cans, lard and meat), vegetable preserves (salads, marinades), processed fruit (jams, plum confectioners) offered under Stoczek, Tenczynek, Męska Rzecz brands, and also the new SoFood brand, which represents the development category of ready-made dishes on trays. Products that are easy to prepare and can be placed on the so-called dry shelf.

MP Trade Sp. z o.o. is a company whose activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makrony Polskie SA in the production of vegetable pasta and other goods produced within the Makarony Polskie Group. The

Within the Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services.

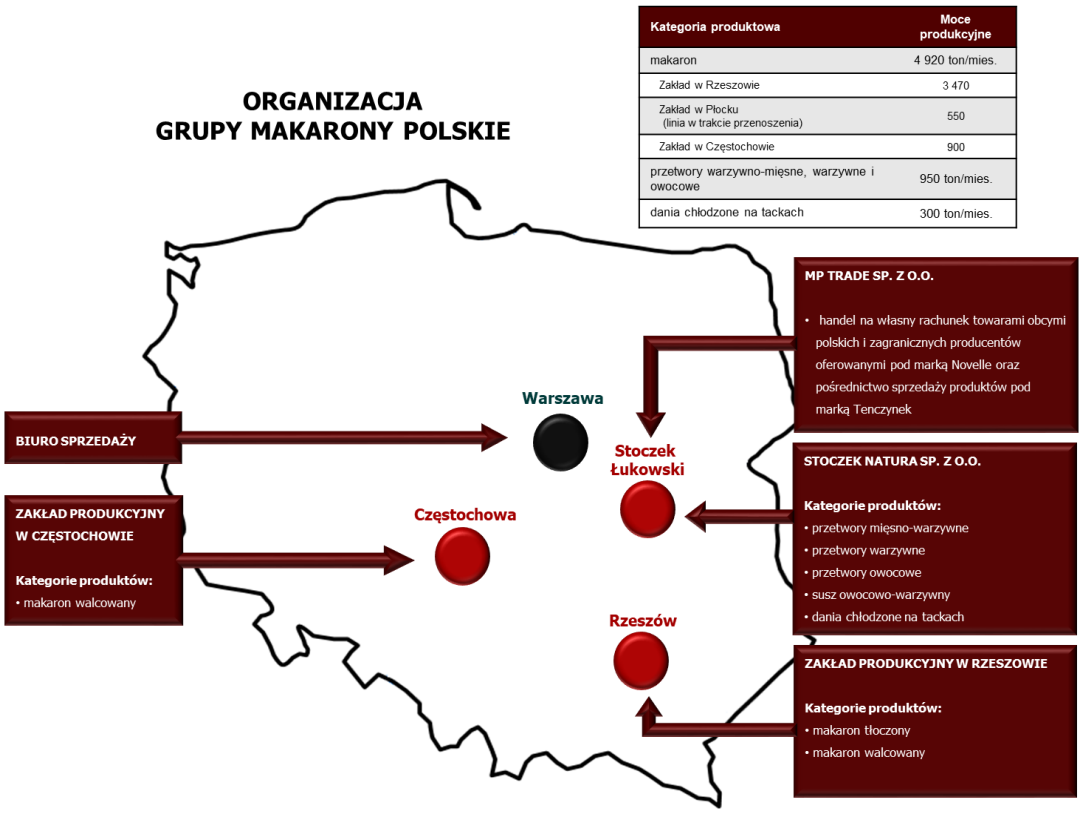
All transactions are performed under the market terms and conditions.

business model adopted by the company creates its value by increasing the brand value, and the production is outsourced.

Changes in the organization of the Makarony Polskie Group in the third quarter of 2021

In the third quarter of 2021, there were no changes in the Makarony Polskie Group that would materially affect the structure or organization of the Group.

Within Makarony Polskie Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services, All transactions are performed under the market terms and conditions.



Organizational data

Makarony Polskie SA

Registered Office: 35-082 Rzeszow, ul. Podkarpacka 15a,
District Court in Rzeszow, 12th Commercial Division of the National Court Register
KRS number 0000212001,
Share Capital: PLN 27,750,213 - fully paid-up
REGON (National Business Registry Number): 691674708,
NIP [tax identification number]: 813-32-78-856,

The Makarony Polskie Group consists of three companies: two manufacturing companies and one trading company.

www.makarony.pl

Stoczek Natura Sp. z o.o.

Registered Office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,
Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department
KRS number: 0000050439,
Share Capital: PLN 15,707,800
REGON (National Business Registry Number): 711584640,
NIP [tax identification number]: 825-17-27-212,
www.stoczek.com.pl

MP Trade Sp. z o. o.

Registered Office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,
Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department
KRS number: 0000579926,
Share Capital: PLN 1,500,000,
REGON (National Business Registry Number): 362706449,
NIP [tax identification number]: 825-21-76-004,
www.mp-trade.pl

100% of shares in the share capital of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. is owned by Makarony Polskie SA. As at 30 September 2021, the share in the total number of votes at the Shareholders' Meetings of these companies, held by the parent company, is equal to the share in the capital of each of the subsidiaries.

The duration of all companies of the Makarony Polskie Group is unlimited.

Employment as at 30 September 2021 in the Makarony Polskie Group

In accordance with the adopted policy, the Makarony Polskie Group consistently maintains the total employment at the level of the necessary minimum, at the same time taking care of the flexibility of employment in the Production Plants and its correlation with changes in the production volume.

Employment as at 30 September 2021 in the Makarony Polskie Group:

- Makarony Polskie SA – 149 employees,

- Stoczek Natura Sp. z o.o. – 54 employees,
- MP Trade Sp. z o.o. – 0 employees.

Composition of the Parent's Management Board

On 30 September 2021 and on the day of submitting the statements, the management board of the parent company is a one-man management board, and Zenon Daniłowski is the President of the Management Board of Makarony Polskie SA.

On June 1, 2021, due to the end of the 9th term of office of the Management Board of the Company, the Supervisory Board of Makarony Polskie SA decided that the Management Board of the 10th term of office would be one-person management board, and it entrusted the position of the President of the Management Board to Mr. Zenon Daniłowski again. The resolution of the Supervisory Board came into force on the date of the Annual General Meeting approving the financial statements of the Company for the financial year 2020, i.e. on July 7, 2021.

Shares held by the Management Board Members

Number and par value of the shares of the Company owned by Members of the Management Board as at the date of the statements are as follows:

Member of the Management Board	Q3 2021		H1 2021	
	number of shares	nominal value	number of shares	nominal value
Zenon Daniłowski*	140,000	420,000	140,000	420,000

* President of the Management Board Zenon Daniłowski is associated with the following companies: Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o., which also hold the Company's shares; the total number of shares as at the report publication date is 3,051,594 shares with a value of PLN 9,154,782.

In accordance with the information held by the Company, during Q3 2021 and until the date of publication of these statements, there were no changes in the ownership of shares held directly by the President of the Management Board.

The President of the Management Board of Makarony Polskie SA does not hold shares in subsidiaries of the Makarony Polskie Group.

Composition of the Supervisory Board of the parent company

From January 1, 2021 to the publication of these statements , the Supervisory Board was composed of:

- Roman Sobiecki – Chairman of the Supervisory Board

- Ahmed Khalil - Vice Chairman of the Supervisory Board
- Janusz Pierun – Member of the Supervisory Board
- Marek Rocki – Member of the Supervisory Board
- Michał Słomkowski – Member of the Supervisory Board
- Wiesław Wasilewski – Member of the Supervisory Board

AUDIT COMMITTEE

From January 1, 2021 to the publication of this report, the Audit Committee was composed of:

- Roman Sobiecki – Chairman of the Audit Committee (independent member),
- Michał Słomkowski – Member of the Audit Committee (independent member),
- Wiesław Wasilewski – Member of the Audit Committee (independent member),

As required by law, members of the Audit Committee have knowledge and skills in accounting or auditing of financial statements as well as knowledge and skills in the industry in which the Company operates.

Shares held by Members of the Supervisory Board

Number and par value of the shares of the Company owned by Members of the Supervisory Board as at the date of the statements are as follows:

Member of the Supervisory Board	Q3 2021		H1 2021	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil	0	0	0	0
Janusz Pierun	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski	6,689	20,067	6,689	20,067

In accordance with the information held by the Company, during Q3 2021 and until the date of publication of these statements, there were no changes in the ownership of shares held by the Members of the Supervisory Board.

The supervising persons of Makarony Polskie SA do not hold shares in subsidiaries of the Makarony Polskie Group.

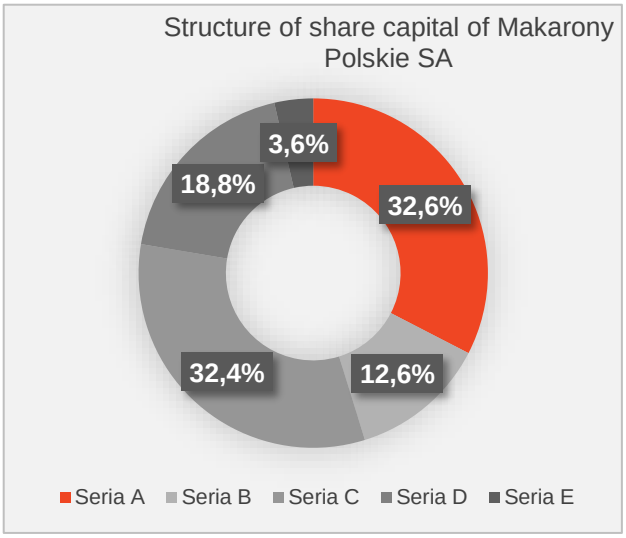
General Meeting of the parent company

Share capital of Makarony Polskie SA:

- amount of share capital PLN 27,750,213,
- total number of shares 9,250,071 shares,
- total number of votes at the General Meeting 9,250,071 votes.

Structure of the Company's share capital:

- 3,013,250 series A ordinary bearer shares,
- 1,169,750 series B ordinary bearer shares,
- 3,000,000 series C ordinary bearer shares,
- 1,735,821 series D ordinary bearer shares,
- 331,250 series E ordinary bearer shares,



The Company's shares are ordinary bearer shares listed on the regulated market operated by the Warsaw Stock Exchange. The company has not issued any securities that grant special controlling rights to any of its shareholders.

There are no restrictions on the exercise of voting rights in the Company. There are also no restrictions on the transfer of ownership of securities issued by the Company.

