

**DIRECTORS' REPORT ON THE COMPANY'S OPERATIONS
for the financial year from 1 January to 31 December 2025**

1. Company information

Full name:	Polipak Sp. z o.o
Registered address:	63-000 Środa Wielkopolska, ul. Fabryczna 7
Entry number in the National Court Register:	00000233546
Tax Identification Number:	7861007728
Business Identification Number:	630319202

The Company's core business is the manufacture of plastic packing goods (code according to the Polish Classification of Business Activity: 222Z).

As at 31 December 2025, the Company's shareholder is Sarantis Polska S.A. of Piaseczno, holding 1 930 000 shares with the face value of PLN 100.00 per share and the total value of PLN 193 000 000.00 at the end of the period, representing 100% of the share capital.

In the reporting year, the Company was a limited liability company.

2. Organizational structure

Board of Directors

As at 31 December 2025, lines for the Company's operations were set by the Board of Directors represented by:

- Tomasz Tramś – President of the Board of Directors;
- Nikolaos Bazigos – Vice President of the Board of Directors.

The Company's Shareholders are empowered to appoint, suspend and/or dismiss members of the Board of Directors.

Polipak Sp. z o.o.'s headcount

The following was the Company's headcount as at 31 December 2025:

- people engaged under contracts of employment – 299 individuals
- people engaged under commission contracts – 18 individuals
- people hired by an employment agency – 140 individuals

The number of people engaged under contracts of employment increased by 62 individuals compared to the previous year. The number of people hired by the employment agency decreased by 48 year-over-year.

3. Fundamental business information

Business of the Company

Polipak Sp. z o.o. manufactures polyethylene film packaging for a large number of market segments. A basic range from the Company includes products for household purposes (including mostly garbage bags and frozen food bags). The other product category includes industrial packaging products used in a variety of industries. The Company's clients are primarily those from the automotive industry, clothing industry, and food industry.

The Company is committed to provide its clients with packaging products that meet their expectations, are of top reproducible quality, and have competitive prices.

Description of products

Households, to whom the Company offers a wide variety of garbage bags and frozen food bags, are major consumers of the Company's products. In general, drawstring bags have increasingly become a leading product in the Company's portfolio. In recent years, investments have primarily included production lines for

these very products. Included in product portfolios of the largest clients (Sarantis, Lidl), interleaved drawstring bags have become the Company's best-selling product in recent years.

For industrial uses, the Company offers various film bag types, whether loose in cardboard boxes or on rolls. Film is made from virgin raw materials or reprocessed granules, or mixes thereof. In recent years, the Company has specialized in making bags with increasingly greater quantities of reprocessed granules.

By taking good care of the natural environment and using secondary raw materials on an increasingly larger scale, we try to keep up with eco-friendly trends that have become a standard approach globally in recent years. Thus, under agreement number POIR.01.01.-00.0783/19 of 16 April 2020, the Company received a subsidy from the National Centre for Research and Development for a line to manufacture high quality reprocessed granules from the Company's own waste from the production of printed film in a closed-loop system.

Sales structure in 2025

Polipak Sp. z o.o. has the following two geographic segments: domestic operations and operations within or outside the European Union. In 2025, domestic sales revenue and foreign sales revenue accounted for 35.8% and 64.2% of total revenue, respectively.

4. Company's production potential

Asset investments in 2025

January 2025 saw the Company starting installation of the sprinkler system for the entire factory (in all production areas, warehouses). As part of the project, a pump station with a combustion-engine driven pump and an additional fire water tank were built. The project budget exceeds PLN 15 mio. The completion and commissioning of the sprinkler system installation are scheduled for April 2026.

