Makarony Polskie

- SPÓŁKA AKCYJNA -

Report of the Management Board on the activities of Makarony Polskie SA and the Makarony Polskie Group in the financial year 2021



Rzeszów, April 28, 2022

Table of Contents

Letter of the President of the Management Board 3

Characteristics of the Makarony Polskie Group 5

Group Organization 5

Selected market data 7

Makarony Polskie SA on the capital market 10

Activities of the Makarony Polskie Group 14

Main products and services 14

Market environment 20

Material Agreements 22

Factors material for the development of the Group 23

Financial standing of Makarony Polskie Group 38

Discussing the results 38

Operating segments 40

Factors and events, including unusual ones, affecting the results for 2021 41

Structure of assets and liabilities 45

Ratio analysis 47

Other financial information 50

Brief information about Makarony Polskie SA 62

Discussing the results 62

Market environment 63

Operating segments 65

Structure of assets and liabilities 67

Ratio analysis 69

Off-balance sheet items 72

Corporate Governance 73

Table of Contents

Statement on the application of corporate governance principles 73

Internal control and risk management system in the process of financial statements preparing 77

Share capital 79

Right to decide on the issue or redemption of shares 89

Rules for amending the Articles of Association of Makarony Polskie SA 90

General Assembly 90

Supervisory Board 93

Management Board 103

Other information 108

Information on cooperation with the statutory auditor 108

Corporate social responsibility 109

Employees 109

Natural environment 114

Market 115

Society 117

Management Board statements 120

Statement on the reliability of the consolidated financial statements preparing 120

Statement on the reliability of the separate financial statements preparing 120

Statement on the reliability of the preparation of the report on the activities of the Company and the Makarony Polskie Group 120

Statement on the selection and selection procedure of the audit firm 121

Approval of the financial statements 121

Company information 122

This "Report of the Management Board on the activities of Makarony Polskie SA and Makarony Polskie Group in the financial year 2021" was prepared on the basis of §71 paragraph 8 of the Regulation of the Minister of Finance on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by provisions of the law of a non-member state of March 29, 2018.

Last year was good for our Group, it achieved total consolidated sales revenues at the level of PLN 170 m, net profit amounted to approx. PLN 6.4 m, and EBITDA was at the level of PLN 16.5 m

Letter of the President of the Management Board



Dear Sirs,

Dear Shareholders,

I am pleased to send you this Letter of the Management Board of Makarony Polskie SA and submit the annual report of the Makarony Polskie Group for the financial year 2021.

In 2021, the Makarony Polskie Group continued its stable organic growth trend. Despite the very volatile and demanding market environment, the Group developed quantitatively and qualitatively. Total consolidated sales revenues for 2021 amounted to approx. PLN 170 m, net profit was approx. PLN 6.4 m, and EBITDA was over PLN 16.5 m.

The year 2021 brought a number of challenges, both in terms of revenues and expenses. All market participants were hit by the sudden and enormous increase in the prices of electricity, gas and liquid fuels. Moreover, pasta producers have experienced a drastic abrupt growth in the price of pasta flour that was unparalleled in previous years, which unfortunately continued also into 2022. The price of flour rose from PLN 970 per 1 ton in April 2021 to PLN 2,500 per 1 ton in April 2022.

Throughout the reporting period, the Makarony Polskie Group undertook various activities aimed at limiting the negative impact of external factors on its operating activities. The production processes have been optimized, and the terms of purchasing raw materials and materials, as well as the terms of selling products, have been systematically negotiated. These activities made it possible to maintain the highest quality of products, develop the portfolio by introducing new products, high sales and maintaining profitability at the level of previous years. The net profitability in 2021 was approximately 3.7%, and the EBITDA profitability was approximately 9.8%.

The balance sheet situation of the Makarony Polskie Group in 2021 was favorable. The ratios showed high liquidity. This allowed Makarony Polskie SA to pay a dividend of PLN 0.30 per share, as well as to conduct acquisitions.

At the turn of 2021 and 2022, the Company purchased one of the leading pasta producers in Poland, the family company PPH "SAS". Thanks to this transaction, the production capacity of the Makarony Polskie Group in the field of pasta production

Letter of the President of the Management Board

increased by over 30%. We are currently the market leader in the category of rolled and egg pasta. The preliminary results for the first quarter of 2022 show that this acquisition was a good decision. In 2022, we plan to fully integrate pasta production in all three locations, i.e. Rzeszow, Częstochowa and Korpele, which will intensify the synergy effects.

The Group's objective for 2022 is to build a photovoltaic energy supply for production plants and to implement environmentally friendly packaging. We treat these projects not only as cost optimization, but also as an element of the ESG strategy we are building.

As the Management Board, I have the ambition to continue the organic development of the Group by increasing sales, including exports, product development and improving profitability. The great challenge of 2022 will be to protect the Group from unfavorable phenomena in the business environment and the effects of war: inflationary pressure, as well as expensive raw materials and materials and their shortages.

I would like to express my gratitude to our business partners and customers for their loyal cooperation.

I would like to thank the Shareholders for their support and trust, which was clearly reflected in their active participation in increasing the capital of Makarony Polskie SA.

I would like to express my appreciation and respect to our staff, employees of the Makarony Polskie Group companies - your work performed in pandemic and unstable times contributes to building the Group's value and provides food to thousands of consumers in Poland, the European Union and Ukraine.

Yours faithfully,

Zenon Daniłowski
President of the Management Board

As at December 31, 2021, the Makarony Polskie Group consisted of three companies: two manufacturing and one trading one.

Characteristics of the Makarony Polskie Group

Group Organization

During the financial year 2021, Makarony Polskie Group (the "Group") consisted of the following three companies:

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



Makarony Polskie SA is a producer of a wide range of pasta, produced in pressed and rolled technology. The Company offers pasta in many different forms, based on durum flour and common wheat flour. The Company's portfolio also includes products that respond to pro-health food trends, such as pasta made from spelled, buckwheat and rye flours. The product offer is diversified by large forms of pasta intended for stuffing and vegetable pastas 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 in this direction.
The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand from Makarony Polskie).

Stoczek Natura Sp. z o.o. is a producer of meat and vegetable preserves (ready-made dishes, pates, lards, canned food), vegetable preserves (salads, pickles), fruit preserves (jams, plum jam) offered under the brands Stoczek, Tenczynek, Męska Rzecz, as well as the new SoFood brand, which represents a growing category of ready-made dishes on trays. Products that are easy to prepare and can be placed on the so-called dry shelf.

Characteristics of the Makarony Polskie Group

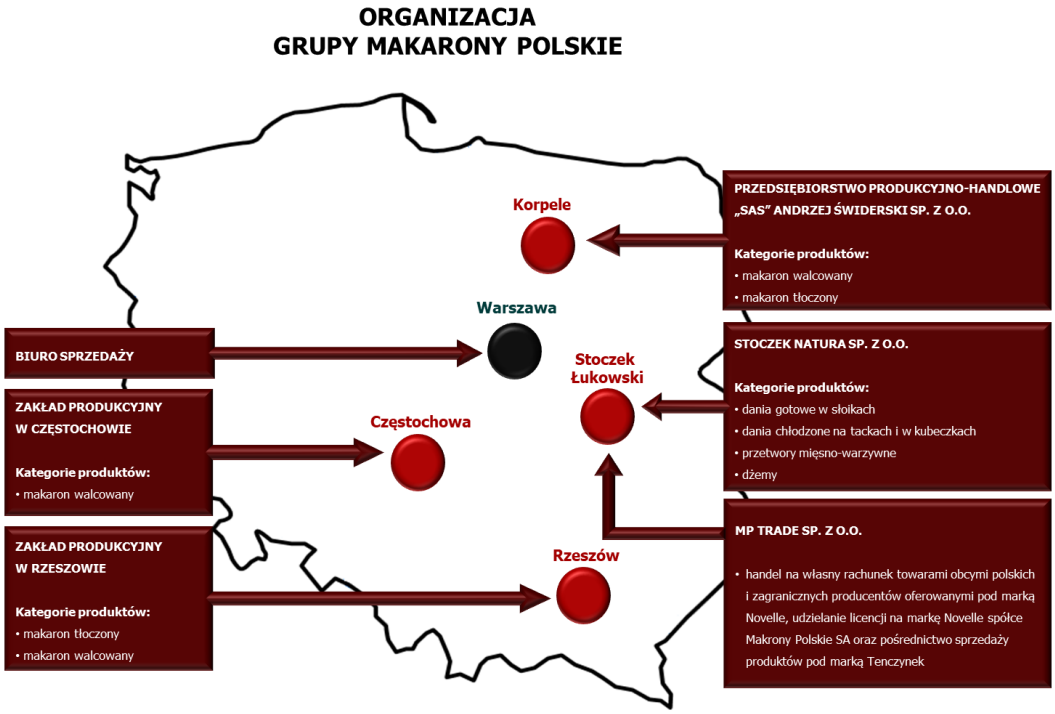
MP Trade Sp. z o.o. develops trade on its own account in foreign goods of Polish and foreign producers. The company's activities focus on selling products purchased from external suppliers under the Novelle private label and licensing the Novelle brand to Makrony Polskie SA for the production of vegetable pasta and other goods produced by 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 2021

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

After the balance sheet date, Makarony Polskie SA finalized the acquisition of Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o. a producer of a wide range of pasta, produced in the \rolled and pressed technology, "fettuccine" among others. Offering its products in many different forms and combinations of raw materials, both under private label brands as well as under own brands: Va bene, Makaron Polski SAS and FUKS.

Within Makarony Polskie Group, individual companies conclude between themselves purchase and sale transactions of products, goods and services. All transactions are performed on an arm's length basis.



Selected market data

Pasta market

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

After clear fluctuations in sales that occurred on the pasta market in 2020 due to subsequent pandemic waves, 2021 brought some stabilization in this regard as consumers stopped forward buying. However, the first months of 2022 brought further sales peaks caused by inflationary unrest and the Russian aggression against Ukraine. Again, many products with a long shelf life, including pasta, are "forward bought" or as humanitarian aid for Ukraine and its citizens.

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

- macroeconomic situation related to inflation and rising food prices - consumers limit their purchases to a basket of basic needs and products with a long shelf life. Consumers take care of their limited budgets, therefore the price of the product becomes more and more important when making purchasing decisions;
- clean label, health benefits of meals - consumers are looking for products made of natural ingredients, without chemical additives. An important factor deciding about the purchase of the product are also additional nutritional values, positively

influencing the health of the body, e.g. supporting the fight against civilization diseases;

- plant products - in the coming years, vegetable protein will have an increasing share in the market, consumers will be looking for healthy plant products on store shelves, replacing animal products. A strong trend on 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;
- product patriotism - consumers attach increasing importance to the country of origin of the product. An important factor influencing the purchase is the country of origin of the product and its ingredients. Local products are popular due to their taste as well as the willingness to support local producers;
- commitment to environmental protection - when discussing the current market trends is impossible not to mention the "zero waste" trend of not wasting food. It is observed not only in terms of the diversification of packaging by producers: standard, family or "one serving at a time" ones, 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. The policy of corporate social and climate responsibility and companies striving to be zero-emission are also becoming more and more important when making purchasing decisions by consumers;
- convenience - convenience in preparing meals - consumers want to be able to prepare a tasty meal quickly and easily. They are more and more eager to reach for ready-made dishes that are prepared in such a way as to be sufficient for a wholesome serving for one person, e.g. ready-made dishes on trays. Food is not wasted this way. Energy, water and gas are also saved, which is good for the environment, but also for the home budget. In addition, buying more and more expensive products to prepare a meal is not needed.

Ready-made dishes market

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

In the ready-made dishes category in Poland, the most dynamic growth is recorded in the category of ready-made meals on trays. In 2019, sales of dishes on a tray amounted to approx. 370 k pieces, while in 2020 it was already over 1.0 m pieces of dishes sold,

which means an increase by approx. 288%. In 2021, the growth dynamics reached the level of approx. 170%.