Shares held by main shareholders (over 5% of share capital)

Shareholders holding directly or indirectly through subsidiaries, at least 5% of votes in the total number of votes at the General Assembly of the Company as at the date of the statements (in accordance with the information available):

Shareholder	Shares in share capital		Votes at the General Assembly	
	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, including:	3,051,594	32.99%	3,051,594	32.99%

Praska Giełda Spożywcza SA (former: Agro-Technika SA)	*2,790,000*	*30.16%*	*2,790,000*	*30.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.32%*	*121,594*	*1.32%*
Raya Holding for Technology&Communications S.A.E. including:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta i Grzegorz Słomkowscy, including:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. "ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Other shareholders	3,222,031	34.83%	3,222,031	34.83%
TOTAL	**9,250,071**	**100.00%**	**9,250,071**	**100.00%**

The Company has no information that would indicate changes in the number of shares held by significant shareholders (with share blocks above 5%) during the third quarter of 2021 and in the period until the date of publication of this report.

Composition of the Management Board of subsidiaries

Stoczek Natura Sp. z o.o. - during the third quarter of 2021, due to the end of the current term of the management board, there were personal changes in the composition of the body:

- in the period until July 26, 2021, the company's management board operated as a one-person management board, and the position of the President of the Management Board was held by Mr. Adam Ławnik,
- in the period from July 26, 2021, the company's management board operates as a two-person management board, and the position of the President of the Management Board was held by Mr. Adam Ławnik, and the position of the Member of the Management Board is held by Mr. Jerzy Krzyżowski.

Spółka MP Trade Sp. z o.o. - the management board is composed of one person:

- Zenon Daniłowski – President of the Management Board

In the period of the third quarter of 2021 and until the date of publication of these statements, no changes occurred in the composition of the management board of MP Trade Sp. z o.o.

Publication and approval of the financial statements

This condensed, consolidated and separate financial data has not been audited by an entity authorized to audit financial statements; was approved by the Management Board for publication on 10 November 2021.

Legal basis for preparation of consolidated financial statements

Declaration of compliance and the basis for preparing the statements

The condensed consolidated financial statements were prepared on the basis of the International Accounting Standards as approved by the European Union (EU) and related interpretations announced in the form of implementing regulations of the European Commission (hereinafter referred to as "IFRS"), applicable to interim financial reporting as approved by European Union (IAS 34 "Interim Financial Reporting") pursuant to Article 55 (5) of the Accounting Act (Journal of Laws of 2021, item 217 as amended) and regulations issued on its basis and in accordance with the requirements set out in 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 law of a non-member state (Journal of Laws of 2018, item 757) published and in force at the time of preparation of these condensed consolidated financial statements. The condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the Group and Parent Company's financial statements for the year ended December 2020.

Basis for valuation

The presented consolidated condensed financial statements have been prepared in accordance with the historical cost principle, except for the valuation to fair value of some assets, i.e. assets purchased as part of the purchase transaction of Abak Sp. z o.o., brands Tenczynek, So Food, and investment land.

Functional and presentation currency

The measurement currency of the Group, included in these consolidated financial statements and the reporting currency of these financial statements is the Polish zloty.
Unless indicated otherwise, the financial data is denominated in PLN k.

Accounting principles applied and the basis for preparing the statements

The accounting principles used to prepare the interim condensed consolidated financial statements are consistent with those applied to the preparation of the annual financial

statements of the Group of Companies for the year ended 31 December 2020 (published on 15 April 2021).

The financial statements of all entities were prepared for the same reporting period using consistent accounting principles.

The financial year of the Group shall be the calendar year.

The parent company - Makarony Polskie SA and its subsidiaries prepare financial statements according to IAS/IFRS.

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

Duration of the Group operation is not limited.

Explanations regarding seasonality or cyclicality in relation to the Group's interim operations

The Group's operations do not show significant seasonal or cyclical trends.

Changes to the rules for preparing financial statements

In the first quarter of 2021, there were no changes in the valuation principles applied to the preparation of the consolidated financial statements.

Uncertainty of estimates

The basic assumptions related to the future and other key sources of uncertainties present at the balance sheet date to which the risk of balance sheet assets and liabilities is related in the following fiscal year are presented below

- depreciation rates,
- impairment of assets (including receivables),
- provisions value,
- deferred tax assets (companies recognize assets for deferred tax based on the assumption that a tax profit shall be obtained in the future allowing its utilization; deterioration of the obtained tax results in the future could cause that such assumption would be unjustified),
- valuation of assets with an indefinite useful life.
- The adopted marginal loan rate and the lease term for agreements with an indefinite period of validity due to the implementation of IFRS 16.

At present, the Group does not see any significant risk of impairment of assets, including in particular assets subject to impairment tests. As at December 31st, the Group performs annual

impairment tests of an intangible asset with an indefinite useful life. The relevant tests, in accordance with the applicable rules, were made as at the end of 31 December 2020.

As at the balance sheet date, the premises for impairment of assets were analyzed. In the opinion of the Management Board of the Parent Entity, as at the balance sheet date, i.e. 30.09.2021, there were no indications of a potential impairment of the ABAK and Tenczynek brands and the goodwill of Stoczek Natura.

Going Concern

The consolidated financial statements of the Makarony Polskie Group have been prepared on the assumption that the business of the Group companies will be continued in the foreseeable future and not significantly reduced. The Group did not conduct operations which were discontinued in the third quarter of 2021.

Events affecting assets, liabilities, equity, net result or cash flow statement that are unusual due to their nature, size or frequency

The impact of the COVID-19 epidemic on the operations of Makarony Polskie Group

The impact of the Covid-19 pandemic, which began at the end of the first quarter of 2020, on the operations and financial results of Makarony Polskie Group is visible in several areas:

- pressure from the business environment, including government authorities to maintain a stable level of prices, as well as the reluctance of key recipients to implement increases under concluded agreements, delayed the implementation of new sales prices, allowing the Company to partially compensate for the increase in cost factors. The above issues had an impact on the reduction of profitability at the level of gross profit on sales from 19.6% in 2020 to 18.4% in the third quarter of 2021;
- due to the decline in economic turnover caused by the COVID 19 pandemic, the company decided to use public aid under the guaranteed employee benefits fund provided by the provincial labor office with the aim of protecting jobs by subsidizing the remuneration of employees not subject to downtime, economic downtime or reduced working hours. As at the balance sheet date, the support received was PLN 907.5 k.

Due to the ongoing Covid-19 epidemic, additional security procedures and security measures have been implemented in the Group's companies to secure the continuity of production and reduce the risk of the virus spreading among the crew members. These procedures are

systematically validated and modified depending on the needs and the evolution of the epidemiological situation.

In the opinion of the Management Board, there are no threats in the Makarony Polskie Group that would make it impossible to pay its liabilities. The Group has no problems with the repayment of receivables by its contractors (no changes in the collection of receivables were identified).

The Group has not identified an increase in the valuation risks and the deposition of inventories. As at the publication date of the statements, the Group does not identify any significant risks of failure to meet the financial covenants included in loan agreements in connection with the COVID-19 pandemic. The Management Board of Makarony Polskie SA carefully monitors the situation related to the COVID-19 pandemic and takes steps to minimize the negative impact on the functioning of the Company and the Group in the area of security, financial liquidity and achieved results.

In the opinion of the Management Board, the current financial situation of the Group does not threaten the continuation of the Group's operations in the next periods. After the balance sheet date, there were no other events that could significantly affect the financial statements of the Company and the Group.

Position of the Management Board regarding the publication of the Group's results forecasts

Makarony Polskie Group did not publish financial forecasts for the year 2021.

Factors and risks with a significant impact on the financial results in the third quarter of 2021 and in subsequent periods

After the third quarter of 2021, the Makarony Polskie Group generated a net profit of PLN 5.4 m. The Group has introduced many changes aimed at increasing production efficiency and reducing fixed costs.

THE RESULTS WILL BE INFLUENCED BY, AMONG OTHERS THE FOLLOWING ACTIVITIES:

Building a competitive advantage through investments in R&D, product, process and organizational innovations

- Commercialization of investments in new production lines and a research and development center. Extending the product range with innovative pro-health products and intensifying sales activities on foreign markets.

- at Makarony Polskie SA, an interdisciplinary team was established, which, in cooperation with scientific institutions, works on developing innovative technologies for the production of new products: functional, health-promoting, low-processed food, easy to prepare,
- Stoczek Natura Sp. z o.o. focuses on the development of technology and the production of ready meals in trays and cups in order to further develop sales in this market segment.
- The Makarony Polskie Group is in the process of large investment projects aimed at, inter alia, reducing the environmental impact of production plants (thermal insulation of the building and construction of a new facade at the Rzeszów Plant, replacement of lighting with LED lighting) and improvement of working conditions (including reconstruction of ventilation and air conditioning in production halls). The works carried out forced the necessity to temporarily switch off individual production areas, as well as temporarily switch off the production lines, which translated into the necessity to temporarily reduce the scale of production and, consequently, also the level of sales,
- in all plants of the Group, by the end of 2023, it is planned to invest in photovoltaics - the production processes of pasta and ready meals are characterized by high energy consumption, investments in "green energy" will allow the Group, on the one hand, to take care of the environment and reduce its carbon footprint and, on the other hand, to reduce the cost of production resulting from increases in electricity prices.

Finalization of the acquisition process conducted by the Company

- the acquisition of a competitive pasta manufacturer, which is among the top five egg pasta manufacturers in the country, will contribute to increasing the production potential of Makarony Polskie SA and will allow it to effectively use this potential. Thanks to this acquisition, the Company will become the leader in the field of rolled egg pasta (used willingly in Poland and Central Europe, e.g. for soups), and will also strengthen its position as the vice-leader among Polish pasta producers,
- egg-rolled pasta has better taste than pressed (Italian-style) pasta, is characterized by a higher selling price, which, in the Company's opinion, will increase revenues and improve the level of sales margin, and consequently will positively affect the functioning of the Group in the long run.

Activity development in the private label segment

- development works aimed at enriching the offer addressed to new and existing customers with non-standard, short-series products, dedicated to special actions (including Christmas actions), in line with the trends: premium, vege, health, tradition,
- improvement of the profitability of the sales channel through a wide range of optimization activities in the area of production, logistics and sales, being a response to the difficult and unstable market situation,

- continuation of work on introducing to the offer, products and packaging in line with the principles of sustainable development including: reduction of foil and plastic in product packaging or replacement of cage eggs used in the production of pasta with eggs from alternative breeding (bedding, free range) for the welfare of hens.

Development of B2B sales channels and Institutions

- development of the category of pasta, meat and vegetable preserves, vegetable and fruit preparations, adapted to the expectations of the customers of that channel,
- establishing cooperation relations with other manufacturers of pastas and ready meals and manufacturers of complementary goods, in order to supplement the offer for the final recipient,
- individualizing the offer and thus increasing competitiveness,
- using the production potential of Stoczek Natura Sp. z o.o. in the scope of service packaging of products and based on new forms of packaging,

Increase in shares and increase of the distribution level on the domestic market

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie and SoFood brands on the market, redefining the Stoczek Natura, Sorenti and Novelle brands - the Group has developed a plan to support marketing activities in this area,
- strengthening and developing the product portfolio in line with market trends,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the Group operates,
- focusing on fast and efficient building of brand availability in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting sales and resale of products and building lasting relationships with customers.

