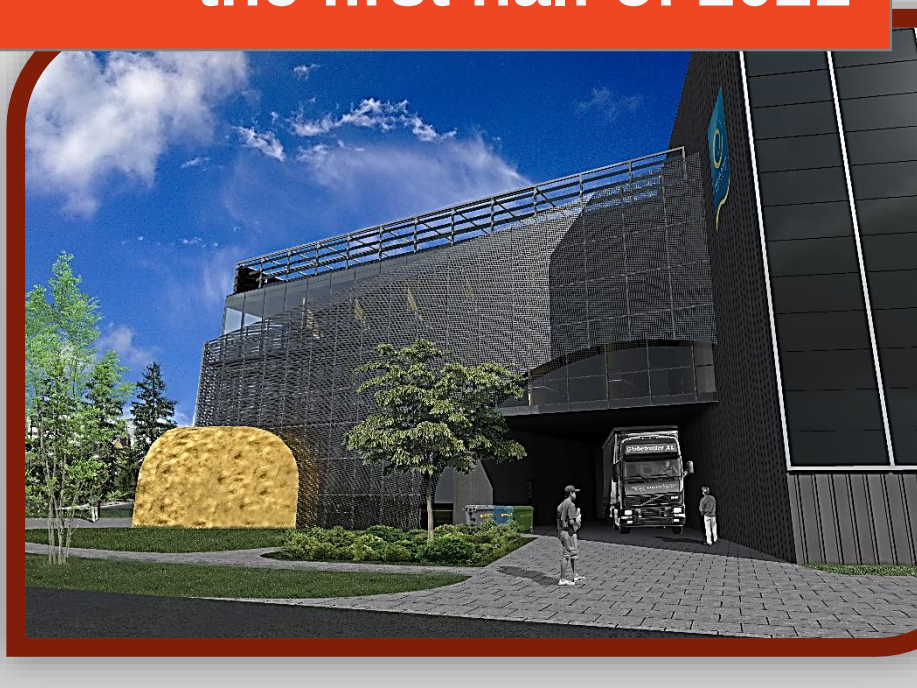
Management Board Report on the operations of the Makarony Polskie Group in the first half of 2021



Rzeszów, 29 September 2021

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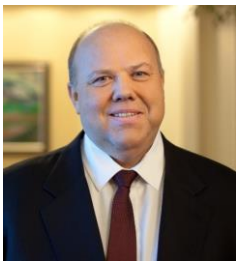
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In the first half of 2021, the Makarony Polskie Group achieved total sales revenues of PLN 82 m, net profit at the level of PLN 3.3 m, while EBITDA reached the level of PLN 8.6 m.

Introduction



To whom it my concern,

Dear Shareholders,

I hereby present to you the Report of Makarony Polskie Group for the first half of 2021.

In this period, our Group achieved total sales revenues of PLN 82 m, net profit of PLN 3.3 m, and EBITDA of PLN 8.6 m. Net profit per share was PLN 0.36 vs. PLN 0.43 in the first half of 2020, and the book value of one share was PLN 9.57 vs. PLN 9.08 at the end of 2020.

The results of the first half of 2021 are good. We estimate that the results of the entire 2021 will be at a level similar to that of 2019. Only the year 2022 will show the full effect of the changes occurring in the Group, as well as the planned acquisitions, which will translate into added value for shareholders.

I invite you to read the full report.

Yours faithfully,

Zenon Daniłowski
President of the Management Board

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

Characteristics of the Makarony Polskie Group

Group Organization

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

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



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

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

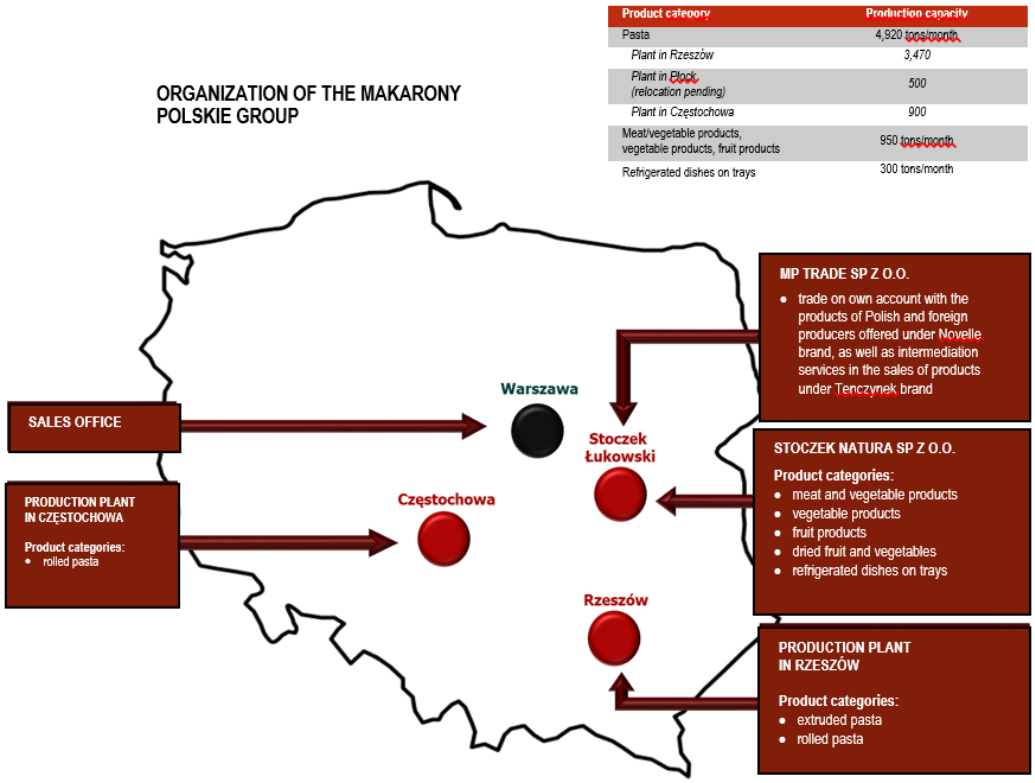
MP Trade Sp. z o.o. is a company whose activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makrony Polskie SA in the production

of vegetable pasta and other goods produced within the Makarony Polskie Group. The business model adopted by the company creates its value by increasing the brand value, and the production is outsourced.

Changes in the organization of the Makarony Polskie Group in the first half of 2021

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

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



Changes in the composition of the management and supervisory bodies

Composition of the Supervisory Board

From January 1, 2021 to the publication of this report, the Supervisory Board was composed of:

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

Audit Committee

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

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

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

Composition of the Management Board

In the period from January 1, 2021 to the publication of this report, the Management Board of the Company was composed of one member. Zenon Daniłowski is the President of the Management Board.

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

As at the date of publication of this report, the functions of proxies in the Company are performed by:

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

During the reporting period, until April 30, 2021, Tomasz Blat was also a proxy in the Company - the proxy was canceled by the company's Management Board due to the end of cooperation between the parties.

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

Supervisory Boards of subsidiaries

There are no Supervisory Boards in the Group's subsidiaries. The governing bodies of the subsidiaries Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. are the Meeting of Shareholders and the Management Board.

Management boards of subsidiaries

Stoczek Natura Sp. z o.o.

As at June 30, 2021, the management board of the subsidiary Stoczek Natura Sp. z o.o. was composed of:

- Adam Ławnik – President of the Management Board

On July 26, 2021, in connection with the end of the current term of office of the management board, the General Meeting of Stoczek Natura Sp. z o.o. decided that the management board of the new term of office will be two-person management board and will be composed of:

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

Until the date of publication of this report, the composition of the management board of the subsidiary Stoczek Natura Sp. z o.o. has not changed.

The function of a proxy in Stoczek Natura Sp. z o.o. is performed by: Alicja Hinz - from October 5, 2001.

-

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.

During the reporting period, until July 26, 2021, Jerzy Krzyżowski was also a proxy in the Company - the proxy expired independently due to the appointment of a commercial proxy to the management board.

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

MP Trade Sp. z o.o.

