Makarony Polskie

- SPÓŁKA AKCYJNA -

Report of the Management Board on the Activities of the Makarony Polskie Group in H1 2023



Rzeszów, 27 September 2023

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In 1H 2023, the Makarony Polskie Group achieved total sales revenue of PLN 182.3m, net profit of PLN 16.5 million, while EBITDA reached PLN 28.4 million.

Introduction



Dear Sirs,

Dear Shareholders,

I present to you the Report of the Makarony Polskie Group for 1H 2023.

In the reporting period, our Group achieved total consolidated sales revenue of PLN 182.3 million, net profit of PLN 16.5 million, and EBIDTA reached PLN 28.4 million.

I encourage you to read the full report.

Respectfully yours,

Zenon Daniłowski
President of the Management Board

Makarony Polskie Group consisted of four companies: two production and one trading company.

Characteristics of the Makarony Polskie Group

Group's organisational structure

Makarony Polskie Group („Group") consists of three companies:

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



Makarony Polskie SA is a manufacturer of a wide range of pasta, produced in stamped and rolled technology. 100% of shares 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 product range is diversified with large forms of pasta intended for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The company has considerable scope to expand its range of pasta made from rare flours such as legumes and the portfolio will be developed in this direction.

The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand with Makarony Polskie).

Stoczek Natura Sp. z o.o. is a manufacturer of meat and vegetable preserves (ready meals, pâtés, lards, tinned foods), fruit preserves (jams, jam) offered under the Stoczek and Męska Rzecz brands, as well as ready meals in trays and bowls offered under the SoFood brand.

MP Trade Sp. z o.o. develops trade on own account with foreign goods of Polish and foreign producers. The company works in two business fields. The Company's main 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 pasta and other goods produced within

the Makarony Polskie Group. The second is the import of raw materials that are used for the Group's needs. The business model adopted by the company creates its value by increasing its brand value on the one hand, and on the other hand develops opportunities for importing raw materials (production is contracted out).

Changes in the organization of the Makarony Polskie Group in the reportingperiod

During H1 2023, the Makarony Polskie SA Group also included the subsidiary SAS Sp. z o.o. (formerly: Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o., on 2 January 2023 a change of company name was registered in the KRS). A company whose object was the production of a wide range of pasta, manufactured using rolled and pressed technology, including "nests". Makarony Polskie SA held 100% of the shares of SAS Sp. z o.o.

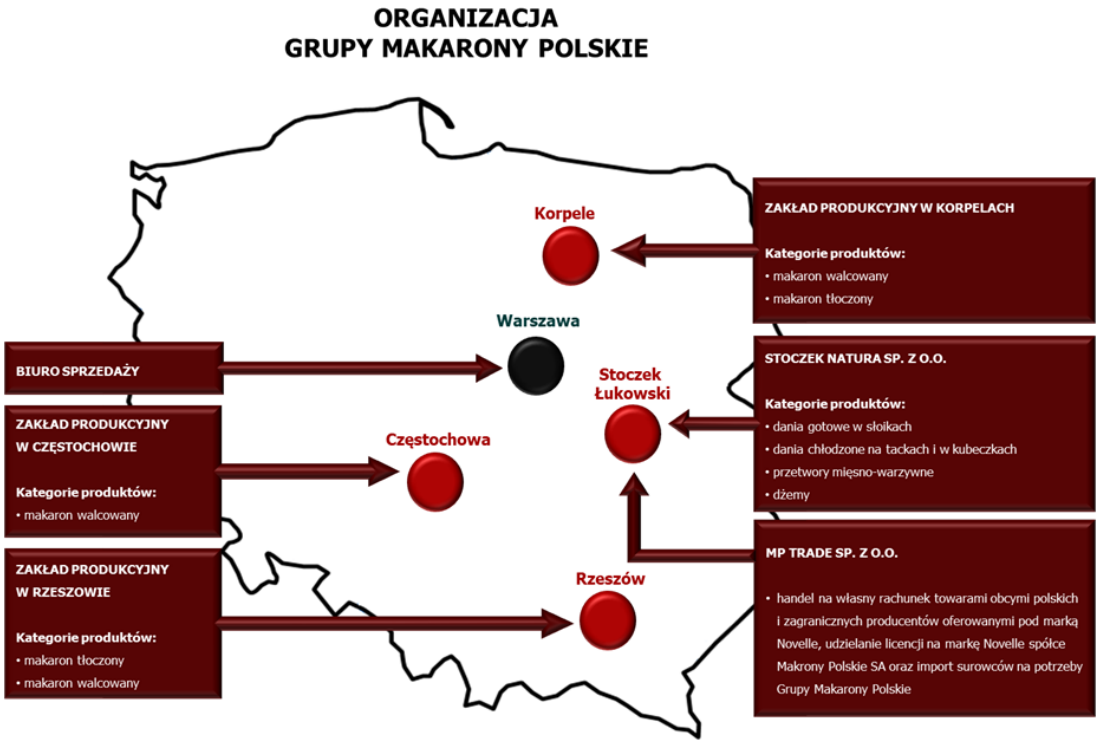
On 26 June 2023, the District Court in Rzeszów, 12th Economic Division of the National Court Register registered the merger of Makarony Polskie S.A. (as the acquiring company), with its subsidiary SAS Sp. z o.o. (as the acquired company).

The merger of the Companies took place based on art. 492 §1 item 1) of the KSH, by transferring all assets of the acquired company (SAS Sp. z o.o.) to the acquiring company (Makarony Polskie SA) - merger by acquisition. Pursuant to Article 514 of the KSH, the merger was made without increasing the share capital of the acquiring company, i.e. Makarony Polskie SA. As a result of the merger, the acquired company (SAS Sp. z o.o.) was dissolved without conducting liquidation proceedings and deleted from the register of companies of the National Court Register, according to art. 493 §1 of the KSH.

Economic considerations, among others, were in favour of the merger. As a result of the merger, it will be possible to:

- reduce of operating costs generated by simultaneous maintenance of two companies - Makarony Polskie S.A. and SAS Sp. z o.o., when the scope of business activities of both entities was the same or very similar and consisted mainly in pasta production,
- achieve the synergy,
- improve the corporate governance of SAS Sp. z o.o.'s assets,
- reduce the costs as a result of the merger of two companies
- integrate the operational processess of both companies.

Within the Makarony Polskie Company, individual companies enter into transactions of purchase and sale of products, goods and services among themselves. All transactions are performed on market terms and conditions.



Changes in the composition of the management and supervisory bodies

Composition of the Supervisory Board

From 01 January 2023 to the date of publication of these statements, the Supervisory Board was composed of:

- Roman Sobiecki - President of the Supervisory Board,
- Ahmed Khalil - Vice-President of the Supervisory Board,
- Marek Rocki - Member of the Supervisory Board,
- Michał Słomkowski - Member of the Supervisory Board,
- Wiesław Wasilewski - Member of the Supervisory Board.

Audit Committee

From 1 January 2023 until the date of publication of this report, the company had an Audit Committee of the Supervisory Board composed of:

- Roman Sobiecki - President 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 01 January 2023 to the publication of these statements, the Management Board of the Company was composed of one member. The function of the President of the Management Board is performed by Zenon Daniłowski.

During the reporting period, on 19 May 2023, in connection with the end of the 10th term of the Management Board of the Company, the Supervisory Board of Makarony Polskie S.A. decided that the Management Board of the 11th term will be a single-member one, and reassigned the function of the President of the Management Board to Mr Zenon Daniłowski. The resolution of the Supervisory Board became effective as of the date of the Ordinary General Meeting of Shareholders approving the Company's financial statements for the financial year 2022, i.e. as of 27 June 2023.

As at the date of publication of this report, the Company's proxies are:

- Grażyna Kozielec - since 31 May 2012
- Beata Majewska-Karp - since May 31st 2012
- Witold Żarek - since 4 March 2013
- Marcin Zieliński - since 19 November 2019
- Artur Woźniak - as of 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 authorities in the subsidiaries Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. are the Shareholders' Meeting and the Management Board.

Boards of directors of subsidiary companies

Stoczek Natura Sp. z o.o.

As at 30 June 2023 and the date of publication of these statements, the management board of the subsidiary Stoczek Natura Sp. z o.o. was composed of:

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.

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

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

- Alicja Hinz - since 05 October 2001.

The commercial power of attorney granted is joint and several, as the commercial proxy may represent the Company only when acting jointly with another commercial proxy or Management Board member.

MP Trade Sp. z o.o.

In the period from 01 January 2023 to the date of publication of this report, the Management Board of the subsidiary MP Trade Sp. z o.o. consisted of:

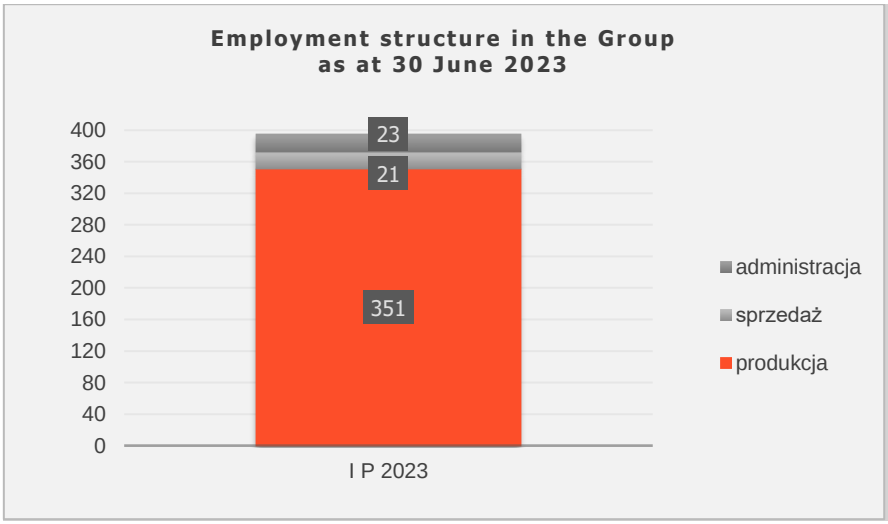
- Marcin Zieliński - President of the Management Board.