Export development

- systematic increase in the number of customers on foreign markets - focusing on European markets, including in particular Ukraine, where the Group systematically develops its cooperation with networks and distributors.
- intensification of communication with current and potential customers through the participation, *inter alia,* in trade fairs and the organization of B2B meetings on target markets,

- development of the product offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, vegetable and in the product category, such as ready-made dishes in trays (in particular, vegetarian dishes, which are highly sought after on the market),
- acquiring and implementing projects concerning deliveries under the own recipient's brand,
- partnership cooperation with other entities that have an offer complementary to the Group's offer in order to increase sales opportunities and make the offer more attractive.

In the opinion of the Management Board of Makarony Polskie S.A.the current financial situation of the Group, its production potential and market position create opportunities for further development, however, there are many factors, especially those of an external nature, which may directly or indirectly affect the financial results achieved in subsequent years.

The risk of changes in market trends

The risk may be a possible change in shopping and eating habits of consumers, e.g. rising prices or widely published information on the health benefits of a given product category.

Current market trends are monitored on a regular basis. The Group's companies quickly and flexibly match their offer to them, both in terms of the products themselves and their production technology. The current product range of the Group is modified in line with market trends, e.g. health-related products, "Fit", products with reduced gluten content, products based on, or with addition, vegetable flour are systematically developed In the first half of the year, the Group's offer was expanded to include new products from the category of meals in trays, including the so-called one-handed ones in cups, which were well received by the market.

Risk related to competition

All areas of Makarony Polskie Group's operations belong to highly competitive segments. There is a risk that the intensified actions of competitors, manifested mainly in the deterioration of trading conditions will affect the profitability and revenues of the Group, may affect the achievement of objectives assumed by the Group. All activities of the competitive environment are monitored and carefully analyzed on an ongoing basis, which allows for quick response in the area of possible threats. The main threat from competition is price undercutting and imitation, which affects the Company.

The Group attempts to minimize this risk by diversifying its activities and developing innovative products (teams whose goal is to conduct R&D projects were appointed).

Risk of dependence on recipients

A large part of revenues is generated by the Group through cooperation with organized and centrally-decisive retail chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial agreements do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in the inability to meet demand or incomplete use of production capacity, which will have an impact on the results. The situation of increased demand for the Group's products occured, inter alia, in the initial period after the first COVID-19 infections appeared on the territory of Poland, when customers went to stores en masse, and orders from retail chains were significantly higher, both compared to the level recorded in the same period last year, as well as in the periods before the outbreak of the epidemic.

In the Group's opinion, the risk of becoming dependent on customers is not significant because the Group companies conduct systematic actions towards the diversification of customers and increasing the number of so-called medium-sized customers.

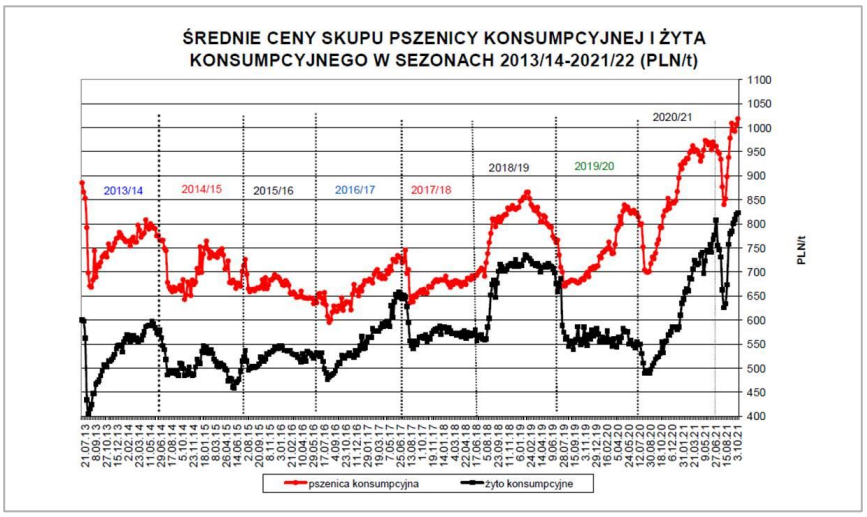
Risk related to changes in raw material prices

Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase agreements in annual and half-year periods, which helps to limit material decreases in the profitability of the pasta produced. With regard to the current situation on the cereal market, the Company also regularly monitors forecasts concerning both the domestic market and prices of wheat on global markets.

Makarony Polskie SA is aware that wheat production is highly sensitive to unpredictable weather conditions, therefore prices are subject to increases due to possible speculations or natural disasters. The year 2021 brought significant increases in the prices of raw materials on the grain market - the current prices are the highest in over nine years, which is caused by the balance of world cereals. At the end of the third quarter of 2021, the purchase prices of soft wheat flours were approx. 40% higher than at the beginning of 2021. Record prices are also recorded on the market of durum wheat flour, which is almost entirely imported to the Polish market.

At the turn of the third and fourth quarter of 2021, the Company concluded several long-term agreements for the supply of both soft flour and durum wheat flour. Those contracts do not fully meet the company's needs, but allow to limit the negative impact of the increase in raw material prices on the efficiency of operating activities in subsequent periods.

The chart below presents the prices of soft cereal in Poland in recent years:



Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 40/2021, Sparks Polska

In the first quarter of 2021, the prices of eggs and egg pulp were at a high but stable level of PLN 4.2-5.0 k per one ton of egg pulp (vs. PLN 3.7-4.6 k in Q4 2020). The second quarter of 2021 brought a systematic increase in egg prices to the level of PLN 4.8-6.0 k for one ton of egg pulp. The increases in egg pulp prices observed in the third quarter of 2021 were the result of a large epidemic of avian influenza, a significant reduction in the planting of young hens by breeders, as well as an increase in costs related to the breeding process, such as wages, electricity and fuel. According to the Company's estimates, in the coming months of 2021, prices will remain quite high, and may also show a further slight upward trend, which may have some negative impact on the profitability of the Group's products.

In order to minimize the negative price trend of raw materials and other components of the production process (e.g. labor costs, cardboard boxes, foils, energy), the Company has undertaken and is conducting activities aimed at adjusting the selling prices of products to the increase in their production costs.

Stoczek Natura Sp. z o.o. is a manufacturer of fruit and vegetable preserves (including jams and salads) and ready meals. The Company cooperates with domestic fruit and vegetable suppliers, it also has an extensive database of foreign suppliers of key raw materials, which gives the Company greater opportunities to obtain cheap, good quality raw materials. Purchase of fruit and vegetables is performed seasonally, in months in which their prices are the lowest. If necessary, purchased raw materials are stored in Company warehouses and cold stores.

The main raw material influencing the prices of products manufactured in the company is meat. In 2021, the prices of purchased meat items remain stable.

The prices of fruit and vegetables are strongly dependent on weather conditions. The year 2021 brought an upward trend in prices on the fruit market. In the first three quarters of 2021, the company relied on raw materials purchased in 2020, however, at the turn of the third and fourth quarter, the company has started and is conducting the process of verification and adjustment of the prices of finished products, taking into account the upward market trends of raw materials.

In 2021, packaging is characterized by a significant increase in prices. The increase in prices is observed for all types of packaging used by the company. In 2021, Stoczek Natura Sp. z o.o. bases on annual price arrangements, so the current price fluctuations in this area do not have a significant impact on the profitability of production.

The upward trend in the prices of raw materials and packaging is related to global supply and the company monitors those forecasts all the time. Therefore, the company will adjust the prices of its products to the level that will be necessary to maintain the appropriate level of product margin.

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes, especially in the era of the current COVID-19 epidemic, when the law is substantially changed from day to day, the activities of companies, including Makarony Polskie Group companies, are subject to a great deal of uncertainty. This is a negative factor for economic activity and entails high risk.

The protection of the interests of the Group in terms of legal changes is supervised by legal teams that in due course take appropriate actions aimed at minimizing the possible effects of these changes. Quality teams keep track of all legal regulations regarding products and packaging, and the changes required by law are implemented without unnecessary delay.

Risk related to wage pressure

Systematic increases in the minimum wage and the minimum hourly wage under civil law agreements or progressive inflation mean that wage pressure is growing among employees and potential job candidates. This phenomenon is compounded by the fact that recently the labor market has been tilting more and more towards the employee market, the period of pandemic and the related uncertainty discourages some employees from changing jobs, which translates into the fact that employers, including Group companies, find it difficult to find suitable candidates for vacant positions, both among specialists and managerial staff, as well as among unqualified people.

Striving to minimize staff rotation, especially among key employees and specialists, the Group tries to systematically implement motivational remuneration systems (connected, among others, with production and sales efficiency), which by closely linking the results of work of

individual teams / people with the effectiveness of achieving the Group's goals in front of these teams / employees, allow to combine the level of wages satisfactory for employees with the profitability of the company's operations. In order to increase the motivation and build loyalty of employees towards the employer, the Group companies systematically diversify the package of non-wage benefits, such as sports cards, group insurance, and holiday cards, in order to best match it to the needs and expectations of employees.

Risk related to changes in exchange rates

The Makarony Polskie Group is a semolina importer and exporter of finished products. The sales prices of the Company's products are each time determined and take into account the current value of exchange rates so as to ensure satisfactory sales profitability.

The weakening of the zloty may have a negative impact on the profitability level of operations conducted by the Group as an importer. To minimize the risk of changes in foreign exchange rates, the funds obtained by the Group from export sales are used to purchase raw materials outside Poland.

The table presents the currency structure for given classes of financial instruments as at 30 September 2021:

Groups/categories of financial instruments	Balance sheet value as at 30.09.2021 PLN k	Currency exposure as at 30.09.2021 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	603	340	340	0
Trade receivables	19,315	2,140	2,140	
Financial liabilities				
Liabilities from deliveries and services	25,425	3,766	3,766	

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 30 September 2021:

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	17.0	- 17.0	0.0	0.0
Trade receivables (gross)	107.0	-107.0	-	-
Financial liabilities				
Liabilities from deliveries and services	- 188.3	188.3	-	-

Interest rate risk

Interest rate risk is the risk of incurring losses as a result of changes in market interest rates and changes in statutory interest rates. Both the amount of revenues and costs of the Company are sensitive to changes in the level of market interest rates.

The Group finances its operations with loans, which increases its sensitivity to the risk caused by interest rate changes in both long-term and short-term financial liabilities.