As at June 30, 2021 and the date of publication of this report, the management board of the subsidiary MP Trade Sp. z o.o. was composed of:

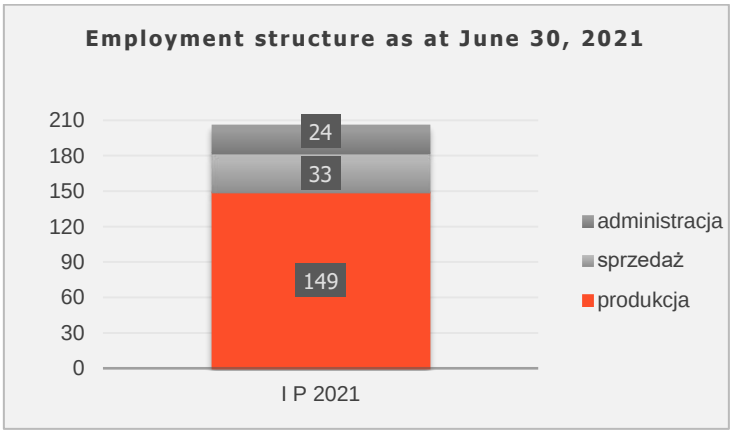
– Zenon Daniłowski – President of the Management Board

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

As at June 30, 2021, Makarony Polskie Group employed a total of 206 people (compared to 210 people at the end of the first half of 2020 and 207 people at the end of the first half of 2019).



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

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

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

	Employment structure of the Group's employees as at June 30, 2021		
	women	men	TOTAL
18-29	12	24	36
30-49	59	51	110
50+	27	33	60

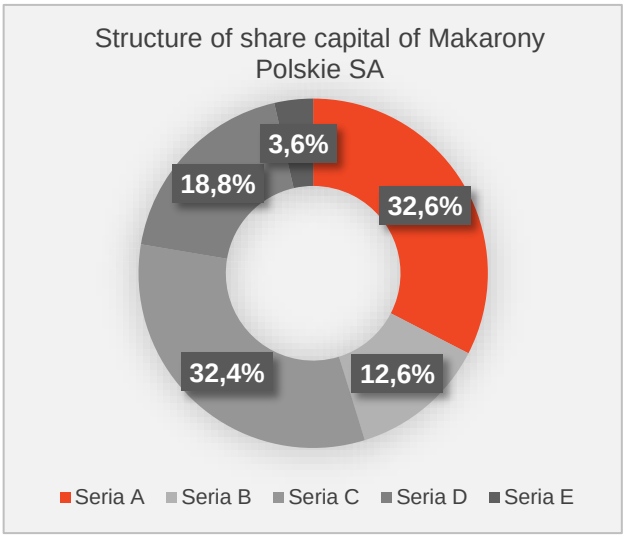
Share capital

Share capital of Makarony Polskie SA:

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

Structure of the Company's share capital:

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



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

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

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

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

Shareholder	Shares in share capital		Votes at the General Assembly	
	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, including:	3,051,594	32.99 %	3,051,594	32.99 %
Praska Giełda Spożywcza SA (former: Agro-Technika SA)	*2,790,000*	*30.16 %*	*2,790,000*	*30.16 %*
Zenon Daniłowski	*140,000*	*1.51 %*	*140,000*	*1.51 %*
Polskie Smaki Sp. z o.o.	*121,594*	*1.32 %*	*121,594*	*1.32 %*
Raya Holding for Technology&Communications S.A.E. including:	1,793,406	19.39 %	1,793,406	19.39 %
Madova Sp. z o.o.	*1,793,406*	*19.39 %*	*1,793,406*	*19.39 %*
Elżbieta i Grzegorz Słomkowscy, including:	1,183,040	12.79 %	1,183,040	12.79 %
Z.P.H. "ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65 %*	*1,169,750*	*12.65 %*

Grzegorz Słomkowski	*13,290*	*0.14 %*	*13,290*	*0.14 %*
Other shareholders	3 222 031	34.83 %	3 222 031	34.83 %
TOTAL	**9,250,071**	**100.00%**	**9,250,071**	**100.00%**

Changes in the shareholding structure during the first half of 2021

On April 26, 2021, the Company received notifications from two shareholders regarding a change in the shareholding of Makarony Polskie SA shares:

- Praska Giełda Spożywcza SA with its registered office in Ząbki, in connection with the purchase of a block of the Company's shares in an amount exceeding the threshold referred to in Article 69 paragraph 1 point 1 and in Article 69 paragraph 2 point 1 item a of the Act on Public Offering and the Terms and Conditions for Introducing Financial Instruments to the Organized Trading System and on Public Companies, informed about:

  1) the date and type of the event causing the change in share to which the notification relates;

  Praska Giełda Spożywcza S.A. with its registered office in Ząbki, on the basis of the share purchase transaction concluded on the regulated market, on 21/04/2021, acquired a block of 740,000 shares of the Issuer, i.e. of Makarony Polskie S.A. (ISIN CODE: PLMKRNP00015) entitling to the same number of votes at the General Meeting of Makarony Polskie S.A.

  2) the number of shares held before the change in the share and their percentage share in the company's share capital and the number of votes attached to these shares and their percentage share in the total number of votes;

  Praska Giełda Spożywcza SA, before the change of share, held directly and indirectly the Issuer's shares in the number of 2 311,594 shares, which constituted a share of 24.99% in the Issuer's share capital, entitling to 2,311,594 votes at the General Meeting of Shareholders, which is 24.99% of the total number of votes, of which Praska Giełda Spożywcza SA held:

  - directly - 2,050,000 shares, which constituted a 22.16% share in the Issuer's share capital, entitling to 2,050,000 votes at the General Meeting of Shareholders, which constituted 22.16% of the total number of votes,
  - indirectly - 261,594 shares, which constituted a 2.82% share in the Issuer's share capital, entitling to 261,594 votes at the General Meeting of Shareholders, which constituted 2.82% of the total number of votes,

  3) the number of shares currently held in the share and their percentage share in the company's share capital and the number of votes attached to these shares and their percentage share in the total number of votes;

Praska Giełda Spożywcza SA, currently holds directly and indirectly the Ishares in the number of 3,051,594 shares, which constituted a share of 32.98% in the Issuer's share capital, entitling to 594 votes at the General Meeting of Shareholders, which is 32.98% of the total number of votes, of which Praska Giełda Spożywcza SA holds:

- directly - 2,790,000 shares, which constitutes a 30.16% share in the Issuer's share capital, entitling to 2,790,000 votes at the General Meeting of Shareholders, which constitutes 30.16% of the total number of votes,
- indirectly - 261,594 shares, which constituted a 2.82% share in the Issuer's share capital, entitling to 261,594 votes at the General Meeting of Shareholders, which constituted 2.82% of the total number of votes,

4) subsidiaries of the notifying shareholder who own the company's shares;

The Polskie Smaki Sp. z o.o. holds 121,594 shares which constitutes a 1.31% share in the Issuer's share capital, entitling to 121,594 votes at the General Meeting of Shareholders, which constitutes 1.31% of the total number of votes,

Mr. Zenon Daniłowski holds 140,000 shares, which constitutes a 1.51% share in the Issuer's share capital, entitling to 140,000 votes at the General Meeting of Shareholders, which constitutes 1.51% of the total number of votes,

5) persons referred to in Article 87 paragraph 1 point 3 item c;

There are no persons referred to in Article 87 paragraph 1 point 3 item c of the Act.

6) the number of votes attached to shares, calculated in the manner specified in Article 69b paragraph 2, to the acquisition of which it is entitled or obliged as the holder of the financial instruments referred to in Article 69b paragraph 1 point 1, and the financial instruments referred to in Article 69b paragraph 1 point 2, which are not performed solely by cash settlement, the type or name of these financial instruments, their expiry date and the date or time when the shares will be or may be acquired;

There are no financial instruments referred to in Article 69b paragraph 1 point 1 of the Act and there are no instruments referred to in Article 69b paragraph 1 point 2.

