Makarony Polskie

- SPÓŁKA AKCYJNA -

# Management Board Report on the operations of the Makarony Polskie Group in the first half of 2022




**Rzeszów, 29 September 2022**

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*In the first half of 2022, the Makarony Polskie Group achieved total sales revenues of PLN 148.2 m, net profit at the level of PLN 14.1 m, while EBITDA reached the level of PLN 22.3 m.*

# Introduction



To whom it my concern,

Dear Shareholders,

I hereby present to you the Report of the Makarony Polskie Group for the first half of 2022.

In the reporting period, our Group achieved total consolidated sales revenues at the level of PLN 148.2 m, net profit PLN 14.1 m, while EBIDTA reached the level of PLN 22.3 m.

The first half of 2022 was a period of development of the Makarony Polskie Group. We have fully commercialized new production capacities built in the previous years as part of the implementation of investment projects. This allowed us to increase production and to introduce new products to the Group's offer, such as Novelle high-protein pasta and SoFood vegetarian dishes.

At the beginning of 2022, the acquisition of PPH SAS A.Świderski Sp. z o.o. was finalized. The acquisition of this entity has strengthened our position on the pasta market. We have expanded our existing range of pasta products, which has had a positive impact on our flexibility to respond to the clients' needs and market trends, and will enable us to achieve organizational, production and financial synergy.

In the first half of 2022, the Makarony Polskie Group achieved good financial results in exports. In this period, the export sales significantly increased due to, among others, demand peaks related to Russia's aggression against Ukraine. Irrespective of one-off transactions, there are also activities carried out, aimed at sales development and market recognition of the Group's brands.

The above-mentioned factors resulted in that the revenues from sales of the Makarony Polskie Group in the first half of 2022 significantly increased compared to the corresponding period of 2021, i.e. by PLN 66.0. There were also significant increases in net profit and EBIDTA, although it should be noted that these figures are increased by, among others, a one-off gain on the occasional acquisition in the amount of PLN 4.1 m.

# Introduction

The results of the first half of 2022 are good. We have achieved them thanks to the efficient work of the entire staff and acquisition of SAS company, export increase and brand development on the domestic market. We conduct permanent and difficult negotiations with large network partners aimed at maintaining a satisfactory level of trade margins at a time of rampant inflation and spiraling prices. We estimate that the results of the Makarony Polskie Group throughout 2022 will be satisfactory, however, we are aware of many challenges in the business environment, i.e. energy crisis, war in Ukraine, which may have a considerable impact on the Group's business activities.

I encourage you to familiarize with full content of the statements.

Yours faithfully,

*Zenon Daniłowski*
*President of the Management Board*

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

# Characteristics of the Makarony Polskie Group

## Group Organization

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

- Makarony Polskie SA („Spółka", „spółka dominująca")
- Stoczek Natura Sp. z o.o.
- MP Trade Sp. z o. o.
- Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski 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 with Makarony Polskie).

**Stoczek Natura Sp. z o.o.** s a manufacturer of meat and vegetable preserves (ready meals, pies, lard preserves), 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.

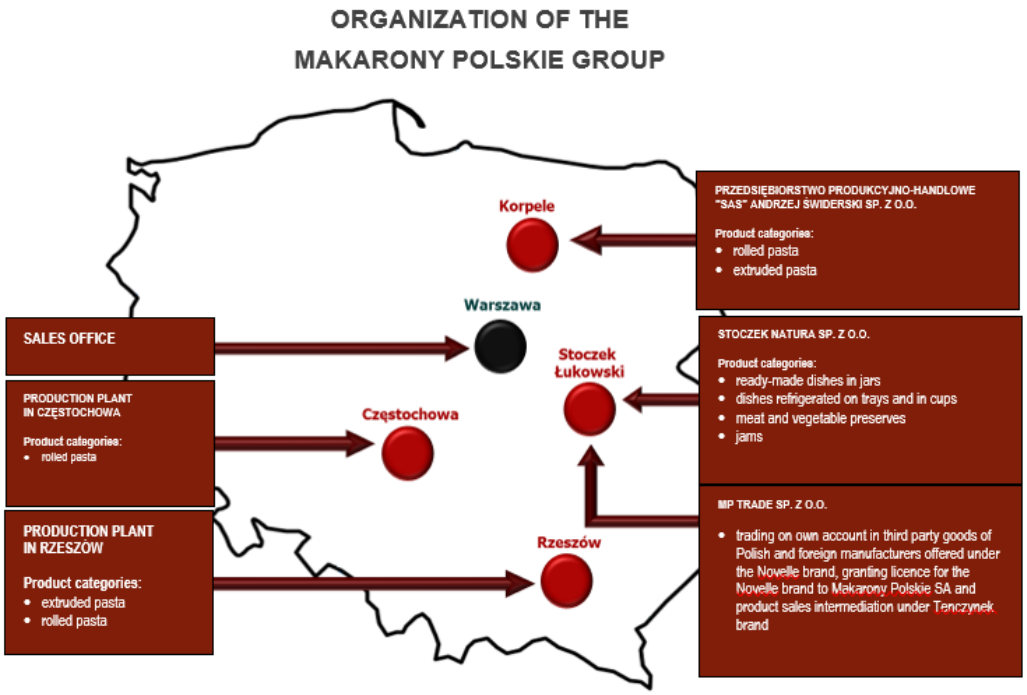
**MP Trade Sp. z o.o.** develops trade on own account with foreign goods of Polish and foreign producers. The Company's activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makarony Polskie SA in the production of vegetable noodles and other goods produced within the Makarony Polskie Group. The business model adopted by the company creates its value by increasing the brand value, and the production is outsourced.

**Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski Sp. z o.o.** is a manufacturer of a wide range of pasta, produced in rolled and stamped technology, such as tagliatelle. It offers its products in many different forms and combinations of raw materials, both under private label brands and its own brands: Va bene, Makaron Polski SAS and FUKS. The acquisition of SAS company was finalized at the beginning of the reporting period.

## Changes in the organization of the Makarony Polskie Group in the first half of 2022

At the beginning of 2022, Makarony Polskie SA finalized the acquisition of Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski Sp. z o.o. A manufacturer of a wide range of pasta, produced in rolled and stamped technology, such as tagliatelle. It offers its products in many different forms and combinations of raw materials, both under private label brands and its own brands: Va bene, Makaron Polski SAS and FUKS.

Within the 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.




## Changes in the composition of the management and supervisory bodies

### Composition of the Supervisory Board

Since 1 January 2022 to 30 June 2022 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.

On 30 June 2022, in connection with the termination of the ninth term of the Supervisory Board, the Annual General Meeting of the Company appointed the Supervisory Board of the tenth term. The number of the Members of the Supervisory Board of the tenth term was determined as 5 people.

The following persons were appointed as the Members of the Supervisory Board of the tenth term:

- Roman Sobiecki
- Michał Słomkowski

- Wiesław Wasilewski
- Marek Rocki
- Ahmed Khalil.

The constituent meeting of the Supervisory Board of the tenth term was held on 19 July 2022. Mr. Roman Sobiecki was elected Chairman of the Supervisory Board, while Mr. Ahmed Khalil was elected Vice Chairman of the Supervisory Board.

From 30 June 2022 to the date of publication of these statements, the Supervisory Board was composed of:

- Roman Sobiecki – Chairman of the Supervisory Board (independent member),
- Ahmed Khalil – Vice Chairman of the Supervisory Board (dependent member),
- Marek Rocki – Member of the Supervisory Board (dependent member),
- Michał Słomkowski – Member of the Supervisory Board (independent member),
- Wiesław Wasilewski – Member of the Supervisory Board (independent member).

### AUDIT COMMITTEE

From 1 January 2022 to 30 June 2022, the Audit Committee of the Supervisory Board of the ninth term 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).

On 19 July 2022 the Supervisory Board of the tenth term appointed from among its members the Audit Committee 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.

## Composition of the Management Board

In the period from 1 January 2022 to the publication of this report, the Management Board of the Company was composed of one member. Zenon Daniłowski is the President of the Management Board.

As at the date of publication of this report, the function of a proxy in the Company is performed by:

- Grażyna Kozielec – from 31 May 2012
- Beata Majewska-Karp – from 31 May 2012
- Witold Żarek – from 4 March 2013
- Marcin Zieliński – from 19 November 2019
- Artur Woźniak – from 15 September 2021.

The granted proxy is joint proxy – - a proxy may represent the Company only together with another proxy or a member of the Management Board.

## Supervisory Boards of subsidiaries

There are no Supervisory Boards in the Group's subsidiaries. The governing bodies of the subsidiaries Stoczek Natura Sp. z o.o., MP Trade Sp. z o.o. and Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski Sp. z o.o. are the Meeting of Shareholders and the Management Board.

## Management boards of subsidiaries

Stoczek Natura Sp. z o.o.

As at 30 June 2022 and the date of publication of this report, the management board of the subsidiary Stoczek Natura Sp. z o.o. was composed of:

- Adam Ławnik – President of the Management Board,
- Jerzy Krzyżowski – Member of the Management Board.

The function of a proxy in Stoczek Natura Sp. z o.o. is performed by:

- Alicja Hinz – from 5 October 2001.

The granted proxy is joint proxy - a proxy may represent the Company only together with another proxy or a member of the Management Board

MP Trade Sp. z o.o.

In the period from 1 January 2022 to 1 March 2022, the management board of MP Trade Sp. z o.o. was composed of:

- Zenon Daniłowski – President of the Management Board.

On 1 March 2022, due to the resignation of Mr. Zenon Daniłowski from the function of the President of the Management Board of MP Trade Sp. z o.o, the Extraordinary Shareholders' Meeting of that company adopted a resolution on appointing Mr. Marcin Zieliński as the President of the Management Board.

*The Group's human resources policy is focused on maintaining high-class specialists and managers who, thanks to their expertise, experience and commitment, ensure the highest level of implementation of the Group's business objectives.*

In the period from 1 March 2022 to the date of publication of this report, the management board of the subsidiary MP Trade Sp. z o.o. was composed of:

- Marcin Zieliński – President of the Management Board.

MP Trade Sp. z o.o. did not appoint any proxies.

Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski Sp. z o.o.

In the period from 1 January 2022 to 3 January 2022, the management board of the company was composed of:

- Andrzej Świderski – President of the Management Board.

On 3 January 2022, due to changes in ownership that occurred in PPH SAS A.Świderski Sp. z o.o., the Extraordinary Shareholders' Meeting dismissed Mr. Andrzej Świderski from the function of the Management Board President and entrusted Mr. Witold Żarek with the function of the Management Board President.

In the period from 1 January 2022 to the date of publication of these statements, the management board of the subsidiary:

- Witold Żarek – President of the Management Board.

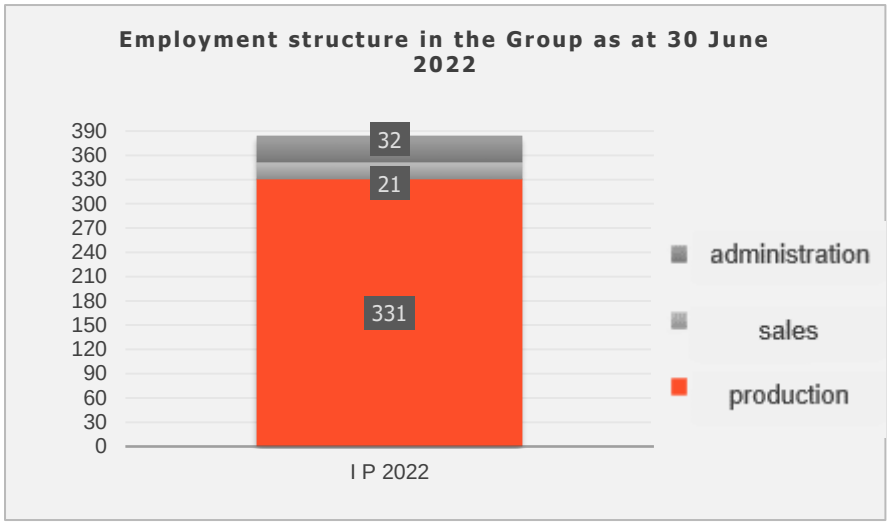
The function of Proxies in PPH SAS A. Świderski Sp. z o.o. is performed by:

- Leszek Trzciński – from 3 January 2022,
- Magdalena Banach – from 3 January 2022.