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

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 .

The employment level as at 30 June 2023 in the Makarony Polskie Group totalled 395 persons (vs. 384 persons at the end of H1 2022).



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 a optimal level of task and goal fulfilment, the Makarony Polskie Group takes steps towards effective human resources planning, even before the actual demand in this respect occurs. The Group has implemented and conducts, in close cooperation with the heads of the various organisational units, a systematic identification of future staffing needs and training and development programmes for employees aimed at acquiring the right competences necessary for the organisation.

The incentive remuneration system adopted in the Group assumes that employees receive remuneration consisting of a fixed part (basic salary) and a variable part (including bonuses and rewards) awarded depending on their contribution, commitment and the level of achievement of objectives/tasks set for 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 co-operation with candidates, the Group companies are guided by clearly defined selection criteria, such as e.g. professional experience, length of service in the profession, education relevant to the scope of tasks entrusted. The Group hires both women and men of different age ranges, taking into account the assessment of candidates' fulfilment of merit criteria and strives to prevent any form of discrimination.

The Group willingly participates in various types of internship programmes aimed at students and graduates, appreciating the value and competence of young people, their enthusiasm and creativity. It also provides internships for secondary school and university students. In addition, it provides internships financed by the European Union and Poviat Labour Offices for unemployed people.

by age and gender	Employment structure of the Group's employees as at 30 June 2023		
	women	men	together
18-29	16	26	42
30-49	124	81	205
50+	95	53	148

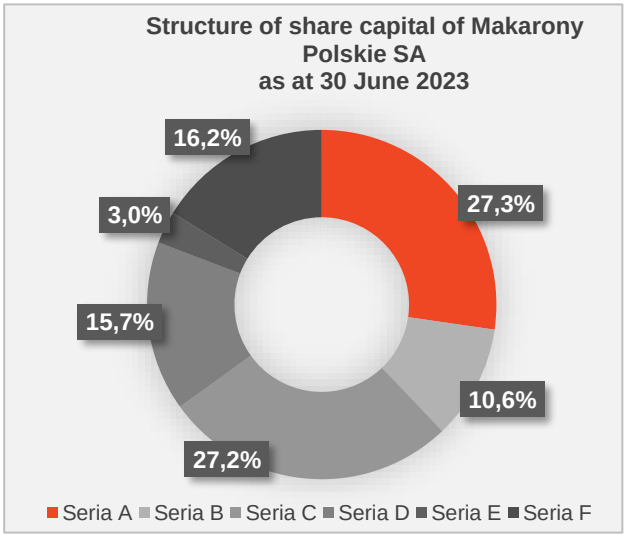
Share capital

Share Capital of Makarony Polskie SA,

- 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 ordinary bearer shares of A series,
- 1 169 750 ordinary bearer shares of B series,
- 3 000 000 ordinary bearer shares of C series,
- 1,735,821 ordinary bearer shares of D series,
- 331 250 ordinary bearer shares of E series.
- 1,790,000 ordinary bearer shares of E series.



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 major shareholders (above 5% of capital)

Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the votes in the total number of votes at the Company's General Meeting as at the date of the report (according to the information available):

Shareholder	Shares in share capital		Votes at the General Meeting	
	number	share in %	number	share in %
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%
IN TOTAL	**11,040,071**	**100,00%**	**11,040,071**	**100,00%**

The Company has no information that would indicate changes in the number of shares held by significant shareholders (with share blocks above 5%) during the reporting period 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 Members of the Management Board

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	H1 2023		2022	
	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 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 2022.

In accordance with the information held by the Company, during the reporting period 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.

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	H1 2023		2022	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil	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

To the best of the Company's knowledge, there have been no changes in the shareholdings of the Members of the Supervisory Board during the reporting period and up to the date of publication of this report.

Shares in subsidiaries

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

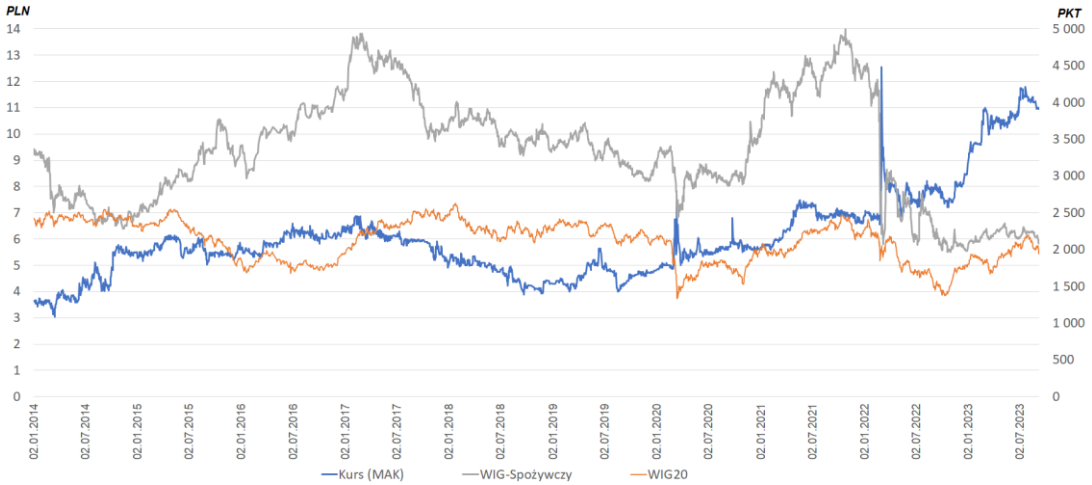
Makarony Polskie SA on the capital market

Quotations and main indicators

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

Characteristics of the Makarony Polskie Group

In 2023, the Company paid a dividend of PLN 0.60 gross per share, amounting to PLN 6.6 million.



	2013-01-02	2015-01-02	2017-01-02	2019-01-02	2021-01-04	2022-01-03	2023-06-30	Change from 02/01/2013
Makarony Polskie SA	2.06	6.03	6.45	4.40	5.70	6.92	11.40	+553%
WIG20	2,626	2,309	1,957	2,302	2,009	2,272	2,065	-21,3%
WIG-Food	3,719	2,452	4,195	3,447	3,716	4,498	2,152	-42,1%

Information on dividends at Makarony Polskie

Makarony Polskie SA did not pay a dividend in 1H 2023.

In 2023, the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from 01 January 2022 to 31 December 2022 in the amount of PLN 10,462,290.10 should be divided as follows:

- to pay the shareholders a dividend of PLN 0.60 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 27 June 2023, the Annual General Meeting of Makarony Polskie SA adopted resolutions on approving the financial statements for the reporting year 2022 and net profit distribution. By decision of the General Meeting, the net profit for the period from 1 January 2022 to 31 December 2022 was distributed in accordance with the recommendation of the Management Board, i.e. as follows:

- the amount of PLN 6,624,042.60 was earmarked for the payment of dividends to shareholders in the gross amount of PLN 0.60 per share,
- the remaining part of the profit in the amount of PLN 3 838 247.50 was allocated to the Company's supplementary capital.

The dividend date was set for 14 July 2023. The dividend was paid on 21 August 2023. 11,040,071 Company shares were entitled to the dividend.

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

Use of proceeds from the issue

In the period from 1 January 2023 to the submission date of this report, the Company did not issue shares.

Authorisation for the Management Board to purchase own shares of Makarony Polskie S.A.

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 its customers - it has recently been enriched by functional products: dietary and health-promoting.

Operations of the Makarony Polskie Group

Main products and services

Assortment of branded products:

PASTA:

MAKARONY POLSKIE - A brand with a distinct personality, which is part of the popular and stable market trend of promoting native and local food; dedicated to consumers who appreciate good, Polish quality at a reasonable price.



The brand's portfolio includes both traditional egg pasta (rolled, offered as a b-brand with the Abak brand) and pressed pasta, made from common wheat flour and durum wheat flour. The range includes 7 of the most popular forms that have a wide range of uses in the kitchen.



ABAK - a pasta brand aimed at consumers looking for economical products at a good price. As of 2022, it includes a line of egg pasta in 200g weights that refer to traditional recipes and home cooking. The brand's portfolio includes pasta with chicken and quail eggs in the two most popular forms, i.e. sliced and ribboned.



The Group's ambition is for the Makarony Polskie and Abak brands to become a vehicle for sorting out the currently fragmented middle shelf, positioned just below the leader, and taking over the shares currently held by a very large number of small producers.

SORENTI - is a brand created for gourmets of Italian cuisine, with a range of the most popular forms of pasta made from 100% durum wheat flour milled from the highest quality hard-grain wheat.