7) the number of votes attached to shares, calculated in the manner specified in Article 69b paragraph 3, to which the financial instruments referred to in Article 69b paragraph 1 point 2, the type or name of these financial instruments and the date of expiry of these financial instruments, relate directly;

There are no financial instruments referred to in Article 69b paragraph 1 point 2 of the Act.

8) the total number of votes indicated pursuant to Article 69 paragraph 4 point 2 and in Article 69 paragraph 4 points 7-8 of the Act.

Praska Giełda Spożywcza S.A. does not have the financial instruments referred to in Article 69b paragraph 1 point 1 of the Act and does not have the financial instruments referred to in Article 69b paragraph 1 point 2 of the Act.

– AGROMA LTD with its registered office in Nicosia, Cyprus, pursuant to Article 69 paragraph 1 point 1 of the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to the organized trading system and on public companies, announced a direct reduction of the share in the total number of votes at the General Meeting of the Company to 0% (zero percent)

1) the date and type of the event causing the change in share to which the notification relates;

The reduction of the share in the total number of votes at the General Meeting of the Company by Agroma Ltd occurred as a consequence of the settlement on April 23-27, 2021 of the sale transactions in the form of OTC block deals and in the form of session orders, in total 950,000 shares of the Company concluded on April 21-23, 2021.

2) the number of shares held before the change in the share and their percentage share in the company's share capital and the number of votes attached to these shares and their percentage share in the total number of votes;

Before the transaction, Agroma Ltd held directly 950,000 shares representing approx.10.27% of the share capital of the Company and entitling to 950,000 votes representing approx. 10.27% of the total number of votes at the General Meeting.

3) the number of shares currently held in the share and their percentage share in the company's share capital and the number of votes attached to these shares and their percentage share in the total number of votes;

After the settlement of the transactions referred to in the notification, Agroma Ltd does not hold any shares of the Company.

4) subsidiaries of the notifying shareholder who own the company's shares;

There are no subsidiaries of Agroma Ltd that would own the Company's shares.

5) persons referred to in Article 87 paragraph 1 point 3 item c;

Agroma Ltd stated that it had not concluded an agreement containing provisions regarding the transfer of rights to exercise voting rights at the General Meeting of the Company.

6) the number of votes attached to shares, calculated in the manner specified in Article 69b paragraph 2, to the acquisition of which it is entitled or obliged as the holder of the financial instruments referred to in Article 69b paragraph 1 point 1, and the financial instruments referred to in Article 69b paragraph 1 point 2, which are not performed solely by cash settlement, the type or name of these financial instruments, their expiry date and the date or time when the shares will be or may be acquired;

Agroma Ltd does not hold any financial instruments that would unconditionally entitle or oblige the holder to acquire voting shares issued by the Company after maturity.

7) the number of votes attached to shares, calculated in the manner specified in Article 69b paragraph 3, to which the financial instruments referred to in Article 69b paragraph 1 point 2, the type or name of these financial instruments and the date of expiry of these financial instruments, relate directly;
There are no financial instruments referred to in Article 69b paragraph 1 point 2 of the Act.

8) the total number of votes indicated pursuant to Article 69 paragraph 4 point 2 and in Article 69 paragraph 4 points 7-8 of the Act.
Agroma Ltd is not entitled to any votes at the General Meeting of the Company.

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

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

Shares held by the Management Board Members

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

Member of the Management Board	IH 2021		R 2020	
	number of shares	nominal value	number of shares	nominal value
Zenon Daniłowski*	140,000	420,000	140,000	420,000

* President of the Management Board Zenon Daniłowski is associated with the following companies: Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o., which also hold the Company's shares; the total number of shares as at the report publication date is 3,051,594 shares with a value of PLN 9,154,782 vs. 2,311,594 shares with a value of PLN 6,934,782 at the end of 2020.

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

Shares held by Members of the Supervisory Board

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

Member of the Supervisory Board	IH 2021		R 2020	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil	0	0	0	0
Janusz Pierun	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski	6,689	20,067	6,550	19,650

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

Shares in subsidiaries

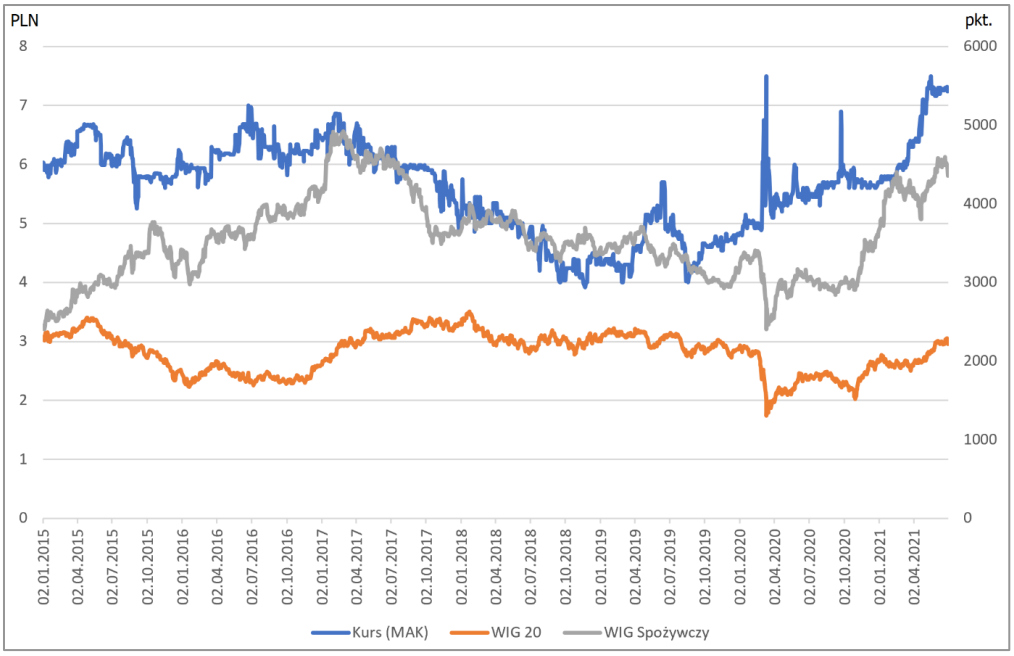
The managing and supervising persons of Makarony Polskie SA do not hold shares in subsidiaries of the Makarony Polskie Group.

Makarony Polskie SA on the capital market

Quotations and main indicators

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

In 2021, the Company will pay a dividend of PLN 0.30 gross per share, which is PLN 2.8 m.



	2013-01-02	2015-01-02	2017-01-02	2019-01-02	2021-01-04	2021-06-30	Change from 2013-01-02
Makarony Polskie SA	2.06	6.03	6.45	4.4	5.70	7.26	252 %
WIG20	2 626	2 309	1 957	2 302	2 009	2 218	-16%
WIG-Spożywczy	3,719	2 452	4 195	3 447	3 716	4 358	17%

Information on the dividend in Makarony Polskie SA

Makarony Polskie SA did not pay any dividends in the first half of 2021 and until the publication of this report.

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

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

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

On July 7, 2021, the Ordinary General Meeting of Makarony Polskie SA adopted resolutions on the approval of the financial statements for the financial year 2020 and the distribution of

net profit, including the payment of a dividend in the amount of PLN 2,775,021.30, i.e. PLN 0.30 gross per share.

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

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

Use of the proceeds from the issue

In the period from January 1, 2021 to the submission of this report, the Company did not issue any shares.

Series F shares issue

By the end of 2021, the Management Board of the Company plans to issue no more than 1,850,000 series F ordinary bearer shares with a nominal value of PLN 3.00 each. The issue will be addressed to designated investors by private subscription, in accordance with Resolution No. 18 of the Ordinary General Meeting of July 7, 2021 on increasing the share capital by issuing series F ordinary bearer shares with the exclusion of subscription rights and on amending the Company's Articles of Association. The issue price will be determined by the Supervisory Board in accordance with the guidelines set out in the resolution of the General Meeting - in the amount not lower than the average market price of the Company's shares during the 3 months of trading those shares on the regulated market preceding the date of the Supervisory Board's decision on the determination of the issue price. However, in each case the issue price may not exceed PLN 8.00.