Moreover, in the period under review, the following investment projects were completed:

- purchase of a plot located in the vicinity of the registered office of Polipak in Środa Wielkopolska, with the area of 4 092 m² (PLN 4 mio);
- purchase, installation and commissioning of a high-performance 2-lane machine (Amutec) for making industrial bags (EUR 0.561 mio);
- purchase, installation and commissioning of a high-performance 3-lane machine (Amutec) for making T-shirt and wave top bags (EUR 0.575 mio);
- purchase, installation and commissioning of a state-of-the-art high-performance (250 kg/h) extruder (CMG) for 3-layer film (with an additional water chiller unit) (EUR 1 mio);
- construction of a storage yard with bunkers for storing processed PE waste, and a canopy for technical purposes (PLN 5.3 mio);
- purchase, installation and commissioning of two machines (Karat) for controlling film thickness, set on extruders nos. 134 and 901;
- installation of an air-cooling system in the roll-making machine hall (PLN 1.2 mio);
- purchase and replacement of an Aceretech extruder filtration unit;
- purchase and installation of dewatering presses for the Ekolinia washing line;
- installation of system to monitor a solar power system (phase I – monitoring of inverters);
- embossing rollers for Coemter C4;
- double-seal sealing unit for Coemter C10.

Selected financial indicators:

Indicator/ratio	Calculation formula	2025	2024
Days sales of inventory [days]	$\frac{\text{average inventory} * 365}{\text{sales revenue}}$	36	39
Days sales outstanding [days]	$\frac{\text{average receivables} * 365}{\text{sales revenue}}$	40	31
Days payables outstanding [days]	$\frac{\text{average trade liabilities} * 365}{\text{sales revenue}}$	57	39
Cash conversion cycle	$\text{DIO} + \text{DSO} - \text{DPO}$	20	31
Fixed asset performance	$\frac{\text{sales revenue}}{\text{fixed assets}}$	0.9	1.0
Asset turnover	$\frac{\text{sales revenue}}{\text{total assets}}$	0.7	0.8
Current ratio	$\frac{\text{current assets}}{\text{current liabilities}}$	1.5	1.7
Quick ratio	$\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$	1.0	1.0
Fixed capital [PLN '000]	equity + non-current liabilities	288 904.4	266 526.6
Working capital [PLN '000]	Fixed capital – non-current assets	23 959.0	25 854.0

In 2025, the cash conversion cycle shortened to 20 days, compared to 31 days in 2024, representing an improvement of 11 days. The Company is even faster at converting capital locked in inventory and receivables into cash. A reduction in days sales of inventory from 39 to 36 days indicates more efficient inventory management and better utilisation of warehouse stocks. At the same time, the days sales outstanding increased from 31 to 40 days, which means that the Company needs to wait slightly longer to get paid by clients. In the period under review, the days payable outstanding also significantly increased from 39 to 57 days, which means a longer use of trade credits from suppliers and has a positive impact on financing day-to-day operations. As a result, the total cash conversion cycle was further reduced.

In 2025, the asset turnover ratio stood at 0.7 compared to 0.8 in 2024. This means that for every PLN 1 invested in total assets, PLN 0.70 of sales revenue is generated, thus reflecting a slight decline in the efficiency of the enterprise's assets. At the same time, fixed asset performance stood at 0.9 compared to 1.0 in the previous years, which also points to a slight decline in the ability of fixed assets to generate revenue.

In 2025, the current ratio was 1.5 compared to 1.7 in 2024, while the quick ratio remained stable at 1.0. Despite a slight decline in the current ratio, both ratios remain at safe levels. The recommended value is 1.2 to 2.0 pps for the current ratio, while the optimum value for the quick ratio is approx. 1.0 pp, confirming the Company's ability to meet its short-term obligations in a timely manner.

In 2025, fixed capital rose to 288 904.4k, compared to PLN 266 526.6k in the previous year, reflecting an increase in stable sources of financing. At the same time, working capital decreased to PLN 23 959.0k, compared to 25 854.0k in 2024, while still remaining positive and thereby confirming the Company's ability to finance its day-to-day operations.