The ready-made meals market, like the pasta market, experiences fluctuations in sales related to one-off random events such as the Covid-19 pandemic, the macroeconomic (high inflation) and geopolitical situation (war in Ukraine). Search for products with a long shelf life, purchased both as part of "organizing" food supplies by consumers for their own needs, as well as provided as humanitarian aid.

The trends that have the strongest impact on the ready-made dishes market include:

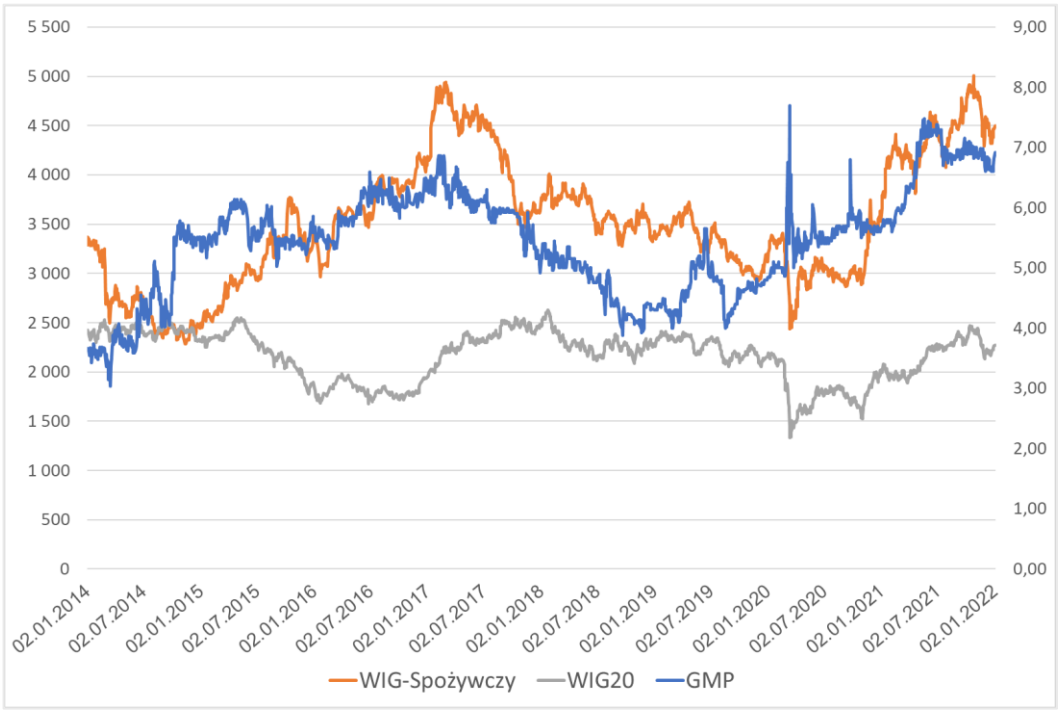
- macroeconomic situation related to inflation and rising food prices - consumers limit their purchases to a basket of basic needs and products with a long shelf life. Consumers take care of their limited budgets, therefore the price of the product becomes more and more important when making purchasing decisions;
- the trend of pro-health and naturalness - the need to eat "...-free" food increases with the level of consumer knowledge and their fear of allergies and preservatives. Customers more and more often demand a "clean label" (compositions without artificial additives, flavor enhancers and preservatives), and producers emphasize the simplicity and health-oriented nature of their recipes. It is fashionable to use inspiration from different regions of the world in meals;
- "Transparency" of products - it is desirable that ready-food products, in addition to a clean label and short list of product ingredients, also have packaging that allows consumers to see the meal before making a purchase decision, e.g. a transparent film;
- convenience - convenience, ease of use - producers are looking for new solutions to make it easier for the consumer to heat and eat the dish. 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-made dishes, devoid of even a hint of individuality, and long and often demanding cooking from scratch.
- For many years, in European markets, a trend has been observed consisting in the development of the segment of ready-made dishes on trays and in cups at the expense of systematic shrinkage of the shelf of products in jars. In Poland, the so-called 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 evident. For an increasing number of consumers, ready-made dishes are a convenient and cheaper alternative to a boxed diet;

- shelf life - consumers are looking for products with a long shelf life in order to prepare food supplies, to protect their household during times of economic instability;
- increased care for the environment - the consumer expects the producer to have a sustainable production policy and minimize the harmful impact on the environment (less plastic, recyclable materials). The packaging should be environmentally friendly, made of recyclable materials.

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.



	2014-01-02	2017-01-02	2019-01-02	2021-01-04	2022-01-03	Change from 2014-01-02
Makarony Polskie	3.64	6.45	4.4	5.7	6.92	90%
WIG20	2 426	1 957	2 302	2 009	2 272	-6.3%
WIG-Food	3 290	4 195	3 447	3 716	4 498	36.7%

Dividend policy at Makarony Polskie SA

In 2021, the Management Board of the Company decided to recommend to the Annual General Assembly 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:

- the amount of PLN 2,775,021.30 shall be allocated to the payment of dividends, of PLN 0.30 gross per share,
- the remaining part of the profit in the amount of PLN 3,976,963.71 to be allocated to the Company's supplementary capital.

Pursuant 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 Assembly of Makarony Polskie SA adopted resolutions approving 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 day is July 15, 2021. The dividend shall be paid on September 30, 2021. 9 250 071 Company shares were entitled to the dividend.

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

Use of the proceeds from the issue

Series F shares issue

In 2021, the Company executed a private issue, excluding subscription rights, of 1,790,000 series F ordinary bearer shares with a nominal value of PLN 3.00 each. The issue was executed on the basis of the resolution No. 18 of the Ordinary General Assembly of Makarony Polskie SA of July 7, 2022, according to which the share capital of the Company could be increased from PLN 27,750,213 to an amount not higher than PLN 33,300,213 by issuing no more than 1,850,000 series F ordinary bearer shares with a nominal value of PLN 3.00 each.

The subscription was executed by way of sending offers by the Company to selected investors and their acceptance by the addressees. Series F shares were acquired by 4 entities. The share subscription agreements were concluded in the period from November 24, 2021 to November 30, 2021. Series F shares were acquired only in exchange for cash contributions that were paid into the Company's bank account.

The issue price of the shares was PLN 7.20 and was set by the Supervisory Board in accordance with the guidelines contained in the resolution of the General Assembly. The total value of the issue was PLN 12,888,000. In accordance with the provisions of IAS 1 and IAS 32, the costs of issuing series F shares, which totaled PLN 51.7 k were settled in the books by reducing the surplus of the issue value of the issued shares over their nominal value. The Company reduced the supplementary capital created from the surplus of the issue price over the obtained sale price of series F shares by the entire amount of the above-mentioned costs.

The proceeds from the issue of series F shares were mainly used to partially finance the acquisition project executed by the Company, aimed at taking over the competitive pasta producer Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski, and to achieve 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.

Dialogue with shareholders and investors

The presence on the capital market is treated by the Company as an element of a long-term development strategy. The company undertakes activities aimed at building lasting and professional relations with all participants of the capital market and ensuring equal access to information for all groups of stakeholders.

An important form of communication of the Company with shareholders and investors is the Company's website www.makarony.pl. In the Investor's Zone section, the Company regularly publishes information important from the point of view of shareholders and investors, e.g. news, calendar of events, current financial results.

The company launched an email box relations@makarony.pl, to which all interested shareholders, investors and analysts can send questions regarding the broadly understood IR issues. Responses and explanations on the topics raised by stakeholders are provided by the Company taking into account the prohibitions resulting from applicable law.

Two weeks before the publication of periodic financial reports, the Company does not organize or participate in any investor meetings.

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

Activities of the Makarony Polskie Group

Main products and services

- Branded products 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's 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 forms that are widely used in the kitchen.





The offer also includes functional pasta of a dietary and pro-health nature (100% spelled pasta, rye 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 tagliatelle and fettuccine 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 forms of egg pasta intended mainly



for soups: capellini and tagliatelle with a characteristic irregular shape inspired by home cut pasta.

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

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 one, and to take over shares currently held by very numerous small producers.



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. There are two product lines in the Sorenti brand offer. The first one is classic Italian-style durum pasta.

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



On the domestic market, the Sorenti brand functions 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.

MEAT AND VEGETABLE PREPARATIONS



The brand assortment of meat and vegetable preserves included ready-made dishes under the Stoczek and Męska Rzecz brands and lard under the Stoczek brand. Ready-made dishes offered by the Group - classic Polish dinners - combine home taste with convenience and speed of



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

preparation, which makes them perfectly in line with the current trends on the food market.

In 2021, Stoczek Natura underwent a lifting of its packaging and logotype. The new packaging line includes classic ready-made dishes 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 due to its affordable price.

VEGETABLE PREPARATIONS AND STUFF

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



FRUIT PREPARATIONS



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

DISHES ON TRAYS

The Makarony Polskie Group offers ready-made dishes on trays and in bowls under the SoFood brand. The distinguishing feature of this assortment group are light packaging (two-chamber trays or bowls), the ease and speed of heating meals and the possibility of storing them at room temperature.



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

and the constantly changing, very demanding consumers.

SoFood products are offered to customers both on the so-called shelf-stable (uncooled shelf). It is a heat-treated dish with a clean label: no dyes, no flavor enhancers, no preservatives.

The first two product lines of this brand were implemented in 2019: They are inspired by the cuisines of the world and the Fit kitchen. In 2021, the brand's offer was expanded with two new lines: Premium Kitchen and Dish Line in Bowls.





The Premium line is based on high-quality ingredients, using products that give the dishes a unique flavor, such as coconut milk, mango juice and delicate beef. The offer includes the following three unique dishes: Japanese Beef, Chicken Mango Lassi, and Chicken Thai.



The line of dishes in bowls combines modern packaging and classic flavors in the style of "one-pot dishes", e.g. Leczo with sausage, which gives the effect of a quick and comfortable meal with a clean label. Its composition is based on vegetables, thanks to which these dishes are a meal that perfectly complements the daily serving of vegetables for a healthy body.

According to the Nielsen report for 2021, ready-made dishes on SoFood trays achieved the position of the vice-leader in sales in their category. This is a very good forecast for the future, therefore the category of ready-made dishes on trays will be systematically expanded to keep it consistent with market trends and customer needs.

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.

Currently, the Novelle brand offers pasta made from flours obtained from legumes, tortellini in various flavors and high-protein pasta.



The legume pasta line is the perfect alternative for those consumers who want to add vegetables to their diet. These are 100% vege, high-protein and gluten-free products. They are less caloric than traditional wheat pasta thanks to the high protein and fiber content and low carbohydrate content. They are very convenient to use because they are prepared much faster and easier than the vegetables they come from.

The line of tortellini pasta, i.e. small Italian dumplings made of durum wheat flour with the addition of eggs, filled with various stuffing, will be perfect as an addition to soups and salads, or as a main course. Six types of fillings with different flavors allow for wide use in the kitchen.



In 2021, the offer of the Novelle brand was also enriched with high-protein pasta produced with the use of 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, executed 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, it 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 executed in close cooperation with the Makarony Polskie SA marketing team and the New Product Development (NPD) teams operating in the Makarony Polskie Group.

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, but also processed meat and vegetables, vegetables and fruit segments.

The Group regularly reviews the product portfolio, adjusting its offer to the needs of private label brands. Developing the product range for the needs of the chain's own brands, the Makarony Polskie Group bases itself on global trends in the food market, in particular:

- care for health and well-being (enriching products with additives that affect well-being, energy, vitality and the immune system),
- the local origin of the ingredients and the place of production (encouraging the purchase of domestic food, supporting local businesses and communities),
- stop food waste (responsible production and sales).

In 2021, the Group conducted development work in the area of:

- vegan/vegetarian products (alternative protein source),
- pro-health products enriched with healthy additives (superfoods),
- products based on ancient varieties of cereals (authenticity, origin), with improved sensory and organoleptic characteristics,
- products with a short preparation time, in a convenient packaging,
- exclusive products - with original shapes, unique additives and distinctive packaging (premiumization),
- pasta with the addition of eggs from alternative farming (animal welfare, sustainable development),
- more environmentally friendly packaging (reduction of plastic, recycling).