The Sorenti brand offers two product lines. The first is classic Italian-style pasta made from durum flour.



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



In the domestic market, the Sorenti brand operates mainly in the modern channel. The advantage of this brand in an intensifying competitive environment is the affordability of the products. The Sorenti brand is also a very attractive export commodity with high potential for growth and further internationalisation.

NOVELLE – trademark Novelle is a trademark registered with the Polish Patent Office by the MP Trade Sp. z o.o. company.

Novelle is an aspirational brand aimed at consumers inclined to culinary experimentation, dedicated to an innovative line of products responding to food trends firmly rooted in plant-based cuisine. The Group's ambition is for it to be a trend-setting brand in the category of innovative, alternative products to those based on traditional recipes.

The Novelle brand offers pasta made from flours extracted from legumes, tortellini in various flavours, high-protein pasta and functional pasta with dietary and health-promoting properties.

The legume pasta line is the ideal alternative for those consumers who want to add vegetables to their diet. These are 100% vege (confirmed by V-Label Vegan certification), high-protein, gluten-free products. They are less calorific than traditional wheat pasta thanks to their high protein and fibre content and low carbohydrate content. They are very convenient to use because they are prepared much more quickly and easily than the vegetables they come from.



The line of tortellini pasta, which are small Italian dumplings made from durum wheat flour with eggs and filled with a variety of fillings, is perfect as an accompaniment to soups and salads, or as a main course. Novelle tortellini have recently gained new packaging and new flavours. They are specially produced in Italy to reflect their unique taste and quality. There are now 5 SKUs in the portfolio, in 250g weights, in convenient foil packs. They are prepared without added preservatives and palm oil.



Since 2022, the Novelle brand has been systematically expanded to include functional pasta of a dietary and health-promoting nature. The range includes pasta made from 100% spelt flour, 100% rye flour and 100% wholemeal flour (wholemeal pasta).



The brand's portfolio is complemented by Diabetic pasta - the first in a line of products targeted for health-conscious people, whose task is to support the human organism in counteracting and fighting against civilisation-related diseases. Diabetic pasta helps to maintain normal blood sugar levels. It contains a high content of naturally occurring dietary fibre. It is a source of zinc and chromium. Zinc contributes to maintaining normal carbohydrate metabolism, while chromium helps to maintain normal blood glucose levels. Diabetic pasta boasts a low glycaemic index: below 55.



In the following periods, the offer of the Novelle brand will be expanded with new products based on plant proteins. Development of new products will be carried out in close cooperation with the marketing team of Makarony Polskie S.A. and New Product Development (NPD) teams functioning in the Makarony Polskie Group.

CANNED MEAT AND VEGETABLE

The branded range of canned meat and vegetable preparations included ready meals under the Stoczek and Męska Rzecz brands and lard under the Stoczek brand.



Stoczek – the ready meals offered by the Group - classic dinners of Polish cuisine - combine homemade taste with the convenience and speed of their preparation, making them perfectly in line with current trends in the food products market.



So Food's tray and bowl dishes are offered to customers on the so-called dry (unrefrigerated) shelf and include several product lines.

According to a Nielsen report for 2022, they have achieved the position of sales leader in their category.

Męska Rzecz - a brand dedicated to the widest range of consumers in this food category, specially seasoned for male tastes, competing on the shelf with its affordable price. Among the brand's products, consumers will also find large packs of well-known and well-liked canned dishes. Men's favourite dishes as an alternative to those made independently at home.





So Food – the brand under which tray and bowl ready meals are offered. The distinctive features of this assortment group are light packaging (two-chamber trays or bowls), ease and speed of heating meals and the possibility of storing them at room temperature.



The distribution network for this product category is constantly being expanded and the company strives to adapt the brand portfolio to market trends and the ever-changing, highly demanding consumer.

So Food products are offered to customers on the so-called dry (unrefrigerated) shelf. These are heat-treated dishes with a clean label: no colours, no flavour enhancers, no preservatives.



The brand's first two product lines were launched in 2019: Inspired by World Cuisines and Fit Kitchen.

In 2021, the brand's range was expanded with two new lines: Premium Kitchen and Line of Dishes in Bowls.

The premium line is based on high-quality ingredients, using products that give exceptional flavour to the dishes, such as coconut milk, mango juice and tender beef. The range offers a selection of three unique dishes: Japanese-style beef, Mango lassi chicken and Thai-style chicken.



The line of dishes in bowls combines modern packaging and classic 'one-pot' style flavours, e.g. Leczo with sausage, for a quick and convenient meal with a clean label. It is based on vegetables in its composition, making these dishes the perfect meal to supplement the daily portion of vegetables for a healthy body.



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



In 2023, the So Food brand portfolio has been expanded with two new lines. The first is Asian cuisine, which includes three chicken-based meat dishes and one vegetarian dish with a meat substitute. This is an oriental line characterised by a unique taste, thanks to aromatic spice blends.



The second is ready-made dishes with pasta. Pasta in Bolognese sauce, Vege sauce Bolognese with pasta, Mediterranean Chicken with pasta and Pasta with Chicken in sauce with pineapple and mango. The dishes are inspired by World Cuisines and respond to the needs of consumers who are looking for dishes with pasta.



According to the Nielsen report for 2022, SoFood's ready meals on trays have achieved the position of sales leader in their category. This is a very good forecast for the future, which is why the ready-made tray meals category will be systematically expanded to remain consistent with market trends and customer needs.

Private label product range:

The Makarony Polskie Group has a diverse and modern machinery park in each of its production plants. Combined with the expert knowledge of the employed specialists and the R&D centres, this gives a wide production capacity and enables the Group to offer a wide and varied assortment in the market segments in which it operates. The Group's offer is used by many retail chains both in the Polish and foreign markets.

In developing its assortment for the needs of private labels, the Makarony Polskie Group is based on global trends in the food market, in particular:

- concern for health and well-being (enrichment of products with additives that affect well-being, energy, vitality and the immune system),
- minimising the intake of animal protein and replacing it in the diet with alternative plant-based (legume-based) protein,
- local origin of ingredients and place of production (encouraging the purchase of domestic food, supporting local businesses and communities),
- stop food waste (responsible production and marketing).

In the first half of 2023, the Group continued development work in the area:

- vegan/vegetarian products (alternative source of plant-based protein),
- vegan/vegetarian products (alternative source of plant-based protein), high-protein products,
- health-promoting products fortified with vitamins and minerals,
- products inspired by world cuisines,
- products based on ancient cereal varieties (authenticity, origin), with improved sensory and organoleptic characteristics,
- products with a short preparation time, in convenient packaging (convenience),
- pasta with eggs from alternative livestock farming (animal welfare, sustainability),
- more environmentally friendly packaging (reduction of plastic, reduction of paper, reduction of printed surfaces, introduction of product labelling with symbols to facilitate waste separation and recycling).
- economic products that meet the needs of consumers in an era of high prices and inflation.

Market environment

General market trends

The pasta market

The pasta market in Poland is fairly stable, although in recent years, as with the economy as a whole, it has been affected by unforeseen one-off events such as the Covid-19 pandemic, the macroeconomic situation (high inflation) and the geopolitical situation (war in Ukraine).

After the clear sales fluctuations that occurred in the pasta market in 2020 due to successive pandemic waves, 2021 brought some stabilisation in this area as consumers stopped buying to stock up.

However, 2022 brought further sales peaks due to inflationary unrest and Russian aggression in Ukraine. Again, many products with a long shelf life, including pasta, were purchased 'for the pantry' or as humanitarian aid donated to Ukraine and its people. The sales situation stabilised at the end of the first half of the year.

The trends with the strongest impact on the pasta market are:

- the macroeconomic situation related to inflation and rising food prices - consumers are limiting their purchases to baskets of basic needs and products with a long shelf life. As consumers look after their limited budgets, the price of the product is becoming increasingly important in their purchasing decisions;
- clean label, health benefits of meals - consumers are looking for products with natural ingredients, without chemical additives. Additional nutritional values that have a positive impact on the health of the body, e.g. helping to fight lifestyle diseases, are also an important factor in deciding to buy a product;
- Plant-based products - plant-based proteins will take an increasing share of the market over the next few years, with consumers looking for plant-based, healthy products on shop shelves to replace their zoonotic products. A strong trend in the food market is the fashion for healthy eating and various types of diets, such as gluten-free, low-carbohydrate or vegan. This is directly reflected in the product offering - BFY (Better-For-You) products based on whole grains, alternative cereals, legumes or gluten-free ingredients and vegetables are appearing in large numbers;
- product patriotism - consumers attach increasing importance to the country of origin of a product. The country of origin of the product and its ingredients is an important factor influencing 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 not to mention the "zero waste" trend of not wasting food. This is observed not only in the diversification of packaging by producers: standard, family or "portion at a time" type, but also as a social trend promoting responsible shopping (buy as much as you eat) and culinary education on how to make full use of food products. Corporate social and climate responsibility policies and companies' drive towards zero carbon are also becoming increasingly important in consumers' purchasing decisions;
- convenience - convenience in meal preparation - consumers want to be able to prepare a tasty meal quickly and easily. They are increasingly turning to ready-made meals that are prepared in such a way that they are sufficient for a full portion for one person, e.g. ready-made trays. No food is wasted. You also save energy, water and gas, which is good for the environment, but also for your budget. In addition, you do not buy increasingly expensive products to prepare your meal.