5. Company's development

Sales strategy and development directions

The sales strategy of Polipak Sp. z o.o. focuses on further strengthening of partnerships within Sarantis Group, and on growing export sales. An increase in production for Sarantis Group brands, including specifically Jan Niezbędny, Fino, and Sanitas, is a primary line of development. At the same time, the Company intends to launch production and sale of other brands within the Group's portfolio in the manufacturing plant in Środa Wielkopolska.

Marketing activities at the entire Sarantis Group level support the growth of sales as part of intra-Group cooperation. Through this, Polipak Sp. z o.o. scales up its production and boosts its capacity utilisation, while strengthening its role of a key manufacturing base for selected product categories within the Group.

A key pillar of the growth strategy is also elevating quality standards. Introduction of new quality procedures and standards will make it possible for the Company to expand its export sales, in particular by entering a highly demanding French market.

In the domestic market, Polipak Sp. z o.o. continues to cooperate with key retail chains, such as Jeronimo Martins Polska (Biedronka), Lidl, and Dino, which remain primary buyers of the Company's products in Poland.

Concurrently, the Company expands its export operations. The Company deepens partnerships with business partners in Israel and lunches production for the Southern American market, including specifically Chile, where products are bought by Virutex.

In the years to come, the Company expects sales to Sarantis Group to grow, including specifically in the segment of innovative products, such as drawstring garbage bags. At the same time, the Company intends to increase exports to international markets, including Chile, Israel, France, and Scandinavia.

The implementation of the aforementioned strategic goals aims at expanding the Company's scale of operations, further diversifying sales markets, and strengthening a market position of Polipak Sp. z o.o. as a significant manufacturer within Sarantis Group.

Asset investments

The following are the Company's investment projects intended for 2026:

- embossing rollers for Coemter C11;
- completion of the sprinkler system installation process;
- replacement of emergency lighting;
- transfer of 3 extruders from Lubartów;
- installation of system to monitor a solar power system (phase II – monitoring of panels);
- construction of an additional warehouse facility on the storage yard;
- design and construction of a dust extraction and explosion protection system for silos with a central feeding system.

6. Risk factors

Price risk of products, feedstock and commodities

Consumption of feedstock, including primarily LDPE and HDPE in the form of virgin products sourced directly from refineries and of reprocessed products, constitutes the most significant item in the Company's costing. As feedstock consists of petroleum products, its pricing is closely tied to a basic material, i.e. crude oil. And the crude oil market is highly vulnerable to a political situation and susceptible to unpredictable episodes of price volatility.

Due to month-over-month price fluctuations, the Company is exposed to the risk of raising prices, which is unpredictable in terms of its scale and time and depends on oil prices on the exchanges, demand levels, and foreign exchange rates. There is, therefore, a risk of raising production cost, which, if realised, translates into lower profit. To hedge against the said risk, the Company calculates costs of order (production) completion based on current and forecast prices for feedstock, and makes efforts on a regular basis to transfer those costs onto final purchasers of the Company's products by changing sales prices on a periodical basis (depending on the content of relevant agreements that have been negotiated and signed).

Risk presented by suppliers of raw materials and services

For years, the Company has been following a spot buying policy, which, on one hand, enables the Company to optimize purchase prices, but, on the other hand, involves the risk of unavailability of any particular raw material type. The risk is mitigated through the long-term collaboration relationship with suppliers. In

addition, the Company is constantly searching for new suppliers to have alternative sources of good quality raw materials in a crisis situation.

Over recent years, all leading plastic manufacturers from all parts of the globe have been present in the Polish market, through both their representatives and distributors in recent years. We have been also continuously experiencing the Latin American or Near Eastern manufacturers of polyolefins going on the offensive. Their steps have an impact on the regional and local balance between supply and demand, enabling the Company to diversify the Company's suppliers and thereby mitigate the risk of sudden price changes through increased purchasing activities in periods of lower prices, as well as minimize the risk of unavailability of any raw material.