In the third quarter of 2021, the Group used external financing in the form of bank loans: working capital loans, overdrafts and investment loans.

As at 30 September 2021, the Group had a liability due to loans taken out, in the amount of PLN 25,265 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	25,265	15,373	9,892

The Group has liabilities due to loans for which interest is calculated on the basis of a variable interest rate, and therefore there is a risk of an increase in these rates in relation to the conclusion of the contract.

The structure of financial instruments exposed to the risk of changes in interest rates as at 30 September 2021 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 30.09.2021 PLN k	Value at risk as at 30.09.2021 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and at bank	603	-	-
Financial liabilities			
Bank loans	25,265	25,265	25,265
Other financial liabilities	1,839	1,839	1,839

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 30 September 2021:

Interest rate	Deviation assumptions (in percentage points) 30 September 2021		Value at risk as at 30.09.2021 PLN k	Impact on the financial result 30 September 2021 PLN k	
WIBOR	1%	-1%	25,265	- 252.6	252.6

Risk of insolvency of business partners

Risk of insolvency means the risk that the Group's contractors will default on their obligations. The Group applies the principle of making transactions with counterparties whose creditworthiness has been verified and of obtaining, if necessary, an appropriate security as a tool to mitigate the risk of financial loss arising from a breach of agreement. The Group uses financial information available to the public and its own transaction data, assessing the financial condition of its main customers.

The Group's exposure to the risk of counterparties' insolvency is constantly monitored; the credit risk control is enabled by limits verified and approved on an ongoing basis within the control structures of the Group. In addition, the Group has covered the selected counterparties by trade receivables insurance granted by one of the major insurers operating in this area on the Polish market.

The Group is not exposed to material risk of insolvency towards a single counterparty or a group of counterparties.

Selected financial data – Makarony Polskie Group

Selected financial data in EURO were presented in accordance with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

- items of the statement of financial position have been converted at the average exchange rate announced by the National Bank of Poland as at the balance sheet date (30 September 2021, EUR 1 = PLN 4.6329; 31 December 2020: EUR 1 = PLN 4.6148)
- items of the statement of comprehensive income and statement of cash flows have been converted at the exchange rate being the arithmetic average of the average rates set by the National Bank of Poland effective on the last day of each month of Q1, Q2 and Q3 of 2021 = PLN 4.5585 and at the end of each month of Q1, Q2 and Q3 2020 = PLN 4.4420.

Selected financial data	30 September 2021	30 September 2020	30 September 2021 (in EUR k)	30 September 2020 (in EUR k)
Revenues from sale of products, services, goods and materials	120,788	139,941	26,497	31,504
Profit (loss) from continued operations	6,986	7,841	1,533	1,765
Gross profit (loss)	6,447	6,538	1,414	1,472
Net profit (loss) from continued operations	5,397	5,202	1,184	1,171
EBIT	6,986	7,841	1,533	1,765
EBITDA (EBIT + depreciation)	13,001	13,511	2,852	3,042
Net cash flows from operating activities	8,195	7,631	1,798	1,718
Net cash flows from investment activities	- 4,227	- 12,698	- 927	- 2,859
Net cash flows from financial activities	- 3,775	4,994	- 828	1,124
Total net cash flows	193	- 73	42	- 16
Total assets ***	178,212	180,537	38,467	39,121
Liabilities and provisions for liabilities ***	90,387	95,334	19,510	20,658
Long-term liabilities ***	39,751	42,439	8,580	9,196
Short-term liabilities ***	50,636	52,895	10,930	11,462
Equity ***	87,825	85,203	18,957	18,463
Share capital ***	27,750	27,750	5,990	6,013
Number of shares (units)	9,250,071	9,250,071	9,250,071	9,250,071

Weighted average number of shares (in units) during the current financial year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (in PLN/EUR) *	0.58	0.56	0.13	0.13
Book value per one share (in PLN/EUR)**	9.49	9.21	2.05	2.00

* Net profit/loss per ordinary share = net result/weighted average number of shares in the period

** Book value per one ordinary share = equity/number of shares at a given balance sheet date

*** Comparable data regarding the statement of financial position as at 31 December 2020

Consolidated statement of comprehensive revenues

FOR THE PERIOD	Third Quarter 2021	01.01.2021-30.09.2021	Third Quarter 2020	01.01.2020-30.09.2020
Net incomes from sales	38,720	120,788	39,437	139,941
Revenues from sale of other products and services	37,706	115,491	38,239	132,147
Revenues from sale of goods and materials	1,014	5,297	1,198	7,794
Own cost	31,856	98,517	32,154	112,117
Production costs of products and services sold	31,001	93,858	31,278	105,134
Value of goods and materials sold	855	4,659	876	6,983
Gross profit (loss) on sales	6,864	22,271	7,283	27,824
Costs of sale	4,787	14,664	4,508	16,380
General administrative costs	1,506	4,342	1,282	4,303
Other revenues	1,923	4,167	459	1,437
Other costs	76	446	96	737
Profit (loss) from continued operations	2,418	6,986	1,856	7,841
Financial incomes	- 40	12	0	15
Financial costs	165	551	361	1,318
Gross profit	2,213	6,447	1,495	6,538
Income tax - current part	167	938	344	1,032
Income tax - deferred part	1	112	- 78	304
Net profit (loss) from continued operations	2,045	5,397	1,229	5,202
In this attributable to:				
Shareholders of the parent Company	2,045	5,397	1,229	5,202
Non-controlling shares				
Basic net result per share in PLN	0.22	0.58	0.13	0.56
Diluted net result per share in PLN	0.22	0.58	0.13	0.56
Other total net income/loss				
Total net income	2,045	5,397	1,229	5,202
Total net income attributable to:				
Shareholders of the parent Company	2,045	5,397	1,229	5,202
Non-controlling shares				

Statement of other comprehensive net income - application of accounting

FOR THE PERIOD	Third Quarter 2021	01.01.2021-30.09.2021	Third Quarter 2020	01.01.2020-30.09.2020
Total net income	2,045	5,397	1,229	5,202
Profit/loss due to application of hedge accounting	0	0	0	0
Total net income	2,045	5,397	1,229	5,202

Condensed consolidated statement of financial position

ASSETS	30 September 2021	31 December 2020	30 September 2020
FIXED ASSETS	**132,998**	**133,058**	**132,128**
Tangible fixed assets	116,083	117,017	114,747
Fixed assets-IFRS-16	3,470	2,524	3,409
Investment real estate	603	603	603
Goodwill	5,949	5,949	5,949
Other intangible assets	6,867	6,919	7,360
Long-term financial assets	0	0	0
Assets for deferred income tax	0	1	1
Other long-term assets	26	45	59
CURRENT ASSETS	**45,214**	**47,479**	**52,146**
Inventories	21,414	24,127	25,940
Short-term receivables	22,646	22,636	25,310
Income tax receivables	264	0	0
Borrowings granted	0	0	0
Cash and cash equivalents	603	410	651
Other short-term assets	287	306	245
FIXED ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	**178,212**	**180,537**	**184,274**

LIABILITIES	30 September 2021	31 December 2020	30 September 2020
EQUITY	**87,825**	**85,203**	**82,877**
Share capital	27,750	27,750	27,750
Supplementary capital	43,143	38,490	38,490
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	- 465	- 565	- 565
Net profit/loss	5,397	7,528	5,202
LONG-TERM LIABILITIES	**39,751**	**42,439**	**44,545**
Provision for deferred income tax	3,297	3,187	3,825
Long-term bank loans and borrowings	9,892	11,514	12,625
Long-term financial obligation - Polish Development Fund subsidy	651	2,269	2,637
Provision for pensions and similar (long-term)	398	398	432

Revenue of future periods - long-term	21,697	21,730	21,669
Long-term financial liabilities - leasing	964	1,297	677
Long-term financial liabilities - IFRS-16	2,852	2,044	2,680
SHORT-TERM LIABILITIES	**50,636**	**52,895**	**56,852**
Short-term bank loans and borrowings	15,373	15,379	15,839
Short-term financial obligation - Polish Development Fund subsidy	744	675	306
Short-term financial liabilities - leasing	875	845	733
Short-term financial liabilities - IFRS-16	705	555	841
Short-term financial liability - subsidy to working capital	0	124	0
Other short-term liabilities	29,779	31,165	33,244
Short-term liability due to dividends	0	0	2,313
Income tax liabilities	18	1,153	115
Revenue from future periods - short-term	1,557	1,433	1,388
Provision for retirement and similar benefits (short-term)	1,263	1,506	1,072
Other short-term provisions	322	60	1,001
TOTAL LIABILITIES	**90,387**	**95,334**	**101,397**
TOTAL LIABILITIES	**178,212**	**180,537**	**184,274**

Consolidated Statement of cash flows

FOR THE PERIOD	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Cash flows from operating activities		
Profit before tax	**6,447**	**6,538**
Adjustments by items:	1,748	1,093
Depreciation	6,015	5,670
Profits/losses on exchange differences	0	- 6
Interest expense and income	433	722
Revenues from dividends	0	0
Profit/loss from investing activities	- 47	- 17
Change in provisions	19	1,080
Change in inventories	2,713	- 5,425
Change in receivables	5	- 413
Change in liabilities and accruals	- 2,346	808
Paid/refunded corporate income tax	- 2,337	- 1,326
Other adjustments - Polish Development Fund subsidy, subsidy from the Labor Fund and Guaranteed Employee Benefits Fund	- 2,707	0
Cash flows from net operating activities	**8,195**	**7,631**
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	506	59
Proceeds from sale of financial assets	0	0
Expenses for the purchase of property, plant and equipment and intangible assets	- 4,733	- 12,757
Expenses for the acquisition of subsidiaries and affiliates	0	0
Interest income	0	0
Proceeds from loans granted	0	0
Borrowings granted	0	0
Others	0	0
Net cash flows from investing activities	**- 4,227**	**- 12,698**
Cash flows from financial activities		
Proceeds from loans and borrowings	3,769	5,797
Repayment of loans and borrowings	- 5,397	- 11,829
Proceeds - Polish Development Fund subsidy	0	2,943
Repayment - Polish Development Fund subsidy	- 92	0
Payment of liabilities under financial lease agreements	- 1,268	- 1,244
Interest paid	- 433	- 722

Dividend paid to shareholders	-2,775	0
Expenses for the purchase of financial assets	0	0
Other financial revenues - subsidy	2,421	10,049
Net cash flows from financial activities	**- 3,775**	**4,994**
Increase/decrease in cash and cash equivalents	**193**	**- 73**
Cash, cash equivalents and overdrafts at the beginning of the period	410	718
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	0	6
Cash, cash equivalents and overdrafts at the end of the period	**603**	**651**

Statement of changes in consolidated equity

For the period from 1 January 2021 to 30 September 2021

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2021	27,750	38,490	12,000		6,963	85,203
Distribution of profit/loss coverage		4,653			- 4,653	
Profit distribution - dividend payment					- 2,775	- 2,775
Establishment of reserve capital - own shares						
Other total income						
Net result after Q3 2021				5,397		5,397
Balance as at 30 September 2021	27,750	43,143	12,000	5,397	- 465	87,825

For the period from 1 January 2020 to 31 December 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	27,750	37,155	12,000		3,083	79,988
Distribution of profit/loss coverage		1,335			- 1,335	
Profit distribution - dividend payment					-2,313	- 2,313
Reversal of unrealized margin from previous years						
Other total income						
Net profit/loss in 2020				7,528		7,528
Balance as at 31 December)20	27,750	38,490	12,000	7,528	- 565	85,203

For the period from 1 January 2020 to 30 September 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	27,750	37,155	12,000		3,083	79,988
Distribution of profit/loss coverage		1,335			- 1,335	
Profit distribution - dividend payment					-2,313	- 2,313
Establishment of reserve capital - own shares						
Other total income						
Net result after Q3 2020				5,202		5,202

Balance as at 30 September 2020	27,750	38,490	12,000	5,202	- 565	82,877

Additional notes

Revenues from sale of products, services, goods and materials by business segments

For management purposes, the Group is divided into business units based on the products and services offered.