## Employees

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.

As at 30 June 2022, the Makarony Polskie Group employed a total of 384 people (compared to 206 people at the end of the first half of 2021 and 210 people at the end of the first half of 2020). A significant increase in the employment at the end of the first half of 2022 compared to the corresponding period of 2021 results mainly from the fact that a new entity, PPH SAS A. Świderski Sp. z o.o., joined the Group.




The Makarony Polskie Group's human resources policy is focused on maintaining high-class specialists and managers who, thanks to their expertise, experience and commitment, ensure the highest level of implementation of the Group's business objectives, thus guaranteeing constant improvement of the organization and improvement of the quality of the products and services offered.

In order to ensure the optimal level of implementation of tasks and objectives, the Makarony Polskie Group takes steps towards effective human resource planning, even before the actual demand in this area occurs. The Group has implemented and conducts, in close cooperation with the heads of individual organizational units, a systematic identification of future staffing needs as well as training and development programs for employees aimed at acquiring appropriate competences necessary for the organization.

The incentive remuneration system adopted by the Group assumes that the employees receive remuneration consisting of the fixed part (basic salary) and variable part (which includes bonuses and rewards) awarded depending on their work contribution, involvement and execution of goals/tasks set for the employees by their superiors.

The Makarony Polskie Group makes every effort to ensure that the recruitment processes conducted are reliable and transparent, while being effective from the Group's point of view. When making decisions about establishing cooperation with candidates, the Group's companies follow clearly defined selection criteria, such as, *inter alia*, professional experience, work experience in the profession, education appropriate to the scope of entrusted tasks. The group employs both women and men of various age groups, taking into account the assessment of the candidates meeting substantive criteria and tries to prevent any form of discrimination.

The Group willingly participates in various internship programs aimed at students and graduates, appreciating the value and competences of young people, their enthusiasm and creativity. It also gives the possibility of internships for secondary school and university

students. Additionally, it organizes internships financed from the European Union funds and District Employment Agencies for unemployed people.

| by age and sex | Employment structure of the Group's employees as at 30 June 2022 | | |
|---|---|---|---|
| | women | men | total |
| 18-29 | 17 | 24 | 41 |
| 30-49 | 131 | 81 | 212 |
| 50+ | 84 | 47 | 131 |

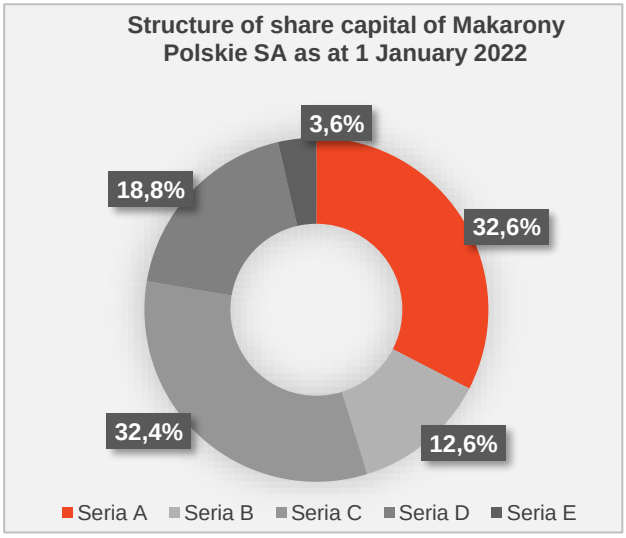
## Share capital

As at 1 January 2022, the share capital of Makarony Polskie SA was:

- 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,



# Characteristics of the Makarony Polskie Group

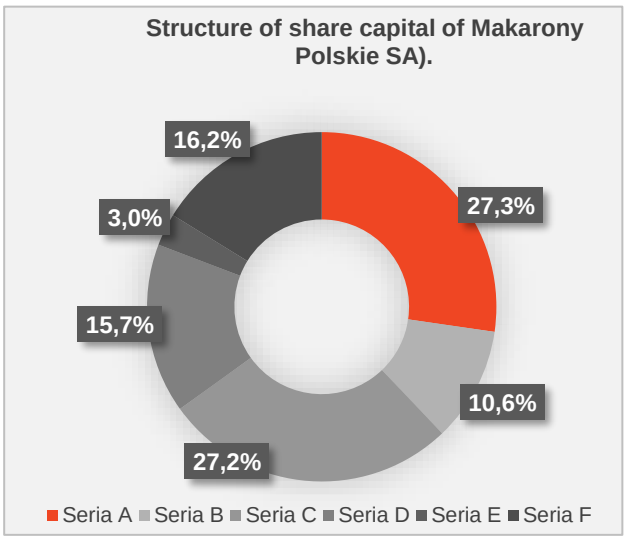
On 4 March 2022, in the register of business entities of the National Court Register, the increase of the share capital of Makarony Polskie SA by issuance of 1,790,000 series F ordinary bearer shares was registered, which means the increase of the share capital by the amount of PLN 5,370,000 to the amount of PLN 33,120,213.

Share capital of Makarony Polskie SA as at 30 June 2022:

- amount of share capital PLN 33,120,213
- total number of shares 11,040,071 shares,
- total number of votes at the General Meeting 11,040,071 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,
- 1,790,000 series F 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 Meeting 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 Meeting | |
|---|---|---|---|---|
| | number | % share | number | % share |
| Mr. Zenon Daniłowski and entities from Grupa PGS, including: | 3,641,594 | 32.99% | 3,641,594 | 32.99% |
| *Praska Giełda Spożywcza SA (former: Agro-Technika SA)* | *3,380,000* | *30.62%* | *3,380,000* | *30.62%* |
| *Zenon Daniłowski* | *140,000* | *1.27%* | *140,000* | *1.27%* |
| *Polskie Smaki Sp. z o.o.* | *121,594* | *1.10%* | *121,594* | *1.10%* |
| Raya Holding for Technology & Communications S.A.E., including: | 3,254,706 | 29.48% | 3,254,706 | 29.48% |
| *Madova Sp. z o.o.* | *3,254,706* | *29.48%* | *3,254,706* | *29.48%* |
| Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c. | 1,169,750 | 10.60% | 1,169,750 | 10.60% |
| Other shareholders | 2,974,021 | 26.94% | 2,974,021 | 26.94% |
| TOTAL | **11,040,071** | **100.00%** | **11,040,071** | **100.00%** |

Changes in the shareholding structure during the first half of 2022

As a result of registration in the register of business entities of the National Court Register on 4 March 2022, of an increase in the share capital of Makarony Polskie SA by way of issue of 1,790,000 F-series ordinary bearer shares, i.e. an increase in the share capital by the amount of PLN 5,370,000 to the amount of PLN 33,120,213, the Company received notifications from the shareholders informing about the changes in the share in the share capital and total numer of votes in the Company:

- Madova Sp. z o.o. and Raya Holding For Financial Investments S.A.E. which is a direct parent of Madova, informed that as a result of the acquisition by Madova of 1,000,000 F-series shares, Madova directly exceeded, and Raya Holding indirectly exceeded the threshold of 25% of share in Makarony Polskie SA:
  1) Prior to the Change of Shareholding, Madova directly held, and Raya Holding indirectly held 2,254,706 shares of the Company, accounting for 24.38% of the share capital of Makarony Polskie SA and entitling to cast 2,254,706 votes, i.e. 24.38% of the total number of the votes.
  2) Subsequent to the Change of Shareholding, Madova directly held, and Raya Holding indirectly held 3,254,706 shares of the Company, accounting for 29.48% of the share

capital of Makarony Polskie SA and entitling to cast 3,254,706 votes, i.e. 29.48% of the total number of the votes.

3) There do not exist any subsidiaries of Madova holding shares of Makarony Polskie SA and no subsidiaries of Raya Holding other than Madova which would hold shares of the Company.
4) There do not exist any persons referred to in Article 87(1)(3)(c) of the Offering Act.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The aggregate total of the votes specified on the basis of Article 69b(4)(3), Article 69b(4)(7) and Article 69b(4)(8) of the Offering Act is specified in paragraph 2 above.

– the partners of Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. informed that there was a direct decrease in the share in Makarony Polskie SA:

1) Prior to the Change of Shareholding, Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. directly held 1,169,750 shares of the Company, accounting for 12.65% of the share capital of Makarony Polskie SA and entitling to cast 1,169,750 shares, accounting for 12.65% of the total number of the votes.

2) Subsequent to the Change of Shareholding, Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. directly held 1,169,750 shares of the Company, accounting for 10.60% of the share capital of Makarony Polskie SA and entitling to cast 1,169,750 votes, i.e. 10.60% of the total number of the votes.
3) There do not exist any subsidiaries of Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c holding shares of Makarony Polskie SA.
4) There do not exist any persons referred to in Article 87(1)(3)(c) of the Offering Act.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The aggregate total of the votes specified on the basis of Article 69b(4)(3), Article 69b(4)(7) and Article 69b(4)(8) of the Offering Act is specified in paragraph 2 above.

– Praska Giełda Spożywcza SA informed that as a result of the acquisition of 590,000 F-series shares, there was a direct and indirect increase in the share in the Company:

1) Prior to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 2,911,594 shares of the Company, accounting for 31.47% of the share capital of Makarony Polskie SA and entitling to cast 2,911,594 votes, accounting for 31.47% of the total number of the votes, of which:
    a. directly – 2,790,000 shares, accounting for 30.16% of the share capital and entitling to cast 2,790,000 votes, accounting for 30.16% of the total number of the votes,

b. indirectly (through a subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.31% of the share capital and entitling to 121,594 votes, accounting for 1.31% of the total number of the votes.

2) Subsequent to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 3,501,592 shares of the Company, accounting for 31.72% of the share capital of Makarony Polskie SA and entitling to cast 3,501,594 votes, accounting for 31.72% of the total number of the votes, of which:
   a. directly – 3,380,000 shares, accounting for 30.62% of the share capital and entitling to cast 3,380,000 votes, accounting for 30.62 of the total number of the votes,
   b. indirectly (through a subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.10% of the share capital and entitling to cast 121,594 votes, accounting for 1.10% of the total number of the votes,
3) There do not exist any other subsidiaries of Praska Giełda Spożywcza SA than Polskie Smaki Sp. z o.o. holding shares of Makarony Polskie SA.
4) There do not exist any persons referred to in Article 87(1)(3)(c) of the Offering Act.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The aggregate total of the votes specified on the basis of Article 69b(4)(3), Article 69b(4)(7) and Article 69b(4)(8) of the Offering Act is specified in paragraph 2 above.

– Mr. Zenon Daniłowski informed that as a result of the acquisition of 590,000 F-series shares by Praska Giełda Spożywcza, there was an indirect increase in the share in the Company:

1) Prior to the Change of Shareholding, Mr. Zenon Daniłowski held directly and indirectly 3,051,594 shares of the Company, accounting for 32.99% of the share capital of Makarony Polskie SA and entitling to cast 3,051,594 votes, accounting for 32.99% of the total number of the votes, of which:
   a. directly – 140,000 shares, accounting for 1.51% of the share capital and entitling to cast 140,000 votes, accounting for 1.51% of the total number of the votes.
   b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 2,911,594 shares, accounting for 31.47% of the share capital, entitling to cast 2,911,594 votes, accounting for 31.47% of the total number of the votes.
2) Subsequent to the Change of Shareholding, Mr. Zenon Daniłowski held directly and indirectly 3,641,594 shares of the Company, accounting for 32.99% of the share capital of Makarony Polskie SA and entitling to cast 3,641,594 votes, accounting for 32.99% of the total number of the votes, of which:

a. directly – 140,000 shares, accounting for 1.27% of the share capital and entitling to cast 140,000 votes, accounting for 1.27% of the total number of the votes,
b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 3,501,594 shares, accounting for 31.72% of the share capital and entitling to 3,501,594 votes, accounting for 31.72% of the total number of the votes.

3) There do not exist any other subsidiaries of Zenon Daniłowski than Polskie Smaki Sp. z o.o. and Praska Giełda Spożywcza SA holding shares of Makarony Polskie SA.
4) There do not exist any persons referred to in Article 87(1)(3)(c) of the Offering Act.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The aggregate total of the votes specified on the basis of Article 69b(4)(3), Article 69b(4)(7) and Article 69b(4)(8) of the Offering Act is specified in paragraph 2 above.