Staff risk

Qualified crew retention and quick adaptation of new workers so that they can perform assigned tasks are challenging because of yet another year of difficulties faced on the labour market in the Wielkopolska Province, these being unavailability of workforce coupled and rising expectations for a pay. The key to maintaining safety was to recruit and quickly train workers that are motivated to work. At Polipak, a particular focus is placed on developing an onboarding program so that new workers can be trained to an operator level in a short time to ensure staffing for machine operating jobs. Owing to the large number of foreigners, training courses and all documents (instructions, OHS rules, job offers etc.) have been translated into Ukrainian and English languages. Both an internal training system and remuneration rules promoting workers' competency and commitment, regardless of their country of origin, were maintained. At the same time, investment projects were carried out to increase competency of middle- and senior-level employees through training and coaching for day-to-day managing multicultural and multilingual teams.

Despite the extremely challenging situation on the labour market in the area of Środa Wielkopolska (presence of numerous large industrial plants and emergence of new plants), these efforts ensured uninterrupted access to workforce and made Polipak be considered a first-choice employer. Although a part of the crew is engaged via temporary employment agencies, the worker turnover rate is stabilized and remains low. With all this, a smooth increase in production capacity was possible, without compromising delivery times, quality or productivity.

Risk of clients' insolvency

Among purchasers of the Company's products, there are also smaller businesses that face financial liquidity problems leading to past due balances from time to time. Therefore, there is a risk that a contracting party may turn out to be unreliable or, in the worst-case scenario, insolvent. To protect the Company from sudden unplanned losses, which may arise from a contracting party's failure to pay, and to effectively manage business risks, the Company continues to maintain its trade receivable insurance policy. Some clients, whose transactions are covered under the insurance policy, have a specific credit limit assigned and, as soon as they have any past due balances, the process of completing their further orders is suspended and any loss arising from an unpaid debt is compensated from insurance.

Account receivable insurance also improves the quality of accounts receivable management as it:

- opens opportunities for, and improves the safety of new business relationships;
- improves relationships with the existing clients;
- makes the Company a more reliable partner for the banks.

Risk of excessive debt obligations

As at the date of this Report, the Company does not use any financing whatsoever, whether third-party or internal; however, the Company has retained its access to an overdraft facility.

Tax uncertainty risk

As is the case for all business entities, the Company is exposed to imprecise provisions of tax law. The imprecise provisions may cause discrepancies in tax-law interpretation, including specifically interpretation of the Company's business transactions that involve income tax, civil-law transaction tax, and VAT. Imprecise provisions are also found in regulations governing the Company's obligation to prepare documentation for transactions with related entities. Therefore, there is a risk that, despite the fact that the Company follows current tax standards, interpretation by a competent tax authority may differ from tax treatments adopted by the Company. In consequence, a penalty may be imposed on the Company, which penalty may adversely affect the Company's financial performance.

Risk associated with the outbreak of war in Ukraine

On 24 February 2022, Russia began its military operations on the territory of Ukraine or a neighbouring country of Poland. Many countries across Europe and globally started introducing sanctions against Russia as well as against Belarus that openly supports Russia's attack. Therefore, the Company carried out a business risk analysis that, however, did not identify any significant business continuity risk arising from a negative impact of the war.

The analysis examined sales markets of the Company which was selling to neither Russia nor Belarus in the past reporting period. And as plans for expansion into new markets do not include the said countries either, there is no risk of any drop in potential revenue.

The Company's supply chains were also looked at, especially in the context of transit routes going through Ukraine or Belarus. As the Company does not purchase raw materials in the East, the Management does not expect any major disruptions in the supply of raw materials.

Środa Wielkopolska, 07 April 2026

Company's Board of Directors:

Tomasz Tramś - President of the Board of Directors

Nikolaos Bazigos – Vice President of the Board of Directors

Podpis jest prawidłowy

Dokument podpisany przez
Tomasz Tramś
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NIKOLAOS BAZIGOS

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