The convenience food market

The Polish ready-to-eat meals market is in a growth phase and is expected to be worth PLN 2.13 billion by the end of 2023 This market is characterised by a dynamic change in structure, both in terms of the range of products offered and the manufacturers competing in it.

The ready meals market, 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 both as part of consumers' 'organising' of food stocks for their own consumption, as well as donated as humanitarian support.

The trends with the strongest impact on the ready meal market are:

- the trend towards pro-healthiness and naturalness - the need to eat 'free from...' is increasing along with consumers' level of knowledge and their fear of allergies and preservatives. Consumers are increasingly demanding 'clean label' (ingredients free of artificial additives, flavour enhancers and preservatives) and manufacturers are emphasising the simplicity and health-friendliness of their recipes. It is fashionable to use inspiration from different regions of the world in meals;
- "Transparency" of products - it is desirable that prepared food products, in addition to a clear label and brief product composition, also have packaging that allows consumers to see the meal before making a purchasing decision, such as transparent film;
- Convenience - convenience, ease of use - manufacturers are looking for more and more new solutions to make it easier for the consumer to heat up and consume a dish. Convenience and speed are emphasised by the growing number of takeaway-inspired meal proposals. The category is seeing an increase in the popularity of so-called meal kits (kits enabling the consumer to complete or compose a dish on their own), which stems from the need to compromise between mass-produced ready-made dishes, devoid of even a shadow of individuality, and the lengthy and often demanding task of cooking from scratch.
- On European markets, a trend has been observed for many years of growth in the ready-meal segment in trays and cups at the expense of a systematic shrinkage of the shelf-stable shelf. In Poland, the so-called dry shelf (shelf-stable) still holds the largest market share, but here, too, the gradual shift of consumers towards the refrigerated shelf is becoming more pronounced. For an increasing number of consumers, ready meals are a convenient and cheaper alternative to a boxed diet;
- Shelf life - consumers look for products with a long shelf life in order to prepare food stocks, to secure their household in times of economic instability;
- an increase in environmental care - the consumer expects the producer to have a sustainable production policy and to minimise the environmental impact (less plastic,

recyclable materials). Packaging should be environmentally friendly, made of recyclable materials.

- the macroeconomic situation related to inflation and rising food prices - consumers are limiting their purchases to baskets of basic needs and products with a long shelf life. As consumers look after their limited budgets, the price of the product is becoming increasingly important in their purchasing decisions;

Sales markets of the Makarony Polskie Group

The sales markets of the 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).

For the period	Q2 of 2023	H1 of 2023	Q2 of 2022	H1 of 2022
Country	87,297	172,352	65,345	127,872
Exports, including:	5,857	9,913	13,903	20,298
- European Union countries	3,738	6,325	1,628	4,036
- other countries	2,119	3,588	12,275	16,262
Total	93,154	182,265	79,248	148,170

In H1 2023, the value of sales amounted to approximately PLN 172.4 million on the domestic market and approximately PLN 9.9 million in exports. In the corresponding period of 2022, those figures were approx. PLN 127.9 m and approx. PLN 20.3 m, respectively.

The decrease in exports in the first half of 2023 compared to the corresponding period of 2022 is due to a decrease in export sales to eastern markets due to the war in Ukraine.

Significant contracts

During H1 2023 and up to the publication date of this report, the Company has not entered into any agreements that meet the criteria of a significant agreement.

Factors relevant to the development of the Group

In H1 2023, the Makarony Polskie Group generated sales revenue of approximately PLN 182.3 million and a net profit of PLN 16.5 million. This is mainly due to the following factors:

- acquisition of SAS Sp. z o.o. at the beginning of 2022 - thanks to new investments and the full integration of the SAS company into the Group's structures, both production and sales capacities in the pasta category were significantly increased,
- increases in the prices of the offered products forced by the shock increase in the levels of producer inflation and the necessity of constant adjustment of sales prices to the level of growing costs of production and sales,
- sales assortment development through the implementation of new products both in the private label area and branded products in the modern trade channel,
- cost optimisation measures related to the efficient use of heat and electricity sources, production resources and increased efficiency in production processes and the logistics chain,

Factors influencing the future performance 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 a research and development center will allow the Group to expand its product range and enter new market segments, both at home 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 and implementing 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 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,

- „SAS" Sp. z o.o. (currently the production plant of Makarony Polskie S.A. in Korpeli) carried out a number of investments aimed at improving the effectiveness and flexibility of production and reducing the production costs, the company took steps towards selling unused assets, and work was carried out on diversifying the sources of technological heat generation for the plant,
- in all the Group's plants, by the end of 2023, it is planned to complete investments in photovoltaics - pasta and ready meals production processes are characterised by high energy intensity of production, 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 intensity of production resulting from increases in electricity prices.

Finalisation of the incorporation process of SAS Sp. z o.o. into Makarony Polskie S.A.

- On 26 June 2023, the District Court in Rzeszów, 12th Economic Division of the National Court Register registered the merger of Makarony Polskie S.A. (as the acquiring company), with its subsidiary SAS Sp. z o.o. (as the acquired company), in accordance with the earlier resolutions of the General Meeting of Makarony Polskie S.A. and the Meeting of Shareholders of SAS Sp. z o.o. concerning the merger of the companies and the merger plan, which was agreed upon and signed by the Management Boards of both companies on 31 August 2022,
- The merger of the companies is supported by, among other things, economic conditions. As a result of the merger, it will be possible to:
  - reduce the operating costs generated by the simultaneous maintenance of two companies, when the scope of business activities of both entities was the same or very similar and mainly concerned 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 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),
- special campaigns, seasonal listings of branded products in discount stores,
- activities aimed at improving the profitability of the sales channel, including optimization measures in the area of packaging, 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

- a systematic increase in the number of customers in foreign markets - a focus on European markets, where the Group is systematically developing its cooperation with networks and distributors,
- intensification of communication with current and potential customers through the participation, inter alia, in trade fairs and exhibitions 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 Makarony Polskie Group

The impact of the Covid-19 pandemic on the business and financial performance of the Makarony Polskie Group in H1 2023 was insignificant.

There were no risks in the Group that would prevent the Group from settling its liabilities, there were no problems with the repayment of receivables by contractors (no changes in the collection of receivables were identified), there was no increase in the risks in the valuation and backlog of inventories, and there were no risks of failure to meet financial covenants in loan agreements in connection with the Covid-19 pandemic.

The state of epidemic emergency introduced in connection with SARS-CoV-2 virus infections in Poland was revoked by a decree of the Minister of Health as of 1 July 2023.

Impact of the political and economic situation in Ukraine on the activities of Makarony Polskie S.A.

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 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 labour market,
- pressure from the business environment forced the Group to renegotiate contracts and change the method of setting prices for customers - since the outbreak of the war in Ukraine, the Group's companies adopted a strategy of setting prices in short-term periods (in 2022, these were monthly periods, in the first half of 2023 - periods of 2-3 months, from the fourth quarter of 2023 - a maximum of six months, with the possibility of

maintaining sales prices in subsequent periods on condition of stabilisation of market prices of raw materials and packaging),

- in connection with unrestricted inflow of raw materials and materials, a ban on the import of grain and grain products, e.g. flour, from the territory of Ukraine was introduced, which closed for a certain period the possibility of developing cooperation with suppliers from the Ukrainian market in the situation of products for which there is no alternative on the domestic market.

Immediately after the outbreak of war in Ukraine, additional procedures were implemented in the Makarony Polskie Group to secure continuity of production and reduce the risk of lack of raw material, 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. 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 this moment, despite the war that has been going on for 18 months, it is difficult to predict the 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, both in the area of export sales and purchase of raw materials, is not significant. Other factors, such as turbulence on the energy and gas market and inflation, have a much greater impact on the situation of the food business 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, 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 Group's current product offering is modified in line with market trends.

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 analysed on an ongoing basis, which allows for quick response in the area of possible threats. The first half of 2023 was a period of stagnation or reduced consumption, which translated into decreases in production volumes both for the Makarony Polskie Group and the entire pasta industry. A commercial risk is the increasing pressure on producers to balance their supply capacity with demand. This may result in an aggressive pricing policy that is not correlated with the cost level and the dynamically changing market environment, especially in the group of the so-called 'standard products'. The Group seeks to minimise this risk by diversifying its operations and developing innovative products (teams are in place to carry out R&D projects).

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. Niektóre z umów handlowych nie zawierają ściśle określonej wielkości estymowanych zakupów jakich odbiorca dokona w czasie obowiązywania

kontraktu, co było dotąd dość powszechną praktyką rynkową. 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.

In terms of contracting, the market has not returned to annual periods due to the uncertainty of costs and availability of raw materials and inputs, while pricing periods have lengthened from a monthly to a two/three month cycle compared to 2022.

The stagnant market is forcing shops and retail chains to take aggressive measures to stimulate consumption and attract customers through promotions, shelf price reductions, often against the level of producer inflation. The gap between market expectations and producers' expectations may cause changes in the utilisation of production potentials and the flow of production and sales volumes in short-term periods on a more significant scale than was the case in the corresponding period of 2022.

In the Group's opinion, the risk of dependence on customers is not significant, as the Group companies are systematically working towards diversifying their 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 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 prices on the global markets make the suppliers more careful and reluctant to enter into such contracts.