The Company has no other information that would indicate changes in the number of shares held by significant shareholders (with share blocks above 5%) during the first half of 2022 and in the period until the date of publication of these statements.

The Company has no knowledge of other agreements (including those concluded after the balance sheet date) as a result of which, in the future, there may be changes in the proportion of shares held by the current shareholders.

## Shares held by the Management Board Members

Number and nominal 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 | IH 2022 | | Y 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 in the first half of 2022 as at the report publication date is 3,641,594 shares with a value of PLN 10,924,782 and has not changed compared to the shares held as at the date of publication of the interim report for the reporting year 2021.

In accordance with the information held by the Company, during H1 2022 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 changes in the Company's shares

held by the entities associated with the President of the Management Board are described in the paragraph "Shares held by main shareholders (over 5% of share capital)" of these statements.

### Shares held by Members of the Supervisory Board

Number and nominal 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 | IH 2022 | | Y 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 * | 26,782 | 80,346 | 26,782 | 80,346 |

* Mr. Wiesław Wasilewski acquired 20,000 shares of new series F which were acquired in December 2021 and registered in the National Court Register in March 2022.

In accordance with the information held by the Company, during H1 2021 and until the date of publication of these statements, there were no other changes in the ownership of shares held by the Members of the Supervisory Board.

### Shares in subsidiaries

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

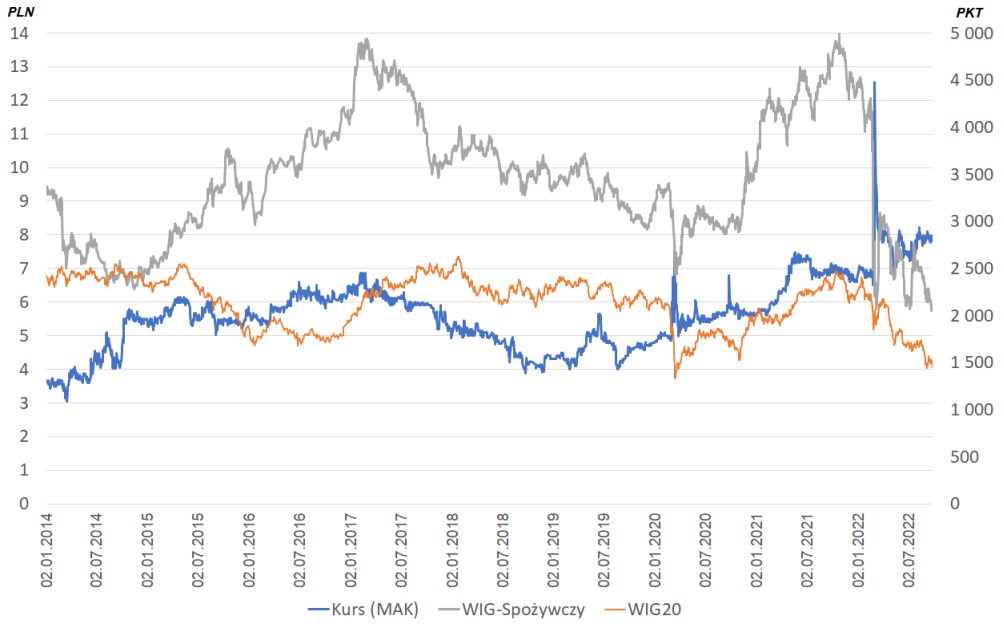
## Makarony Polskie SA on the capital market

### Quotations and main indicators

The shares of Makarony Polskie SA have been listed on the Warsaw Stock Exchange since April 2007.

# Characteristics of the Makarony Polskie Group

*In 2021, the Company will pay a dividend of PLN 0.30 gross per share, which is PLN 3.8 m.*




| | 2013-01-02 | 2015-01-02 | 2017-01-02 | 2019-01-02 | 2021-01-04 | 2022-01-03 | 2022-06-30 | Change from 2013-01-02 |
|---|---|---|---|---|---|---|---|---|
| Makarony Polskie SA | 2.06 | 6.03 | 6.45 | 4.40 | 5.70 | 6.92 | 7.40 | +259% |
| WIG20 | 2,626 | 2,309 | 1,957 | 2,302 | 2,009 | 2,272 | 1,720 | -34.5% |
| WIG-Spożywczy | 3,719 | 2,452 | 4,195 | 3,447 | 3,716 | 4,498 | 2,146 | -42.3% |

## Information on the dividend in Makarony Polskie SA

Makarony Polskie SA did not pay any dividends in the first half of 2022 and until the publication of this report.

In 2022, the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from 1 January 2021 to 31 December 2021 in the amount of PLN 5,034,360.73 should be divided as follows:

- to pay the shareholders a dividend of PLN 0.30 gross per share,
- the remaining part of the profit 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 30 June 2022, the Annual General Meeting of Makarony Polskie SA adopted resolutions on the approval of the financial statements for the financial year 2021 and the distribution of net profit, including the payment of a dividend in the amount of PLN 0.30 gross per share. In connection with a calculation error as regards the calculation of the total value of the dividend

payable from the Company's net profit for 2021, in the resolution adopted by the General Meeting on 30 June 2022, on 1 August 2022 the Extraordinary General Meeting clarified the total value of the dividend payable for 2021 and indicated the correct total value of the dividend, i.e. PLN 3,312,021.30.

The Management Board of the Company decided that the net profit for the period from 1 January 2021 to 31 December 2021 in the amount of PLN 5,034,360.73 should be divided as follows:

- the amount of PLN 0.30 gross per share, i.e. a total of PLN 3,312,021.30 will be allocated to the dividend payment for the shareholders,
- the remaining part of the net profit in the amount of PLN 1,722,339.43 will be allocated to the Company's supplementary capital.

The dividend record date was set for 15 July 2022. The dividend will be paid on 30 September 2022. 11,040,071 Company shares are 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.

## Information on planned share issues

In the period from 1 January 2022 and until the date of publication of these statements, the Company did not issue any shares

### Series F shares issue

In 2021 the Company carried out a private placement, exluding the pre-emptive right, 1,790,000 series F ordinary bearer shares with a nominal value of PLN 3.00 each i cenie emisyjnej 7,20zł każda. A total value of that placement was PLN 12,888,000.

The proceeds from the issue of series F shares have been 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.

## Authorization for the Management Board to purchase own shares of Makarony Polskie SA

On June 18, 2019, the General Meeting of the Company, in response to a request submitted by one of the shareholders, by Resolution No. 16, decided to authorize the Management Board of the Company to purchase ordinary bearer shares of Makarony Polskie SA, with a nominal value of PLN 3.00 each, listed on the main market of the Warsaw Stock Exchange, i.e. the official stock exchange quotation market.

Pursuant to the decision of the General Meeting, the Company is entitled to purchase its own shares, fully paid up, and the maximum number of own shares that the Company may acquire is 1,850,014 shares, with the proviso that the total nominal value of the shares purchased, together with the nominal value of the remaining shares which have not been disposed of by the Company may not exceed 20% of the share capital of the Company. The shares will be purchased in particular for the purpose of: redemption, further resale or exchange.

The granted authorization covers a period of 5 years from the date of adopting the Resolution of the General Meeting, but no longer than until the capital reserve created for the purpose of acquiring own shares is used.

The payment price for one share will be from PLN 6.00 to PLN 8.52, and the total maximum amount of payment for the purchased shares will not exceed the amount of the reserve capital created for this purpose.

The date of commencement and completion of the acquisition of own shares, as well as the terms and conditions for the acquisition of own shares not specified in the General Meeting Resolution, will be announced by the Management Board to the public, pursuant to Article 56 of the Act of July 29, 2005 on public offering (...) and in accordance with the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of April 16, 2014 on market abuse (...).

Under the authorization granted, the Management Board may purchase own shares only as a result of an invitation to submit offers for the sale of shares, which will be implemented through an entity conducting brokerage activities, and the minimum number of shares in each invitation may not be lower than 300,000.

The General Meeting authorized the Management Board to take all factual and legal actions necessary to acquire own shares in accordance with the adopted Resolution and to define the remaining rules and conditions for the acquisition of own Shares, in the scope not regulated by the Resolution

For the needs of the acquisition of own shares by the Company, on the basis and within the scope of the authorization granted to the Management Board, a reserve capital of PLN 12.0

m was created. The reserve capital was created by transferring the amount of PLN 12.0 m from the Company's supplementary capital.

*The Group's portfolio is constantly adapted to market trends and the needs of customers - recently it has been enriched with functional dietary and pro-health products.*

# Activities of the Makarony Polskie Group

## Main products and services

Branded product range:

PASTA:

**MAKARONY POLSKIE –** a brand with a distinct personality, in line with the popular and stable market trend of promoting native and local food; dedicated to consumers who value good Polish quality at a reasonable price.




The brand portfolio includes both traditional egg pasta (rolled, offered as a b-brand with the Abak brand) and pressed pasta, made of common wheat flour and durum wheat flour. The offer includes the 7 most popular shapes that are widely used in the kitchen.




The Makarony Polskie Group has a wide range of rolled egg pasta produced according to traditional Polish recipes. The offer includes ribbon and nests pasta, which have a wide culinary application and are eagerly used by consumers who like to experiment in the kitchen. These pastas are made from durum wheat flour, which makes them resilient and at the same time delicate in taste..








The line of egg products is also diversified by popular shapes of egg pasta intended mainly for soups: threads and ribbons pasta with a characteristic irregular shape inspired by home cut pasta.




The brand's portfolio also includes pasta made from quail eggs. This line includes pasta in two of the most popular shapes, i.e. slices and ribbons.

The ambition of the Group is that the Makarony Polskie brand, together with the Makarony Polskie Abak subbrand, become a tool to organize the currently fragmented middle shelf, located just below the leader and taking over shares that are currently owned by many small manufactures.




**SORENTI** - is a brand created for gourmets of Italian cuisine, offering the most popular forms of pasta made of 100% flour derived from the highest quality hard grain durum wheat. In the Sorenti's offer there are two product lines. The first one is the classic Italian-style pasta from durum flour.

The second one is a modern pasta made from durum flour with free-range hen eggs. Delicate and springy pasta, a proposition for consumers who like to experiment in the kitchen.




On the domestic market, the Sorenti brand is present mainly in the modern channel. The advantage of this brand in the competitive environment that intensifies its activities is the affordable price of its products. The Sorenti brand is also a very attractive export product with great potential for development and further internationalization.

## NOVELLE BRAND

Novelle is a trademark registered in the Polish Patent Office by MP Trade Sp. z o.o.

Novelle is an aspirational brand aimed at consumers prone to culinary experiments, dedicated to an innovative line of products that respond to nutritional trends firmly embedded in vegetable cuisine. The ambition of the Group is for it to be a brand that creates trends in the category of innovative products, alternative to products based on traditional recipes.

The Novelle brand offers pasta made from legume flours and tortellini with filling in various flavors and high-protein pasta. In 2022, the Novelle brand's offer was expanded with functional pasta of dietary and health-promoting nature, made from 100% spelt flour, 100% rye flour and 100% wholemeal flour (wholemeal pasta).




The line of tortellini pasta, i.e. small Italian dumplings made from durum wheat flour with eggs, filled with various fillings, perfect as the addition to soups and salads, or as the main course. Six types of filling with different flavours allow for a range of uses in the kitchen.




The legume pasta line is a perfect alternative for cosnumers who want to add vegetables to their diet. These are 100% vegan, high-protein, gluten-free products. They are less calorific than traditional wheat pasta thanks to their high protein and fiber content and low carbohydrate content. They are very convenient in use, as they are much quicker and easier to prepare than the vegetables they are made of.




In 2022, the Company, following the eco trend and aiming at minimizing the amount of waste generated during the life of the product, resigned from the additional paper box in the unit packaging of vegetable pasta in favor of 100% recyclable foil bag. The visual changes in packaging were combined with a "bonus" for the customer in the form of increased product weight in a unit packaging (250 g instead of the previous 200 g).