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

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

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

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

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

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

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

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

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

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

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

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

Activities of the Makarony Polskie Group

Main products and services

Branded product range:

PASTA

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



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





The offer also includes functional pasta of a dietary and pro-health nature (100% spelled pasta, rye, buckwheat, or whole grain pasta with increased fiber content).

The Makarony Polskie Group has a wide range of rolled egg pasta produced according to traditional Polish recipes. The offer includes ribbon and nests pasta, which have a wide culinary application and are eagerly used by consumers who like to experiment in the kitchen. These pastas are made from durum wheat flour, which makes them resilient and at the same time delicate in taste. The line of egg products is also diversified by popular shapes of egg pasta intended mainly for soups: threads and ribbons pasta with a characteristic irregular shape inspired by home cut pasta.





The ambition of the Group is that the Makarony Polskie brand, together with the Makarony Polskie Abak subbrand, become a tool to organize the currently fragmented middle shelf.

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



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



SORENTI - is a brand created for gourmets of Italian cuisine, offering the most popular forms of pasta made of 100% flour derived from the highest quality hard grain durum wheat. On the domestic market, the Sorenti brand is present mainly in the modern channel. The advantage of this brand in the competitive environment that intensifies its activities is the affordable price of its products. The Sorenti brand is also a very attractive export product with great potential for development and further internationalization.

NOVELLE BRAND

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

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



The Novelle brand offers pasta made from legume flours and tortellini with filling in various flavors.



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

In 2021, the offer of the Novelle brand was also enriched with high-protein pasta produced using an innovative recipe and a mixture of alternative flours. This product is the result of the implementation of the results of research and development in the field of functional food, conducted by Makarony Polskie SA as part of a project supported by EU funding (measure 1.4 Support for SMEs, Regional Operational Programme of the Podkarpackie Region 2014-2020). Carefully selected proportions of whole grain durum wheat flour, chickpea flour, pea flour and red lentil flour make pasta a high-protein product with excellent nutritional values. This pasta is a natural source of fiber, has a high protein content, and the combination of all its ingredients is a valuable source of macro and micronutrients such as copper and phosphorus for the body.



In 2021, vegetable and high-protein pasta offered under the Novelle brand were marked with the V-Label Vegan.

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

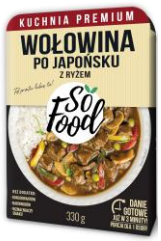
DISHES IN TRAYS

The Makarony Polskie Group offers ready meals in trays and in bowls under the SoFood brand. The distribution network of this product category is constantly expanded, the brand portfolio is systematically adapted to market trends and the constantly changing, very demanding consumers.

SoFood products are offered to customers both on the so-called dry (uncooled) shelf as well as on the cooled shelf. These are heat-treated dishes with a clean label: no dyes, no flavor enhancers, no preservatives. The distinguishing feature of this assortment group is the ease and speed of heating - the products are packed in light, ergonomic packaging (two-chamber trays or bowls with handles), which are ideal for heating in a microwave oven. An additional advantage is the fact that the dishes can be stored at room temperature.



The first two product lines of the SoFood brand (Inspired by world cuisines and Fit kitchen) were implemented in 2019.



In 2021, the offer was expanded with two new lines: Premium cuisine and a line of dishes in bowls. The Premium line is based on high-quality ingredients and ingredients that give the dishes a unique taste, such as coconut milk, mango juice or delicate beef. The line of dishes in bowls includes classic flavors, a universal meal, for any time of the day, from breakfast to dinner.



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

MEAT AND VEGETABLE PRESERVES



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



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

The "Męska Rzecz" brand is dedicated to the widest group of consumers in this food category,



specially seasoned to suit men's tastes, competing on the shelf with its affordable price. The products of this group include classic Polish dishes in 500g jars and large portions sold in 800-830g cans.

VEGETABLE AND FRUIT PRESERVES



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

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

Private label product range:

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

Retail chains closely monitor market trends, thanks to which the offer of their own brands is constantly adapted to the current needs of consumers. The Makarony Polskie Group responds to those needs by expanding its assortment with products matching:

- currently popular plant diets - to the expectations of vegans and vegetarians, in the form of pasta rich in protein and microelements from various types of flours, including, for example, vegetable pasta made from legume flours or high-protein pasta,
- promoted by health organizations of the Mediterranean diet - in the form of new types and shapes of whole grain pasta,
- special occasions - in the form of sophisticated premium pastas for the preparation of restaurant-quality dishes (large pasta shapes made of bronze matrices, pastas such as pappardelle/tagliatelle multi-egg pastas and pastas with additives, others).

Market environment

General market trends

Pasta market

The pasta market in Poland is quite stable, although in the perspective of 2020, periodic fluctuations in sales resulting from successive pandemic waves were clearly visible there.

The trends that have the strongest impact on the pasta market are:

- home cooking - consumers, forced by the current pandemic situation, started to prepare more meals at home and look for culinary inspiration,
- locality of production - the consumers prefer Polish products and carefully check the country of manufacture of the product and the origin of its ingredients,
- health benefits of meals - the consumers are looking for additional nutritional values that positively affect the health of the body,
- clean label - emphasis on the use of natural additives and the creation of products without chemical additives,
- constant budget - consumers keep an eye on their expenses, often they have a strict budget for food expenses.

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 diets. This has a direct impact on the product offer - there are numerous BFY (Better-For-You) products based on whole grains, alternative grains, legumes or gluten-free ingredients and vegetables.

Another significant trend for the category is the focus on the Polishness of production. According to consumers' declarations regarding the origin of products, a very important factor influencing the purchase is the country of origin of the product and its ingredients. Local products are popular because of their taste, as well as the willingness to support local manufacturers.

When discussing the current market trends, it is impossible not to mention the growing awareness of consumers about not wasting food. The "zero waste" trend is observed not only in terms of the diversification of packaging by manufacturers: standard, family or "one portion at a time" packagings, but also as a social trend promoting responsible shopping (buy as much as you eat) and culinary education in the full use of food products. During the increased time spent at home during the forced lock-down caused by the Covid-19 pandemic, consumers have learned to manage their purchases even better and minimize the amount of food wasted. Additionally, the shopping cart has changed. Buyers declare that they have a designated budget for food purchases, which they do not exceed. The prices of basic everyday products such as food and utilities are volatile, and we are seeing a steady increase in the prices of basic goods and services. This affects the final consumer for whom the price of the product has a significant influence during the decision-making process.

Another important market trend is consumer education related to the recycling of food packaging. Consumers' awareness of the need to care for the natural environment is growing, including, for example, the use of biodegradable and recyclable packaging - they look for clear messages on the packaging that will facilitate the proper segregation of waste produced by the household.

Ready meals market

The Polish ready-to-eat food market is under development. This market is characterized by a dynamic change in the structure, both in terms of the range of products offered and the manufacturers competing in it. Consumers' interest in ready meals in modern and convenient packaging, such as trays and bowls, is growing. The trend of interest in meat-free dishes that meet the needs of a vegetarian and vegan diet is also constantly developing.

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

- consumers are looking for natural and healthy meals - the need for healthy nutrition was additionally reinforced by the pandemic situation,
- cleanliness and transparency - the use of transparent foil to show the meal,
- continuous increase in care for the environment, the consumer expects from the manufacturer a sustainable production policy and minimizing the harmful impact on the environment (less plastic, recyclable materials),
- it is fashionable to use inspiration from different regions of the world in meals.

Healthy eating and the related trend of being healthy and natural is becoming more and more important for consumers. The need for "... free" food increases with consumers' awareness and fear of allergies and preservatives. Here, too, customers increasingly demand a "clean label" (compositions without artificial additives, flavor enhancers and preservatives), and manufacturers emphasize the simplicity and health-promoting properties of their recipes. In addition to the clean label and short product composition, the consumers pay great attention to food packaging. It is desirable that the finished food products have a transparent foil. Customers want to be able to see the meal before buying it. In addition, the packaging of ready meals should be environmentally friendly. The manufacturers' care for production technologies, the use of recyclable materials and the reduction of the amount of plastic are expected to increase.