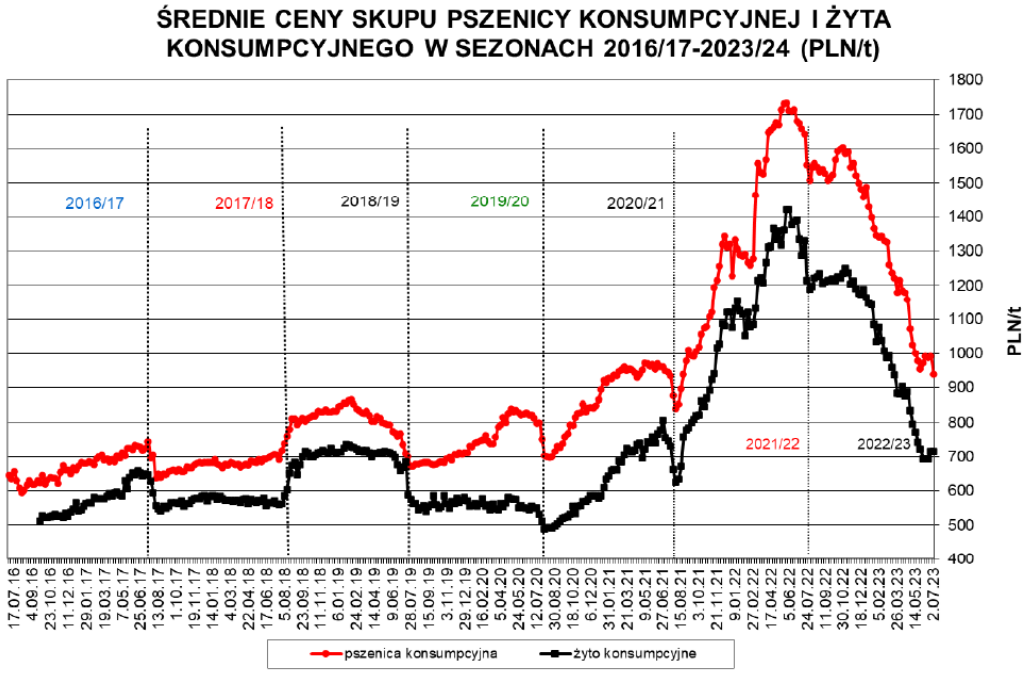
At the start of hostilities in Ukraine, at the end of March 2022, wheat prices rose sharply to Eur 384.50/t reaching levels unmatched in earlier years. Despite a successful harvest, high prices on the cereal markets persisted until the end of 2022. News of further increases in the price of energy carriers caused cereal producers to become very rigid in the fourth quarter of 2022 with regard to grain sales. Thus, the price of flour remained high. Despite the ongoing hostilities in Ukraine, the situation has started to calm down in the first quarter of 2023. The extension by Russia of the agreement accepting the export of wheat by Ukraine and the information about very large world wheat stocks caused the market to calm down and, with such high wheat stocks, there was further stabilisation of prices on world stock exchanges.

It is worth noting that there were large stocks of wheat grain on the Polish and neighbouring markets in the first half of 2023. The situation was still complicated by information about a significant and uncontrolled inflow of wheat from Ukraine, which created the ground for tensions in the agricultural environment, lobbying actions, social pressure and the expectation of intervention actions at the national and European level. Such intervention took place, and

the declared subsidies to farmers for each tonne of wheat sold significantly calmed the market. This resulted in a slight fall in flour prices. However, at the end of Q2, Russia threatened not to extend the agreement with Ukraine to sell grain beyond 15 July 2023. European markets again reacted with a gentle increase in wheat prices. In addition, the next wheat harvest, due to a significant drought, was forecast to be very moderate in quantity and quality. If the information about a weaker harvest in terms of quantity and quality is confirmed, prices could rise in the following quarters.

High prices also persisted in the durum wheat flour market, with semolina prices reaching unprecedented levels by December 2022. Ahead of the 2022/2023 harvest, demand for durum wheat, and thus semolina, outstripped supply, leading to price increases. Confirmed news of good harvest forecasts, particularly in Canada, had a positive effect on stabilising the price of durum wheat flour for the following season, with price stabilisation occurring at a high level. At the same time as the market calmed down, global durum wheat stocks began to be balanced. It turned out that stocks were significant and durum wheat prices fell slightly at the end of the first quarter of 2023. This situation continued into Q2 2023. It was only the information at the end of Q2 about the drought in Canada and the expected smaller harvest that caused a slight increase in the price of durum wheat and thus flour. An element that could effectively disrupt price stability in the durum wheat market in H2 2023 is the durum wheat harvest forecasts in North America. Already at this point, there is information about the significant negative impact of the drought on the durum wheat harvest in Canada and the United States.

The graph below shows the development of soft cereal prices in Poland in recent years:



Consumer rye Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 27/2023, Sparks Polska

In the first half of 2022, egg prices remained high. This was certainly heavily influenced by the hostilities in Ukraine and the significant increases in feed and energy prices. After a slight calming of the market at high price levels, September 2022 saw another systematic increase in the price of egg pulp due to strong demand and the detection of further outbreaks of avian influenza. All these elements caused, at the end of 2022 and in the first quarter of 2023, the prices of eggs and egg pulp to reach very high levels, unprecedented in the history of the trade in these raw materials. A slight calming of the market and gentle price decreases only occurred at the end of March 2023. This gentle trend continued into Q2 2023. There was a further calming of the market. The holiday period is characterised by a cyclical reduction in demand for eggs. However, the prediction is that egg consumption will increase again in Q3 and thus prices will rise. The situation in subsequent periods will be influenced by factors such as the dynamics of the spread of avian influenza outbreaks, or increased demand for Polish eggs in Western European countries.

Significant price increases in 2022 also occurred in the foil and cardboard packaging market. The price increase in Q2 2022 compared to prices in Q4 2021 was approximately 140%. This high price level continued until the middle of Q4 2022. At the end of 2022, stabilisation and even gentle decreases in paper, cardboard and film prices could be observed in the market. These decreases were the result of reduced demand for packaging due to reduced consumption. In H1 2023, the market remained stable recording slight price adjustments depending on the business situation of suppliers. However, a message is already being sent from the packaging market that due to rising costs (wages, fuel, etc.) an increase in the price of film and cardboard packaging is expected.

Stoczek Natura Sp. z o.o. is a producer 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. 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. Purchasing of fruit and vegetables is carried out seasonally, in the months when their prices are lowest. If necessary, the purchased raw materials are stored in company warehouses and cold stores. Stoczek Natura Sp. z o.o. is exposed to an increase in raw material prices resulting from various weather anomalies. In an effort to minimise this risk, the company maintains an extensive supplier base of key raw materials. In the first half of 2023, the company used fruit purchased in the 2022 season, so this was a period of assumed stabilisation.

Meat is the main raw material influencing the prices of the company's products. In 2022, the prices of purchased meat elements increased significantly - increases averaged 30%-60%. Pork price increases also continued in Q1 2023. Due to the fact that the company has secured stocks of this raw material for a period of several months at the end of 2022, it has mitigated the negative impact of the price increases on its operational activities in the first half of 2023.. It thus gained time to adjust the sales prices of finished products to the increased production costs, which is particularly important in the case of retail chains, where the process of implementing price increases is stretched over time. Poultry meat prices in the first quarter of 2023 were characterised by price stabilisation, which had a positive impact on the company's assumed sales margins.

The first quarter of 2023 saw reductions in the price of natural gas as a result of which the glass packaging market stabilised. The price of natural gas is one of the key costs in the production of jars, so its optimal price results in a preferred stabilisation of glass packaging prices. The supply of jars is currently good and increasing, which has a positive impact on the price formation in the market.

Despite the stabilisation of prices of utilities such as gas and electricity in the first quarter of 2023, the Group continues to monitor price forecasts for key raw materials and packaging. It is estimated that the prices of some raw materials and packaging will fall and inflation will no longer be as high as it was in 2022, nevertheless markets will still take a long time to stabilise after the disruption caused by the Covid-19 pandemic and the outbreak of war in Ukraine. Due attention to operational optimisation, systematic monitoring of process efficiency and cost levels, as well as rapid adjustment of product selling prices to the rising costs of their manufacture, are becoming crucial. This radically changes the business relationship between business partners, e.g. the reluctance of suppliers to set fixed commercial terms for longer contract periods (e.g. one year) translates the risk of operating in the short term and the 'uncertainty of tomorrow' into customers.

Risk of variable legal and tax environment

The Polish legal and tax system is characterised by frequent changes, with legal regulations being significantly altered basically from day to day (e.g. during the COVID-19 outbreak, after the introduction of the Polish Order, after the outbreak of the war in Ukraine, or in connection with the upcoming elections and the ongoing election campaign), which makes the activities of companies, including the companies of the Makarony Polskie Group, burdened with very high uncertainty. This is a detrimental factor for business activity which involves a lot of risk.

The protection of the interests of the Group in terms of legal changes is supervised by legal teams that in due course take appropriate actions aimed at minimizing the possible effects of

these changes. Quality teams keep track of all legal regulations regarding products and packaging, and the changes required by law are implemented without unnecessary delay.

Risk of wage pressure

Systematic increases in the level of the minimum wage and the minimum hourly rate on civil law contracts, mean that wage pressure is building up among employees and potential job applicants. This phenomenon is compounded by the fact that, in recent times, the labour market has increasingly become an employee market. Employers, including Group companies, are increasingly finding it difficult to find suitable candidates for vacant positions, both among specialists and managers, as well as among unqualified people.