In 2021, the offer of the Novelle brand was also enriched with high-protein pasta produced using an innovative recipe and a mixture of alternative flours. This product is the result of the implementation of the results of research and development in the field of functional food,




conducted by Makarony Polskie SA as part of a project supported by EU funding (measure 1.4 Support for SMEs, Regional Operational Programme of the Podkarpackie Region 2014-2020). Carefully selected proportions of whole grain durum wheat flour, chickpea flour, pea flour and red lentil flour make pasta a high-protein product with excellent nutritional values. This pasta is a natural source of fiber, has a high protein content, and the combination of all its ingredients is a valuable source of macro and micronutrients such as copper and phosphorus for the body.

Since 2021, vegetable and high-protein pasta offered under the Novelle brand has been marked with the V-Label Vegan confirming their suitability for both vegans and people on meat-free diet.

In the following periods, the offer of the Novelle brand will be expanded with new products based on vegetable proteins. Work on the development of new products will be conduted in close cooperation with the Makarony Polskie SA marketing team and the New Product Development (NPD) teams operating in the Makarony Polskie Group.

## MEAT AND VEGETABLE PRESERVES




The brand assortment of meat and vegetable preserves included ready meals under the Stoczek and Męska Rzecz brands as well as lard under the Stoczek brand. Ready meals offered by the Group - classic Polish dinners - combine home taste with convenience and speed of preparation, which makes them perfectly in line with the current trends on the food market.



In 2021, the Stoczek Natura brand underwent a packaging and logotype lifting. The new packaging line includes classic ready meals in a jar and a new product in the portfolio: soups in a jar.




The "Męska Rzecz" brand is dedicated to the widest group of consumers in this food category, specially seasoned to suit men's tastes, competing on the shelf with its affordable price.

*The offer of Makarony Polskie Group has been enriched with ready-made dishes in trays and in bowls under the SoFood brand, which are offered to customers both in the so-called dry (uncooled) shelf as well as cooled shelf.*

## VEGETABLE PRESERVES AND STUFFING




The assortment of vegetable preserves comprised mainly salads and pickles under the Tenczynek brand - traditional vegetable additives that made dishes more attractive and varied, as both cold and hot ones. Additionally, the offer includes lines of occasional products, such as Cabbage with mushrooms and Cabbage with peas in the Christmas edition.

## FRUIT PRESERVES



The assortment of fruit preserves included jams and preserves under the Stoczek and Tenczynek brands, produced with the highest quality

## DISHES ON TRAYS

The Makarony Polskie Group offers ready meals on trays and in bowls under the SoFood brand. This product group is distinguished by its light packaging (two-chamber trays or bowls), the ease and speed with which meals can be reheated and the possibility of storing them at room temperature.




The distribution network of this product category is constantly expanded, the company tries to adapt the brand portfolio to market trends and constantly changing, highly demanding consumer.

The SoFood products are offered to customers both on the so-called dry (unrefrigerated) shelf. These are heat-treated dishes with a clean label: no colors, no flavor enhancers, no preservatives.




The first two product lines of this brand were introduced in 2019: Inspired by world cuisines and Fit cuisine. In 2021, the brand's offer was expanded with two new lines: Premium Cuisine and Line of Dishes in Bowls.

The Premium Line is based on high-quality ingredients, using products that give a unique flavor to the dishes, such as cononut milk, mango juice and tender beef. The offer included three unique dishes: Japanese style beef, Chicken mango lassi and Thai style chicken.




The line of dishes in bowls combines modern packaging with classic tastes of "one-pot" style dishes, such as Leczo with sausage, which gives the effect of a quick and convenient meal with clean label. It is based on vegetables; therefore, it constitutes a perfect meal supplementing the daily portion of vegetables for a healthy body.




In 2022, the So Food brand's portfolio has been expanded with the Polish Cuisine line. The inspiration to prepare this line was consumer research conducted at the end of 2021, in which many consumers declared their interest in the Polish Cuisine dishes. That is why our portfolio has been enriched with Ham in mushroom sauce, Pork loin in leek and horseradish sauce, Turkey in plum sauce and Ham in mustard sauce.

According to the Nielsen report, SoFood ready meals on trays achieved the second place in sales among competitors present on the Polish market for several years. This is a good forecast for the future, therefore the category of ready meals on trays will be systematically expanded in order to be consistent with market trends and customer needs.




## Private label product range:

The Makarony Polskie Group offers a wide range of products for private label brands in each of its product categories. The Group's offer is used by many retail chains both on the Polish and foreign markets, mainly in the pasta segment, but also processed meat and vegetables, vegetables and fruit segments.

The Group regularly verifies the product portfolio adjusting its offer to the needs of private label brands. By developing the range of products for the needs of the private labels, the Makarony Polskie Group is focused on the global trends on the food market, especially:

- care for health and well-being (enriching the products with additives having an impact on well-being, energy, vitality and immunological system),
- minimizing the consumption of animal protein and replacing it with plant-based alternatives (expanding the offer with products with the addition of legume flours),
- local origin of ingredients and place of production (encouraging the purchase of domestic food, supporting local businesses and communities),
- stop wasting food (responsible production and sales).

In the first half of 2022, the Group continued the development works commenced in 2021 in the field of:

- vegan/vegetarian products (alternative source of protein of plant origin),
- health-promoting products, enriched with healthy additives (superfoods),
- products based on ancient cereals (authenticity, origin), with improved sensory and organoleptic characteristics,
- products with short preparation time, in a convenient packaging (convenience),
- exclusive products – with original shapes, special additives and distinctive packaging (premiumization),
- pasta with the addition of eggs from alternative breeding (animal's well-being, sustainable development),
- more environmentally-friendly packaging (plasting reduction, paper reduction, reduction of printed surfaces, introduction of labelling products with symbols to facilitate waste separation and recycling).

## Market environment

### General market trends

Pasta market

The pasta market in Poland is quite stable, although in the perspective of the last years, as in the case of the entire economy, it is affected by unforeseen one-off events, such as Covid-19 pandemic, macroeconomical (high inflation) and geopolitical (war in Ukraine) situation.

After considerable sales fluctuations that occurred on the pasta market in 2020 due to successive pandemic waves, the year 2021 brought some stabilization in this regard because consumers stopped buying in stock. However, the first months of 2022 brought further sales peaks caused by inflationary unrest and Russian aggression in Ukraine. Again, many products with a long shef life, including pasta, were bought to be stored in pantries or as humanitarian

aid for Ukraine and its people. The sales situation stabilized at the end of the first half of the year.

Trends that have the strongest impact on the pasta market:

- the macroeconomic situation related to inflation and rising food prices – consumers are limiting their purchases to a basket of basic needs and products with a long shelf life. The consumers take care of their limited budgets, for this reason the product price is becoming more and more important when making purchasing decisions;
- clean label, health benefits of meals – consumers are looking for products with natural ingredients, without any chemical additives. Additional nutritional values that have a positive impact on our health, e.g. helping to fight civilization diseases, are also an important factor when purchasing a product;
- plant-based product – plant-based protein will have an increasing share in the market over the next few years, the consumers will look for plant-based, healthy products on the shop shelves to use them as the replacement for products of animal origin. A strong trend on the food market is the fashion for healthy eating and different typs of diets, such as gluten-free, low-carbohydrate or vegan. This is directly reflected in product offering – there are BFY (Better-For-You) products, based on whole grains, alternative cereals, legumes or gluten-free ingredients and vegetables in large numbers;
- product patriotism – consumers attach more and more importance to the country of origin of a product. The country of origin of the product and its ingredients is an importan factor influencing the purchase. Local products are popular because of their taste, as well as the desire to support local producers;
- commitment to the environment – when discussing current market trends, it is impossible to mention the "zero waste" trend of not wasting food. This is not only observed in the scope of packaging diversification by manufacturers: standard, family or "portion at once", but also as a social trend promoting responsible shopping (buy as much as you eat) and culinary educating in the full use of products food. Corporate social and climate responsibility policy of the company, as well as companies moving towards no carbon footprint is becoming more and more important when making purchasing decisions;
- convenience – when preparing meals – consumers want to be able to prepare a tasty meal quickly and easily. They are more and more often turn to ready-made dishes which are prepared in such a way that they are sufficient for a balanced portion for one person, e.g. ready-made dishes on trays. No food is wasted that way. You also save energy, water, gas, which is good for the environment and home budget. In addition, you do not buy increasingly expensive products to prepare a meal.

Ready meals market

The Polish ready-to-eat food market is under development, and its expected value by the end of 2023 is PLN 2.13 billion. This market is characterized by a dynamic change in the structure, both in terms of the range of products offered and the manufacturers competing in it.

In Poland, in the category of ready-made dishes, the most dynamic growth is recorded in the category of ready-made dishes on trays. In 2019, the sales of dishes on trays amounted to approx. 370 k dishes, while in 2020 it was more than 1.0 m dishes sold, which gives a growth by approx. 288%. In 3032, the growth dynamics reached the level of approx. 170%.

The market of ready-made dishes, like the pasta market, suffers from sales fluctuations related to one-off random events, such as the Covid-19 pandemic, the macroeconomic situation (high inflation) and the geopolitical situation (war in Ukraine). The search for products with a long shelf life bought as part of "organizing" food stocks for consumers' own needs, as well as donated as humanitarian support.

The trends that have the strongest impact on the ready meals market are:

- trend of pro-healthiness and naturalness – the need of food "free of…" increases with the level of the consumers' knowledge and their fear of allergies and preservatives. the customers are more and more often demanding "a clean label" (no artificial additives, flavor enhancers and preservatives), while the producers put an emphasis on the simplicity and pro-healthiness of the recipes. This is fashionable to use inspirations from different regions of the world in meals;
- product "transparency" – it is desirable that ready-made dishes, in addition to clean label and a short list of ingredients, have packaging that allows consumers to see the meal before making a purchasing decision, e.g. transparent film;
- convenience – convenience, easy use – the producers are looking for new solutions which will make it easy for the consumers to heat up and consume a dish. The convenience and quickness are underlined by propositions of dishes inspired by takeaways which appear more and more often. The category records a popularity growth of the so-called "meal kits" (sets allowing you to complete or compose a dish on your own) which results from the need of compromise between mass ready-made dishes with no individuality and long and often demanding cooking from scratch;
- for many years, on the European markets, a trend of developing the segment of ready-made dishes on trays and in cups at the expense of the systematic shrinkage of the shelf of products in jars has been observed. In Poland, the so called "shelf-stable" has still the largest market share, but also here, it is becoming more visible that the consumers are turning towards a refrigerated shelf. For an increasing number of consumers, ready-made dishes offer a convenient and cheaper alternative to a boxed diet;
- shelf life – consumers are looking for products with a long shelf life to prepare food stocks, secure their households during times of economic instability;

- increasing care for the environment – the consumer expects from the producer a sustainable production policy and minimization of the harmful impact on the environment (less plastic, recyclable materials). The packaging should be environmentally-friendly and made from recyclable materials;
- macroeconomic situation related to inflation and rising food prices – consumers are limiting their purchases to a basket of basic needs and products with a long shelf life. The consumers take care of their limited budgets, for this reason the product price is becoming more and more important when making purchasing decisions.

### Sales markets of the Makarony Polskie Group

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 first half of 2022, the value of sales amounted to approx. PLN 127.87 m in the domestic market and approx. PLN 20.30 m in exports. In the corresponding period of 2021, those figures were approx. PLN 74.20 m and approx. PLN 7.87 m, respectively.

| For the period | 01.01.2022-30.06.2022 | 01.01.2021-30.06.2021 |
|---|---|---|
| Country | 127,872 | 74,202 |
| Exports, including: | 20,298 | 7,866 |
| - European Union countries | 4,036 | 2,564 |
| - other countries | 16,262 | 5,302 |
| **Total** | **148,170** | **82,068** |

## Significant contracts

### Acquisition finalization

At the beginning of 2022, Makarony Polskie SA finalized the acquisition of Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski Sp. z o.o. with its registered office in Korpele, established as a result of transformation of the enterprise, previously run as a sole proprietorship on the basis of the entry in the Business Activity Central Register and Information Record, into a single-person limited liability company.