Market environment

Throughout the year 2021, the Group's export strategy was aimed at acquiring new customers in the European Union and non-EU countries.

Ukraine remains the main export market, where the company systematically acquires new networks and distributors. In 2021, the company's export activity was expanded to include countries such as France, Israel and Lithuania.

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

In 2021, the value of sales amounted to PLN 169.6 m, including PLN 153.1 m in the domestic market and PLN 16.6 m in export. In the corresponding period of 2020, these figures amounted to PLN 187.2 m, PLN 169.9 m and PLN 17.3 m, respectively.

in PLN k	2021	2020	y/y
Revenues from sale	169 651	187 175	-9.4%

In 2021, only two customers exceeded the threshold of 10% share in consolidated sales revenues (branded and private label products in total). These are Jeronimo Dystrybucja Polska with a share of approx. 20.3% and the Lidl Group with a share of approx. 16.2%. The companies of the Group are not formally associated with the operators of these networks, and the cooperation is based on partnership terms and is beneficial for the Makarony Polskie Group.

Private label

The private label (PL) channel, offering products under private labels of domestic and foreign networks (including sales to a Lidl contractor operating within one Group in Europe) had the largest share in the Group's revenues (58.7%).

PL (in PLN k)	2021	2020	y/y
Revenues from sale	99 663	109 217	- 8.8%

The decline in the private label segment was related to the high base of 2020, which was influenced by increased sales of pasta during the pandemic.

In this area, it is extremely important to constantly seek and maintain competitiveness at the cost level, as the basic factor influencing purchasing decisions is still the price.

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

Modern trade and traditional trade

Another revenue significant for the Group, at the level of 16.4%, achieved on the domestic market is the sale of the Group's brands (Makarony Polskie, Sorenti, Stoczek, Tenczynek, Męska Rzecz, Novelle) in modern trade (HN) and traditional trade (HT) channels:

HN and HT (in PLN k)	2021	2020	y/y
Revenues from sale	27 888	32 774	-15.0%

The decrease in sales of branded products by approximately 15% year on year is a return to the level of sales from before the Covid-19 pandemic. The year 2020 was characterized by excessively high sales peaks caused by the shopping panic related to the pandemic, which, especially in the first half of 2020, significantly increased sales.

In 2022, the Group plans to develop cooperation and acquire new, previously unsupported national and local networks. In addition, the Group aims to improve service among existing customers and numbers by attracting new customers.

B2B and Institutions

B2B and Institutions accounted for approx. 17.4% of the total revenues of the Group:

B2B and Institutions (in PLN k)	2021	2020	y/y
Revenues from sale	19 031	32 580	-42%

Sales in the B2B and Institutions distribution channel in 2021 amounted to nearly PLN 19 m and were lower by approx. PLN 33 m (i.e. -42%) compared to 2020. The decrease in sales was mainly due to the decrease in sales of pasta products under subcontracting for the implementation of an institutional contract and a decrease in contracts with government institutions.

Export

Total export of the Group's revenues accounted for 9.8% of:

Export (in PLN k)	2021	2020	y/y
Revenues from sale	16 590	17 301	-4.2%

The company's export strategy focuses on establishing cooperation with the largest retail chains - directly, as well as through distributors and official importers. The year on year

Ukraine remains the main export market of the Makarony Polskie Group, however, throughout 2021, export sales were developed both in the European Union and on non-EU markets.

difference is due to the higher base of 2020, which saw increased orders due to the pandemic.

The main export market of Makarony Polskie Group is Ukraine, where cooperation with new chains and distributors is systematically developed. Nevertheless, throughout 2021, export sales were developed both in the European Union countries and on non-EU markets. The new product positions were introduced to both existing and new customers in the existing as well as new business partners on the markets of Israel, France and Lithuania.

Material Agreements

Agreement with Jeronimo Martins Polska SA

On the basis of an agreement concluded between Makarony Polskie SA and Jeronimo Martins Polska SA, pasta is sold to the Biedronka chain under its own brands: Pastani, Dobrusia and Makaron Szlachecki.

Agreements with the Lidl network

As part of the cooperation between Makarony Polskie SA and the Lidl chain, the chain's stores offer various types of products manufactured by the Company.

Conclusion of a significant loan agreement with Santander Bank Polska SA

In December 2021, Makarony Polskie SA concluded an investment loan agreement with Santander Bank Polska SA for PLN 12.0 m with the final repayment date until March 31, 2029. The loan was used to finance an investment related to the acquisition of Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp z o.o.

The provisions of the concluded loan agreement do not differ from the terms and conditions commonly used by the Bank for this type of agreements. The loan will be repaid in 84 monthly installments starting from April 30, 2022. The agreement is described in detail in "Other financial information".

Conclusion of a dispositive agreement regarding the finalization of the ongoing acquisition

In December 2021, Makarony Polskie SA concluded a dispositive agreement regarding the purchase by the Issuer of all shares in the company under the name

Factors material for the development of the Group inculde:

- *building a competitive advantage through investments in R&D, product, process and organizational innovations*
- *finalization of the acquisition process conducted by the Company,*
- *business development in the segment private label*
- *development of B2B sales channels and institutions*
- *increasing the share and level of distribution on the domestic market*
- *export development*

Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski sp. z o.o. with its registered office in Korpele, established as a result of the transformation into a sole proprietorship limited liability company previously conducted in the form of sole proprietorship on the basis of an entry into the Central Register and Information on Business.

As a result of the finalized transaction, from January 1, 2022, the Company became the owner of all 107,730 shares, with a total nominal value of PLN 10,773 k, in the share capital of SAS (100% of the share capital, representing 100% of votes at the meeting of shareholders) for the total purchase price of PLN 17,010 k, with the proviso that the seller will receive an additional payment from the Company to the purchase price, provided that SAS for the period from November 2, 2021 to December 31, 2021 will achieve a net profit disclosed in the Company's financial statements as of December 31, 2021, verified by a statutory auditor. The additional payment to the purchase price will amount to 50% of the net profit generated by the Company for the indicated period.

The source of financing for the purchase of the shares was partly Makarony Polskie SA's own funds, partly funds from a bank loan, and partly also funds obtained from increasing the share capital of the Company through the issue of series F shares.

Factors material 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 in the country and abroad,
- activities aimed at cost and process optimization, e.g. the implementation of MES software within production plants will allow for better control of the cost and labor consumption of products and improvement of production accounting, and the WMS software within warehouses will improve warehouse management and the inventory aging system and product flow control,
- at Makarony Polskie SA, an interdisciplinary team was established, which, in cooperation with scientific institutions, works on developing innovative technologies

for the production of new products: functional, health-promoting, low-processed food, easy to prepare ones,

- Stoczek Natura Sp. z o.o. successfully implemented ready-made dishes in SoFood trays and bowls, which in 2021 achieved the position of the second-largest sales in their category (according to a report prepared by Nielsen), further systematic development of the SoFood brand offer in close connection with market trends and the upward trend of this segment is a good predictor of sales growth in future periods,
- The Makarony Polskie Group has executed large investment projects aimed at, inter alia, lowering the environmental impact of production plants (thermal insulation of the building and construction of a new facade at the Rzeszow Plant, replacement of lighting with LED lamps) and improvement of working conditions (e.g. reconstruction of ventilation and air conditioning in production halls),
- 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-made dishes 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 producer, which is among the top five egg pasta producers in the country, finalized at the end of 2021, will contribute to increasing the production potential of Makarony Polskie SA and will allow for the effective use of this potential. Thanks to this acquisition, the Company moved to the leading position in the field of rolled egg pasta (eagerly used in Poland and Central Europe, e.g. for soups), it also strengthened its position as the vice-leader among Polish pasta producers,
- egg-rolled pasta has better taste than pressed pasta (Italian-style), is characterized by a higher selling price, which, in the Company's opinion, will allow to increase revenues and improve the level of sales margin, and consequently will positively affect the functioning of the Group in the long run.

Business development in the private label segment

- diversification and enrichment of 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), other products from the new rolled

line, as well as products of Stoczek natura Sp. z o.o. (including ready-made dishes on 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, vegetables and fruit, tailored to the expectations of customers of this channel,
- establishing cooperation relations with other producers of pasta and ready-made dishes and producers of complementary goods in order to complete the offer for the final customer,
- personalizing the offer and thus increasing competitiveness,
- using the production potential of Stoczek Natura Sp. z o.o. in the field of product confectioning services and on the basis of new forms of packaging.

Increasing the share and level of distribution 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, local retail chains and chain stores, especially in the area of international networks in medium and small format and convenience chains - as a selective distribution strategy, taking into account the specificity of the categories in which the Group operates,
- focusing on fast and effective building the availability of brand assortments in the modern channel and implementing an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting the sale and resale of products and building lasting relationships with customers.

Export development

- systematic increase in the number of customers on foreign markets - concentration on European markets, 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 grain pasta with high fiber content, spelled, buckwheat and vegetable pastas and in the product category such as ready-made dishes on trays (especially vegetarian dishes, which are highly sought after on the market),
- acquiring and implementing projects for deliveries under the customer's own 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.

Risks and threats significant for the Group development

The current financial situation of the Group, its production potential and market position create opportunities for further development, however, there are many factors, especially external ones, which may directly or indirectly affect the financial results achieved in the coming years.

Risk of changing market trends

The risk may be possible changes in the purchasing and eating habits of consumers, caused e.g. by the coronavirus pandemic, the macroeconomic (inflation) or geopolitical situation (the outbreak of the war in Ukraine). For example, the impoverishment of the society as a result of the constant increase in prices and the costs of daily operation may result in an increased demand for cheaper and low-margin products, forcing producers and suppliers to aggressively compete on prices.

Market trends are monitored on an ongoing basis. The companies of the Group quickly and flexibly adjust their offer to them, both in terms of the products themselves and the technology of their production. The current product offer of the Group is modified in accordance with market trends, e.g. pro-health products, "Ft", products for vegans and vegetarians, products with a reduced gluten content, pasta with flavors and antique cereals (e.g. spelled, buckwheat) are systematically developed, products based on or with the addition of vegetable flour, we are developing a line of products with a "clean label".

Competition risk

All areas of the Makarony Polskie Group's operations belong to highly competitive segments. There is a risk that the intensified actions of competitors, mainly manifested in deteriorating commercial conditions, will affect the profitability and revenues of the Group, may affect the achievement of the objectives assumed by the Group. All activities of the competitive environment are monitored and analyzed on an ongoing basis, which allows for quick response in terms of possible threats. The Group tries to minimize this risk by diversifying its activities and developing innovative products (there are teams whose objective is to conduct R&D projects).

Contractual risk with customers

The Group generates most of its revenues through cooperation with organized and centralized retail chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial agreements do not contain a strictly defined amount of estimated purchases that a customer will make during the term of the contract. There is a risk that customers will place orders that differ quantitatively from the monthly plans adopted by the Group. This may result in the inability to meet the demand or incomplete use of production capacity, which will translate into the results achieved.

The situation of increased demand for the Group's products occurred, among others, in the initial period of 2020, after the first Covid-19 infections appeared on the territory of Poland, as well as at the beginning of 2022 after the outbreak of the war in Ukraine, when customers went to stores massively and orders from retail chains were significantly higher than the level recorded in the same periods of previous years. The production plants were faced with the need to make even greater efforts to use the existing production capacity in the most optimal way possible. The difficult situation was alleviated by the increase in production capacity performed in the Group, including installation of a new pasta production line at the Rzeszow plant and the acquisition of a competitive pasta producer in 2022, which gave the company an additional margin of safety. Disrupted supply chains, shortages of raw materials and materials, as well as absences some members of the crew (e.g. care benefits introduced by the special Covid-19 act, or the return of some Ukrainians to their homeland after the start of the war) turned out to be a barrier limiting the volume of production.

In the Group's opinion, the risk of becoming dependent on customers is not significant, as the Group's companies systematically diversify their customers and increase the number of so-called medium customers.

Risk related to changes in the prices of raw materials and materials

The Makarony Polskie Group consistently tries to implement its strategy of securing raw material prices with long-term purchase contracts, in annual and semi-annual periods, which allows to prevent significant drops in the profitability of the produced pasta. During 2021, the dynamic changes in cereal prices that occurred on the global stock exchanges resulted in contracts being concluded for definitely shorter periods than before.