Aiming to minimise staff turnover, particularly among key employees and specialists, the Group seeks to systematically implement incentive-based remuneration systems (linked, inter alia, to production and sales performance), which, by closely linking the performance of individual teams/individuals with the effectiveness of achieving the Group's objectives set for those teams/employees, make it possible to combine a remuneration level that satisfies employees with the profitability of the company's operations. In order to increase motivation and build employee loyalty towards the employer, the Group's companies also systematically diversify the package of non-wage benefits, such as sports cards, group insurance, Christmas cards or private medical care, in order to best match it to the needs and expectations of employees.

Risk related to changes in exchange rates

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

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

The table presents the currency structure for given classes of financial instruments as at 30 June 2023:

Groups/categories of financial instruments	Balance sheet value as at 30.06.2023 PLN k	Currency exposure as at 30.06.2023 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	12,041	852	852	0
Trade receivables	43,862	979	979	0
Financial liabilities				

Trade liabilities	39,365	5,462	5,462	

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 30 June 2023:

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	42.6	- 42.6	0.0	0.0
Trade receivables (gross)	49.0	-49.0	-	-
Financial liabilities				
Trade liabilities	- 273.1	273.1	-	-

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 2023, the Group used external financing in the form of bank loans: working capital loans, overdrafts and investment loans.

As at 30 June 2023, the Group had a liability due to loans taken out, in the amount of PLN 21,609 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	21,609	10,519	11,090

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 2023 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 30.06.2023 PLN k	Value at risk as at 30.06.2023 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and at bank	12,041	-	-
Financial liabilities			
Bank loans	21,609	21,609	21,609
Other financial liabilities	1,033	1,033	1,033

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 30 June 2023:

Interest rate	Deviation assumptions (in percentage points) 30 June 2023		Value at risk as at 30.06.2023 PLN k	Impact on the financial result 30 June 2023 PLN k	
WIBOR	1%	-1%	21,609	- 216.1	216.1

Risk of insolvency

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 contractors' 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 contractors 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 contractors or a group of contractors.

Financial position

Principles for the preparation of the consolidated financial statements

The financial statements have been prepared on the basis of International Financial Reporting Standards on the assumption that the Group's companies will continue as a going concern, in the foreseeable future and in a substantially undiminished manner. Factors and risks with a significant impact on the financial results in the first half of 2023 and in subsequent periods

The financial statements of all entities have been prepared for the same reporting period, using consistent accounting policies. The financial year of the Group companies is the calendar year.

Consolidated entities:

as at 30 June 2023	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o.o.
The nature of the relationship	direct subsidiary	direct subsidiary
Consolidation method	full	full
Date of taking control	1 June 2007	28 September 2015
% of the capital held	100%	100%

Discussion of the Group's results

Grupa Makarony Polskie	Q2 of 2023	H1 of 2023	Q2 of 2022	H1 of 2022
Net sales revenue	**93,154**	**182,265**	**79,248**	**148,170**
Revenues from sales of other products and services	89,443	177,995	76,152	143,578
Net revenues from sales of goods and materials	3,711	4,270	3,096	4,592
Own cost	**69,167**	**136,290**	**60,245**	**116,299**
Production costs of products and services sold	66,010	132,544	57,363	112,313
Value of goods and materials sold	3,157	3,746	2,882	3,986
Gross profit (loss) on sales	**23,987**	**45,975**	**19,003**	**31,871**
Costs of sales	8,192	17,412	6,843	13,454
General administrative costs	3,699	5,859	2,343	4,458
Other revenues	1,268	1,669	658	5,194
Other costs	2,048	3,000	848	1,288
Profit (loss) from continued operations	**11,316**	**21,373**	**9,627**	**17,865**

Financial incomes	276	370	- 3	7
Financial costs	560	1,300	793	1,212
Gross profit (loss)	**11,032**	**20,443**	**8,831**	**16,660**
Income tax	1,836	3,958	1,779	2,521
Profit (loss) from continued operations, in this attributable to:	**9,196**	**16,485**	**7,052**	**14,139**
Shareholders of the parent Company	9,196	16,485	7,052	14,139
Basic net result per share in PLN	0.83	1.49	0.64	1.28
Diluted net result per share in PLN	0.83	1.49	0.64	1.28
Other total net income/loss	0	0	0	0
Total net income, in this attributable to:	9,196	16,485	7,052	14,139
Shareholders of the parent Company	9,196	16,485	7,052	14,139
Non-controlling shares				

The year 2022 was characterised by large fluctuations in demand and sales peaks for the Group's products due to the outbreak of war in Ukraine and significant inflationary increases (e.g. costs, wages). It was also a period of finalising the acquisition of SAS Sp. z o.o. to the Makarony Polskie Group. In 2023, we can observe the economy slowly moving towards stabilisation, e.g. slow declines in the price levels of certain products and raw materials. This has a direct impact on consumer and customer expectations of falling price levels, not necessarily resulting from economic reasons.
This forces producers to constantly and reliably control cost factors in order to maintain an appropriate level of production profitability.
In the first half of 2023, the Group focused on optimising its production capacity, modernising its machinery stock and developing its competence in production technology.

The value of consolidated revenue of the Makarony Polskie Group in 1H 2023 amounted to PLN 182.3 million and was higher by approximately 23% compared to 1H 2022. Cost of goods, services, goods and materials sold in 1H 2023 was approximately PLN 136.3 million (up by approximately 17.2%). Cost of sales amounted to approximately PLN 17.4 million in H1 2023 and increased by approximately PLN 3.9 million compared to H1 2022. Operating profit (EBIT) in H1 2023 was approximately PLN 21.4 million compared to PLN 17.9 million in H1 2022 (an increase of approximately 19.6%). Net profit in H1 2023 amounted to approximately PLN 16.5 million and is higher than the result of H1 2022 by approximately PLN 2.4 million (+16.6%).

At the end of H1 2023, the Group recorded EBITDA of approximately PLN 28.4 million, compared with the result of approximately PLN 22.3 million in H1 2022, an increase of approximately PLN 6.1 million year-on-year. Return on sales calculated at the level of net profit amounted to 9% in H1 2023.

Achieved results vs. forecasts

The Makarony Polskie Group did not publish financial forecasts for the financial year 2023.

Operating segments of the Group

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.

	Q2 of 2023	H1 of 2023	Q2 of 2022	H1 of 2022
Revenues from sales of products	87,936	174,942	75,087	141,116
Revenues from the sale of services, including:	1,507	3,053	1,065	2,462
- service production	326	666	502	862
- for lease, storage	1,063	2,248	525	1,553
- other	118	139	38	47
Revenues from sale of materials	2,562	2,578	474	1,868
Revenues from sale of goods	1,149	1,692	2,622	2,724
Total	**93,154**	**182,265**	**79,248**	**148,170**

In H1 2023, the Group recorded an approximately 23% increase in sales revenue compared to H1 2022. Sales revenue amounted to approximately PLN 182.3 million in this period.

The Group's revenue in Q2 2023 amounted to PLN 93.2 million and was approximately 17.5% higher than in the same period in 2022.

Sales revenue by operating segment

In the first half of 2023, the Makarony Polskie Group carried out sales according to the following product groups, achieving the following revenues on this account:

	Q2 of 2023	H1 of 2023	Q2 of 2022	H1 of 2022
Pasta	72,653	147,020	64,392	121,141
Meat and vegetable preserves	14,648	25,880	10,544	18,894
Vegetable and fruit preserves	2,042	4,224	1,971	4,616
Total	3,811	5,141	2,341	3,519

Total	**93,154**	**182,265**	**79,248**	**148,170**

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.

Revenues from sales of the Makarony Polskie Group in 1H 2023 amounted to PLN 182.3 million and were higher by approximately 23% compared to 1H 2022 (by approximately PLN 34.1 million).

Revenues from sales in the pasta category in 1H 2023 increased by approximately PLN 25.9 million to approximately PLN 147.0 million. A leap in sales by approx. 21.4% was caused mainly by the following factors which occurred in the discussed period:

- synergy effects in production processes and sales teams following the acquisition of SAS Sp. z o.o.,
- price increases in the products offered forced by the shock increase in producer inflation levels resulting from the geopolitical situation.

Comparing H1 2023 to the same period in 2022, gross profit on sales in the pasta segment increased by approximately PLN 11.75 million.

The Group's sales in the processed meat and vegetable segment increased by approximately PLN 7.0 million to approximately PLN 25.9 million in the analysed period. The growth by approx. 37% was caused by:

- optimisation of the product portfolio in order to focus sales on products with greater market potential and to improve the profitability of this segment,
- higher volume sales of products in this segment and price increases of the offered products forced by a shock increase in producer inflation levels.

Comparing H1 2023 to the same period in 2022, the gross sales result in the processed meat and vegetable segment increased by approximately PLN 1.5 million.

Sales of the vegetable and fruit preserves category amounted to approximately PLN 4.2 million (a reduction of approximately PLN 0.4 million compared to H1 2022). The decrease was due to a reduction in the number of indexes produced, including the withdrawal of Stoczek Natura Sp. z o.o. from the sale of vegetable preserves under the Tenczynek brand, in order to concentrate sales on products with greater market potential.