As a result of the finalized transaction, since 1 January 2022, the Company has become the owner of all 107,730 shares, with a total nominal value of PLN 10,773 k, in the share capital of SAS (100% of the share capital, representing 100% of the votes at the shareholders' meeting) for a total purchase price of approx. PLN 17.0 m. The agreement for the acquisition of shares in the SAS company provided that the seller would receive from the Company a purchase price surcharge in the amount of 50% of the net profit generated by SAS in the period from 2 November 2021 to 31 December 2021, shown in the financial statements of that company prepared as at 31 December 2021, verified by a statutory auditor. Due to the fact that SAS company did not generate any net profit in the above-mentioned period, the seller is not entitled to a purchase price surcharge. As at the date of taking over Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski sp. z o.o. and transition to IFRS, a valuation of fixed tangible assets to fair value was carried out by an independent expect. As a result of the transaction settlement in the Group's consolidated statements, a profit was generated on occasional purchase adjusted for share acquisition costs amounting to PLN 4,103 k.

The source of financing the share acquisition was partially own funds of Makarony Polskie SA, partially funds from a bank loan, and partially also funds obtained from an increase in the Company's share capital through the issue of series F shares.

### Signing a letter of intent between Makarony Polskie SA and KSG Agro SA

In July 2022, a letter of intent was signed between the Company and KSG Agro SA ("Letter of intent"), concerning the determination of the principles of establishing business cooperation by the parties in the field of trade in rapeseed and sunflower oils and grains, as well as cooperation in other areas of agricultural production.

The intention of the parties is, in particular, to establish cooperation regarding the import of rapeseed oil and sunflower oil from Ukraine, their processing and marketing in Poland and/or in third countries.

The letter of intent does not constitute a binding agreement, but only expresses the will to start talks on mutual cooperation of the parties within the scope and on the terms set out therein. The validity period of the Letter of Intent referred to above has not been specified.

## Factors important for the Group's development

### Factors affecting the future results of the Company and the Group

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

- investments in new production lines and research and development center will allow the Group to extend the product range and be present in new market segments, both in the country and abroad,
- activities aimed at cost and process optimization, e.g. implementation of MES software in the production plants will allow for better control of cost and labor intensity of the products and improvement of production-related accounts, while WMS software relating to warehouses will improve warehouse management and the system of stock aging and product flow control,
- 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. has successfully introduced SoFood ready-made dishes on trays and in bowls to its offer, which in 2011 achieved the position of sales vice-leader in its category (according to the report of Nielsen company), further systematic offer development of SoFood brand in close association with market trends and upward trend of this segment is a good sign for sales increase in the future periods,
- PPH SAS A.Świderski Sp. z o.o. has carried out a number of investment projects aimed at improving the production effectiveness and flexibility and reducing the production costs: the capacity of cold storage rooms has been increased, a semi-automatic wrapping machine for stretching pallets with foil has been installed in order to improve the quality of pallets sent, a system for collection and analysis of data from pass-through checkweighers has been ordered, works to diversify the sources of process heat generation are carried out, the company has also taken steps to sell unused assets, and it plans to use the proceeds from sales for further investment projects in the machine park,
- 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 Makarony Polskie Group focuses on systematic, long-term organic growth, but also takes advantage of the acquisition opportunies, if they arise in the market, as in the case of Przedsiębiorstwo Produkcyjno-Handlowego SAS Andrzej Świderski, the acquisition of which was finalized at the beginning of 2022,
- 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 allow it to effectively use this potential, it will enrish the product portfolio with pasta which is very popular on the Polish market, i.e. "nests",
- rolled egg pasta has high taste qualities, it is characterised by a higher selling price, which according to the Company will allow it to increase the revenues and improve the level of sales margins, and, consequently, have a positive impact on the Group's operations in the long term.
- acquisition has strengthened the Group's position as the leader in the field of rolled egg pasta (used willingly in Poland and Central Europe) and the position as the vice-leader among Polish pasta manufacturers,
- on 31 August 2022, the plan of the merger of the companies, Makarony Polskie SA as an acquiring company and PPH SAS A.Świderski Sp. z o.o. as a company being acquired, was agreed and signed – e.g. economic conditions are in favour of the merger of the companies. As a result of the merger, it will be possible to:
  - reduce the operating costs generated by the simultaneous operations of two companies - Makarony Polskie SA and Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski sp. z o.o in a situation when a range of business activities of both entities is the same or very similar, and consists mainly in pasta production,
  - achieve the synergy,
  - reduce the costs as a result of the merger of two companies
  - integrate the operational processess of both companies.

Activity development in the private label segment

- diversifying and enriching the offer addressed to new and existing customers with pro-health and functional products (including, for example, gluten-free and high-protein pastas, pasta suitable for vegans), products from the new rolled line, as well as products of Stoczek natura Sp. z o.o. (including ready meals in trays and in bowls),
- activities aimed at improving the profitability of the sales channel, including optimization measures in the area of packaging and logistics, taking into account the principles of sustainable development.

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 in the distribution level on the domestic market

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie, SoFood and Novelle brands on the market,
- 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,
- intensification of communication with current and potential customers through the participation, *inter alia,* in trade fairs and exhibitions, such as PLMA and SIAL 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, buckwheat, 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 SA, the current financial situation of the Company and the Group allows for the implementation of the above-mentioned development directions.

## The impact of the COVID-19 pandemic on the operations of the 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:

- 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.

Immediately after information on the Covid-19 epidemic getting closer to the Polish borders appeared, even before official announcement of the epidemic state on the territory of the Republic of Poland, 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.

## The impact of the political and economic situation in Ukraine on the operations of Makarony Polskie SA

The impact of the political and economic situation in Ukraine on the operations and financial results of the Makarony Polskie Group is visible in several areas:

- price increases and problems with availability of certain key raw materials and materials (e.g. flour, egg pulp, film and cardboard packaging) – due to the increased demand and turbulence in the supply chain (e.g. trade difficulties with Ukraine) may have a negative impact on the effectiveness of day-to-day operations. Previously – alternately – one cost component was increasing, another was decreasing, while the third one was stable, therefore price fluctuations could be amortized and in the long term thet price increase, if any, was of a few percent. Since the beginning of 2022, all costs have been growing simultaneously and week by week, so the price changes are currently up to several dozen percent,
- price increases of energy, gas and fossil fuels due to the global situation (the ongoing "energy crisis"),
- absence among the staff – the war outbreak have caused many Ukrainians (both men and women) who were working in Poland to decide to return to their homeland – to the front or to their families left behind. It was a challenge for companies to find a replacement for them in a short time. Currently, the risk has been partially mitigated by the Polish government's decision to allow the Ukrainian refugees to enter the Polish labor market,
- pressure from the business environment has forced the Group to renegotiate contracts and change the way it determines the prices for B2B clients – since the outbreak of the war in Ukraine, the Group's company have adopted a strategy of setting prices in one- or maximum two-week periods with the possibility of maintaining sales prices in subsequent periods provided that the market prices of raw materials and packaging are stabilized,
- insurance institutions are withdrawing from insuring contracts with Ukrainian clients, which also results in limited possibilities of granting trade credit for Ukrainian clients and imposes cooperation on prepayment basis.
- increased demand of Ukrainian clients for pasta and other products with a long shelf-life - the products offered by the Group's companies belong to this group of goods. It has a positive impact on the Group because transactions are entered into in the form of prepayment in euro, which increases the Group's financial liquidity, reduces the use of loans and allows for eliminating a negative impact of exchange rate volatility through natural hedging,
- difficulties in logistics related to the capacity of the state border with Ukraine and limited availability of means of transport are translated into high short-time variability in sales to

Ukrainian clients (e.g. month-to-month) which is reflected in difficult planning of sales and production for this market.

Immediately after the outbreak of war in Ukraine, in the Makarony Polskie Group additional procedures were implemented to secure the production continuity and reduce the risk relating to a lack of raw materials, packaging and staff shortages. These procedures are systematically validated and modified depending on the needs and situation in Ukraine.

The Management Board of Makarony Polskie SA closely monitors the situation related to the war in Ukraine in order to 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 Company and the Group does not threaten the continuation of the Group's operations in the next periods.

The situation in Ukraine has not significantly affected the Company's operations. The share of the Ukrainian market in total sales revenues of the Company amounts to approx. 11%. In the opinion of the Management Board, there are no threats in the 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 war in Ukraine.

At the moment, in spite of the war that has lasted for 6 months, it is difficult to forsee a further situation in Ukraine and its impact on the situation of the Company and the Makarony Polskie Group, but it should be stated that as of today, the impact is neutral. Other factors, such as energy crisis and inflation, have much greater impact on the situation of the food industry in Poland.

## Risks and threats significant for the development of the Group

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 consist in any possible changes of purchasing and eating habits of the consumers caused by, for example, the coronavirus pandemic, macroeconomic (inflation) or geopolitical (outbreak of the war in Ukraine) situation. For example, the impoverishment of the society as a result of continuous increase in prices and costs of everyday functioning may lead to the increase in demand for the cheaper and low-margin products and force the manufacturers and suppliers to aggressive price competition.

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, products for vegans and vegetarians, products with reduced gluten content, pasta with flavorings and made from cereals such as spelt and buckwheat, products based on, or with addition of vegetable flour are systematically developed, we develop a line of "clean label" products.

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 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 the increased demand for the Group's product took place, among others, at the beginning of 2022 after the outbreak of the war in Ukraine, when the customers rushed to the shops in great numbers and the orders from retail chains were significantly higher compared to the level recorded in the corresponding periods of the previous years. The Group's Production Plants faced the necessity to make even greater efforts in order to use the production capacities in the most optimal manner. A difficult situation was alleviated by the expansion of the production capacities in the Group, including the acquisition of a competitive pasta manufacturer in 2022, which provided the company with an additional safety margin. However, interrupted supply chains, shortages of raw materials and materials, as well as absence among part of the staff (e.g. return of some Ukrainians to their homeland after the war started) turned out to be barriers limiting the production volumes.

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 and material prices

Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material and 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. Unfortunately, the current dynamic changes of the situation on the global markets make the suppliers more careful and reluctant to enter into such contracts.

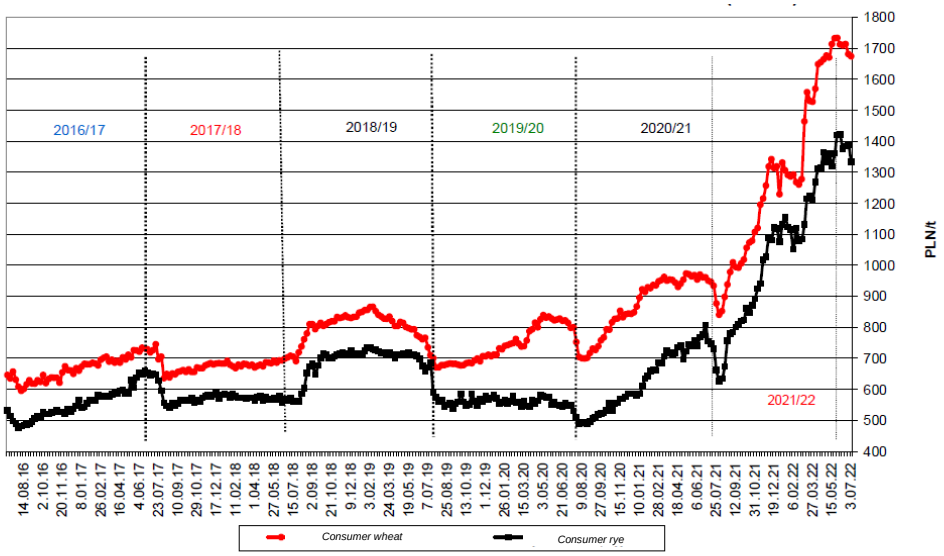
The purchase prices of soft wheat flours were continuously increasing throughout 2021. The price increases are also continued in 2022. The flour price from PLN 970 per 1 ton in April 2021 increased to PLN 2,500 per 1 ton at the end of the first quarter of 2022, reaching the level which has no equivalent in the previous years. According to the forecasts, high prices will remain on the cereals markets at least until mid-Q3, 2022 due to the war in Ukraine and blockage of export of wheat from the territory of Ukraine and Russia which is translated into an increased demand of the countries previously purchasing cereals from these markets. Good crops in 2022 and successful harvest have calmed the market a little bit. However, the information on further drastic increase in prices of energy carriers, and thus fertilizers and plant protection products has made cereals producers very restrained when it comes to selling grain. Thus, the price of flour remains high.