	For the period from 01.07 to 30.09.2021	For the period from 01.01 to 30.09.2021	For the period from 01.07 to 30.09.2020	For the period from 01.01 to 30.09.2020
Revenues from sales of products	36,282	110,869	36,731	126,357
Revenue from the sale of services	1,424	4,622	1,508	5,790
Revenues from sale of materials	512	3,033	493	5,604
Revenues from sale of goods	502	2,264	705	2,190
Total	**38,720**	**120,788**	**39,437**	**139,941**

Operating segments

The Makarony Polskie Group distinguishes the product segments shown in the table below

	For the period from 01.07 to 30.09.2021	For the period from 01.01 to 30.09.2021	For the period from 01.07 to 30.09.2020	For the period from 01.01 to 30.09.2020
Pasta	26,567	84,935	28,023	99,367
Meat and vegetable preserves	8,918	23,088	7,316	22,511
Vegetable and fruit preserves*	1,647	6,299	2,139	8,006
Other	1,588	6,466	1,959	10,057
Total	**38,720**	**120,788**	**39,437**	**139,941**

* From the beginning of 2021, the Makarony Polskie Group changed the classification of operating segments. The hitherto segment "Fruit products", due to a significant reduction in significance, was merged with the "Vegetable products and stuffing" segment into one segment called "Vegetable and fruit products"

Basic information about operating segments:

For the period Q1-Q3 2021	Pasta	Meat and vegetable preserves	Vegetable and fruit preserves	Other	Total segments
Total segments revenues	**84,935**	**23,088**	**6,299**	**6,466**	**120,788**
Sales to external customers	84,935	23,088	6,299	6,466	120,788
Sales between segments					
Segment costs	68,957	20,286	5,937	3,337	98,517
Profits or losses of segments	**15,978**	**2,802**	**362**	**3,129**	**22,271**

For the period Q1-Q3 2020	Pasta	Meat and vegetable preserves	Vegetable and fruit preserves	Other	Total segments
Total segments revenues	**99,367**	**22,511**	**8,006**	**10,057**	**139,941**
Sales to external customers	99,367	22,511	8,006	10,057	139,941
Sales between segments					
Segment costs	78,689	20,708	7,102	5,618	112,117
Profits or losses of segments	**20,678**	**1,803**	**904**	**4,439**	**27,824**

The Group has applied IFRS-8 "Operating Segments". In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on these elements, which are regularly verified by persons deciding on the allocation of resources to a given segment and assessing its financial results. In terms of assets and liabilities, the main bodies responsible for making operational decisions do not analyze data cross-sectioned into operating segments.

The sales revenues of the Makarony Polskie Group in the period of Q1-Q3 2021 amounted to PLN 120.8 m and were by approx. PLN 19.2 m lower than in the corresponding period of 2020.

Sales in the pasta category decreased in the analyzed period by approx. PLN 14.4 m to the amount of approx. PLN 84.9 m. The decrease in the amount of approx. 14.6% was the result of a decrease in sales under the brands of retail chains and focus on the development of the Makarony Polskie brand on the domestic market compared to the same period of the previous year.

Sales of processed meat and vegetables increased in the analyzed period by approx. PLN 0.6 m to PLN 23.1 m. 2.6% increase (Q1-Q3 2021 vs Q1-Q3 2020) was the result of an increase in sales of branded products. In the analyzed period, the Group focused on the development of the SoFood brand.

Sales of fruit preserves in the analyzed period amounted to nearly PLN 6.3 m and was lower by PLN 1.7 m, i.e. 21.3% compared to 2020, which was caused by a decrease in sales in the category of jams.

Revenues from sale of products, services, goods and materials - geographical structure

	For the period from 01.07 to 30.09.2021	For the period from 01.01 to 30.09.2021	For the period from 01.07 to 30.09.2020	For the period from 01.01 to 30.09.2020
Country	34,883	109,085	36,073	125,870
Exports, including:	3,837	11,703	3,364	14,071
- European Union countries	1,241	3,805	1,587	4,775
- other countries	2,596	7,898	1,777	9,296

Total	**38,720**	**120,788**	**39,437**	**139,941**

The sales markets of Makarony Polskie Group can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries). In the period of Q1-Q3 of 2021, the value of sales amounted to PLN 109.1 m in the domestic market and PLN 11.7 m in export. In the corresponding period of 2020, those figures were PLN 125.9 m and PLN 14.1 m, respectively.

Data regarding the financial result and shares that were used to calculate basic and diluted earnings per share

	For the period from 01.01 to 30.09.2021	For the period from 01.01 to 30.09.2020
Net profit/loss per share	0.58	0.56
Book value per share in PLN (according to data as of 30.09.2021 and data as of 31.12.2020)	9.49	9.21

	For the period from 01.01 to 30.09.2021	For the period from 01.01 to 30.09.2020
Net profit/loss from continuing operations attributable to shareholders of the parent	5,397	5,202
Profit/loss on discontinued operations attributable to shareholders of the parent	0	0
Net profit/loss attributable to equity holders of the parent	5,397	5,202
Net profit/loss attributable to ordinary shareholders applied to calculate diluted profit/loss per share	0	0

	For the period from 01.01 to 30.09.2021	For the period from 01.01 to 30.09.2020
Weighted average number of issued ordinary shares applied to calculate basic earnings/loss per share	9,250,071	9,250,071
Impact of dilution	not applicable	not applicable
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per share	not applicable	not applicable

Net profit falling per one share is calculated by dividing the net profit for the period falling to normal shareholder of the mother company by average weighed number of issued common shares present in the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent (net of interest on redeemable preference shares

convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effect of diluting options). and diluting redeemable preferred shares convertible into ordinary shares).

In the parent Company in Q3 2021, there were no factors diluting the share capital.

Book value per share is the quotient of equity by the number of shares at a given balance sheet date.

Share capital

As at 30 September 2021 the share capital of Makarony Polskie SA amounted to PLN 27,750,213 and was divided as follows:

	Type of share	Type of privilege	Number of Shares in units	Nominal value of 1 share in PLN	Value of the series (issue) at nominal value in PLN k	Method of capital coverage	Date of registration	Right to dividend (from)
Series A	bearer shares	ordinary shares	3,013,250	3	9,040	cash contributions	05.07.2004	01.01.2004
Series B	bearer shares	ordinary shares	1,169,750	3	3,509	non-cash contributions	29.10.2004	01.01.2004
series C	bearer shares	ordinary shares	3,000,000	3	9,000	cash contributions	18.04.2007	01.01.2007
Series D	bearer shares	ordinary shares	1,735,821	3	5,207	cash contributions	22.06.2007	01.01.2007
Series E	bearer shares	ordinary shares	331,250	3	994	cash contributions	11.02.2008	01.01.2008
Total			**9,250,071**		**27,750**			

Information on changes comparable to the consolidated and separate financial statements

In the period from January 1, 2021 to September 30, 2021, there were no changes to the comparative data for the consolidated and separate financial statements.

Information on changes in estimates related to the consolidated financial statements

CHANGES DUE TO PROVISIONS

Changes in the balance as at 30.09.2021	Balance as at 01.01.2021	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1,904	4	247	1,661
a) long-term	398	4	4	398
b) short-term	1,506	0	243	1,263
Other provisions, including:	60	322	60	322

b) other	60	322	60	322
Total	1,964	326	307	1,983

Changes in the balance as at 30.09.2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1,412	92	0	1,504
a) long-term	357	75	0	432
b) short-term	1,055	17	0	1,072
Other provisions, including:	13	1,001	13	1,001
b) other	13	1,001	13	1,001
Total	1,425	1,093	13	2,505

The Group companies pay the retiring employees amounts of severance payments in the amount specified by the Labor Code and internal regulations. In relation to this, the Company based on the assessment performed by actuary, creates a reserve for current amount of liabilities by virtue of severance payments.

Calculation of the provision has been made for people currently employed and does not apply to persons who will be accepted for future work. The right to retirement bonuses is available to every employee who has reached the retirement age. For persons who are already pensioners (who have received a severance payment), the provision is not created.

DEFERRED INCOME TAX PROVISION ASSETS AND PROVISIONS

Changes in the balance as at 30.09.2021	Balance as at 01.01.2021	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	531	153	170	514
Provision for deferred income tax	3,717	223	129	3,811
Asset/Provision after compensation				3,297

Changes in the balance as at 30.09.2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	394	344	84	654
Provision for deferred income tax	3,914	722	158	4,478
Asset/Provision after compensation				3,824

The current tax burden is calculated on the basis of the applicable tax regulations. The application of these regulations differentiates the tax profit (loss) from the accounting net profit (loss), in connection with the exclusion of non-taxable revenues and costs that are not tax deductible costs and items of costs and revenues that will not be subject to taxation in a given period. Tax burdens are calculated based on the tax rates applicable in a given financial year - currently 19% - the regulations do not provide for the differentiation of tax rates for future periods.

In terms of income tax, the Group is subject to general regulations in this area. The Group is not a tax Group, as well as does not operate in a special economic zone, which would differentiate the rules for determining tax charges in relation to general provisions in this respect. The tax year and the balance sheet year coincide with the calendar year. On January 1, 2021, Makarony Polskie SA and Stoczek Natura Sp. z o.o. have chosen a simplified form of paying monthly advances on corporate income tax. As at September 30, 2021, a deferred tax provision in the amount of PLN 164 k was created, as the difference between the paid advances shown in the statement of comprehensive income and the actual tax resulting from the calculated tax base.