Structure of the Group's assets and liabilities

ASSETS	30.06.2023	31.12.2022	30.06.2022
FIXED ASSETS	**140,368**	**144,181**	**150,556**
Fixed tangible assets	128,120	131,475	134,354
Fixed assets - IFRS-16	3,294	3,699	3,043
Investment real estate 603	603	603	603
47,190	2,863	2,863	5,949
Other intangible assets	5,449	5,503	6,551
Long-term financial assets	0	0	0
Assets for deferred income tax	23	3	1
Other long-term assets	16	35	55
CURRENT ASSETS	**102,390**	**95,151**	**91,902**
Inventories	38,902	44,481	40,953
Short-term receivables	50,905	42,412	40,364
Corporate income tax receivables	2	0	508
Borrowings granted	0	0	0
Cash and cash equivalents	12,041	7,828	8,156
Other short-term assets	540	430	374
ASSETS FOR SALE		**0**	**1,547**
TOTAL ASSETS	**242,758**	**239,332**	**242,458**

LIABILITIES	30 June 2023	31.12.2022	30.06.2022
EQUITY	**132,870**	**122,914**	**112,519**
Revaluation capital	33,120	33,120	33,120
Supplementary capital	60,344	53,521	53,521
Reserve capital	12,000	12,000	12,000
Revaluation capital	0	114	38
Retained profits/losses (profit/loss from previous years)	27,406	24,159	13,840
LONG-TERM LIABILITIES	**36,425**	**41,745**	**47,981**
Provision for deferred income tax	3,980	5,088	6,490
Long-term bank loans and borrowings	11,090	13,133	17,229
Other long-term financial liabilities	0	0	93
Provision for pensions and similar (long-term)	926	495	487
Revenues of future periods - long-term	17,155	19,501	20,500
Long-term financial liabilities - leasing	3,274	3,528	3,182
SHORT-TERM LIABILITIES	**73,463**	**74,673**	**81,958**
Short-term bank loans and borrowings	10,519	13,220	11,332
Other short-term financial liabilities 368	93	807	1,371
Short-term financial liabilities - leasing	1,116	1,364	1,227
Financial liabilities due to dividend	6,624	0	3,312
Other short-term liabilities	44,490	52,886	60,693
Corporate income tax liabilities	3,058	2,349	234
Revenues of future periods - short-term	2,605	1,555	1,589
Provision for retirement and similar benefits (short-term)	2,765	2,421	1,528

Other short-term provisions	2,193	71	672
TOTAL LIABILITIES	**109,888**	**116,418**	**129,939**
TOTAL LIABILITIES	**242,758**	**239,332**	**242,458**

The Group's total assets as at 30 June 2023 amounted to approximately PLN 242.7 million compared to approximately PLN 239.3 million as at 31 December 2022 and to PLN 242.5 million as at 30 June 2022.

As at 30 June 2023, non-current assets stood at - c. PLN 140.4 million.

Current assets amounted to approximately PLN 102.4 million as at 30 June 2023 and increased by approximately 11.4 per cent compared to 30 June 2022 (approximately PLN 91.9 million) and 7.6 per cent compared to 31 December 2022 (approximately PLN 95.15 million). The largest changes within current assets occurred in accounts receivable (up by c. PLN 8.5 million, i.e. by c. 20% compared with the end of 2022), inventories (down by c. PLN 5.6 million, i.e. by c. 12.5% compared with the end of 2022) and cash (up by c. PLN 4.2 million, i.e. by c. 53.8% compared with the end of 2022).

Shareholders' equity at the balance sheet date amounted to approximately PLN 132.9 million and increased by approximately 18.1% compared to 30 June 2022 (approximately PLN 112.5 million) and approximately 8.1% compared to 31 December 2022 (approximately PLN 122.9 million). The change was due to a consolidated profit for 2022 of approximately PLN 24.46 million and a profit for the first half of 2023 of PLN 16.48 million.

Non-current liabilities amounted to c. 36.4 million and decreased by c. 24.2% compared to 30 June 2022 (c. 48.0 million) and 12.7% compared to 31 December 2022 (c. 41.7 million), mainly due to a decrease in long-term loans (c. -6.14 million).

Current liabilities at 30 June 2023 amounted to approximately PLN 73.5 million and decreased by approximately 10.4% compared to 30 June 2022 (approximately PLN 82.0 million) and 1.6% compared to 31 December 2022 (approximately PLN 74.7 million), mainly due to a decrease in short-term bank loans and other current liabilities.

Liquidity and management of financial resources and financial risks of the Group

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

Confirming the full ability to meet obligations in H1 of 2023 is:

- generating positive cash flows from operating activities of approximately PLN 14.3 million,
- realisation by the Group of some purchases without the use of trade credit, in order to reduce financial costs,
- realisation of investments, e.g. in photovoltaics (in H1 2023, capital expenditure of PLN 2.6 million),
- at the end of June 2023, the net debt to EBITDA ratio remains at a safe level of 0.21.

In the opinion of the Management Board, there are no threats that would make it impossible to settle the contracted liabilities. The Group's indebtedness will increase in future periods due to large expenditures related to the implementation of investment projects.

Other financial information

Information on loans granted

As at 30 June 2023, 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 2023 (one-off repayment until the maturity date of the liability). The interest rate on the loan was set based on market conditions.

During H1 of 2023, SAS Sp. z o.o. granted a short-term loan to its related company MP Trade Sp. z o.o. in the total amount of PLN 3.7 million, with a final repayment date of 30 December 2023. The loan was repaid during the reporting period.

Information on guarantees given and received

In H1 of 2023, Makarony Polskie SA granted the guarantee to its affiliate SAS Sp. z o.o. The guarantees received were used by Makarony Polskie SA, Stoczek Natura Sp. z o.o. and SAS Sp. z o.o.

The list of guarantees in force at Makarony Polskie SA as at 30 June 2023 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	157	until 31.01.2024	guarantee securing the Company's contractual obligations under	– blank promissory note with a promissory note declaration

			the institutional contract concluded	
Santander Bank Polska SA	457	until 31.03.2027	guarantee securing the Company's contractual obligations under the institutional contract concluded	– joint mortgage of up to PLN 18,200 thousand on the Company's real estate in Rzeszów (KW no. RZ1Z/00076860/5) and in Płock (KW no. PL1P/00094893/6, KW no. PL1P/00097530/5, KW no. PL1P/00114158/9, KW no. PL1P/00097363/3) together with assignment of rights under the real estate insurance policy; – blank promissory note with promissory note declaration; – the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

A summary of the guarantees in force at Stoczek Natura Sp. z o.o. as at 30 June 2023 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	2,235	until 31.12.2024	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note issued by the Company together with a promissory note declaration; – authorization to a current account kept at the Bank; – surety of Makarony Polskie SA; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed
Bank Gospodarstwa Krajowego	559	until 31.03.2026	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note issued by the Company together with a promissory note declaration; – authorization to a current account kept at the Bank; – surety of Makarony Polskie SA,

During H1 2023, Stoczek Natura used a guarantee in the amount of PLN 335 thousand, securing the company's contractual obligations under a concluded institutional contract, granted by Bank Gospodarstwa Krajowego, which expired in the reporting period due to the release of the guarantee and the return of the original guarantee documents.

During H1 2023, Makarony Polskie S.A. granted a guarantee of PLN 800 thousand to its subsidiary SAS Sp. z o.o., securing the SAS company's liabilities under the concluded power purchase agreement. Due to the merger of the companies, the guarantee expired.

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 2023 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of secured liabilities in PLN k as at 30.06.2023
Surety of overdraft facility in the amount of PLN 4.0 m Surety of investment loan in the amount of PLN 13.8 m	Bank BGK	6,000	16/05/2023	3,943
Surety of investment loan in the amount of PLN 4.8 m	Bank BGK	4,812	08.11.2025	1,961
Bank guarantee in the amount of PLN 2,2 m	Bank BGK	2,235	30.06.2025	-
Bank guarantee in the amount of PLN 0.5m	Bank BGK	559	30.09.2026	-

During H1 2023, Makarony Polskie S.A. granted a bank guarantee to Stoczek Natura Sp. z o.o. in the amount of PLN 335 k, which expired in the reporting period due to the release of the guarantee and return of the original guarantee documents.

Makarony Polskie S.A. received remuneration for granting the warranties.

Stoczek Natura Sp. z o.o. provided sureties to the parent company Makarony Polskie SA and their balance as at 30 June 2023 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 30.06.2023
Surety of overdraft facility in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30.12.2026	0
Surety of investment loan in the amount of Surety of investment loan in the amount of PLN 13.8 m	Santander Bank Polska SA			729

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

MP Trade Sp. z o.o. did not issue any sureties during H1 2023.

Significant transactions entered into by the Company and its subsidiaries with related parties on conditions other than at arm's length

During the first half of 2023, the companies of the Makarony Polskie Group did not conclude any significant transactions with each other under the terms other than market terms.

Within the Makarony Polskie Company, individual companies enter into transactions of purchase and sale of products, goods and services among themselves. There are agreements between the companies specifying the terms of cooperation, adapted to the Group's organizational structure. All transactions are performed on market terms and conditions.

Off-balance sheet items

The values of guarantees received, collateral, promissory note commitments, mortgages and other off-balance-sheet commitments in the following tables are presented in maximum values.