For many years, a trend has been observed in European markets consisting in the development of the segment of ready meals in trays and in cups at the expense of systematic shrinkage of the shelf of products in jars. In Poland, the so-called dry shelf (shelf-stable) still has the largest market share, but here, too, the gradual retreat of consumers towards the cooled shelf is becoming more and more visible. This is the result of, inter alia, strong trend of convenience (convenience, ease of use). Manufacturers are looking for more and more new solutions to make it easier for the consumer to heat and eat the meal. Convenience and speed are emphasized by the more and more frequently emerging take-away-inspired dishes. The category records an increase in the popularity of the so-called meal kits (sets that allow you to finish or compose a dish on your own), which comes from the need to compromise between massive ready meals, devoid of even a hint of individuality, and long and often demanding cooking from scratch.

Sales markets of the Makarony Polskie Group

The sales markets of Makarony Polskie Group can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries).

In the first half of 2021, the value of sales amounted to PLN 74.20 m in the domestic market and PLN 7.87 m in export. In the corresponding period of 2020, those figures were PLN 89.80 m and PLN 10.71 m, respectively.

For the period	01/01/2021 30/06/2021	01/01/2020- 30/06/2020
Country	74 202	89 798
Exports, including:	7 866	10 707
- European Union countries	2 564	3,188
- other countries	5 302	7 519
Total	82,068	100,505

Significant contracts

Conclusion of a letter of intent and commencement of negotiations regarding a potential share purchase

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

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

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

The Company delayed the public disclosure of the Confidential Information of January 7, 2021 due to the fact that immediate disclosure of the information could violate the legitimate interests of the Issuer. In the opinion of the Company, disclosing the information at an earlier

date could adversely affect any further process related to the negotiations. On the day of making the decision to delay the Confidential Information, i.e. January 7, 2021, the probability of continuing negotiations was, from the Company's point of view, impossible to estimate. As a consequence, the earlier disclosure of the Confidential Information of January 7, 2021 to the public, could therefore mislead the Company's shareholders as to the actual state of the project. Due to the difficult to predict the result of possible negotiations, the Management Board of the Company decided that the earlier publication of the Confidential Information of January 7, 2021 could result in an incorrect assessment of this information and its impact on the value of the Company.

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

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

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

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

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

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

Factors significant for the development of the Group

Factors influencing the future results of the Company and the Group

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

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

Finalization of the acquisition process conducted by the Company

- The acquisition of a competitive pasta manufacturer, which is among the top five egg pasta manufacturers in the country, will contribute to increasing the production potential

of Makarony Polskie SA and will allow it to effectively use this potential. Thanks to this acquisition, the Company will become the leader in the field of rolled egg pasta (used willingly in Poland and Central Europe, e.g. for soups), and will also strengthen its position as the vice-leader among Polish pasta producers,

- egg-rolled pasta has better taste than pressed (Italian-style) pasta, is characterized by a higher selling price, which, in the Company's opinion, will increase revenues and improve the level of sales margin, and consequently will positively affect the functioning of the Group in the long run.

Activity development in the private label segment

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

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie and SoFood brands on the market, redefining the Stoczek Natura, Sorenti and Novelle brands - the Group has developed a plan to support marketing activities in this area,
- strengthening and developing the product portfolio in line with market trends,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium

and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the Group operates,
- focusing on fast and efficient building of brand availability in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting sales and resale of products and building lasting relationships with customers.

Export development

- systematic increase in the number of customers on foreign markets - focusing on European markets, including in particular Ukraine, where the Group systematically develops its cooperation with networks and distributors.
- intensification of communication with current and potential customers through the participation, *inter alia,* in trade fairs and the organization of B2B meetings on target markets,
- development of the product offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, 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, which began at the end of the first quarter of 2020, on the operations and financial results of Makarony Polskie Group is visible in several areas:

- pressure from the business environment, including government authorities to maintain a stable level of prices, as well as the reluctance of key recipients to implement increases under concluded contracts, delayed the implementation of new sales prices, allowing the Company to partially compensate for the increase in cost

factors. The above issues had an impact on the reduction of profitability at the level of gross profit on sales from 19.6% in 2020 to 18.8% in the first half of 2021;

- Due to the decline in economic turnover caused by the COVID 19 pandemic, the company decided to use public aid under the guaranteed employee benefits fund provided by the provincial labor office with the aim of protecting jobs by subsidizing the remuneration of employees not subject to downtime, economic downtime or reduced working hours. As at the balance sheet date, the support received was PLN 907.5 k.

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

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

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

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

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

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

Risk related to competition

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

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

Risk of dependence on recipients

A large part of revenues is generated by the Group through cooperation with organized and centrally-decisive retail chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial contracts do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in the inability to meet demand or incomplete use of production capacity, which will have an impact on the results. The situation

of increased demand for the Group's products occured, inter alia, in the initial period after the first COVID-19 infections appeared on the territory of Poland, when customers went to stores en masse, and orders from retail chains were significantly higher, both compared to the level recorded in the same period last year, as well as in the periods before the outbreak of the epidemic.

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

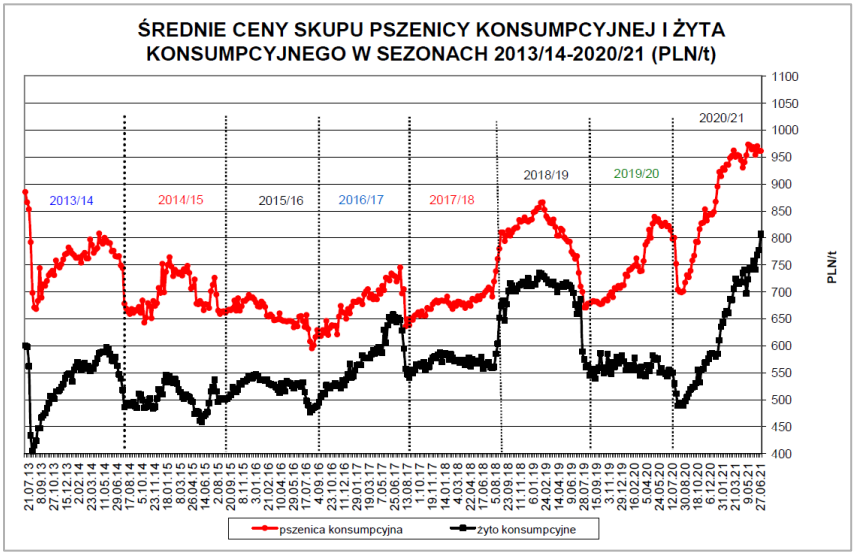
Risk related to changes in raw material prices

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

Makarony Polskie SA is aware that wheat production is highly sensitive to unpredictable weather conditions, therefore prices are subject to increases due to possible speculations or natural disasters. The year 2021 brought significant increases in the prices of raw materials on the grain market - the current prices are the highest in over nine years, which is caused by the balance of world cereals. In mid-August 2021, consumer wheat was about 35% more expensive than the year before, and at the end of the month, the price on the MATIF exchange reached its historically highest level during the harvest season. In addition, for Polish manufacturers, the problem is the increase in the price of durum flour, which is almost entirely imported to the Polish market.

At the turn of the third and fourth quarter of 2020, the Company concluded several long-term contracts for the supply of both soft flour and durum wheat flour. Those contracts did not fully meet the company's needs, in the first and second quarter of 2021, but allowed to limit the negative impact of the increase in raw material prices on the efficiency of operating activities in subsequent periods.

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



Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 26/2021, Sparks Polska

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

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

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

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

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

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

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

Risk of variable legal and tax environment

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

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

Risk related to wage pressure

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

Striving to minimize staff rotation, especially among key employees and specialists, the Group tries to systematically implement motivational remuneration systems (connected, among others, with production and sales efficiency), which by closely linking the results of work of individual teams / people with the effectiveness of achieving the Group's goals in front of these teams / employees, allow to combine the level of wages satisfactory for employees with the profitability of the company's operations. In order to increase the motivation and build loyalty of employees towards the employer, the Group companies systematically diversify the package of non-wage benefits, such as sports cards, group insurance, and holiday cards, in order to best match it to the needs and expectations of employees.