High prices also remain on the durum wheat flour market – the prices of semolina are reaching an unprecedented level. It is predicted that before the next harvest of 2022/2023, demand for durum wheat, and thus semolina, may exceed the supply, which may lead to further price

increases. Again, as in the case of soft flour, the signals of very good forecasts as regards the harvest, may have an impact on stabilizing the price of durum wheat flour in the next season. The only element that could effectively disrupt the price stability in the durum wheat marketis a significant increase in freight and energy carriers. Taking all this into accoumt, price stabilization at a high level is forecasted.

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

**AVERAGE PURCHASE PRICES OF CONSUMER WHEAT AND RYE IN THE SEASONS 2016/17-2022/23 (PLN/t)**




*Źródło: Tygodniowy raport nt. rynku zbóż, oleistych i surowców paszowych – Rynek zbóż tydzień 27/2022, Sparks Polska*

The prices of eggs and egg pulp in Q.4, 2021 were at a high but stable level of PLN 5.8-7.2 k per one ton of egg pulp (compated to PLN 3.7-4.6 k in Q.4, 2020). In the first months of 2022, due to, among others, an increase in costs connected with the breeding process, such as wages, electricity and fuel, and a war in Ukraine (suspension of egg exports following the destruction of farms as a result of the war), the purchase prices of egg pulp have increased by approx. 90% in the short time, which translated negatively into the profitability of egg pasta production and forced the Group's companies to revise their trading conditions. In Q.2, 2022, egg prices remained at the high level of Q.1, 2022. Undoubtedly, it is greatly influenced by the war in Ukraine and significant increases in the prices of feed and energy carriers. There is a high risk that the above-mentioned trends will persist over a longer period in 2022.

Significant price increases also occur in the foil and cardboard packaging market. They are reaching 140% compared to the prices in Q.4, 2020. Alongside the price increases, there are also difficulties in the availabilty of foil and cardboard packaging and extended delivery times.

Stoczek Natura Sp. z o.o. is a manufacturer of fruit and vegetable preserves (including jams) and ready meals. The prices of fruit and vegetable The fruit and vegetable prices are highly dependent on the weather conditions. Ceny owoców i warzyw są mocno uzależnione od warunków pogodowych. 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.

One of the key raw materials for Stoczek Natura Sp. z o.o. is meat. In 2021, the market of meat and meat raw materials was stable and balances. Throughout the year, the element shaping demand was the Covid-19 pandemic – reduced demand due to the fact that the catering market did not completely unlock in 2021, translated into more attractive meat prices. Russia's military attack on Ukraine in February 2022 caused a lot of perturbations on the raw material market. Meat prices increased by several dozens of percent because a very large part of the raw meat, previously the basis of production for the domestic market, has been trasferred to Ukraine, which significantly increased the prices of the entire meat components. It is forecast that high meat prices will continue throughout 2022, due to high demand and high production costs, which are constantly growing on the basis of the increasing prices of feed, fertilizer, fuel and energy.

Price increases of several percent in Q.1, 2022 also occurred in the market of most raw materials and packaging. Increased demand for processed products and simultaneously rising production costs are making both metal and glass packaging more expensive and there is no clear prospect of stabilization.

All of the above-mentioned cost drivers and their high dynamics, and often unpredictability and uncertainty, make the year 2022 a very challenging year for manufacturers. It becomes crucial to take due care of operaetional optimization, systemically monitor process efficiency and cost levels, as well as to quickly adjust the selling prices of products to the rising costs of their production.This radically changes the business relationship between business partners, e.g. the suppliers' reluctance to set fixed trading terms for longer contract periods (e.g. for one year) transfers to the clients the risk of operating in the short time and the "uncertainty of tomorrow".

Risk connected with changes in the prices of energy carriers

At the moment, a significant risk factor affecting both the overall economic situation and that of the Group companies is the price and energy carrier availability. Since the outbreak of the war in Ukraine, there are dramatic increases in the price of electricity, gas, coal and other energy carriers. This will directly translate into increases in the costs of manufacturing products and providing various types of services, and consequently increases in the prices of

these products and sevices of the final purchaser. This situation will, to a large extent, "feed" the inflationary spiral of price increases with regard to products and services in the supply chain, which will shape the new price level on the Polish and European markets.

In 2023, the first quarter will be crucial when difficulties are expected in the supply of heat carriers, i.e. gas and coal.The forecasted several price rises of the above-mentioned raw materials, as well as the concerns about limited availabilty, increase nervousness on the market and uncertainty about pricing policy in the long term. Without a settlement at EU and government level in terms of energy and gas prices, it will be very difficult to function on the market.

Dramatic year-on-year increases in energy prices will have a significant impact on business activity, and in the case of any difficulties to pass the cost increases on to the prices of the products and services, it cannot be excluded that some business people wii even decide to temporarily suspend their activities in order not to generate more losses.

In 2022, the Makarony Polskie Group is secured in terms of the supply of electricity and gas – the Group companies entered into contracts guaranteeing the supply of the above-mentioned energy carriers to production plants at a fixed price until the end of the current year. However, a threat is posed by the introduction of the so-called power supply limitations the application of which by the power system will disrupt the continuity of electricity supply.

In order to secure production continuity in 2023 on the one hand and flexibility to respond to dynamic changes in the macroeconomic situation on the other hand, the Group's production plants take a number of measures in the area of searching for and securing alternative sources of process heat other than mains gas, e.g. restoring the operation of the heating oil installations that were previously operating at the plants. The Makarony Polskie Group also seeks to counteract rising costs in the area of electricity by, among others, making investments in thermomodernization, eliminating or replacing energy-intensive receivers and building photovoltaic installations at each of its sites. The activities in this area have been carried out for a long time and their finalization is planned for at the turn of 2022/2023. Thanks to the RES, the Group will have energy resources acting as a factor for stabilizing the energy cost increase in 2023.

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes, laws are significantly changed basically day to day (e.g. during the COVID-19 epidemic, after introducing the Polish Order, or after the outbreak of the war in Ukraine), which makes the activities of the companies, including the companies of the Makarony Polskie Group, burdened with a very high degree of uncertainty. This is a detrimental factor for business activity which involves a lot of risk.

In addition, the economic situation in Ukraine connected with the war makes it necessary to expect unfavorable, from the point of view of companies exporting products to the Ukrainian market, legal changes concerning the increase in taxes, transit and import fees that serve, in the opinion of the Ukrainian authorities, to stabilize the Ukrainian currency, cash flows and economic situation.

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 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 June 2022:

| Groups/categories of financial instruments | Balance sheet value as at 30.06.2022 PLN k | Currency exposure as at 30.06.2022 PLN k | EUR PLN k | USD PLN k |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and cash equivalents | 8,156 | 2,585 | 2,585 | 0 |
| Trade receivables | 32,589 | 328 | 328 | 0 |
| Financial liabilities | | | | |
| Trade liabilities | 52,683 | 12,449 | 12,449 | |

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 30 June 2022:

| 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 | 129.3 | - 129.3 | 0.0 | 0.0 |
| Trade receivables (gross) | 16.4 | -16.4 | - | - |

| | | | | |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Trade liabilities | -622.5 | 622.5 | - | - |

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 first half of 2022, the Group used external financing in the form of bank loans: working capital loans, overdrafts and investment loans.

As at 30 June 2022, the Group had a liability due to loans taken out, in the amount of PLN 28,561 k:

| Currency | Interest | Loans balance | Including loans | |
|---|---|---|---|---|
| | | | Short-term | Long-term |
| PLN | WIBOR + bank's margin | 28,561 | 11,332 | 17,229 |

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 June 2022 is presented in the table below:

| Groups/categories of financial instruments | Balance sheet value as at 30.06.2022 PLN k | Value at risk as at 30.06.2022 PLN k | WIBOR PLN k |
|---|---|---|---|
| Financial assets | | | |
| Cash in hand and at bank | 8,156 | - | - |
| Financial liabilities | | | |
| Bank loans | 28,561 | 28,561 | 28,561 |
| Other financial liabilities | 1,275 | 1,275 | 1,275 |

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 30 June 2022:

| Interest rate | Deviation assumptions (in percentage points) 30 June 2022 | | Value at risk as at 30.06.2022 PLN k | Impact on the financial result 30 June 2022 PLN k | |
|---|---|---|---|---|---|
| WIBOR | 1% | -1% | 28,561 | - 285.6 | 285.6 |

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.

# Financial situation

## Rules of drawing up consolidated financial statements

The financial statements have been prepared on the basis of the International Financial Reporting Standards, with the assumption that the Group companies will continue as a going concern in the foreseeable future and to a significant extent unchanged. The Group did not conduct operations which were discontinued in the first half of 2022.

The financial statements of all entities were prepared for the same reporting period using consistent accounting principles. The financial year of the Group companies is the calendar year (with the proviso that the first financial year of MP Trade Sp. z o.o lasted from 28 September 2015 to 31 December 2016).

## Consolidated entities

| as at 30 June 2022 | Stoczek Natura Sp. z o.o. | MP Trade Sp. z o.o. | PPH SAS A.Świderski Sp. z o.o. |
|---|---|---|---|
| The nature of the relationship | direct subsidiary | direct subsidiary | direct subsidiary |
| Consolidation method | full | full | full |
| Date of taking control | 1 June 2007 | 28 September 2015 | 3 January 2022 |
| % of the capital held | 100% | 100% | 100% |

## The Group's results overview

| Makarony Polskie Group | 01.01.2022-30.06.2022 | 01.01.2021-30.06.2021 |
|---|---|---|
| **Revenues from sales** | **148,170** | **82,068** |
| Net revenues from sales of products and services | 143,578 | 77,785 |
| Net revenues from sales of materials and goods | 4,592 | 4,283 |
| **Own cost** | **116,299** | **66,661** |
| Production costs of products and services sold | 112,313 | 62,857 |
| Value of goods and materials sold | 3,986 | 3,804 |
| **Gross profit (loss) on sales** | **31,871** | **15,407** |
| Costs of sale | 13,454 | 9,877 |
| General administrative costs | 4,458 | 2,836 |
| Other revenues | 5,194 | 2,245 |
| Other costs | 1,288 | 370 |

| | | |
|---|---|---|
| **Profit (loss) from continued operations** | **17,865** | **4,569** |
| Financial revenues | 7 | 51 |
| Financial costs | 1,212 | 386 |
| **Gross profit (loss)** | **16,660** | **4,234** |
| Income tax | 2,521 | 882 |
| **Net profit (loss) from continued operations, * in this attributable to:** | **14,139** | **3,352** |
| Shareholders of the parent Company | 14,139 | 3,352 |
| Basic net result per share in PLN | 1.28 | 0.36 |
| Diluted net result per share in PLN | 1.28 | 0.36 |
| Other total net income/loss | | |
| **Total net income attributable to:** | **14,139** | **3,352** |
| Shareholders of the parent Company | 14,139 | 3,352 |
| Non-controlling shares | | |

After the years 2020 and 2021 which as the first years of the Covid-19 pandemic were marked by turbulences in supply processes, staff shortages and large demand peaks. The year 2022 is a year of turbulences related to the outbreak of the war in Ukraine and rampant inflation, as well as the demand peaks associated with these events. Furthermore, at the beginning of 2022, the Makarony Polskie Group finalized the acquisition of the competitive pasta manufacturer, PPH SAS A.Świderski Sp. z o.o., which significantly increased the production and sales capacity of the Group as a whole.

In the years 2018-2022, the Makarony Polskie Group carried out a number of investment projects as part of organic growth policy, which increased the production capacity of all plants and raised the quality of the offered products to the highest level. All these factors resulted in that the consolidated sales revenues amounted to PLN 148.17 m in H1, 2022 and were by approx. 80.5% higher compared to H1, 2021.

In 2022, in terms of costs, there are omnipresent price inreases on the market which relate to, among others, the prices of raw materials and materials for pasta and ready-made dishes production. Unfortunately, this has a negative impact on the margin of the operating activities and forces the Group companies to negotiate with customers and suppliers on a permanent basis in order to maintain the profitability of the operations. The own cost of sold products, services, goods and materials amounted to approx. PLN 116.3 m in the first half of 2022. The gross profit on sales amounted to approx. PLN 31.9 m and was higher by approx. PLN 16.5 m compared to the corresponding period of the previous year.