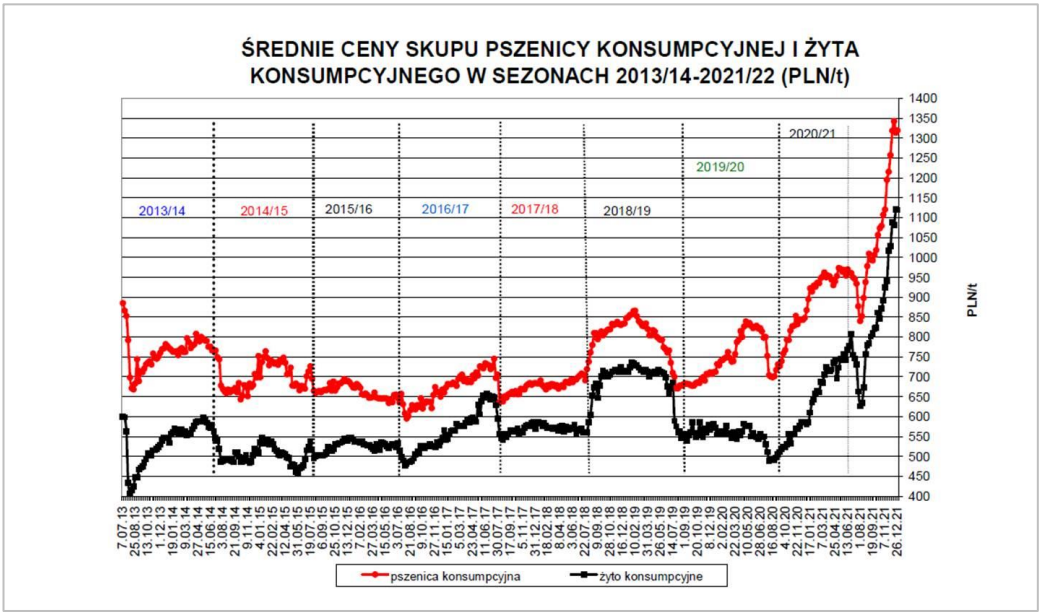
In the first part of the Q1 2021, the purchase prices of soft wheat flours remained at a level similar to that of the Q4 2020. The upward price trend on the grain market took place in the second part of Q1 and in Q2 2021. It was forecasted that the upward trends in prices would slow down during the harvest season, but unfortunately the high demand, especially in the field of Polish wheat exports, meant that prices in the third quarter of 2021 continued to increase, reaching the highest level in over 9 years. Producers were very cautious and reluctant to conclude long-term contracts for the supply of flour.

After a temporary slowdown in cereal prices in October 2021, at the end of the Q4, there was another upward trend on the global and domestic markets (the price of wheat increased by approx. 12%). According to forecasts, high prices on grain markets will remain at least until the second half of the Q2 2020 due to hostilities in Ukraine and the blockade of wheat exports from Ukraine and Russia, which translates into increased demand from countries that have been sourcing grain from these markets so far.

The upward trend in prices also continued on the durum wheat flour market, especially in Q4, which was mainly related to information from Canada and Italy about poor harvests in the 2021/2022 harvest season. This information has been confirmed - the prices of semolina are reaching a level unprecedented so far. It is predicted that before the next harvest in 2022/2023, demand for durum wheat, and thus semolina, may exceed supply, which could lead to further price increases.

Makarony Polskie SA is aware that wheat production is highly sensitive to unpredictable weather conditions, and therefore prices are exposed to increases caused by possible speculation or natural disasters.

The chart below presents the price development of soft cereals in Poland in recent years:



Source: Weekly report on the market of grains, oilseeds and feed raw materials - Grain market week 01/2022,
Sparks Polska

The prices of eggs and egg pulp in the Q1 2021 were at a high but stable level of 4.2-5.0 k per one ton of egg pulp (vs. PLN 3.7-4.6 k in Q4 2020). In the Q2 2021, the prices of egg began to increase (to PLN 4.8-6.0 k/t), and the upward trends continued in the Q3 2021 (to PLN 5.8-7.2 k/t). It was the result of, inter alia, a large epidemic of avian influenza, a significant reduction in the planting of young hens by breeders, and an increase in costs related to the breeding process, such as wages, electricity and fuel. Q4 of 2021 brought price stabilization. In the first months of 2022, among others due to the war in Ukraine, the purchase prices of egg pulp increased by approx. 90% in the short term, which negatively affected the profitability of egg pasta production and forced the Group's companies to revise their commercial terms. There is a high risk that this trend will continue in the longer term in 2022.

Significant price increases, starting from Q2 2021, also occur on the market of film and cardboard packaging. They reach the level of 140% compared to the prices in the Q4 2020. Parallel to the increase in prices, there are also difficulties in the availability of film and cardboard packaging and very extended delivery times.

Stoczek Natura Sp. z o.o. is a producer of fruit and vegetable preserves (including jams) and ready-made dishes. Fruit and vegetable prices are highly dependent on weather conditions. The company cooperates with domestic suppliers of vegetables and fruit, and also has an extensive database of foreign suppliers of key raw materials, which gives the company greater opportunities to obtain cheap and good quality raw materials. Purchase

of fruit and vegetables is executed seasonally, in the months when their prices are the lowest. If necessary, the purchased raw materials are stored in company warehouses and cold stores.

One of the key raw materials for Stoczek Natura Sp. z o.o. is meat. In 2021, the market for meat and meat raw materials was stable and sustainable. Throughout the year, demand was influenced by the Covid-19 pandemic - reduced demand due to the fact that the catering market did not fully recover in 2021 translated into more attractive meat prices.

Russia's military attack on Ukraine in February 2022 caused very large perturbations on the raw materials market. Meat prices increased by several dozen percent because a very large part of the meat raw material, which until now was the basis for production for the domestic market, was transferred to Ukraine, which significantly increased the prices of all meat components. It is forecasted that high meat prices will remain in the perspective of the entire 2022, due to high demand and high production costs, which are systematically increasing on the basis of more expensive prices of feed, fertilizers, fuels and energy.

Price increases of several dozen percent in Q1 2022 also occurred on the market of most raw materials and packaging. The increase in demand for processed products and the parallel increase in production costs make the packaging, both metal and glass, more expensive, and there are no clear prospects for stabilization.

All of the above cost-generating factors and their high dynamics, and often also unpredictability and uncertainty, make 2022 a very difficult year for producers. Of key importance is due care for operational optimization, systematic monitoring of the effectiveness of processes and the level of costs, as well as quick adjustment of the selling prices of products to the growing costs of their production. This radically influences the change of business relations between business partners, e.g. the reluctance of suppliers to establish stable commercial conditions for longer contract periods (e.g. annual) translates into the customers risk of operating in the short term and "uncertainty of tomorrow".

The risk of a changing legal and tax environment

The Polish legal and tax system is characterized by frequent changes, legal regulations are substantially changed overnight (e.g. during the COVID-19 epidemic, after the introduction of the Polish Deal, or after the outbreak of the war in Ukraine), which means that the activities of companies, including companies of the Makarony Polskie Group, are

subject to a great deal of uncertainty. This is a negative factor for economic activity and entails high risk.

The Group's interests in the field of legal changes are secured by legal teams, which take appropriate actions in a timely manner to minimize the possible effects of these changes. The Group's interests in the field of legal changes are secured by legal teams, which take appropriate actions in a timely manner to minimize the possible effects of these changes.

Risk related to changes in currency exchange rates

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

Euro exchange rate in the period from May 2021 to April 2022:



Source: Bankier.pl - Euro exchange rate Euro zone NBP - 04.2021-03.2022

The weakening of the Polish zloty may have a negative impact on the profitability of the activities conducted by the Group as an importer. In order 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 the given classes of financial instruments as at December 31, 2021:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2021 PLN k	Currency exposure as at 31.12.2021 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	26 156	924	924	0
Trade receivables	19 823	2 491	2 491	
Financial liabilities				

Liabilities from deliveries and services	30 792	3 605	3 605	

The table presents the analysis of sensitivity of the financial result to changes in exchange rates as at December 31, 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	46.2	-46.2	0	0
Trade receivables (gross)	124.6	-124.6	-	-
Financial liabilities				
Liabilities from deliveries and services	-180.3	180.3	-	-

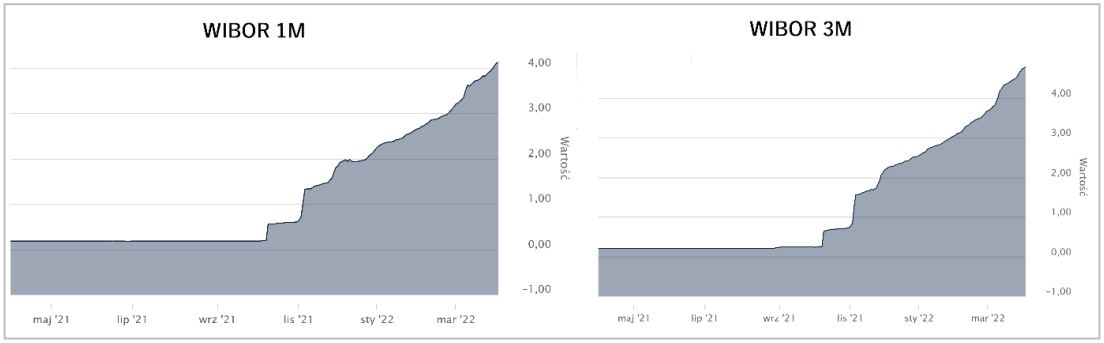
Interest rate risk

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

To a large extent, the Group finances its activities with loans, which increases its level of sensitivity to risk caused by changes in interest rates, both for long-term and short-term financial liabilities.

In the period from October 2021, the National Bank of Poland, due to increasing inflation, started a cycle of interest rate increases, this process will most likely continue throughout 2022, which will have a negative impact on the cost of obtaining foreign capital.

WIBOR 1M and 3M rates in the period from May 2021 to April 2022:



Source: Bankier.pl - WIBOR interest rates - 04.2021-03.2022

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

As at December 31, 2021, the Group had a liability due to loans in the amount of PLN 35,760 k:

Currency	Interest rate	Credit balance	Of which loans	
			short-term	long-term
PLN	WIBOR + bank margin	35 760	15 238	20 522

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

The structure of financial instruments exposed to the risk of changes in interest rates, as at December 31, 2021 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2021 PLN k	Value at risk as at December 31, 2021 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and cash at bank	26 156	-	-
Financial liabilities			
Bank loans	35 760	35 760	35 760
Other financial liabilities	1 576	1 576	1 576

The table below presents the sensitivity analysis of the financial result to changes in interest rates as at December 31, 2021:

Interest rate	Assumptions for deviation (in percentage points) 31.12.2021		Value at risk as at December 31, 2021 PLN k	Impact on the financial result 31.12.2021 PLN k	
WIBOR	1%	-1%	37 336	-373.4	373.4

Insolvency risk

The risk of insolvency is the risk that the Group's contractors will not fulfill their obligations. The Group applies the principle of making transactions with counterparties with proven creditworthiness; if necessary, obtaining appropriate security as a tool to reduce the risk of financial losses due to failure to meet the terms of the contract. The Group uses publicly available financial information and its own transaction data to assess the financial condition of its major customers.

The Group's exposure to the risk of its counterparties' creditworthiness is constantly monitored; insolvency risk control is enabled by limits verified and approved on an ongoing basis within the Group's control structures. Additionally, the Group covered selected contractors with insurance of trade receivables provided by one of the largest insurers operating in this area on the Polish market.

The Group is not exposed to a significant risk of insolvency towards a single contractor or a group of contractors.