WRITE-DOWNS ON ASSETS

Changes in the balance as at 30.09.2021	Balance as at 01.01.2021	Creation	Use and release	Balance at the end of the period
Allowances for receivables	535	0	48	487
Write-downs of inventories	209	0	17	192
Write-downs of tangible fixed assets	1389	0	71	1,318

Changes in the balance as at 30.09.2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Allowances for receivables	241	227	0	468
Write-downs of inventories	103	0	0	103
Write-downs of tangible fixed assets	1,484	0	71	1,413

The Group monitors its assets on an on-going basis; in the event of impairment, it makes a revaluation write-down of assets. During 2021, there were no indications to make a write-down of inventories, receivables and tangible fixed assets..

Dividends paid and proposed for payment

In 2021, the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from January 1, 2020 to December 31, 2020 in the amount of PLN 6,751,985.01 should be divided as follows:

- PLN 2,775,021.30 to be used to pay dividends, i.e. to pay a dividend of PLN 0.30 gross per share,
- the remaining part of the profit in the amount of PLN 3,976,963.71 will be allocated to the Company's supplementary capital.

According to Article 382 §3 of the Commercial Companies Code, this recommendation was presented by the Management Board to the Supervisory Board for information and received a positive opinion of the Supervisory Board.

On July 7, 2021, the Ordinary General Meeting of Makarony Polskie SA adopted resolutions on the approval of the financial statements for the financial year 2020 and the distribution of net profit, including the payment of a dividend in the amount of PLN 2,775,021.30, i.e. PLN 0.30 gross per share.

The dividend record date was set for 15 July 2021. The dividend was paid on 30 September 2021. 9,250,071 Company shares were entitled to the dividend.

The Management Board of Makarony Polskie SA decided that in the next financial years it would also try to recommend to the Annual General Meeting the payment of dividends to shareholders, although each time the possibility of paying a dividend will depend on the amount of profit achieved, current investment objectives and the situation.

Settlements between related entities

During the third quarter of 2021, the companies of the Makarony Polskie Group did not conclude any significant transactions with each other under the terms other than market terms.

Within Makarony Polskie Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services, There are agreements between the companies specifying the terms of cooperation, adapted to the Group's organizational structure. All transactions are performed under the market terms and conditions.

Affiliate	Sale to related entities for the period			
	Third Quarter 2021	First-Third Quarter 2021	Third Quarter 2020	First-Third Quarter 2020
Parent Company - Makarony Polskie S.A.	116	263	63	220
to Stoczek Sp. z o.o.	112	252	60	197
to MP Trade Sp. z o. o.	4	11	3	23

Affiliate	Purchases from affiliates for the period			
	Third Quarter 2021	First-Third Quarter 2021	Third Quarter 2020	First-Third Quarter 2020
Parent Company - Makarony Polskie S.A.	7,262	20,913	6,059	20,118
from Stoczek Sp. z o.o.	6,943	19,659	5,684	19,154
from MP Trade Sp. z o.o.	319	1,253	375	964

Affiliate	Receivables from related entities		Liabilities towards affiliates	
	per day 30.09.2021	per day 30.09.2020	as at 30.09.2021	as at 30.09.2020
Parent Company - Makarony Polskie S.A.	111	2,121	3,631	439
- from/to Stoczek Sp. o.o.	110	2,120	3,322	42
from/to MP Trade Sp. z o.o.	1	1	309	397

SETTLEMENTS BETWEEN SUBSIDIARIES

Subsidiaries	Sales and purchases between subsidiaries for the period			
	Third Quarter 2021	First-Third Quarter 2021	Third Quarter 2020	Third-Second Quarter 2020
Total subsidiaries	1	6	1	16
- from Stoczek Sp. z o.o. to MP Trade Sp. z o.o.	1	3	1	3
- from MP Trade Sp. z o. o. to Stoczek Sp. z o.o.	0	3	0	13

Subsidiaries	Receivables between subsidiaries		Liabilities between subsidiaries	
	per day 30.09.2021	per day 30.09.2020	as at 30.09.2021	as at 30.09.2020
Total subsidiaries	0	1	0	1
- from/to Stoczek Sp. z o.o.	0	1	0	0
- from/to MP Trade Sp. z o.o.	0	0	0	1

Information on issue, repurchase and repayment of debt securities

In the third quarter of 2021 the companies of the Makarony Polskie Group did not issue or redeem or repay any debt securities.

Information on conducted and planned share issues

During the third quarter of 2021 and until the date of publication of these statements, the Company did not issue any shares.

SERIES F SHARES ISSUE

By the end of 2021, the Management Board of the Company plans to issue no more than 1,850,000 series F ordinary bearer shares with a nominal value of PLN 3.00 each. The issue will be addressed to designated investors by private subscription, in accordance with Resolution No. 18 of the Ordinary General Meeting of July 7, 2021 on increasing the share capital by issuing series F ordinary bearer shares with the exclusion of subscription rights and

on amending the Company's Articles of Association. The issue price will be determined by the Supervisory Board in accordance with the guidelines set out in the resolution of the General Meeting - in the amount not lower than the average market price of the Company's shares during the 3 months of trading those shares on the regulated market preceding the date of the Supervisory Board's decision on the determination of the issue price. However, in each case the issue price may not exceed PLN 8.00.

The proceeds from the issue of series F shares will be mainly used to partially finance the acquisition project carried out by the Company, aimed at taking over a competitive pasta manufacturer and achieving the effects of production synergy. The Company also plans to allocate some of the funds raised to the implementation of pro-environmental projects, such as reducing the company's "carbon footprint" by switching to "green energy" and installing photovoltaic panels.

Agreements and events material for the operations

CONCLUSION OF A LETTER OF INTENT AND COMMENCEMENT OF NEGOTIATIONS REGARDING A POTENTIAL SHARE PURCHASE

In April 2021, the Management Board of Makarony Polskie SA disclosed the delayed information of January 7, 2021 regarding the signing of a Letter of Intent with a natural person (hereinafter: "Entrepreneur").

The Letter of Intent concerned the initiation of negotiations aimed at defining the possibilities and rules of a potential acquisition by the Issuer of shares in a limited liability company (hereinafter: "New Company"), resulting from the transformation of the enterprise into a one-person limited liability company (the transformation process is in progress).

The company is taken over by one of the leading Polish manufacturers of rolled pasta, and its sales revenues for 2020 amounted to approx. PLN 48.5 m, compared to PLN 45.67 m of sales revenues for 2019.

The Company delayed the public disclosure of the Confidential Information of January 7, 2021 due to the fact that immediate disclosure of the information could violate the legitimate interests of the Issuer. In the opinion of the Company, disclosing the information at an earlier date could adversely affect any further process related to the negotiations. On the day of making the decision to delay the Confidential Information, i.e. January 7, 2021, the probability of continuing negotiations was, from the Company's point of view, impossible to estimate. As a consequence, the earlier disclosure of the Confidential Information of January 7, 2021 to the public, could therefore mislead the Company's shareholders as to the actual state of the project. Due to the difficult to predict the result of possible negotiations, the Management

Board of the Company decided that the earlier publication of the Confidential Information of January 7, 2021 could result in an incorrect assessment of this information and its impact on the value of the Company.

On June 1, 2021, the Supervisory Board of the Company consented to the implementation of the acquisition project under consideration, provided that the negotiations conducted by the Management Board of the Company are successfully concluded. In addition, the Supervisory Board issued a positive opinion on the Management Board's application regarding the financing of the acquisition project, including the following sources: partly from the Company's own funds, and partly from funds from a bank loan, and partly from funds obtained from increasing the Company's share capital by issuing no more than 1,850,000 series F ordinary bearer shares, excluding subscription rights.

On June 7, 2021, the Management Board of the Company concluded a conditional share purchase agreement with the Entrepreneur. It was established that the conclusion of the agreement transferring the ownership of shares (hereinafter: the "Final Agreement") will occur after the fulfillment of the conditions precedent consisting in the transformation of the enterprise into a one-person limited liability company and obtaining the consent of the President of the Office of Competition and Consumer Protection (hereinafter: "UOKiK") to effect a concentration, but without the fulfillment of those conditions, the conclusion of the Final Agreement will not occur.

The purchase price will be no more than PLN 20.0 m, but immediately before signing the Final Agreement, on the agreed verification date, the final price may be adjusted downwards, based on the closing financial statements of the company, audited by a statutory auditor, if they are not met the financial ratios set in the conditional agreement.

The conclusion of the Final Agreement will occur within 30 business days of the fulfillment of the conditions precedent, but not later than on December 31, 2021.

At the beginning of August, Makarony Polskie SA submitted an application to the President of UOKiK, constituting a notification of the intention of concentration. After conducting the antimonopoly proceedings, at the beginning of September, the President of the Office of Competition and Consumer Protection (UOKiK) consented to the concentration.

The acquisition process is in progress. The Company will inform about the next stages of the process in separate current reports.

Information on concluded and terminated loan and factoring agreementsand financial obligations

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	30.09.2021	31.12.2020
- long-term part	9,892	11,514
- short-term part	15,373	15,379
Total	**25,265**	**26,893**

During the third quarter of 2021, the parties to credit and factoring agreements were the companies Makarony Polskie SA and Stoczek Natura Sp. z o.o.

The status of loan and factoring agreements in effect as at 30 September 2021, for which Makarony Polskie SA was a party to the agreements, is presented in the tables below:

– Overdraft in Santander Bank Polska SA

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 5,000 k
Loan period	18.10.2013 – 31.05.2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,134 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – blank promissory note issued by the Company together with a promissory note declaration, – registered pledge on inventories with a value not lower than PLN 5,000 k with the assignment of rights under the pledge insurance policy, – surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 13,849 k
Loan period	18.10.2013 – 30.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank

Loan balance	PLN 2,934 k
Repayment schedule	The loan will be repaid in 49 monthly installments in the following amounts: 48 installments of PLN 105 k each and the last 49 equalizing installments in the amount of PLN 204 k.
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on fixed assets (production lines in the plant in Rzeszów) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	**30 September 2021**
Loan contractual value	PLN 12,121 k
Loan period	07.02.2017 - 28.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 2,530 k
Repayment schedule	The loan will be repaid in 37 monthly installments, in the following amounts: 36 installments in the amount of PLN 50 k, 37th installment PLN 9,061 k, the received EU refinancing will reduce the balloon installment
Loan collateral	– joint mortgage up to PLN 18,200 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on a semi-industrial line for trials and tests along with instrumentation, along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

The loan is intended to finance the investment project "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA".