The sales costs amounted to approx. PLN 13.5 m in the first half of 2022 and increased by approx. PLN 3.6 m compared to the first half of 2021, which is a result of the higher sales generated by the Group in the first half of 2022.

In the first half of 2022, the Group recorded a profit on occasional acquisition in the amount of approx. PLN 4.1 m, being a result of one-off event, i.e. the acquisition of PPH SAS A.Świderski Sp. z o.o. This amount raised EBIT and EBITDA as well as net profit. The net profit in the first half of 2022 amounted to approx. PLN 14.1. The profitability calculated at the level of net profit amounted to approx. 9.5% in the first half of 2022.

The result on operating activities (EBIT) in the first half of 2022 amounted to approx. PLN 17.9 m compared to approx. PLN 4.6 m in the first half of 2021. EBITDA reached the level of approx. PLN 22.3 m compared to approx. PLN 8.6 m in the first half of 2021, which gives a growth by approx. PLN 13.7 m YoY. It should be noted that these figures are increased by, among others, one-off gain on the occasional acquisition of SAS company in the amount of PLN 4.1 m.

### Results achieved vs. forecasts

Makarony Polskie Group did not publish financial forecasts for the financial year 2022.

## Group operating segments

### 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.

| | 01.01.2022-30.06.2022 | 01.01.2021-30.06.2021 |
|---|---|---|
| Revenues from sales of products | 141,116 | 74,587 |
| Revenues from sales of services, including: | 2,462 | 3,198 |
| - service production | 862 | 879 |
| - transportation services | | |
| - for lease, storage | 1,553 | 2,306 |
| - other | 47 | 13 |
| Revenues from sales of materials | 1,868 | 2,521 |
| Revenues from sales of goods | 2,724 | 1,762 |
| **Total** | **148,170** | **82,068** |

In the first half of 2022, the Group recorded an increase in sales by PLN 66.1 m compared to the first half of 2021 and amounted to PLN 148.2 m.

### Revenues from sales by operating segments

In the first half of 2022, the Makarony Polskie Group carried out sales according to the following product groups, achieving the following revenues on this account:

| in PLN K | For the period from 01.01-30.06.2022 | For the period from 01.01 - 30.06.2021 |
|---|---|---|
| Pasta | 121,141 | 58,368 |
| Meat and vegetable preserves | 18,894 | 14,170 |
| Vegetable and fruit preserves* | 4,616 | 4,652 |
| Other | 3,519 | 4,878 |
| **Total** | 148,170 | 82,068 |

* 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"

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 first half 2022 amounted to PLN 148.2 m and were by approx. PLN 66.1 m higher than in the corresponding period of 2021.

Sales revenues in the pasta category increased in the analyzed period by approx. PLN 62.8 m to the amount of approx. PLN 121.14 m. A leap in sales by approx. 107.5% was caused mainly by the following factors which occurred in the discussed period:

- acquisition of PPH SAS A.Świderski Sp. z o.o. at the beginning of 2022 – due to that acquisition, also the production capacities have significantly increased, as well as the sales ones in the pasta category,
- outbreak of the war in Ukraine – and associated panic buying, stocking products with long shelf life, increased demand being a result of the supply gap following the disappearance of Ukrainian producers from the market and the launch of food aid programs for Ukraine by the EU institutions,
- increase in the prices of the products offeref forced by a shock increase in the level of producer inflation not seen since the Second World War.

When comparing the first half of 2022 to the corresponding period in 2021, the gross sales result in the pasta segment increased by approx. PLN 15.54 m, i.e. approx. 139.2%.

The sales of meat and vegetable preserves increased in the analyzed period by approx. PLN 4.7 m to the amount of approx. PLN 18.9 m. The growth by approx. 33.3% was caused by:

a reduction in the number of indices produced in order to focus on products with greater market potential and to improve the profitability of this segment,

- panic buying connected with the outbreak of the war in Ukraine,
- increase in the prices of the products offeref forced by a shock increase in the level of producer inflation not seen since the Second World War.

When comparing the first half of 2022 to the corresponding period in 2021, the gross sales result in the pasta segment increased by approx. PLN 1.7 m, i.e. approx. 96.6%.

The sales in the category of vegetable and fruit preserves dropped in the analyzed period by approx. PLN 36 k to the amount of approx. PLN 4.6 m. The drop was caused by a reduction of a number of indices manufactured, in order to focus on products with greater market potential and improve the profitability of that segment.

## Structure of the Group's assets and liabilities

The Group's balance sheet total was approx. PLN 242.5 m as at 30 June 2022 compared to the amount of approx. PLN 205.0 m as at 31 December 2021, and to the amount of PLN 178.6 m as at 30 June 2021.

| ASSETS | 30 June 2022 | 31 December 2021 | 30 June 2021 |
|---|---|---|---|
| **FIXED ASSETS** | **150,556** | **132,764** | **132,308** |
| Tangible fixed assets | 134,354 | 116,269 | 115,201 |
| Fixed assets - IFRS-16 | 3,043 | 3,291 | 3,649 |
| Investment real estate | 603 | 603 | 603 |
| Goodwill | 5,949 | 5,949 | 5,949 |
| Other intangible assets | 6,551 | 6,588 | 6,886 |
| Long-term financial assets | | | |
| Assets for deferred income tax | 1 | 0 | 0 |
| Other long-term assets | 55 | 64 | 20 |
| **CURRENT ASSETS** | **91,902** | **72,280** | **46,294** |
| Inventories | 40,953 | 21,382 | 23,068 |
| Short-term receivables | 40,364 | 23,885 | 22,338 |
| Corporate income tax receivables | 508 | 554 | 0 |
| Borrowings granted | 0 | 0 | 0 |
| Cash and cash equivalents | 8,156 | 26,156 | 564 |
| Other short-term assets | 374 | 303 | 324 |
| **ASSETS FOR SALE** | **1,547** | **0** | **0** |
| **TOTAL ASSETS** | **242,458** | **205,044** | **178,602** |

| LIABILITIES | 30 June 2022 | 31 December 2021 | 30 June 2021 |
|---|---|---|---|
| **EQUITY** | **112,519** | **101,654** | **88,555** |
| Share capital | 33,120 | 27,750 | 27,750 |
| Supplementary capital | 53,521 | 43,091 | 38,490 |
| Reserve capital | 12,000 | 24,888 | 12,000 |
| Revaluation capital | 38 | 0 | 0 |
| Retained profits/losses (profit/loss from previous years) | 13,840 | 5,925 | 10,315 |
| **LONG-TERM LIABILITIES** | **47,981** | **49,395** | **39,230** |
| Provision for deferred income tax | 6,490 | 3,212 | 3,297 |
| Long-term bank loans and borrowings | 17,229 | 20,522 | 8,610 |
| Other long-term financial liabilities | 93 | 465 | 837 |
| Provision for pensions and similar (long-term) | 487 | 400 | 398 |
| Revenues of future periods - long-term | 20,500 | 21,228 | 22,057 |
| Long-term financial liabilities - leasing | 3,182 | 3,568 | 4,031 |
| **SHORT-TERM LIABILITIES** | **81,958** | **53,995** | **50,817** |
| Short-term bank loans and borrowings | 11,332 | 15,238 | 15,277 |
| Other short-term financial liabilities | 1,371 | 744 | 651 |

| | | | |
|---|---|---|---|
| Short-term financial liabilities - leasing | 1,227 | 1,391 | 1,774 |
| Financial liabilities due to dividend | 3,312 | 0 | 0 |
| Other short-term financial liabilities | 60,693 | 33,409 | 28,506 |
| Corporate income tax liabilities | 234 | 311 | 30 |
| Revenues of future periods - short-term | 1,589 | 1,584 | 3,042 |
| Provision for pensions and similar (short-term) | 1,528 | 1,251 | 1,263 |
| Other short-term provisions | 672 | 67 | 274 |
| **TOTAL LIABILITIES** | **129,939** | **103,390** | **90,047** |
| **TOTAL LIABILITIES** | **242,458** | **205,044** | **178,602** |

As at 30 June 2022, the value of fixed assets amounted to approx. PLN 150.6 m. The significant increase in the value of fixed assets is associated with the acquisition of PPH SAS A.Świderski Sp. z o.o.

As at 30 June 2022, current assets amounted to approx. PLN 91.9 m compared to approx. PLN 72.3 m at the end of 2021. The greatest changes in current assets occurred in terms of inventories (growth by approx. PLN 19.6 m compared to the end of 2021) and receivables (growth by approx. PLN 16.5 m compared to the end of 2021).

As at the balance sheet date, equity amounted to approx. PLN 112.5 m, representing approx. 46.4% of the value of liabilities and increased by approx. PLN 10.9 m compared to the value at the end of 2021. The change was caused by the consolidated profit for 2021 of approx. PLN 5.9 m and profit for the first half of 2022 in the amount of PLN 13.8 m.

Long-term liabilities amounted to approx. PLN 48 m and dropped by approx. PLN 1.4 m compared to the balance at the end of 2021, mainly due to a decrease in long-term loans of approx. 3.3 m.

As at 30 June 2022, short-term liabilities amounted to approx. PLN 82 m and increased compared to the balance at the end of 2021 amounting to approx. PLN 54 m, i.e. by approx. PLN 28 m.

### Liquidity and management of the Group's financial resources and financial risk

The Makarony Polskie Group manages economic resources in such a way as to ensure the financing of the ongoing operations and investments using own funds, bank loans, factoring and leasing.

Confirmation of the full ability to settle liabilites in H1, 2022 is:

- generation of positive cash flows on the operating activities in the amount of approx. PLN 8.2 m;
- realization by the Group of a part of purchases without the use of trade credit which were conditional on obtaining financial benefits,

- realization of the investment (in H1, 2022, the investment expenditure of PLN 16.4 m), the increase in the investment was achieved through the acquisition of PPH SAS A.Świderski Sp. z o.o.,
- at the end of June 2022, the ratio of net debt to EBITDA remains at a safe level of 1.07 (the value normalized by excluding the one-off event of cash in the amount of PLN 4.75 m deposited on the ESCROW account, intented for the final settlemt of the purchase transaction of PPH SAS A.Świderski Sp. z o.o which the Makarony Polskie Group does not freely dispose of).

In the opinion of the Management Board, there are no risks that would make it impossible to pay liabilities incurred. The Group's indebtedness will increase in the following periods due to large expenditures related to investment projects.

## Other financial information

### Information on loans granted

As at 30 June 2022, 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 2022 (one-off repayment until the maturity date of the liability). The interest rate on the loan was determined based on market conditions.

In the first half of 2022, Stoczek Natura Sp. z o.o., MP Trade Sp. z o.o. and PPH „SAS" Andrzej Świderski Sp. z o.o. did not grant any borrowings.

### Information on granted and received guarantees

In H1 2022, 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 June 2022 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 | until 31.12.2022 | 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 1,517 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,<br>– blank promissory note with a promissory note declaration |

| | | | | |
|---|---|---|---|---|
| Santander Bank Polska SA | 157 | until 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 June 2022 is shown in the table below:

| Guarantor | Guarantee amount in PLN k | Validity of the guarantee | Subject of the guarantee | Collateral |
|---|---|---|---|---|
| Bank Gospodarstwa Krajowego | 1,549 | until 29.11.2022 | 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,<br>– blank promissory note issued by the Company together with a promissory note declaration,<br>– authorization to a current account kept at the Bank,<br>– surety of Makarony Polskie SA, |
| Bank Gospodarstwa Krajowego | 335 | until 16.01.2026 | guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Governmental Agency for Strategic Reserves | – blank promissory note issued by the Company together with a promissory note declaration;<br>– authorization to a current account kept at the Bank;<br>– surety of Makarony Polskie SA;<br>– declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed |

## 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 June 2022 is presented below:

| External liabilities | Creditor name | Amount of surety in PLN k | Expiration date | Balance of secured liabilities in PLN k as at 30.06.2022 |
|---|---|---|---|---|
| Surety of overdraft facility in the amount of PLN 4.0 m | Bank BGK | 6,000 | 16.05.2023 | 2,845 |

| | | | | |
|---|---|---|---|---|
| Surety of investment loan in the amount of PLN 4.8 m | Bank BGK | 4,812 | 08.11.2025 | 3,030 |
| Bank guarantee in the amount of PLN 1.5 m | Bank BGK | 1,549 | 29.05.2023 | - |
| Bank guarantee in the amount of PLN 0.3 m | Bank BGK | 335 | 16.07.2026 | - |

During the first half of 2022, Makarony Polskie SA:

- granted surety to the bank guarantee in the amount of PLN 0.5 m – due to the return of the original guarantee document, the surety expired;
- concluded an annex to the agreement of surety of overdraft facility, as a result of which the amount of the surety was increased to PLN 6 m.