Impact of the SARS-COV-2 and COVID-19 coronavirus epidemics on the operations of Makarony Polskie SA

The impact of the Covid-19 pandemic, which began at the end of the Q1 2020, on the operations and financial results of Makarony Polskie Group is visible in several areas:

- The group saw an increase in the prices of key raw materials - flour, meat and egg pulp - due to the increase in demand and turbulence in the supply chain (e.g. difficulties in international trade due to the reintroduction of border controls and the closure of some border checkpoints).
- Pressure from the business environment, including government authorities to maintain a stable price level, as well as the reluctance of key customers to implement increases under concluded contracts, delayed the implementation of new sales prices, allowing the Group 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 20.2% in 2020 to 18.3% in 2021.

Immediately after the information about the approach of the Covid-19 epidemic to the Polish borders, and before the official announcement of the epidemic in the territory of the Republic of Poland, was published, the Group implemented additional safety procedures and security measures to secure the continuity of production and reduce the risk of virus spreading among the crew. 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 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 were identified in the scope of receivables collection). The Group has not identified an increase in the valuation risks and the deposition of inventories. As at the publication date of the report, the Company does not identify any significant risks of failure to meet financial covenants 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 Company and the Group does not threaten the continuation of the Group's operations in the coming periods.

Influence of the political and economic situation in Ukraine on the activities of Makarony Polskie SA

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

- price increases and the emergence of problems with the availability of some key raw materials and materials (e.g. flour, egg pulp, film and cardboard packaging) - due to the increase in demand and turbulences in the supply chain (e.g. difficulties in trade with Ukraine) may have a negative impact on the effectiveness of current operating activities. Previously - alternately - one cost component increased, the second was falling, and the third was stable, which made it possible to amortize price fluctuations and, in the long run, a price increase, if it was by a few percent. From the beginning of 2022, all costs are increasing at the same time, week by week, so price changes now reach even several dozen percent,
- an increase in the prices of energy, gas and fossil fuels due to the global situation (the ongoing "energy crisis"),
- absences of members of the crew - the outbreak of the war meant that many Ukrainian citizens (both men and women) who worked in Poland decided to return to their homeland - to the battle-front or to their families. The challenge for companies was to find replacements for them in a short time. Currently, this risk has been partially mitigated by the decision of the Polish government to admit Ukrainian refugees to the Polish labor market,
- pressure from the business environment forced the Group to renegotiate contracts and change the method of setting prices for B2B customers - since the outbreak of the war in Ukraine, the Group's companies have adopted a strategy of setting prices in periods of one or maximum two weeks with the possibility of maintaining sales prices in subsequent periods, subject to market stabilization raw material and packaging prices,
- insurance institutions are withdrawing from insuring contracts with Ukrainian customers, which also affects the limited possibilities of granting trade credit for Ukrainian customers and forces cooperation on the basis of prepayment,
- increased demand for pasta and other products with a long shelf life from Ukrainian customers - this group of goods includes the products offered by the Group's companies. This has a positive impact on the Group, as transactions are concluded in the form of prepayments in euro, which increases the Group's financial liquidity, reduces the use of loans and allows for the reduction of the negative impact of exchange rate instability through natural hedging.

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

The Management Board of Makarony Polskie SA carefully monitors the situation related to the war in Ukraine in order to take actions aimed at minimizing the negative influence of the geopolitical situation on the functioning of the Company and the Group in the area of security, financial liquidity and achieved results. In the opinion of the Management Board, the current financial situation of the Company and the Group does not threaten the continuation of the Group's operations in the coming periods.

The situation in Ukraine has not significantly influenced the Company's activity so far. The share of the Ukrainian market in the total sales revenues of the Company is approx. 10%. In the opinion of the Management Board, there are no threats in the Group that would make it impossible to pay its liabilities. The Group has no problems with the repayment of receivables by its contractors (no changes were identified in the scope of receivables collection). The Group has not identified an increase in the valuation risks and the deposition of inventories. As at the publication date of the report, the Company does not identify any significant risks of failure to meet financial covenants in loan agreements in connection with the war in Ukraine.

At the moment, it is difficult to predict a further escalation of the war situation in Ukraine and its impact on the situation of the Makarony Polskie SA Company and the Makarony Polskie Group.

Financial standing of Makarony Polskie Group

The consolidated 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 substantially unchanged extent. The Group did not conduct any activities that were discontinued in the financial year 2021.

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

Entities subject to consolidation:

according to the state as at December 31, 2021	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o.o.
Nature of the relationship	direct subsidiary	direct subsidiary
Consolidation method	full	full
Date of taking control	June 1, 2007	September 28, 2015
% of the capital held	100%	100%

Discussing the results

Selected financial data of the Makarony Polskie Group as at December 31, 2021, denominated in PLN k, are as follows:

(in PLN k)	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Net revenues from sales	**169 651**	**187 175**
Net revenues from the sale of products and services	163 334	178 066
Net revenues from the sale of goods and materials	6 317	9 109
Own cost	**138 485**	**149 340**
Manufacturing costs of products and services sold	133 103	141 316
Value of sold goods and materials	5 382	8 024

Gross profit (loss) on sales	**31 166**	**37 835**
Selling costs	20 451	21 657
General and administrative expenses	6 158	6 413
Other revenues	5 764	2 961
Other costs	1 777	1 542
Profit (loss) from continuing operations	**8 544**	**11 184**
Financial revenues	112	17
Financial costs	855	1 593
Gross profit	**7 801**	**9 608**
Income tax	1 411	2 080
Net profit (loss) from continuing operations	**6 390**	**7 528**
EBITDA (EBIT + depreciation)	16 541	18 836
Number of shares (units)	11 040 071	9 250 071
Weighted average number of shares (in units) in a given financial year	9 348 098	9 250 071
Profit/loss per ordinary share (in PLN/EUR) *	0.68	0.81
Book value per share (in PLN/EUR) **	9.21	9.21

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

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

The decline in performance at each level was mainly related to the high 2020 base. In 2021, the Group operated on a similar basis as in 2019, which allowed it to maintain its market position and a stable level of EBITDA.

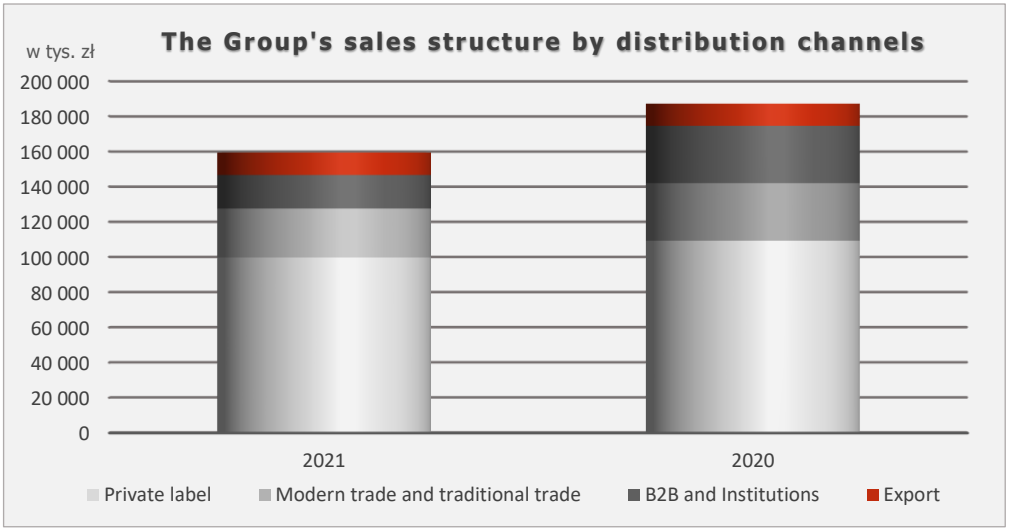
Results achieved vs. forecasts

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

Operating segments

Structure of sales through distribution channels in the Makrony Polskie Group

The sales structure of products and goods, broken down by distribution channels, is shown in the chart below:



Sales revenues broken down by operating segments

(in PLN k)	For the period from 01/01 to 31/12/2021	For the period from 01/01 to 31/12/2020
Pasta	121 369	135 343
Meat and vegetable preparations	32 173	29 672
Vegetable and fruit preparations*	8 482	10 411
Other	7 627	11 749
Total	**169 651**	**187 175**

* From the beginning of 2021, the Makarony Polskie Group changed the classification of operating segments. The current segment "Fruit preserves", due to a significant reduction in significance, was merged with the "Vegetable products and stuffing" segment into one segment called "Vegetable and fruit preserves". At the same time, the presentation change for 2020 was made in order to maintain the comparability of data.

The sales revenues of Makarony Polskie Group in Q1-Q3 2021 amounted to PLN 169.7 m and were approximately PLN 17.5 m lower compared to the value from 2020. This is due, on the one hand, to the excessively high sales growth in 2020 (resulting, among others, from the so-called purchasing panic that occurred on the market of products with a long shelf life during the first waves of the Covid-19 pandemic), and on the other hand,

Factors and event affecting the 2021 results:

- *influence of inflation on consumer behavior and the food product market*
- *investment in plant and convenience brands*
- *expanding the portfolio of pasta products*
- *export sales development*
- *change of the business profile in Stoczek Natura Sp. z o.o.*

from investment works executed by the Group during 2021 (they forced the need to temporarily shut down individual production areas, as well as temporarily shut down production lines, which translated into the need to temporarily reduce the scale of production, and consequently also the level of sales).

The value of sales in the pasta category decreased by approx. PLN 14 m to approx. PLN 121.4 m in 2021. The decrease in the amount of approx. 10.3% was the result of a decrease in sales under the brands of retail chains compared to the same period of the previous year.

The segment with positive dynamics of changes is the processed meat and vegetable segment. Sales of processed meat and vegetables increased in the analyzed period by approx. PLN 2.5 m to approx. PLN 32.2 m. The increase by approx. 8.4% (2021 vs. 2020) was the result of an increase in sales under private labels and retail chains. In the analyzed period, the sales of the new line of ready-made dishes on trays and in bowls under the SoFood brand, launched in 2020, developed dynamically. These products were very well received by customers, reaching the position of the vice-leader in sales in their category in 2021 according to the Mintel report. A year earlier, the debuting SoFood brand, according to a report by the same company, achieved the third position in terms of sales among competitors present on the market for several years.

Sales of vegetable and fruit preserves in the analyzed period dropped to approx. PLN 8.5 m and was lower by approx. PLN 1.9 m, i.e. 18.5% compared to 2020, which was caused by a decrease in sales in the stuffing and salads category.

Factors and events, including unusual ones, affecting the results for 2021

Influence of inflation on consumer behavior and the food product market

2021 was a difficult year for food companies due to the pandemic, with great inflationary pressure on the side of rising commodities, especially soft wheat and semolina flours. We have experienced a lot of turbulence related to unstable supply chains and disruptions in the commodity market, from the lack of them to absurdly high prices. The film for pasta wrapping was getting more expensive. The price of paper packaging has doubled, and the price of collective cardboard boxes has increased by several dozen percent. This resulted, inter alia, from with the development of online commerce that needs all kinds of boxes. At the end of the year, the deepening inflation, fuel, gas and electricity prices

had a major impact on the pasta market. Increasingly higher costs of living also affected the financial expectations of employees who applied for pay raises.

The "anti-inflationary shield" introduced by the government and zero VAT on certain food products blocked the possibility of negotiating prices with large retail chains, which in turn had an impact on production costs.

Inflation influenced the purchasing behavior of consumers who, fearing further increases, bought products such as pasta in stock. An additional market element was the aggressive promotional activities of many retail chains aimed at increasing demand at the expense of trade margins.

Investment in plant and convenience brands

Plant products, which consumers are more and more willing to replace animal products with, were a strong trend on the market. By choosing plant products, they feel that they contribute to the protection of the environment. Vegetable protein is cheaper to produce than animal protein and reduces CO2 emissions by reducing the number of animals, which contributes to the protection of the environment. The answer to this strong trend is the development and promotion of the Novelle brand, whose portfolio includes pasta made of 100% vegetable flour.

SoFood is a brand that corresponds not only to, inter alia, the vegetarian needs of consumers, but also combines them with the convenience of preparation.