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 8,000 k
Loan period	15.09.2017 - 31.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 937 k
Repayment schedule*	The loan will be repaid in 49 principal installments, including 48 installments in the amount of PLN 33 k PLN, 49th installment in the amount of PLN 79 k.
Loan collateral	– joint mortgage up to PLN 2,500 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on the technological line purchased under the grant project along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

The loan is intended to finance the investment project "Implementation of the results of research and development in the field of functional food at Makarony Polskie SA".

– Revolving loan in Santander Bank Polska SA

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 3,000 k
Loan period	30.09.2019 - 30.09.2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,091 k
Repayment schedule	The loan will be repaid in 33 monthly installments starting from 31 January 2020 in the amount of PLN 0.09 m
Loan collateral	– joint mortgage up to PLN 4,500 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on fixed assets (production lines in the plant in Rzeszów) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 4,400 k
Loan period	10.06.2021 – 30.01.2026
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,835 k
Repayment schedule	The loan will be repaid in 46 monthly installments in the following amounts: 45 installments of PLN 92 k each and the last 49 equalizing installments in the amount of PLN 275 k.
Loan collateral	– *de minimis* guarantee in the amount of 80% of the Loan amount; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed. – blank promissory note issued by the Company together with a promissory note declaration, as colateral for the de minimis guarantee.

– Revolving loan in Santander Bank Polska SA

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 1,700 k
Loan period	10.06.2021 – 31.05.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,700 k
Repayment schedule	once on the liability maturity date
Loan collateral	– *de minimis* guarantee in the amount of 80% of the Loan amount; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed. – blank promissory note issued by the Company together with a promissory note declaration, as colateral for the *de minimis* guarantee.

– Overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 6,000 k
Loan period*	14.06.2013 – 30.11.2021
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 4,309 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 9,000 on the following real estates: a) in the Land and Mortgage Register no. CZ1C/00111425/8, located in Częstochowa along with the assignment of rights from the property insurance policy,

	a) in KW No. LU1U/00022979/2 located in Stoczek Łukowski (property of Stoczek Natura Sp. z o.o.) with the assignment of rights from the property insurance policy; – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Stoczek Natura Sp. z o.o., – statement of the Company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 9 m).

Makarony Polskie SA concluded addendum to the overdraft agreement with Bank Gospodarstwa Krajowego, which extended the repayment date of the liability until 30 November 2021.

– Factoring agreement (full) in Santander Factoring Sp. z o.o.

Terms of the agreement	30 September 2021
Contractual value	PLN 5,500 k
Duration	Agreement concluded for an indefinite period
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Factoring balance	PLN 2,655 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

The status of loan agreements in effect as at 30 September 2021, for which Stoczek Natura Sp. z o.o. was a party to the agreements, is presented in the tables below:

– Overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 3,000 k
Loan period*	16.11.2017 – 16.11.2021
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 2,962 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to PLN 4,500 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – authorization to a current account kept at the Bank, – registered pledge on the set of machines and devices (located in the plant in Stoczek Łukowski), along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – surety of Makarony Polskie SA, – statement of the company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 4.5 m).

– Investment loan at Bank Gospodarstwa Krajowego*

Loan terms and conditions	30 September 2021
Loan contractual value	PLN 4,812 k
Loan period	08.07.2019 – 08.05.2025
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,832 k
Repayment schedule	in 54 monthly installments, 53 of which are equal principal installments in the amount of PLN 90 k each starting from 30 November 2020 and the last 54 leveling installment in the amount of PLN 42 k.
Loan collateral	– contractual mortgage up to PLN 7,218 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – authorization to a current account kept at the Bank, – registered pledge on the set of machines and devices (located in the plant in Stoczek Łukowski), along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – surety of Makarony Polskie SA, – statement of the company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 9.6 m).

* Loans taken by Stoczek Natura Sp. z o.o. in Bank Gospodarstwa Krajowego in July 2019, are intended to finance the investment related to the project entitled "Increase of competitiveness of Stoczek Natura Sp. o.o. implementation of innovative solutions by modernizing the line for the production of ready meals in jars and cans and introducing new, innovative products on trays to the company's offer. As part of the project, Stoczek Natura Sp. z o.o. completed the purchase of fixed assets and modernization of production premises.

The balance of other financial liabilities as at September 30, 2021, for which Makarony Polskie SA and Stoczek Natura Sp. z o.o. is shown in the tables below:

LIABILITIES FROM FINANCE LEASING CONTRACTS

	Total present value of minimum fees	
	as at 30.09.2021	as at 31.12.2020
up to 1 year	875	845
within 1 to 5 years	964	1,297
Total	1,839	2,142

As at September 30, 2021, the Group's companies have fixed assets used under leasing agreements. The carrying amount of machinery and equipment, cars and other fixed assets used under financial leasing agreements as at September 30, 2021 was PLN 2,737 k, and as at December 31, 2020 it amounted to PLN 2,879 k.

LIABILITIES FROM FINANCE LEASING CONTRACTS - IFRS-16

	Total present value of minimum fees	
	as at 30.09.2021	as at 31.12.2020
up to 1 year - lease	701	551
up to 1 year – Perpetual usufruct right to land	4	4
within 1 to 5 years - lease	1,665	852
in the period over one year - PWUG	1,187	1,192
Total	3,557	2,599

As at 01 January 2019, Makarony Polskie SA introduced disclosures to fixed assets due to the application of IFRS -16, property, plant and equipment used under lease agreements.

The balance sheet value of fixed assets due to the lease of premises and the right of perpetual usufruct of land as at September 30, 2021 was PLN 3,470 k, and as at December 31, 2020 it amounted to PLN 2,524 k.

SHORT-TERM FINANCIAL OBLIGATION - POLISH DEVELOPMENT FUND SUBSIDY

	as at 30.09.2021	as at 31.12.2020
up to 1 year	744	675
within 1 to 5 years	651	2,269
Total	1,395	2,944

As part of the financial shield of the company of Grupa Makarony Polskie, it received financial support in the form of subsidies from the Polish Development Fund in the amount of PLN 2,944 k. After meeting the conditions specified in the program, the beneficiary will be partially released from reimbursement (possibility up to 75%).

During the third quarter of 2021, the companies of the Makarony Polskie Group received decisions from the Polish Development Fund on partial exemption from reimbursement of funds:

- Makarony Polskie SA, by the decision of July 28, 2021, was released from the obligation to return funds in the amount of 50% of the subsidy received.
- Stoczek Natura Sp. z o.o., by the decision of July 29, 2021, was released from the obligation to return funds in the amount of 49% of the subsidy received.

INFORMATION ON LOANS GRANTED

As at 30 September 2021, Makarony Polskie SA granted its subsidiary Stoczek Natura Sp. z o.o. short-term loan in the amount of PLN 2.00 m with the repayment date falling on 31 December 2021 (one-off repayment until the maturity date of the liability). The interest rate on the loan was determined based on market conditions.

In the third quarter of 2021, Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant any borrowings.

Sureties and guarantees

INFORMATION ON GRANTED AND RECEIVED GUARANTIES

In Q3 2021, the Group companies did not grant any guarantees, and Makarony Polskie SA and Stoczek Natura Sp. z o.o. used the granted guarantees.

The list of guarantees in force at Makarony Polskie SA as at 30 September 2021 is illustrated in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Santander Bank Polska SA	1,011	to 28.12.2021	guarantee securing the Company's obligations under the agreement for sales and storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– joint mortgage up to the amount of PLN 1517 k on real estate marked with KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, – blank promissory note with a promissory note declaration
Santander Bank Polska SA	157	to 31.01.2024	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– blank promissory note with a promissory note declaration

Statement of guarantees applicable in Stoczek Natura Sp. z o.o. as at 30 September 2021 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	504	to 13.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Governmental Agency for Strategic Reserves	– - contractual mortgage up to PLN 756 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA,
Bank Gospodarstwa Krajowego	1,549	to 15.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Governmental Agency for Strategic Reserves	– contractual mortgage up to PLN 2323 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA,
Bank Gospodarstwa Krajowego	24	to 25.03.2022	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Governmental Agency for Strategic Reserves	– blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank,
Bank Gospodarstwa Krajowego	725	To 31.08.2023	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Governmental Agency for Strategic Reserves	– contractual mortgage up to PLN 1088 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 1.5 m).

INFORMATION ON GRANTED AND RECEIVED SURETIES

Makarony Polskie SA granted sureties to the subsidiary company Stoczek Natura Sp. z o.o., and their status as at 30 September 2021 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of secured liabilities in PLN k as at 30.09.2021
Surety of overdraft facility in the amount of PLN 3.0 m	Bank BGK	4,500	16.05.2022	2,962
Surety of investment loan in the amount of PLN 4.8 m	Bank BGK	4,812	08.11.2025	3,832
Bank guarantee in the amount of PLN 0.5 m	Bank BGK	504	13.06.2022	-
Bank guarantee in the amount of PLN 1.5 m	Bank BGK	1,549	15.06.2022	-
Bank guarantee in the amount of PLN 0.7 m	Bank BGK	725	29.02.2024	-

Makarony Polskie SA received remuneration for granting sureties.

Stoczek Natura Sp. z o.o. granted sureties to the parent company Makarony Polskie SA, and their status as at 30 September 2021 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 30.09.2021
Credit surety in the current account in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30.12.2026	3,134
Investment loan guarantee in the amount of PLN 13.8 m	Santander Bank Polska SA			2,934
Surety of overdraft facility in the amount of PLN 6.0 m*	Bank BGK	6,000	31.05.2022	4,309
Surety for an EU investment loan in the amount of PLN 12.1 m	Santander Bank Polska SA	12,121	applies until the subsidy is settled	2,530

Stoczek Natura Sp. z o.o. received remuneration for granting sureties.

In the third quarter of 2021, MP Trade Sp. z o.o. did not grant any sureties.

Off-balance items

Change in contingent liabilities or contingent assets that has occurred since the end of the last financial year:

Off-balance sheet items (in PLN k)	30 September 2021	31 December 2020
1. Contingent assets	**3,970**	**4,219**
- received guarantees and sureties	3,970	4,219
- collaterals on assets	0	0
- bills of exchange	0	0
2. Contingent liabilities	**169,176**	**173,244**
- for provided guarantees and warranties	0	0
- collaterals on property	107,869	109,481
- promissory note obligations	61,307	63,763
Total off-balance items	**- 165,206**	**-169,025**

The values of guarantees received, collaterals, promissory notes, mortgages and other off-balance sheet liabilities in the table above have been presented at maximum values. The statement does not include sureties between entities within the Group due to the lack of inflows on the balance of off-balance sheet items.