Risk related to changes in exchange rates

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

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

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

Groups/categories of financial instruments	Balance sheet value as at 30/06/2021 PLN k	Currency exposure as at 30/06/2021 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	564	257	257	0
Trade receivables	18 715	1 810	1 810	
Financial liabilities				
Liabilities from deliveries and services	25 831	3 485	3 485	

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

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	12.8	- 12.8	0.0	0.0
Trade receivables (gross)	90.5	-90.5	-	-

Financial liabilities				
Liabilities from deliveries and services	- 174.3	174.3	-	-

Interest rate risk

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

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

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

As at 30 June 2021, the Group had a liability due to loans taken out, in the amount of PLN 23,887 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	23 887	15,277	8,610

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 2021 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 30/06/2021 PLN k	Value at risk as at 30/06/2021 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and at bank	564	-	-
Financial liabilities			
Bank loans	23 887	23 887	23 887
Other financial liabilities	2 076	2 076	2 076

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

Interest rate	Deviation assumptions (in percentage points) 30 June 2021	Value at risk as at 30/06/2021 PLN k	Impact on the financial result 30 June 2021 PLN k

WIBOR	1%	-1%	25 963	- 259.6	259.6

Risk of insolvency of business partners

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

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

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

Financial situation

Rules of drawing up consolidated financial statements

The financial statements have been prepared on the basis of the International Financial Reporting Standards, with the assumption that the Group companies will continue as a going concern in the foreseeable future and to a significant extent unchanged. The Group did not conduct operations which were discontinued in the first half of 2021.

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

Consolidated entities: as of 30 June 2021

	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 %

The Group's results overview

Makarony Polskie Group	01/01/2021 30/06/2021	01/01/2020- 30/06/2020
Incomes from sales	**82,068**	**100,505**
Revenues from sale of other products and services	77 785	93 909
Net income from the sale of materials and goods	4,283	6 596
Own cost	**66 661**	**79 963**
Production costs of products and services sold	62 857	73 856
Value of goods and materials sold	3 804	6 107
Gross profit (loss) on sales	**15 407**	**20 542**
Costs of sale	9 877	11 872
General administrative costs	2 836	3 022
Other revenues	2 245	977
Other costs	370	640

Profit (loss) from continued operations	**4 569**	**5,985**
Financial incomes	51	15
Financial costs	386	956
Profit (loss) on business activity	**4 234**	**5 044**
Gross profit (loss)	**4 234**	**5 044**
Income tax - current part	770	688
Income tax - deferred part	112	383
Net profit (loss)	**3,352**	**3,973**
In this attributable to:		
Shareholders of the parent Company	3,352	3,973
Non-controlling shares		
Basic net result per share in PLN	0.36	0.43
Diluted net result per share in PLN	0.36	0.43
Other total net income/loss		
Total net income	**3,352**	**3,973**
Total net income attributable to:		
Shareholders of the parent Company	3,352	3,973
Non-controlling shares		

After 2020, which was the year of the Covid-19 pandemic and was marked by turbulence in supply processes, staff shortages and large demand peaks resulting from one-off mass purchases of, among others, pasta, caused panic, 2021 saw a decline in demand. The value of consolidated revenues in the first half of 2021 amounted to PLN 82.1 m and was lower by approx. 18.3% compared to the first half of 2020.

Ubiquitous price increases are observed on the market, which also include the prices of raw materials and materials for the production of pasta and ready meals. Unfortunately, this has a negative impact on the margins of the operating activity. The prime cost of products, services, goods and materials sold in the first half of 2021 amounted to approx. PLN 66.7 m (decrease by approx. 16.3%). Gross profit on sales amounted to approx. PLN 15.4 m and was lower by approx. PLN 5.1 m (-25%) compared to the same period of the previous year.

Selling costs amounted to approx. PLN 9.9 m in the first half of 2021 and decreased by approx. PLN 2.0 m compared to the first half of 2020, which is a consequence of the lower sales realized.

The operating result (EBIT) in the first half of 2021 amounted to approx. PLN 4.6 m compared to approx. PLN 6.0 m in the first half of 2020 (a decrease by approx. 23.8%).

The net profit in the first half of 2021 amounted to approx. PLN 3.4 m and is lower than the result for the first half of 2020 by approx. PLN 0.6 m (-15.6%). The profitability calculated on the level of net profit in the first half of 2021 was 4.1%.

At the end of the first half of 2021, the Group recorded EBITDA of approx. PLN 8.6 m, compared to the result of approx. PLN 9.7 m in the first half of 2020, which means a decrease by approx. PLN 1.1 m y/y .

Results achieved vs. forecasts

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

Group operating segments

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

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

	01/01/2021 30/06/2021	01/01/2020 - 30/06/2020
Revenues from sales of products	74 587	89 626
Proceeds from the sale of services, including:	3 198	4,283
- service production	879	1 369
- transportation services		
- for lease, storage	2 306	2 912
- other	13	2
Revenues from sale of materials	2 521	5 111
Revenues from sale of goods	1 762	1 485
Total	82,068	100,505

In the first half of 2021, the Group recorded a decrease in sales by PLN 18.4 m compared to the first half of 2020 and amounted to PLN 82.1 m.

Sales revenue broken down by operating segments

In the first half of 2021, the Makarony Polskie Group carried out sales according to the following product groups, achieving the following revenues on this account:

(in PLN k)	01/01/2021 30/06/2021	01/01/2020- 30/06/2020
Pasta	58 368	71 344
Meat and vegetable preserves	14 170	15 195
Vegetable and fruit preserves*	4 652	5 867
Fruit preserves	4 878	8 099
Total	**82,068**	**100,505**

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

The sales revenues of the Makarony Polskie Group in the first half of 2021 amounted to approx. PLN 82.1 m and were by approx. PLN 18.4 m lower than in the corresponding period of 2020.

Sales in the pasta category decreased in the analyzed period by approx. PLN 13.0 m to the amount of approx. PLN 58.4 m. The decrease by about 18% was caused by the stabilization of the level of consumption and rationalization of consumer behavior compared to the same period last year, when the purchasing panic related to the first wave of Covid-19 broke out. Comparing the first half of 2021 to the same period in 2020, sales in the pasta segment increased by approx. PLN 1.3 m, i.e. approx. 2.3%.

Sales in the meat and vegetable preserves category decreased in the analyzed period by approx. PLN 1.0 m to the amount of approx. PLN 14.2 m. The decrease by approx. 6.7% was caused by a reduction in the number of indices produced in order to focus on products with greater market potential and to improve the profitability of this segment. There was also a decline in consumer interest in this product segment as a result of rationalizing consumer behavior compared to the same period last year, when the shopping panic related to the first wave of Covid-19 broke out. Comparing the first half of 2021 to the corresponding period in 2020, sales in the segment of processed meat and vegetables increased by approx. PLN 1.1 m, i.e. approx. 8.7%.

Sales in the vegetable and fruit preserves category decreased in the analyzed period by approx. PLN 1.2 m to the amount of approx. PLN 4.6 m. The decrease by approx. 20.7% was caused by a reduction in the number of indices produced in order to focus on products with greater market potential and to improve the profitability of this segment.

Structure of the Group's assets and liabilities

The Group's balance sheet total was approx. PLN 178.6 m as at June 30, 2021 compared to the amount of approx. PLN 180.5 m as at December 31, 2020 and to the amount of PLN 182.2 m as at June 30, 2020.