Ready-made dishes on trays and in bowls are offered under the SoFood brand. They have gained popularity among active people who do not have time to cook and want to eat a tasty, healthy meal, and among people who do not want to cook only for themselves, but are looking for healthy, tasty meals at a reasonable price. There are more and more such people every year. For many consumers, ready-made dishes on trays are an economical version of a boxed diet. After two years of presence on the market, SoFood dishes have reached the position of the vice-leader in sales among competitors available on the market for several years, in the category of ready-made dishes on trays (according to the Nielsen report for 2021).

Expanding the portfolio of pasta products

The pasta market in Poland is quite stable. For many years, it has been characterized by a stable growth of approx. 2% year-on-year, although in the perspective of the years 2020-2021 (and in particular 2020), periodic fluctuations in sales resulting from successive pandemic waves were clearly visible.

The key trends affecting the pasta market are: the growing popularity of health & wellness pasta, increasing demand for local flavors and varieties, and emphasis on the use of natural additives.

Responding to market trends, the Makarony Polskie Group continued the implementation of the portfolio optimization strategy and supplementing it with high-margin products from the premium segment. Work is underway on new pro-health products (e.g. gluten-free, high-protein ones), pasta suitable for vegans and vegetarians (with a V-label license), premium products (e.g. new shapes and forms of pasta, innovative packaging).

At the same time, the Group constantly monitors the market trends resulting from the high uncertainty observed recently, resulting from, inter alia, phenomena such as the Covid-19 pandemic, the macroeconomic situation (e.g. inflation), the geopolitical situation (e.g. the outbreak of the war in Ukraine), which may result in an increase in the group of consumers for whom the price will become a key element in making purchasing decisions, and which may translate into an increase in market demand for economic products.

Export sales development

The Group's export sales in 2021 amounted to PLN 16.6 m (executed by its own sales team and by intermediaries).

Ukraine remains the main export market, with the Makarony Polskie Group consistently implementing a long-term strategy of acquiring new sales markets both within the European Union and outside it. To achieve the above objectives, the Group systematically acquires partners on foreign local markets, who support the Group in the further development of sales on these markets.

Change of the business profile in Stoczek Natura Sp. z o.o.

New products are systematically introduced by Stoczek Natura Sp. z o.o. to its offer, which in the last two years has expanded its portfolio to include sterilized ready-made dishes on trays and in bowls. The dishes respond to the clear market trend of the convinience - they are ready to eat, they can be reheated in the microwave or in the traditional way.

The new products offered under the SoFood brand have been very well received by the market. According to a report by Nielsen, in 2021 they achieved the position of the vice-leader in sales among competitors present on the Polish market for several years (they were third in the previous year). This is a good forecast for the future, therefore the

category of ready-made dishes on trays will be systematically expanded to keep it consistent with market trends and customer needs.

This category opens up new sales opportunities for the company, in particular on export markets. Currently, the company's offer includes 15 products in this category. The company's revenues in this segment in 2021 amounted to over PLN 6.0 m. In 2022, further development of this category is planned, based on new dishes and new forms of packaging.

Structure of assets and liabilities

The Group's balance sheet total was PLN 205 m as at December 31, 2021 compared to PLN 180.5 m as at December 31, 2020.

Structure of assets and liabilities of the Group

ASSETS	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
FIXED ASSETS	**132 764**	**133 058**
Tangible fixed assets	116 269	117 017
Fixed assets - IFRS-16	3 291	2 524
Investment real estate	603	603
Goodwill	5 949	5 949
Other intangible assets	6 588	6 919
Long-term financial assets	0	0
Assets for deferred income tax	0	1
Other assets - long-term	64	45
CURRENT ASSETS	**72 280**	**47 479**
Inventory	21 382	24 127
Short-term receivables	23 885	22 636
Income tax receivables	554	0
Loans granted	0	0
Cash and cash equivalents	26 156	410
Other assets - short-term	303	306
NON-CURRENT ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	**205 044**	**180 537**

LIABILITIES	01.01.2021-31.12.2021	01.01.2020-31.12.2020
EQUITY CAPITAL	**101 654**	**85 203**
Share capital	27 750	27 750
Supplementary Capital	43 091	38 490
Reserve Capital	24 888	12 000
Retained profits/losses	5 925	6 963

LONG-TERM LIABILITIES	**49 395**	**42 439**
Provision for deferred income tax	3 212	3 187
Long-term bank credits and loans	20 522	11 514
Other long-term financial liabilities	465	2 269
Provision for pensions and similar benefits (long-term)	400	398
Deferred revenues (long-term)	21 228	21 730
Long-term financial liabilities - leasing	3 568	3 341
SHORT-TERM LIABILITIES	**53 995**	**52 895**
Short-term bank credits and loans	15 238	15 379
Other short-term financial liability	744	799
Short-term financial liabilities - leasing	1 391	1 400
Other short-term liabilities	33 409	31 165
Liabilities due to income tax	311	1 153
Deferred revenues (short-term)	1 584	1 433
Provision for pensions and similar benefits (short-term)	1 251	1 506
Other provisions (short-term)	67	60
TOTAL LIABILITIES	**103 390**	**95 334**
TOTAL LIABILITIES	**205 044**	**180 537**

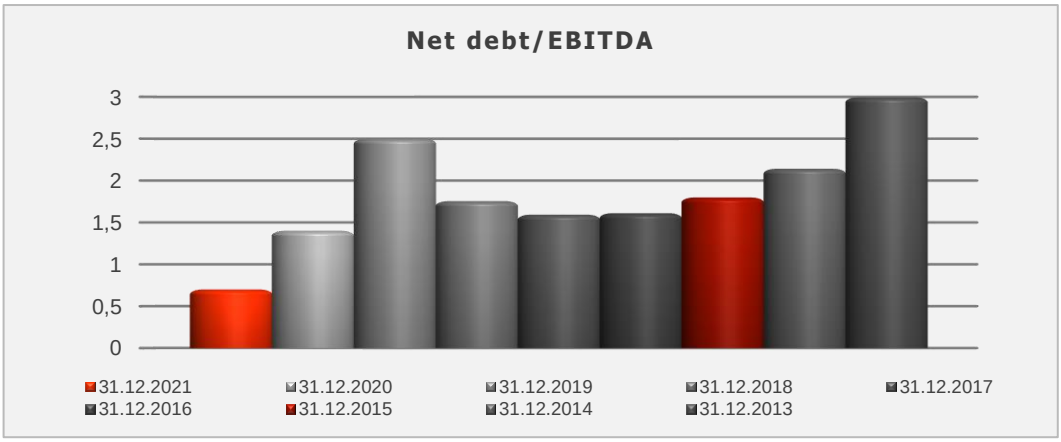
Liquidity and management of the Group's financial resources and financial risk

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

The confirmation of full ability to meet obligations in 2021 is:

- generating positive cash flows from operating activities in the amount exceeding PLN 13.5 m in 2021,
- generating EBITDA of approximately PLN 16.6 m in 2021,
- making some purchases by the Group without using a trade credit, which are conditional on obtaining financial benefits,
- implementation of investments and payment of a dividend in 2021 in the amount of approximately PLN 2.8 m (in 2020 in the amount of approximately PLN 2.3 m),
- at the end of 2021, the bank loan balance to EBITDA ratio remains at a very safe level:

The ratio analysis indicates the good financial condition of the Makarony Polskie Group in 2021 in terms of profitability, ability to pay liabilities and the security of financing current and investment activities.



In the opinion of the Management Board, in the Group there are no threats in the Group that would make it impossible to pay its liabilities.

Deposits and capital investments

In 2021, the Makarony Polskie Group did not conduct any capital investments.

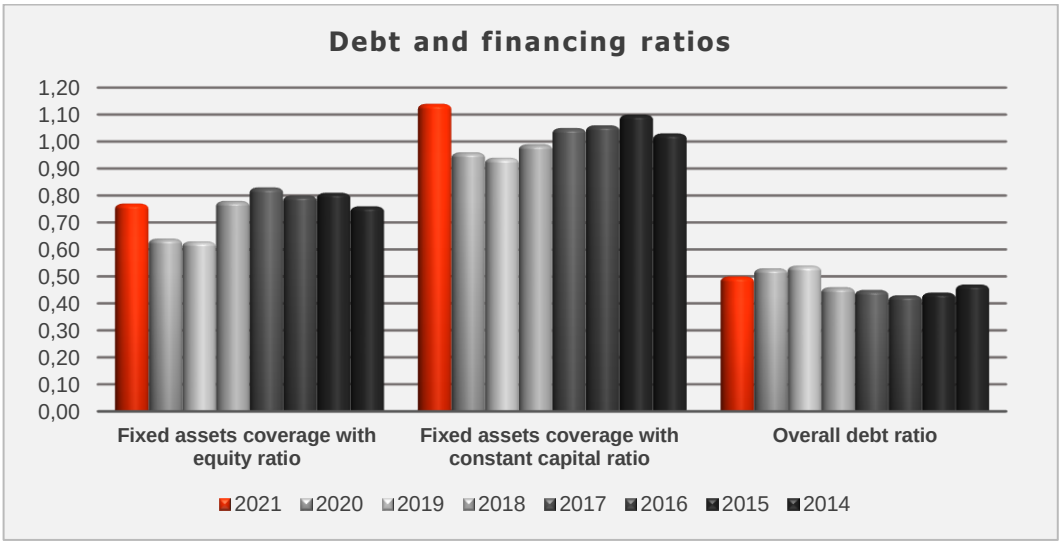
Ratio analysis

The ratio analysis in terms of profitability, liquidity and debt assessment indicates a stable financial situation of the Makarony Polskie Group in 2021 compared to previous periods in terms of profitability, ability to pay liabilities and security of financing current and investment activities.

The level of profitability and cash flows generated in the Group allowed, inter alia, for: payment of dividends to shareholders in 2021 in the amount of approximately PLN 2.77 m (PLN 0.30 per 1 share), carrying out a number of investments, purchase of some raw material at an attractive price without a trade credit and maintaining a safe level of debt.

Debt and financing ratios

	2021	2020	2019	2018	2017	2016	2015	2014
Fixed assets coverage with equity ratio *(Equity/Fixed assets)*	0.77	0.64	0.63	0.78	0.83	0.80	0.81	0.76
Fixed assets coverage with constant capital ratio *((Equity + Long-term liabilities)/Fixed assets)*	1.14	0.96	0.94	0.99	1.05	1.06	1.10	1.03
Overall debt ratio *(Total liabilities/Total assets)*	0.50	0.53	0.54	0.46	0.45	0.43	0.44	0.47