Makarony Polskie Group (in PLN k) *	30 June 2023	31 December 2022
1. Contingent assets	**3,467**	**3,243**
- received guarantees and sureties	3,408	3,184
- collaterals on assets	0	0
- promissory notes	59	59
2. Contingent liabilities	**157,762**	**185,337**
- for provided guarantees and warranties	0	0
- collaterals on property	123,685	141,685
- promissory note obligations	34,077	43,652
Total off-balance items	**-154,295**	**-182,094**

* Sureties between entities within the Group are not included in the statement due to the lack of impact on the balance of off-balance sheet items.

Makarony Polskie SA (in PLN k) *	30 June 2023	31 December 2022
1. Contingent assets	**18,039**	**18,039**
- received guarantees and sureties	15,980	15,980
- collaterals on assets	0	0
- promissory notes	2,059	2,059
2. Contingent liabilities	**124,354**	**134,753**
- for provided guarantees and warranties	13,606	14,182
- collaterals on property	93,038	93,038
- promissory note obligations	17,710	27,533
Total off-balance items	**-106,315**	**-116,714**

Significant proceedings pending before a court, arbitration or public administration body

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

There were no events after the balance sheet date that could significantly affect the financial results.

Financial results of Makarony Polskie SA

Characteristics of basic economic and financial figures of Makarony Polskie S.A.

Makarony Polskie SA	Q2 of 2023	H1 of 2023	Q2 of 2022	H1 of 2022
Revenues from sales	**72,213**	**138,552**	**61,190**	**112,942**
Revenues from sales of other products and services	53,987	108,906	45,433	87,539
Net revenues from sales of materials and goods	18,226	29,646	15,757	25,403
Own cost	**55,768**	**108,177**	**48,640**	**91,068**
Production costs of products and services sold	39,314	81,146	33,988	68,115
Value of goods and materials sold	16,454	27,031	14,652	22,953
Gross profit (loss) on sales	**16,445**	**30,375**	**12,550**	**21,874**
Costs of sales	6,726	14,513	5,779	11,115
General administrative costs	2,824	4,372	1,605	2,741
Other revenues	805	1,141	343	691
Other costs	1,509	2,363	798	1,200
Profit (loss) from continued operations	**6,191**	**10,268**	**4,711**	**7,509**
Financial incomes	221	259	10	35
Financial costs	442	1,006	579	928
Gross profit (loss)	**5,970**	**9,521**	**4,142**	**6,616**
Income tax	997	1,849	855	1,367
Profit (loss) from continued operations, in this attributable to:	**4,973**	**7,672**	**3,287**	**5,249**
Shareholders of the parent Company	4,973	7,672	3,287	5,249
Basic net result per share in PLN	0.45	0.69	0.30	0.48
Diluted net result per share in PLN	0.45	0.69	0.30	0.48
Other total net income/loss	0	0	0	0
Total net income, in this attributable to:	**4,973**	**7,672**	**3,287**	**5,249**
Shareholders of the parent Company	4,973	7,672	3,287	5,249
Non-controlling shares				

The value of the Company's revenue in H1 2023 amounted to PLN 138.6 million and was approximately PLN 25.6 million higher than in H1 2022 (approximately 22.7%).

Cost of goods, services, goods and materials sold in H1 2023 was approximately PLN 108.2 million compared with H1 2022 (approximately 18.8%). Cost of sales amounted to approximately PLN 14.5 million and increased by approximately PLN 3.4 million (approximately 30.6%).

Financial position

Operating profit (EBIT) in H1 2023 was approximately PLN 10.3 million, compared to PLN 7.5 million in H1 2022 (approximately 36.7%). Net profit was approximately PLN 7.6 million, up by approximately PLN 2.4 million (approximately 31.6%).

At the end of H1 2023, the Group recorded EBITDA of approximately PLN 15 million, compared to a result of approximately PLN 10.6 million in H1 2022, an increase of approximately PLN 4.4 million. Profitability calculated at the level of net profit amounted to 5.5% in H1 2023.

Structure of assets and liabilities of Makarony Polskie S.A.

ASSETS	30 June 2023	31.12.2022	30.06.2022
FIXED ASSETS	**132,649**	**132,805**	**134,783**
Fixed tangible assets	93,298	76,063	78,599
Fixed assets - IFRS-16	3,294	3,504	3,043
Investment real estate 603	603	603	603
Other intangible assets	5,359	5,411	5,293
47,190			
Non-current financial assets of which:	30,080	47,190	47,190
Shares	30,080	47,190	47,190
Borrowings granted	0	0	0
Assets for deferred income tax	0	0	0
Other long-term assets	15	34	55
CURRENT ASSETS	**91,931**	**62,513**	**65,187**
Inventories	28,868	29,809	24,849
Short-term receivables	49,068	29,915	29,921
Corporate income tax receivables	0	0	508
Borrowings granted	2,011	2,012	2,005
Cash and cash equivalents	11,492	461	7,654
Other short-term assets	492	316	250
ASSETS FOR SALE	**0**	**0**	**0**
TOTAL ASSETS	**224,580**	**195,318**	**199,970**

LIABILITIES	30 June 2023	31.12.2022	30.06.2022
EQUITY	**124,912**	**104,050**	**98,837**
Revaluation capital	33,120	33,120	33,120
Supplementary capital	52,306	48,468	48,468
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	27,486	10,462	5,249
LONG-TERM LIABILITIES	**31,631**	**32,963**	**38,315**
Provision for deferred income tax	4,015	2,213	3,371
Long-term bank loans and borrowings	10,199	11,707	15,269
Other long-term financial liabilities	0	0	31
Provision for pensions and similar (long-term)	872	340	321
Revenues of future periods - long-term	13,271	15,332	16,141

Long-term financial liabilities - leasing	3,274	3,371	3,182
SHORT-TERM LIABILITIES	**68,037**	**58,305**	**62,818**
Short-term bank loans and borrowings	5,506	8,740	7,418
Other short-term financial liabilities 368	31	214	368
Short-term financial liabilities - leasing	1,116	1,169	1,055
Financial liabilities due to dividends	6,624	0	3,312
Other short-term liabilities	46,014	44,108	47,812
Corporate income tax liabilities 0	2,520	1,237	0
Revenues of future periods - short-term	2,227	1,273	1,302
Provision for retirement and similar benefits (short-term)	2,143	1,564	936
Other short-term provisions	1,856	0	615
TOTAL LIABILITIES	**99,668**	**91,268**	**101,133**
TOTAL LIABILITIES	**224,580**	**195,318**	**199,970**

The Makarony Polskie Company's total assets as at 30 June 2023 amounted to approximately PLN 224.6 million compared to approximately PLN 195.3 million as at 31 December 2022 and to PLN 200.0 million as at 30 June 2022.

As at 30 June 2023, non-current assets stood at - c. PLN 132.6 million.

Current assets amounted to approximately PLN 91.9 million as at 30 June 2023 and increased by approximately 41 per cent compared to 30 June 2022 (approximately PLN 65.2 million) and 47.0 per cent compared to 31 December 2022 (approximately PLN 62.5 million). The largest changes within current assets occurred in accounts receivable (up by c. PLN 19.2 million, i.e. by c. 64.0% compared with the end of 2022), inventories (down by c. PLN 1.0 million, i.e. by c. 3.2% compared with the end of 2022) and cash (up by c. PLN 11.0 million, compared with the end of 2022).

Shareholders' equity at the balance sheet date amounted to approximately PLN 124.9 million and increased by approximately 26.4% compared to 30 June 2022 (approximately PLN 98.8 million) and 20.0% compared to 31 December 2022 (approximately PLN 104.0 million). The change was due to a profit for 2022 of approximately PLN 10.5 million and a profit for the first half of 2023 of PLN 27.5 million.

Non-current liabilities amounted to c. 31.6 million and decreased by c. 17.4% compared to 30 June 2022 (c. 38.3 million) and 4.0% compared to 31 December 2022 (c. 33.0 million), mainly due to a decrease in long-term loans (c. -5.07 million).

Current liabilities as at 30 June 2023 amounted to approximately PLN 68 million and increased by approximately 8.3% compared to 30 June 2022 (approximately PLN 62.8 million) and 16.7% compared to 31 December 2022 (approximately PLN 58.3 million), mainly due to an increase in financial liabilities from dividends and corporate tax liabilities.

Statements by the Management Board

Statement on the reliability of the preparation of the financial statements

The Management Board of Makarony Polskie S.A. seated in Rzeszów declares that to the best of its knowledge, the semi-annual condensed financial statements of the Makarony Polskie Group - standalone and consolidated - for the period of the first 6 months of the financial year 2023 ended 30 June 2023 and the comparable data were prepared in accordance with the binding accounting principles and that they reflect in a true, reliable and clear way the material and financial situation of the Company and the Makarony Polskie Group and their financial result.

The report of the Management Board from the activities of the Company and the Makarony Polskie Group for the period from 1 January 2023 to 30 June 2023 contains a true picture of the development, achievements and situation of the Company and the Group, including the description of basic threats and risks.

Approval of the financial statements

This Management Report on the activities of the Makarony Polskie S.A. Capital Group was approved for release by the Management Board of the Parent on 27 September 2023.

Zenon Daniłowski
President of the Management Board

Information about company

Makarony Polskie SA
with its seat in Rzeszów
ul. Podkarpacka 15A; 35-082 Rzeszów
www.makarony.pl

It was registered with the District Court in Rzeszów, XII Commercial Division of the National Court Register on 5 July 2004 under number 0000212001.

Share capital: PLN 33,120,213 (fully paid up)

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