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 June 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 30.06.2022 |
|---|---|---|---|---|
| Surety of overdraft facility in the amount of PLN 5.0 m | Santander Bank Polska SA | 15,366 | 30.12.2026 | 233 |
| Surety of investment loan in the amount of PLN 13.8 m | Santander Bank Polska SA | | | 1,989 |

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

In the first half of 2022, MP Trade Sp. z o.o. and PPH „SAS" Andrzej Świderski Sp. z o.o. did not grant any sureties

## Material transactions concluded by the Company and subsidiaries with affiliates under the terms other than market terms

During the first half of 2022, the companies of the Makarony Polskie Group did not conclude with each other any significant transactions under the terms other than market terms.

Within the 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.

## Off-balance items

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.

| Off-balance sheet items (in PLN k) | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **1. Contingent assets** | **3,111** | **3,245** |
| - received guarantees and sureties | 3,052 | 3,245 |
| - collaterals on assets | 0 | 0 |
| - promisory notes | 59 | 0 |
| **2. Contingent liabilities** | **186,853** | **158,845** |
| - for provided guarantees and sureties | 0 | 0 |
| - collaterals on property | 139,525 | 98,869 |
| - promissory note obligations | 47,328 | 59,976 |
| **Total off-balance items** | **-183,742** | **- 155,600** |

* 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.

| Off-balance sheet items Makarony Polskie SA (in PLN k) | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **1. Contingent assets** | **18,593** | **18,534** |
| - received guarantees and sureties | 16,534 | 16,534 |
| - collaterals on assets | 0 | 0 |
| - promisory notes | 2,059 | 2,000 |
| **2. Contingent liabilities** | **133,151** | **121,911** |
| - for provided guarantees and sureties | 12,696 | 11,365 |
| - collaterals on property | 88,555 | 70,555 |
| - promissory note obligations | 31 900 | 39 991 |
| **Total off-balance items** | **-114 558** | **- 103 377** |

## 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 the Company or a subsidiary were pending before a court, competent arbitration authority or public administration body.

## Events after the balance sheet date that could significantly affect the financial results

After the balance sheet date, there were no material events that could significantly affect the financial results.

## Financial results of Makarony Polskie SA

### Characteristics of basic economic and financial figures of Makarony Polskie SA

| Makarony Polskie SA | 01.01.2022-30.06.2022 | 01.01.2021-30.06.2021 |
|---|---|---|
| **Revenues from sales** | **112,942** | **75,794** |
| Revenues from sales of other products and services | 87,539 | 58,534 |
| Net revenues from sales of materials and goods | 25,403 | 17,260 |
| **Own cost** | **91,068** | **62,317** |
| Production costs of products and services sold | 68,115 | 46,601 |
| Value of goods and materials sold | 22,953 | 15,716 |
| **Gross profit (loss) on sales** | **21,874** | **13,477** |
| Costs of sales | 11,115 | 9,380 |
| General administrative costs | 2,741 | 2,326 |
| Other revenues | 691 | 1,730 |
| Other costs | 1,200 | 236 |
| **Profit (loss) from continued operations** | **7,509** | **3,265** |
| Financial incomes | 35 | 53 |
| Financial costs | 928 | 307 |
| **Gross profit (loss)** | **6,616** | **3,011** |
| Income tax | 1,367 | 623 |
| **Profit (loss) from continued operations, in this attributable to:** | **5,249** | **2,388** |
| Shareholders of the parent Company | 5,249 | 2,388 |
| Basic net result per share in PLN | 0.48 | 0.26 |
| Diluted net result per share in PLN | 0.48 | 0.26 |
| Other total net income/loss | | |
| **Total net income, in this attributable to:** | **5,249** | **2,388** |
| Shareholders of the parent Company | 5,249 | 2,388 |
| Non-controlling shares | | |

In the first half of 2022, revenues amounted to approx. PLN 112.9 m and were higher by approx. PLN 37.1 m (approx. 49%), i.e. compared to the first half of 2021. The cost of sold products, services, goods and materials in the first half of 2022 amounted to approx. PLN 91 m (growth by approx. 46.1%

Makarony Polskie SA closed the first half of 2022 with a gross profit on sales of PLN 21.9 m, which is an increase of approx. PLN 8.4 m compared to the corresponding period of 2021, with gross profitability on sales at the level of approx. 19.3% (compared to 17.8% for H1, 2021).

Costs of sales amounted to approx. PLN 11.1 m in the first half of 2022 and increased by approx. PLN 1.7 m compared to the first half of 2021, which is a result of higher sales achieved.

The result on the operating activities (EBIT) in the first half of 2022 amounted to approx. PLN 7.5 m compared to approx. PLN 3.3 m in the first half of 2021 (growth by approx. PLN 4.2 m). The profitability on the operating activities amounted approx. 6.6% compared to approx. 4.3% in the first half of 2021.

Net profit in the first half of 2022 amounted to approx. PLN 5.25 m and is higher thant the result of the first half of 2021 by approx. PLN 2.86 m. The profitability on sales calculated at the level of net profit amounted to approx. 4.6% (compared to approx. 3.2% in the first half of 2021).

In the first half of 2022, Makarony Polskie recorded EBITDA at the level of approx. PLN 10.56 m (growth by approx. PLN 4.2 m YoY). The profitability on EBITDA was at the level of approx. 9.35% (compared to approx. 8.4% for the first half of 2021).

## Structure of assets and liabilities of Makarony Polskie SA

| ASSETS | 30 June 2022 | 31 December 2021 | 30 June 2021 |
|---|---|---|---|
| **FIXED ASSETS** | **134,783** | **118,828** | **116,863** |
| Tangible fixed assets | 78,599 | 79,465 | 77,152 |
| Fixed assets - IFRS-16 | 3,043 | 3,291 | 3,650 |
| Investment real estate | 603 | 603 | 603 |
| Other intangible assets | 5,293 | 5,325 | 5,358 |
| Goodwill | | | |
| Long-term financial assets, including | 47,190 | 30,080 | 30,080 |
| Shares | 47,190 | 30,080 | 30,080 |
| Borrowings granted | 0 | 0 | 0 |
| Assets for deferred income tax | 0 | 0 | 0 |
| Other long-term assets | 55 | 64 | 20 |
| **CURRENT ASSETS** | **65,187** | **63,789** | **38,464** |
| Inventories | 24,849 | 13,408 | 14,762 |
| Short-term receivables | 29,921 | 21,446 | 20,900 |
| Corporate income tax receivables | 508 | 554 | 0 |
| Borrowings granted | 2,005 | 2,003 | 2,003 |
| Cash and cash equivalents | 7,654 | 26,121 | 506 |
| Other short-term assets | 250 | 257 | 293 |
| **ASSETS FOR SALE** | **0** | **0** | **0** |
| **TOTAL ASSETS** | **199,970** | **182,617** | **155,327** |

| LIABILITIES | 30 June 2022 | 31 December 2021 | 30 June 2021 |
|---|---|---|---|
| **EQUITY** | **98,837** | **96,900** | **84,193** |
| Share capital | 33,120 | 27,750 | 27,750 |
| Supplementary capital | 48,468 | 39,228 | 35,303 |
| Reserve capital | 12,000 | 24,888 | 12,000 |
| Retained profits/losses (profit/loss from previous years) | 5,249 | 5,034 | 9,140 |

| | | | |
|---|---|---|---|
| **LONG-TERM LIABILITIES** | **38,315** | **41,997** | **30,663** |
| Provision for deferred income tax | 3,371 | 3,065 | 2,901 |
| Long-term bank loans and borrowings | 15,269 | 18,027 | 5,580 |
| Other long-term financial liabilities | 31 | 215 | 399 |
| Provision for pensions and similar (long-term) | 321 | 345 | 340 |
| Revenues of future periods - long-term | 16,141 | 16,777 | 17,413 |
| Long-term financial liabilities - leasing | 3,182 | 3,568 | 4,030 |
| **SHORT-TERM LIABILITIES** | **62,818** | **43,720** | **40,471** |
| Short-term bank loans and borrowings | 7,418 | 11,432 | 11,297 |
| Other short-term financial liabilities | 368 | 368 | 337 |
| Short-term financial liabilities - leasing | 1,055 | 1,391 | 1,763 |
| Financial liabilities due to dividends | 3,312 | 0 | 0 |
| Other short-term liabilities | 47,812 | 28,365 | 23,838 |
| Corporate income tax liabilities | 0 | 0 | 13 |
| Revenues of future periods - short-term | 1,302 | 1,302 | 2,037 |
| Provision for retirement and similar benefits (short-term) | 936 | 862 | 941 |
| Other short-term provisions | 615 | 0 | 245 |
| **TOTAL LIABILITIES** | **101,133** | **85,717** | **71,134** |
| **TOTAL LIABILITIES** | **199,970** | **182,617** | **155,327** |

As at 30 June 2022, the value of fixed assets was approx. PLN 134.8 m (approx. 67.4% of total assets) and was higher by approx. PLN 16 m compared to the level at the end of 2021.

As at 30 June 2022, the current assets amounted to approx. PLN 65.2 m and increased by approx. 2.2% compared to the end of 2021 when they amounted to approx. PLN 63.8. The greaterst changes in current assets are as follows:

- a decrease in cash and cash equivalents of approx. PLN 18.5 m, i.e. by approx. 70.7% YoY resulting from the accumulation at the end of 2021 of cash for the acquisition of PPH SAS A.Świderski Sp. z o.o. and finalization of this acquisition at the beginning of January 2022,
- an increase in inventories (by approx. PLN 11.4 m) and short-term receivables (by approx. PLN 8.5 m) compared to the end of 2021, resulting from increased sales, as well as increased production "for stock" (the contruction of warehouse stock is aimed at securing the continuity of sales in future periods in case of any possible shortages of raw materials and possible interruptions in production due to shortages of raw materials and utilities.

As at the balance sheet date, equity amounted to approx. PLN 98.8 m, representing approx. 49.4% of the value of liabilities and increased by approx. 2% compared to the value of approx. PLN 96.9 m at the end of 2021.

Long-term liabilities amounted to approx. PLN 38.3 m and dropped by approx. 8.8% (from approx. PLN 42 m) compared to the balance at the end of 2021. The greatest changes were recorded in terms of long-term loans (approx. – PLN 2.8 m).

As at 30 June 2022, short-term liabilities amounted to approx. PLN 62.8 m and increased compared to the balance at the end of 2021 amounting to approx. PLN 43.7 m. This situation was influenced by: an increase in the Company's turnover, prepayments for pasta deliveries to Ukraine and an outstanding amount of approx. PLN 4.7 m on the escrow account (restricted cash used as collateral for the transaction of the acquisition of PPH „SAS" Andrzej Świderski Sp. z o.o.).

# Management Board statements

## Statement on the reliability of the preparation of the financial statements

The Management Board of Makarony Polskie SA with its registered office in Rzeszów declares that, to the best of its knowledge, the semi-annual condensed financial statements of the Makarony Polskie Group - individual and consolidated - for the first 6 months of the financial year 2022, ended on 30 June 2022, and comparable data were prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear manner the property and financial situation of the Company and Makarony Polskie Group as well as their financial result.

The Management Board's report on the activities of the Company and the Makarony Polskie Group for the period from 1 January 2022 to 30 June 2022 presents a true picture of the development, achievements and situation of the Company and the Group, including a description of the basic threats and risks.

## Approval of the financial statements

This Management Board Report on the operations of the Makarony Polskie SA Group of Companies was approved for publication by the Management Board of the parent company on 29 September 2022.

*Zenon Daniłowski*
*President of the Management Board*

# Information about the company

**Makarony Polskie SA**
with its registered oofice in Rzeszów
ul. Podkarpacka 15A; 35-082 Rzeszów
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*