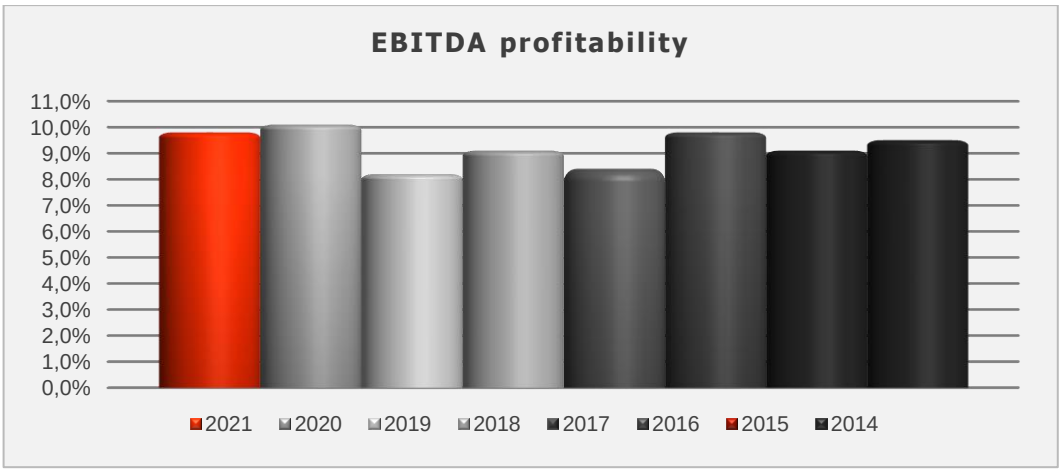
Liquidity ratios

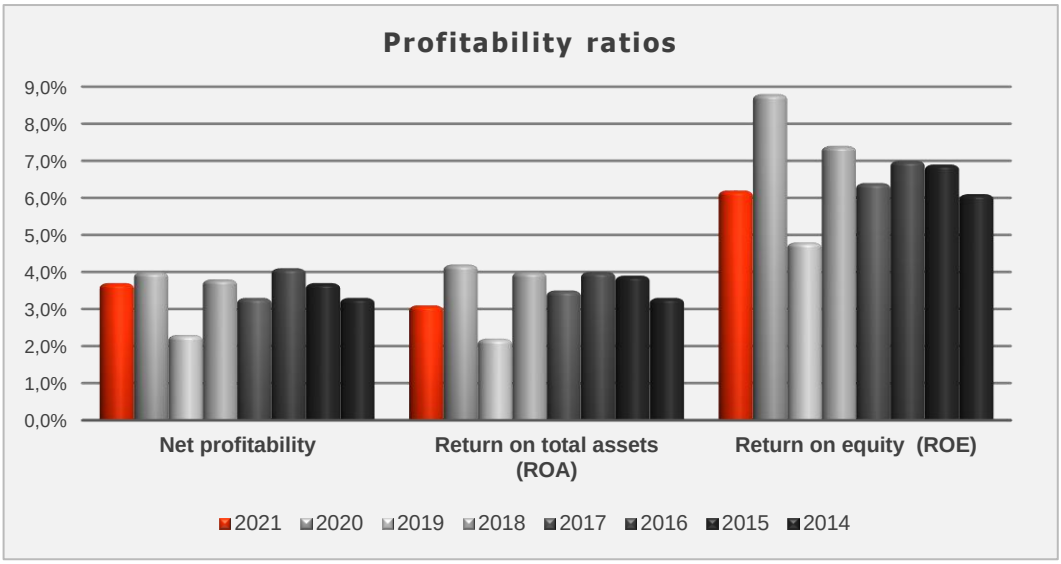
	2021	2020	2019	2018	2017	2016	2015	2014
Current liquidity ratio *(Current assets/Short-term liabilities)*	1.34	0.90	0.86	0.98	1.11	1.16	1.30	1.07
Quick liquidity ratio *((Current assets - Inventories - Short-term prepayments and accruals / Short-term liabilities)*	0.94	0.44	0.48	0.57	0.72	0.75	0.90	0.74



Profitability ratios

	2021	2020	2019	2018	2017	2016	2015	2014
Sales profitability (Gross profit (loss) on sales/Net sales revenue)	18.4%	20.2%	22.7%	22.4%	22.2%	23.3%	21.0%	22.1%
Operating profitability (Profit (loss) on continuing operations/Net revenues from sales)	5.1%	6.0%	4.2%	5.4%	5.0%	6.1%	5.8%	6.2%
Profitability of business activities (Gross profit (loss)/Net revenues from sales)	4.5%	5.1%	3.3%	4.7%	4.2%	5.3%	4.9%	4.7%
Net profitability (Net profit (loss)/net sales revenues)	3.7%	4.0%	2.3%	3.8%	3.3%	4.1%	3.7%	3.3%
Return on total assets (ROA) (Net profit (loss)/Total assets)	3.1%	4.2%	2.2%	4.0%	3.5%	4.0%	3.9%	3.3%
Return on equity (ROE) (Profit (loss) net/equity)	6.2%	8.8%	4.8%	7.4%	6.4%	7.0%	6.9%	6.1%
EBITDA profitability (EBITDA/Net sales revenues)	9.8%	10.1%	8.2%	9.1%	8.4%	9.8%	9.1%	9.5%





Other financial information

Information on concluded and terminated loan and factoring agreements

During the financial year 2021, Makarony Polskie SA and Stoczek Natura Sp. z o.o. were parties to loan and factoring agreements.

	31.12.2021	31/12/2020
- long-term part	20 522	11 514
- short-term part	15 238	15 379
Total	**35 760**	**26 893**

The status of loan and factoring agreements in force as at December 31, 2021, to which Makarony Polskie SA was a party, are presented in the following tables:

– Overdraft facility in Santander Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 5,000 k
Credit period	18.10.2013 – 31.05.2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 2,135 k
Repayment schedule	once on the maturity date of the liability

Credit collateral	– joint mortgage up to the amount of PLN 17,000 k on real estate marked with: a) Land and Mortgage Register KW No. RZ1Z/00076860/5 in Rzeszow and Land and KW No. PL1P/00094893/6 in Płock together with the assignment of rights under the real estate insurance policy, b) Land and Mortgage Registers KW No. PL1P/00097530/5, KW No. PL1P/00114158/9 and KW No. PL1P/00097363/3 (on the shares held) in Płock; – a blank promissory note issued by the Company along with a promissory note declaration, – registered pledge on inventories with a value not lower than PLN 5,000 k together with the assignment of rights under the pledge insurance policy, – surety of Stoczek Natura Sp. z o.o., – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

In the H1 2021, Makarony Polskie SA concluded with Santander Bank Polska SA an annex to the overdraft facility agreement, which extended the repayment date until May 31, 2022.

– Investment loan in Santander Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 13,849 k
Credit period	18.10.2013 – 30.12.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 2,619 k
Repayment schedule	The loan will be repaid in 49 monthly installments, in the following amounts: 48 installments of PLN 105 k each and the last 49th compensating installment in the amount of PLN 204 k
Credit collateral	– joint mortgage up to the amount of PLN 17,000 k on real estate marked with: a) Land and Mortgage Register KW No. RZ1Z/00076860/5 in Rzeszow and Land and KW No. PL1P/00094893/6 in Płock together with the assignment of rights under the real estate insurance policy, b) Land and Mortgage Registers KW No. PL1P/00097530/5, KW No. PL1P/00114158/9 and KW No. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on fixed assets (production lines in the Rzeszow plant) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – a blank promissory note issued by the Company along with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– EU investment loan in Santander Bank Polska SA

Loan conditions	December 31, 2021

Contractual value of the loan	PLN 12,121 k
Credit period	07.02.2017 - 28.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 2,380 k
Repayment schedule	The loan will be repaid in 37 monthly installments, in the following amounts: 36 installments in the amount of PLN 50 k, 37th installment of PLN 9,061 k, the received EU refinancing will reduce the balloon installment
Credit collateral	– joint mortgage up to the amount of PLN 18 200 k on real estate marked with: a) Land and Mortgage Register KW No. RZ1Z/00076860/5 in Rzeszow and Land and KW No. PL1P/00094893/6 in Płock together with the assignment of rights under the real estate insurance policy, b) Land and Mortgage Registers KW No. PL1P/00097530/5, KW No. PL1P/00114158/9 and KW No. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on a semi-industrial line for trials and tests along with instrumentation, along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – a blank promissory note issued by the Company along with a promissory note declaration, – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

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

In H2 2021, Makarony Polskie SA concluded with Santander Bank Polska SA an annex to the EU investment loan agreement, which adjusts the value of collateral to the Bank's credit exposure.

– EU investment loan in Santander Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 8,000 k
Credit period	15.09.2017 - 31.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 838 k
Repayment schedule*	The loan will be repaid in 49 principal installments, including 48 installments in the amount of PLN 33 k, 49th installment in the amount of 79 k
Credit collateral	– joint mortgage up to the amount of PLN 2 500 k on real estate marked with: a) Land and Mortgage Register KW No. RZ1Z/00076860/5 in Rzeszow and Land and KW No. PL1P/00094893/6 in Płock together with the assignment of rights under the real estate insurance policy, b) Land and Mortgage Registers KW No. PL1P/00097530/5, KW No. PL1P/00114158/9 and KW No. PL1P/00097363/3 (on the

	shares held) in Płock; – registered pledge on the technological line purchased under the grant project along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – a blank promissory note issued by the Company along with a promissory note declaration, – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

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

– Working capital loan at Santander Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 3,000 k
Credit period	30.09.2019 - 30.09.2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 818 k
Repayment schedule	The loan will be repaid in 33 monthly installments starting from January 31, 2020 in the amount of PLN 0.09 m
Credit collateral	– joint mortgage up to the amount of PLN 4 500 k on real estate marked with: a) Land and Mortgage Register KW No. RZ1Z/00076860/5 in Rzeszow and Land and KW No. PL1P/00094893/6 in Płock together with the assignment of rights under the real estate insurance policy, b) Land and Mortgage Registers KW No. PL1P/00097530/5, KW No. PL1P/00114158/9 and KW No. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on fixed assets (production lines in the Rzeszow plant) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – a blank promissory note issued by the Company along with a promissory note declaration, – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Investment loan in Santander Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 4 400 k
Credit period	10.06.2021 – 30.01.2026
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 3,096 k
Repayment schedule	The loan will be repaid in 46 monthly installments, in the following amounts: 45 installments of PLN 92 k each and the last 49th compensating installment in the amount of PLN 275 k

Credit collateral	– de minimis guarantee in the amount of 80% of the Loan amount; – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed. – a blank promissory note issued by the Company along with a promissory note declaration, as collateral for the de minimis guarantee.

– Working capital loan at Santander Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 1,700 k
Credit period	10.06.2021 – 30.05.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 1,700 k
Repayment schedule	once on the maturity date of the liability
Credit collateral	– de minimis guarantee in the amount of 80% of the Loan amount; – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed. – a blank promissory note issued by the Company along with a promissory note declaration, as collateral for the de minimis guarantee.

– Investment loan in Santander Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 12,000 k
Credit period	07.12.2021 – 31.03.2029
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 11,760 k
Repayment schedule	The loan will be repaid in 84 monthly installments, in the following amounts: 83 installments of PLN 143 k each and the last 84th compensating installment in the amount of PLN 148 k
Credit collateral	– joint contractual mortgage up to the amount of PLN 18 000 k on real estate marked with: a) Land and Mortgage Register KW No. OL1S/00032815/5, KW No. OL1S/00039349/6 in Korpele along with the assignment of rights under the real estate insurance policy; – registered pledge on 100% of shares in P.P.H. „SAS" Andrzej Świderski Sp. z o.o.; – joining the debt by P.P.H. „SAS" Andrzej Świderski Sp. z o.o.; – a blank promissory note issued by the Company along with a promissory note declaration, – a declaration of the Company and SAS on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Overdraft facility in BNP Paribas Bank Polska SA

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 7,000 k
Credit period	19.11.2021 - 31.10.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 4,113 k
Repayment schedule	once on the maturity date of the liability
Credit collateral	– contractual mortgage up to the amount of PLN 10 500 k on real estate marked with: a) KW No. CZ1C/00111425/8 in Częstochowa with the assignment of rights under the real estate insurance policy, – a blank promissory note issued by the Company along with a promissory note declaration, – a declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Overdraft at Bank Gospodarstwa Krajowego

In the financial year 2021, Makarony Polskie SA used an overdraft in the amount of PLN 6,000 k. Pursuant to the provisions of the loan agreement, the loan was repaid in due time during the financial year and the obligations under the agreement between the Company and the Bank expired.

– (Full) factoring agreement in Santander Factoring Sp. z o.o.

Terms of the agreement	December 31, 2021
Contractual value	PLN 5,500 k
Term	Agreement concluded for an indefinite period.
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Factoring balance	PLN 3,688 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration.

In H1 2021, Makarony Polskie SA concluded with Santander Factoring Sp. z o.o. an annex to the factoring agreement, which adjusts the margin level to the current market conditions.

The status of loan agreements in force as at December 31, 2021, to which Stoczek Natura Sp. z o.o. was a party, are presented in the following tables:

– Overdraft at Bank Gospodarstwa Krajowego

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 3,000 k
Credit period*	16.11.2017 – 16.11.2022
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 2,737 k
Repayment schedule	once on the maturity date of the liability
Credit collateral	– contractual mortgage up to the amount of PLN 4,500 k on the real estate marked with KW No. LU1U/00022979/2 in Stoczek Łukowski, along with the assignment of rights under the real estate insurance policy, – authorization to a current account kept at the Bank, – registered pledge on a set of machines and devices (located at the plant in Stoczek Łukowski) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – surety of Makarony Polskie SA – a declaration of the Company and the Guarantor on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to PLN 4.5 m).