Material proceedings pending before a court or an authority competent for arbitration or a public administration authority

In the reporting period presented before, no proceedings regarding material liabilities and debts of Makarony Polskie SA or a subsidiary were pending before a court, competent arbitration authority or public administration body.

Other material events and transactions

In the third quarter of 2021, there were no material events or transactions other than those described above that required disclosure in these financial statements of the Group.

Material events after the balance sheet date

After the balance sheet date, there were no other events that would have a material impact on the operations of the Makarony Polskie Group.

Condensed separate financial statements of Makarony Polskie SA for the period from January 1 to September 30, 2021

Selected financial data - Makarony Polskie SA

Selected financial data	30 September 2021	30 September 2020	30 September 2021 (in EUR k)	30 September 2020 (in EUR k)
Revenues from sale of products, services, goods and materials	111,299	128,322	24,416	28,888
Profit (loss) from continued operations	4,463	6,742	979	1,518
Gross profit (loss)	4,065	5,717	892	1,287
Net profit (loss) from continued operations	3,356	4,543	736	1,023
EBIT	4,463	6,742	979	1,518
EBITDA (EBIT + depreciation)	9,074	11,103	1,991	2,500
Net cash flows from operating activities	7,326	8,108	1,607	1,825
Net cash flows from investment activities	- 4,071	- 8,962	- 893	- 2,018
Net cash flows from financial activities	- 3,053	725	- 670	163
Total net cash flows	202	- 129	44	- 29
Total assets ***	155,890	155,836	33,648	33,769
Liabilities and provisions for liabilities ***	73,504	74,031	15,866	16,042
Long-term liabilities ***	31,587	32,616	6,818	7,068
Short-term liabilities ***	41,917	41,415	9,048	8,974
Equity ***	82,386	81,805	17,783	17,727
Share capital ***	27,750	27,750	5,990	6,013
Number of shares (units)	9,250,071	9,250,071	9,250,071	9,250,071
Weighted average number of shares (in units) during the current financial year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (in PLN/EUR) *	0.36	0.49	0.08	0.11
Book value per one share (in PLN/EUR)**	8.91	8.84	1.92	1.92

* Net profit/loss per ordinary share = net result/weighted average number of shares in the period

** Book value per one ordinary share = equity/number of shares at a given balance sheet date

*** Comparable data regarding the statement of financial position as at 31 December 2020

Statement on total revenues of Makarony Polskie SA

FOR THE PERIOD	Third Quarter 2021	01.01.2021-30.09.2021	Third Quarter 2020	01.01.2020-30.09.2020
Net incomes from sales	35,505	111,299	35,671	128,322
Revenues from sale of other products and services	26,779	85,312	28,299	100,518
Revenues from sale of goods and materials	8,726	25,987	7,372	27,804
Own cost	29,534	91,851	28,937	103,264
Production costs of products and services sold	21,659	68,260	22,507	78,026
Value of goods and materials sold	7,875	23,591	6,430	25,238
Gross profit (loss) on sales	5,971	19,448	6,734	25,058
Costs of sale	4,585	13,965	4,462	15,436
General administrative costs	1,218	3,544	1,003	3,228
Other revenues	1,096	2,826	388	1,060
Other costs	66	302	88	712
Profit (loss) from continued operations	1,198	4,463	1,569	6,742
Financial incomes	-20	34	17	65
Financial costs	124	432	298	1,090
Gross profit	1,054	4,065	1,288	5,717
Income tax - current part	115	780	306	917
Income tax - deferred part	-29	-71	-80	257
Net profit (loss) from continued operations	968	3,356	1,062	4,543
In this attributable to:				
Shareholders of the parent Company	968	3,356	1,062	4,543
Non-controlling shares				
Basic net result per share in PLN	0.10	0.36	0.11	0.49
Diluted net result per share in PLN	0.10	0.36	0.11	0.49
Other total net income/loss				
Total net income	968	3,356	1,062	4,543
Total net income attributable to:				
Shareholders of the parent Company	968	3,356	1,062	4,543
Non-controlling shares				

Statement of other comprehensive net income - application of hedge accounting

FOR THE PERIOD	Third Quarter 2021	01.01.2021-30.09.2021	Third Quarter 2020	01.01.2020-30.09.2020
Total net income	968	3,356	1,062	4,543
Profit/loss due to application of hedge accounting	0	0	0	0
Total net income	968	3,356	1,062	4,543

Statements of the financial position of Makarony Polskie SA

ASSETS	30 September 2021	31 December 2020	30 September 2020
FIXED ASSETS	**117,938**	**116,891**	**115,124**
Tangible fixed assets	78,417	78,249	76,041
Fixed assets - IFRS-16	3,470	2,524	3,409
Investment real estate	603	603	603
Goodwill	0	0	0
Other intangible assets	5,342	5,390	4,932
Long-term financial assets, including:	30,080	30,080	30,080
Shares	30,080	30,080	30,080
Borrowings granted	0	0	0
Assets for deferred income tax	0	0	0
Other long-term assets	26	45	59
CURRENT ASSETS	**37,952**	**38,945**	**42,984**
Inventories	14,030	15,046	15,652
Short-term receivables	20,805	21,273	24,529
Income tax receivables	263	0	0
Borrowings granted	2,003	2,006	2,022
Cash and cash equivalents	577	374	579
Other short-term assets	274	246	202
Fixed assets held for sale	0	0	0
TOTAL ASSETS	**155,890**	**155,836**	**158,108**

LIABILITIES	30 September 2021	31 December 2020	30 September 2020
EQUITY	**82,386**	**81,805**	**79,596**
Share capital	27,750	27,750	27,750
Supplementary capital	39,280	35,303	35,303
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	0	0	0
Net profit/loss	3,356	6,752	4,543
LONG-TERM LIABILITIES	**31,587**	**32,616**	**34,570**
Provision for deferred income tax	2,871	2,942	3,507
Long-term bank loans and borrowings	7,130	7,949	9,189
Long-term financial obligation - Polish Development Fund subsidy	307	1,104	1,288
Provision for pensions and similar (long-term)	340	336	370

Revenue of future periods - long-term	17,124	16,944	16,866
Long-term financial liabilities - leasing	963	1,297	670
Long-term financial liabilities - IFRS-16	2,852	2,044	2,680
SHORT-TERM LIABILITIES	**41,917**	**41,415**	**43,942**
Short-term bank loans and borrowings	11,341	11,336	11,361
Short-term financial obligation - Polish Development Fund subsidy	368	368	184
Short-term financial liabilities - leasing	868	826	687
Short-term financial liabilities - IFRS-16	704	555	841
Other short-term liabilities	26,134	24,999	25,747
Short-term liability due to dividends	0	0	2,313
Income tax liabilities	0	1,001	102
Revenue from future periods - short-term	1,273	1,149	1,105
Provision for retirement and similar benefits (short-term)	941	1,181	711
Other short-term provisions	288	0	891
TOTAL LIABILITIES	**73,504**	**74,031**	**78,512**
TOTAL LIABILITIES	**155,890**	**155,836**	**158,108**

Statement of cash flows of Makarony Polskie SA

FOR THE PERIOD	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Cash flows from operating activities		
Profit before tax	**4,065**	**5,717**
Adjustments by items:	**3,261**	**2,391**
Depreciation	4,611	4,361
Profits/losses on exchange differences	- 1	- 7
Interest expense and income	319	499
Revenues from dividends	0	0
Profit/loss from investing activities	- 29	- 37
Change in provisions	51	973
Change in inventories	1,016	- 4,996
Change in receivables	468	1,189
Change in liabilities and accruals	513	1,651
Paid/refunded corporate income tax	- 2,044	- 1,242
Other adjustments	- 1,643	0
Cash flows from net operating activities	**7,326**	**8,108**
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	480	37
Proceeds from sale of financial assets	0	0
Expenses for the purchase of property, plant and equipment and intangible assets	- 4,582	- 9,032
Expenses for the purchase of financial assets	0	0
Interest income	31	33
Proceeds from loans granted	0	0
Borrowings granted	0	0
Others	0	0
Net cash flows from investing activities	**- 4,071**	**- 8,962**
Cash flows from financial activities		
Proceeds from loans and borrowings	3,769	4,729
Proceeds - Polish Development Fund subsidy	0	1,472
Repayment of loans and borrowings	- 4,584	- 9,860
Repayment - Polish Development Fund subsidy	- 61	0
Payment of liabilities under lease agreements	- 1,256	- 1,201
Interest paid	- 347	- 549
Dividend paid to shareholders	- 2,775	0
Expenses for the purchase of financial assets	0	0

Statement of cash flows of Makarony Polskie SA

Other financial revenues	2,201	6,134
Net cash flows from financial activities	**- 3,053**	**725**
Increase/decrease in cash and cash equivalents	**202**	**- 129**
Cash, cash equivalents and overdrafts at the beginning of the period	374	701
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	1	7
Cash, cash equivalents and overdrafts at the end of the period	**577**	**579**

Statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2021 to 30 September 2021

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2021	**27,750**	**35,303**	**12,000**		**6,752**	**81,805**
Distribution of profit/loss coverage		3,977			- 3,977	
Profit distribution - dividend payment					- 2,775	- 2,775
Establishment of reserve capital - own shares						
Other total income						
Net result after Q3 2021				3,356		3,356
Balance as at 30 September 2021	**27,750**	**39,280**	**12,000**	**3,356**	**0**	**82,386**

For the period from 1 January 2020 to 31 December 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	**27,750**	**32,362**	**12,000**		**5,254**	**77,366**
Distribution of profit/loss coverage		2,941			- 2,941	
Profit distribution - dividend payment					- 2,313	- 2,313
Establishment of reserve capital - own shares						
Other total income						
Net profit/loss in 2020				6,752		6,752
Balance as at 31 December 2020	**27,750**	**35,303**	**12,000**	**6,752**	**0**	**81,805**

Statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2020 to 30 September 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	**27,750**	**32,362**	**12,000**		**5,254**	**77,366**
Distribution of profit/loss coverage		2,941			- 2,941	
Profit distribution - dividend payment					- 2,313	- 2,313
Establishment of reserve capital - own shares						
Other total income						
Net result after Q3 2020				4,543		4,543
Balance as at 30 September 2020	**27,750**	**35,303**	**12,000**	**4,543**	**0**	**79,596**

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Zenon Daniłowski
President of the Management Board

Rzeszów, November 10, 2021

Informations about the company

Makarony Polskie SA
with its registered office in Rzeszow.
ul. Podkarpacka 15A; 35-082 Rzeszow

www.makarony.pl

Registered in the District Court in Rzeszow, 12th Commercial Division of the National Court Register on 5 July 2004 under No. 0000212001.

Share capital: PLN 27,750,213 (fully paid-up)

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The source of data in this report is Makarony Polskie Group, unless otherwise indicated