ASSETS	30 June 2021	31 December 2020	30 June 2020
FIXED ASSETS	**132 308**	**133,058**	**129 046**
Tangible fixed assets	115 201	117,017	111 407
Fixed assets - IFRS-16	3 649	2,524	3,639
Investment real estate	603	603	603
Goodwill	5,949	5,949	5,949
Other intangible assets	6 886	6 919	7 366
Long-term financial assets			
Assets for deferred income tax	0	1	2
Other long-term assets	20	45	80
CURRENT ASSETS	**46 294**	**47,479**	**53 108**
Inventories	23 068	24,127	24 599
Short-term receivables	22 338	22,636	27 745
Corporate income tax receivables	0	0	4
Borrowings granted			
Cash and cash equivalents	564	410	427
Other short-term assets	324	306	333
ASSETS FOR SALE			
TOTAL ASSETS	**178,602**	**180,537**	**182,154**

LIABILITIES	30 June 2021	31 December 2020	30 June 2020
EQUITY	**88 555**	**85,203**	**83 961**
Share capital	27,750	27,750	27,750
Supplementary capital	38,490	38,490	37,155
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	6,963	- 565	3,083
Net result	3,352	7,528	3,973
LONG-TERM LIABILITIES	**39 230**	**42,439**	**43 015**
Provision for deferred income tax	3 297	3,187	3 904
Long-term bank loans and borrowings	8,610	11,514	13 018
Long-term financial obligation - Polish Development Fund subsidy	837	2,269	0
Provision for pensions and similar (long-term)	398	398	432

Revenue of future periods - long-term	22 057	21,730	21 991
Long-term financial liabilities - leasing	1,032	1,297	847
Long-term financial liabilities - IFRS-16	2,999	2,044	2,823
SHORT-TERM LIABILITIES	**50 817**	**52,895**	**55 178**
Short-term bank loans and borrowings	15,277	15,379	15 140
Short-term financial obligation - Polish Development Fund subsidy	651	675	1,472
Short-term financial liabilities - leasing	1,044	845	741
Short-term financial liabilities-IFRS-16	730	555	903
Short-term financial liability - subsidy to working capital	0	124	0
Other short-term liabilities	28 506	31,165	32 656
Corporate income tax liabilities	30	1,153	102
Revenue from future periods - short-term	3 042	1 433	1,412
Provision for retirement and similar benefits (short-term)	1 263	1,506	1 158
Other short-term provisions	274	60	1 594
TOTAL LIABILITIES	**90 047**	**95,334**	**98 193**
TOTAL LIABILITIES	**178,602**	**180,537**	**182,154**

As at 30 June 2021, the value of non-current assets was close to the level at the end of 2020 - approx. PLN 132.3 m (approx. 74% of total assets) vs. approx. PLN 133.0 m at the end of 2020.

Current assets amounted to approx. PLN 46.3 m as at 30 June 2021 and decreased by approx. 2.5% compared to the end of 2020 (approx. PLN 47.5 m). The largest changes in current assets occured in inventories (a decrease by approx. PLN 1.1 m, i.e. by approx. 4.4% compared to the end of 2020) and receivables (a decrease by approx. PLN 0.3 m, i.e. by approx. 1.3% compared to the end of 2020).

Equity as at the balance sheet date amounted to approx. PLN 88.6 m, constituting approx. 49.6% of the value of liabilities and increased by approx. 3.9% compared to the value of approx. PLN 85.2 m at the end of 2020. The change was caused by the consolidated profit for 2020 in the amount of approx. PLN 7.0 m and the profit for the first half of 2021 in the amount of PLN 3.3 m.

Long-term liabilities amounted to approx. PLN 39.2 m and decreased by approx. 3.2% (from approx. PLN 7.6 m) compared to the end of 2020.mainly due to the decline in long-term loans (approx. PLN -2.9 m).

Short-term liabilities as at 30 June 2021 amounted to approx. PLN 50.8 m and decreased compared to the end of 2020 amounting to approx. PLN 52.9 mm, i.e. by approx. PLN 2.0 m (approx. -3.9% y/y).

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

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

Confirmation of full ability to pay liabilities in the first half of 2021 is:

- generating positive cash flows from operating activities in the amount of approx. PLN 3.4 m,
- generating EBITDA of approx. PLN 8.6 m in the first half of 2021 (a decrease by PLN 1.1 m compared to the first half of 2020),
- some purchases of the Group without using a trade loans, which are conditional on obtaining financial benefits,
- implementing investments (in the first half of 2021 capital expenditure at the level of PLN 1.5 m),
- at the end of June 2021, the bank loans to EBITDA ratio remains at a safe level of 1.44.

In the opinion of the Management Board, there are no threats that would make it impossible to settle the contracted liabilities. Due to large expenses related to the implementation of investment projects, the Group's debt will increase in the following periods.

Other financial information

Information on loans granted

As at 30 June 2021, Makarony Polskie SA granted its subsidiary Stoczek Natura Sp. z o.o. short-term loan in the amount of PLN 2.0 m with the repayment date falling on 31 December 2021 (one-off repayment until the maturity date of the liability). The interest rate on the loan was determined based on market conditions.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant loans during H1 2021.

Information on granted and received guaranties

In H1 2021, the Group companies did not grant any guarantees, and Makarony Polskie SA and Stoczek Natura Sp. z o.o. used the granted guarantees.

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

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Santander Bank Polska SA	1,011	to 28.12.2021	guarantee securing the Company's obligations under the agreement for sales and storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– joint mortgage up to the amount of PLN 1517 k on real estate marked with KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, – blank promissory note with a promissory note declaration
Santander Bank Polska SA	157	until 31/01/2024	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with Governmental Agency for Strategic Reserves	– blank promissory note with a promissory note declaration

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

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	504	until 13.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Governmental Agency for Strategic Reserves	– - contractual mortgage up to PLN 756 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA,
Bank Gospodarstwa Krajowego	1,549	until 15.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Governmental Agency for Strategic Reserves	– contractual mortgage up to PLN 2323 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA,

Bank Gospodarstwa Krajowego	24	until 25/03/2022	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Governmental Agency for Strategic Reserves	– blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank,
Bank Gospodarstwa Krajowego	725	until 31/08/2023	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Governmental Agency for Strategic Reserves	– contractual mortgage up to PLN 1088 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 1.5 m).

Information on granted and received sureties

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

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of secured liabilities in PLN k as at 30/06/2021
Surety of overdraft facility in the amount of PLN 3.0 m	Bank BGK	4,500	16/05/2022	2,910
Surety of investment loan in the amount of PLN 4.8 m	Bank BGK	4,812	08/11/2025	4,099
Bank guarantee in the amount of PLN 0.5 m	Bank BGK	504	13.06.2022	-
Bank guarantee in the amount of PLN 1.5 m	Bank BGK	1,549	15.06.2022	-
Bank guarantee in the amount of PLN 0.7 m	Bank BGK	725	29.02.2024	-

Makarony Polskie SA received remuneration for granting the above mentioned sureties.

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

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 30/06/2021
Credit surety in the current account in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30/12/2026	2 254
Investment loan guarantee in the amount of PLN 13.8 m	Santander Bank Polska SA	30 000	30/09/2021	3 249
Surety of overdraft facility in the amount of PLN 6.0 m	Bank BGK	6,000	30/12/2021	5 419
Surety for an EU investment loan in the amount of PLN 12.1 m	Santander Bank Polska SA	12,121	applies until the subsidy is settled	2 680

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

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

Significant transactions concluded by the Company and its subsidiaries with related entities under the terms other than market terms

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

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

Off-balance items

The values of guarantees received, collaterals, promissory notes, mortgages and other off-balance sheet liabilities in the tables above have been presented at maximum values.

Off-balance items Makarony Polskie Group (in PLN k)*	30 June 2021	31 December 2020
1. Contingent assets	**3 970**	**4,219**
- received guarantees and sureties	3 970	4,219
- collaterals on assets	0	0
- bills of exchange	0	0
2. Contingent liabilities	**168 696**	**173,244**

- for provided guarantees and warranties	0	0
- collaterals on property	107 869	109,481
- promissory note obligations	60 827	63,763
Total off-balance items	**- 164,726**	**-169,025**

* The statement does not include sureties between entities within the Group due to the lack of inflows on the balance of off-balance sheet items.

Off-balance items Makarony Polskie SA (in PLN k)	30 June 2021	31 December 2020
1. Contingent assets	**36 655**	**36 904**
- received guarantees and sureties	34 655	34 904
- collaterals on assets	0	0
- bills of exchange	2 000	2000
2. Contingent liabilities	**130 984**	**134 985**
- for provided guarantees and warranties	12,090	12,090
- collaterals on property	79 555	81 167
- promissory note obligations	39 339	41 728
Total off-balance items	**-94 329**	**-98 081**

Significant proceedings pending before a court, in arbitration proceedings or before a 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 which could significantly affect the financial results

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

The financial results of Makarony Polskie SA

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

Makarony Polskie SA	01/01/2021 30/06/2021	01/01/2020- 30/06/2020
Incomes from sales	**75 794**	**92 650**
Revenues from sale of other products and services	58 534	72 219
Net income from the sale of materials and goods	17 260	20 431
Own cost	**62 317**	**74 327**
Production costs of products and services sold	46 601	55 519
Value of goods and materials sold	15 716	18 808
Gross profit (loss) on sales	**13 477**	**18 323**
Costs of sale	9 380	10 974
General administrative costs	2 326	2 225
Other revenues	1 730	672
Other costs	236	623
Profit (loss) from continued operations	**3 265**	**5 173**
Financial incomes	53	48
Financial costs	307	792
Profit (loss) on business activity	**3,011**	**4,429**
Gross profit (loss)	**3,011**	**4,429**
Income tax - current part	664	612
Income tax - deferred part	- 41	337
Net profit (loss)	**2 388**	**3 480**

The value of revenues in the first half of 2021 amounted to approx. PLN 75.8 m and was lower by approx. PLN 16.9 m (approx. 18.2%) i.e. compared to the first half of 2020. The cost of products, services, goods and materials sold in the first half of 2021 amounted to approx. PLN 62.3 m (decrease by approx. 16.2%).

Makarony Polskie SA closed the first half of 2021 with a gross profit on sales of PLN 13.5 m, which means a decrease compared to the same period in 2020 by PLN 4.8 m, with a gross profit margin on sales of approx. 17.8% (vs. 19.8% for the first half of 2020). The decrease in gross profitability on sales was caused by a time shift between the increase in production costs (including flour and egg pulp, packaging and energy) and the adjustment of the selling prices of products to them.

Selling costs amounted to approx. PLN 9.4 m in the first half of 2021 and decreased by approx. PLN 1.6 m compared to the first half of 2020, which is a consequence of the lower sales realized.

The operating result (EBIT) in the first half of 2021 amounted to approx. PLN 3.3 m compared to approx. PLN 5.2 m in the first half of 2020 (a decrease by approx. PLN 1.9 m, i.e. approx. 36.9%). The operating profitability amounted to approx. 4.3% compared to approx. 5.6% in the first half of 2020.

The net profit in the first half of 2021 amounted to approx. PLN 2.4 m and is lower than the result for the first half of 2020 by approx. PLN 1.1 m (approx. -31.4%). Return on sales, calculated at the level of net profit, amounted to approx. 3.2% (vs. approx. 3.8% in the first half of 2020).

In the first half of 2021, Makrony Polskie generated EBITDA of approx. PLN 6.4 m (a decrease by approx. PLN 1.7 m y/y). The EBITDA profitability was at the level of approx. 8.4% (compared to approx. 8.7% for the first half of 2020).

Structure of assets and liabilities of Makarony Polskie SA

ASSETS	30 June 2021	31 December 2020	30 June 2020
FIXED ASSETS	**116 863**	**116,891**	**112 852**
Tangible fixed assets	77 152	78,249	73 516
Fixed assets - IFRS-16	3 650	2,524	3,639
Investment real estate	603	603	603
Other intangible assets	5 358	5 390	4 934
Goodwill			
Long-term financial assets, including	30,080	30,080	30,080
Shares	30,080	30,080	30,080
Borrowings granted	0	0	0
Assets for deferred income tax	0	0	0
Other long-term assets	20	45	80
CURRENT ASSETS	**38 464**	**38,945**	**43 293**
Inventories	14 762	15,046	14 523
Short-term receivables	20 900	21,273	26 196
Corporate income tax receivables	0	0	0
Borrowings granted	2 003	2,006	2 005
Cash and cash equivalents	506	374	311
Other short-term assets	293	246	258
ASSETS FOR SALE	**0**	**0**	**0**

TOTAL ASSETS	**155,327**	**155,836**	**156,145**

LIABILITIES	30 June 2021	31 December 2020	30 June 2020
EQUITY	**84 193**	**81,805**	**80 846**
Share capital	27,750	27,750	27,750
Supplementary capital	35,303	35,303	32,362
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	6,752	0	5,254
Net result	2 388	6,752	3 480
LONG-TERM LIABILITIES	**30 663**	**32,616**	**34 202**
Provision for deferred income tax	2 901	2,942	3 587
Long-term bank loans and borrowings	5 580	7,949	9 469
Long-term financial obligation - Polish Development Fund subsidy	399	1,104	0
Provision for pensions and similar (long-term)	340	336	370
Revenue of future periods - long-term	17 413	16,944	17 117
Long-term financial liabilities - leasing	1,031	1,297	836
Long-term financial liabilities - IFRS-16	2,999	2,044	2,823
SHORT-TERM LIABILITIES	**40 471**	**41,415**	**41 097**
Short-term bank loans and borrowings	11 297	11,336	8 992
Short-term financial obligation - Polish Development Fund subsidy	337	368	1,472
Short-term financial liabilities - leasing	1,033	826	689
Short-term financial liabilities - IFRS-16	730	555	903
Financial liabilities due to dividends	0	0	0
Other short-term liabilities	23 838	24,999	25 815
Corporate income tax liabilities	13	1,001	102
Revenue from future periods - short-term	2 037	1 149	1 131
Provision for retirement and similar benefits (short-term)	941	1 181	797
Other short-term provisions	245	0	1 196
TOTAL LIABILITIES	**71 134**	**74,031**	**75 299**
TOTAL LIABILITIES	**155,327**	**155,836**	**156,145**

As at 30 June 2021, the value of non-current assets amounted to approx. PLN 116.9 m (approx. 75.2% of total assets) and was lower by approx. PLN 28 k compared to the level at the end of 2020.

Current assets amounted to approx. PLN 38.5 m as at 30 June 2021 and decreased by approx. 1.2% compared to the end of 2020 when they amounted to approx. PLN 38.9 m. The biggest changes in current assets are the decrease in inventories by approx. PLN 284 k, i.e. by approx.

1.9% and a decrease in receivables by approx. PLN 373 k, i.e. by approx. 1.8% compared to the end of 2020.

Equity as at the balance sheet date amounted to approx. PLN 84.2 m, constituting approx. 54.2% of the value of liabilities and increased by approx. 2.9% compared to the value of approx. PLN 81.8 m at the end of 2020. The change was caused by the net profit for the first half of 2021 in the amount of approx. PLN 2.4 m.

Long-term liabilities amounted to approx. PLN 30.7 m and decreased by approx. 6% (from approx. PLN 32.6 m) compared to the end of 2020. The largest changes were recorded in long-term loans (approx. PLN -2.4 m) and long-term financial liabilities (PFR subsidy -PLN 0.7 m).

Short-term liabilities as at 30 June 2021 amounted to approx. PLN 40.5 m and decreased compared to the end of 2020 amounting to approx. PLN 41.4 m.

Management Board statements

Statement on the reliability of the preparation of the financial statements

The Management Board of Makarony Polskie SA with its registered office in Rzeszów declares that, to the best of its knowledge, the semi-annual condensed financial statements of the Makarony Polskie Group - individual and consolidated - for the first 6 months of the financial year 2021, ended on June 30, 2021, and comparable data were prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear manner the property and financial situation of the Company and Makarony Polskie Group as well as their financial result.

The Management Board's report on the activities of the Company and the Makarony Polskie Group for the period from January 1, 2021 to June 30, 2021 presents a true picture of the development, achievements and situation of the Company and the Group, including a description of the basic threats and risks.

Approval of the financial statements

This Management Board Report on the operations of the Makarony Polskie SA Group of Companies was approved for publication by the Management Board of the parent company on September 29, 2021.

Zenon Daniłowski
President of the Management Board

Informations about the company

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

www.makarony.pl

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

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

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