During the financial year 2021, Stoczek Natura Sp. z o.o. concluded annexes to the overdraft agreement with Bank Gospodarstwa Krajowego. Annexes to the overdraft agreement extend the repayment date of the liability until November 16, 2022.

– Investment loan at Bank Gospodarstwa Krajowego *

Loan conditions	December 31, 2021
Contractual value of the loan	PLN 4 812 k
Credit period	08.07.2019 – 08.05.2025
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Credit balance	PLN 3,565 k
Repayment schedule	in 54 monthly installments in the amount of PLN 89 k each
Credit collateral	– contractual mortgage up to the amount of PLN 7 218 k on the real estate marked with KW No. LU1U/00022979/2 in Stoczek Łukowski, along with the assignment of rights under the real estate insurance policy, – authorization to a current account kept at the Bank, – registered pledge on a set of machines and devices (located at the plant in Stoczek Łukowski) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – a blank promissory note issued by the Company along with a promissory note declaration, – surety of Makarony Polskie SA – a declaration of the Company and the Guarantor on submission to

	enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to PLN 9.6 m).

In 2021, the company concluded annexes to the investment loan, which introduced the following amendments to the contract:

- adjusting the value of collateral to the Bank's credit exposure,
- clarification of the provisions of the Company's obligations towards the Bank.

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

Information on loans granted

As at December 31, 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 on December 31, 2022 (one-off repayment until the maturity date of the liability). The interest rate on the loan was determined based on market conditions.

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

Information on granted and received guarantees

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

The list of guarantees in force at Makarony Polskie SA as at December 31, 2021 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Guarantee expiry date	Subject-matter of guarantee	Collateral
Santander Bank Polska SA	1 011	to 31.12.2022	a guarantee securing the Company's obligations under the contract for the sale and storage of pasta under the	– joint mortgage up to the amount of PLN 1,517 k on real estate marked with KW No. RZ1Z/00076860/5 in Rzeszow and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the

			contract with the Governmental Agency for Strategic Reserves	– real estate insurance policy, – blank promissory note with a promissory note declaration
Santander Bank Polska SA	157	to 31.01.2024	a guarantee securing the Company's obligations under the contract for the pasta maintenance under the contract with the Governmental Agency for Strategic Reserves	– blank promissory note with a promissory note declaration

The list of guarantees in force at Stoczek Natura Sp. z o.o. as at December 31, 2021 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Guarantee expiry date	Subject-matter of guarantee	Collateral
Bank Gospodarstwa Krajowego	504	to 15.06.2022	a guarantee securing the Company's obligations under the contract for the storage of ready-made dishes under the contract with the Governmental Agency for Strategic Reserves	– mortgage up to the amount of PLN 756 k on the real estate marked with KW No. LU1U/00022979/2 in Stoczek Łukowski, along with the assignment of rights under the real estate insurance policy; – a blank promissory note issued by the Company along with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA
Bank Gospodarstwa Krajowego	1 549	to 29.11.2022	a guarantee securing the Company's obligations under the contract for the storage of ready-made dishes under the contract with the Governmental Agency for Strategic Reserves	– mortgage up to the amount of PLN 2 323 k on the real estate marked with KW No. LU1U/00022979/2 in Stoczek Łukowski, along with the assignment of rights under the real estate insurance policy; – a blank promissory note issued by the Company along with a promissory note declaration, – authorization to a current account kept at the Bank, – surety of Makarony Polskie SA
Bank Gospodarstwa Krajowego	24	to 25.03.2022	a guarantee securing the Company's obligations under the contract for the storage of canned food under the contract with the Governmental Agency for Strategic	– a blank promissory note issued by the Company along with a promissory note declaration, – authorization to a current account kept at the Bank,

			Reserves	

Information on granted and received sureties

Makarony Polskie SA granted sureties to the subsidiary Stoczek Natura Sp. z o.o., and their balances as at December 31, 2021 are presented below:

External obligations	Creditor's name	Surety amount in PLN k	Validity date	Secured liability balance in PLN k as at 31.12.2021
Surety for an overdraft in the amount of PLN 3.0 m	Bank BGK	4 500	16.05.2023	2 737
Surety for an investment loan in the amount of PLN 4.8 m	Bank BGK	4 812	08.11.2025	3 565
Bank guarantee surety in the amount of PLN 0.5 m	Bank BGK	504	15.12.2022	-
Bank guarantee surety in the amount of PLN 1.5 m	Bank BGK	1 549	29.05.2023	-

During 2021, Makarony Polskie SA guaranteed a bank guarantee in the amount of PLN 0.7 m for Stoczek Natura Sp. z o.o. - due to the return of the original guarantee document, the surety has expired.

Makarony Polskie SA received remuneration for granting the sureties.

Stoczek Natura Sp. z o.o. provided sureties to the parent company Makarony Polskie SA, and their balance as at December 31, 2021 is presented below:

External obligations	Creditor's name	Surety amount in PLN k	Validity date	Secured liability in PLN k as at 31.12.2021
Credit surety overdraft in the amount of PLN 5.0 m	Santander Bank Polska SA	15 366	30.12.2026	2 135
Investment loan surety in the amount of PLN 13.8 m	Santander Bank Polska SA			2 619

During 2021, Stoczek Natura Sp. z o.o. guaranteed an EU investment loan in the amount of PLN 12.1 m for Makarony Polskie S.A. - due to the settlement of the subsidy, the Bank released the surety.

During 2021, Stoczek Natura Sp. z o.o. guaranteed an overdraft in the amount of PLN 6 m for Makarony Polskie S.A. - due to the loan repayment, the surety has expired.

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

MP Trade Sp. z o.o. in the period of 2021, did not grant any sureties.

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

In the period of 2021, the companies of the Makarony Polskie Group did not conclude any material transactions with each other under the terms other than market terms.

Within Makarony Polskie Group, individual companies conclude between themselves purchase and sale transactions of products, goods and services. There are agreements between the companies which define the terms of cooperation, adjusted to the organizational structure of the Group. All transactions are performed on an arm's length basis.

Off-balance sheet items

(in PLN k)	December 31, 2021	December 31, 2020
1. Contingent assets	**3 245**	**4 219**
- received guarantees and sureties	3 245	4 219
- collaterals on property	0	0
- bills of exchange	0	0
2. Contingent liabilities	**158 845**	**173 244**
- due to guarantees and sureties granted	0	0
- collaterals on property	98 869	109 481
- bill of exchange obligations	59 976	63 763
Total off-balance sheet items	**-155 600**	**-169 025**

The values of received guarantees, collateral, promissory note obligations, mortgages and other off-balance sheet liabilities in the above table are presented in their maximum values.

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

- Material proceedings pending before a court, arbitration court or before a public administration body

In the presented reporting period, there were no material proceedings regarding liabilities and receivables of the Company or its subsidiary before a court, a body competent for arbitration proceedings or a public administration body.

- Events after the balance sheet date which could materially affect the financial results

Acquisition of Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o. by Makarony Polskie SA

At the beginning of 2022, Makarony Polskie SA finalized the acquisition of Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o., which has been part of the Makarony Polskie SA Group since the beginning of January 2022.

After the balance sheet date, no other events occurred that could materially affect the financial results.

Brief information about Makarony Polskie SA

Discussing the results

The consolidated financial statements of Makarony Polskie SA have been prepared on the basis of the International Financial Reporting Standards, with the assumption that the Company will continue as a going concern in the foreseeable future and to a substantially unchanged extent. The Company did not conduct any activities that were discontinued in the financial year 2021.

Selected financial data of Makarony Polskie SA as at December 31, 2021, denominated in PLN k, are as follows:

(in PLN k)	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Net revenues from sales	**155 561**	**172 039**
Net revenues from the sale of products and services	121 620	136 468
Net revenues from the sale of goods and materials	33 941	35 571
Own cost	**128 560**	**138 246**
Manufacturing costs of products and services sold	97 794	105 979
Value of sold goods and materials	30 766	32 267
Gross profit (loss) on sales	**27 001**	**33 793**
Selling costs	19 447	20 496
General and administrative expenses	5 016	4 990
Other revenues	4 246	2 466
Other costs	785	877
Profit (loss) from continuing operations	**5 999**	**9 896**
Financial revenues	885	158
Financial costs	846	1 488
Gross profit	**6 038**	**8 566**
Income tax	1 004	1 814
Net profit (loss) from continuing operations	**5 034**	**6 752**
EBITDA (EBIT + depreciation)	12 109	15 787
Number of shares (units)	11 040 071	9 250 071
Weighted average number of shares (in units) in a given financial year	9 348 098	9 250 071
Profit/loss per ordinary share (in PLN/EUR) *	0.54	0.73
Book value per share (in PLN/EUR) **	8.78	8.84

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

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

The value of revenues in 2021 amounted to approx. PLN 155.6 m and was lower by approx. 9.6% (PLN 16.5 m) compared to 2020, which was mainly caused by a decrease in the pasta segment (PLN -14 m y/y).

The cost of products, services, goods and materials sold in 2021 amounted to approx. PLN 128.6 m (a decrease by approx. 7%).

Makarony Polskie SA closed the year 2021 with a gross profit on sales of approx. PLN 27 m (a decrease by approx. PLN 6.8 m compared to 2020), with a gross profit margin on sales of approx. 17.4% (vs. 19.6% in 2020).

The operating result (EBIT) in 2021 amounted to approx. PLN 6 m compared to approx. PLN 9.9 m in 2020, which was a decrease of 39.8%. Profitability at the EBIT level was 3.9% (vs. 5.8% in 2020).

The net profit in 2021 amounted to approximately PLN 5.0 m and is lower than the result in 2020 by approximately PLN 1.9 m (-27.5%). Return on sales, calculated at the level of net profit, amounted to 3.1% (vs. 3.9% in 2020).

In 2021, the company recorded EBITDA of approximately PLN 12.1 m, compared to the result of approximately PLN 15.8 m in 2020, which means a decrease by PLN 3.7 m y/y, i.e. -23.3%. The EBITDA profitability in 2021 was 7.8% vs. 9.2% in 2020.

Market environment

The sales markets of Makarony Polskie SA can be divided into the domestic market (including private label, traditional trade, modern trade as well as B2B and institutions) and export (including sales through domestic intermediaries). In 2020, the company achieved the following sales revenues:

in PLN k	2021	2020	y/y
Revenues from sale	155 561	172 039	-9.6%

In 2021, only two customers exceeded the threshold of 10% share in separate sales revenues (branded and private label products in total). These are Jeronimo Dystrybucja Polska with a share of approx. 22.1% and the Lidl Group with a share of approx. 16.1%. The Company is not formally associated with the operators of these networks, and the cooperation is based on partnership terms and is beneficial for Makarony Polskie SA.

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

Private label

The private label (PL) channel, offering products under private labels of domestic and foreign networks (including sales to a Lidl contractor operating within one Group in Europe) had the largest share in the Company's revenues (64%).

PL (in PLN k)	2021	2020	y/y
Revenues from sale	99 663	105 828	-5.9%

In 2021, the decline in pasta sales in the private label segment was related to the higher base in 2020 (COVID-19 pandemic).

Modern trade and traditional trade

Another revenue material for the Company at the level of approx. 18.0%, achieved on the domestic market, is the sale of the Group's brands (brands: Makarony Polskie, Sorenti, Stoczek, Tenczynek, Męska Rzecz, Novelle) in modern trade (HN) and traditional trade channels (HT):

HN and HT (in PLN k)	2021	2020	y/y
Revenues from sale	27 888	31 005	- 10%

The 10% drop in sales of branded products year-on-year was caused by a higher 2020 base due to the COVID-19 pandemic and lower market demand for dry products with a long shelf life.

In 2022, the company aims to further develop cooperation with current customers, as well as improve the sales number by acquiring new, previously unsupported national and local networks for cooperation.

B2B and Institutions

B2B and Institutions accounted for approx. 8.9% of the total revenues of the Company:

B2B and Institutions (in PLN k)	2021	2020	y/y
Revenues from sale	13 942	22 622	- 39%

Sales in the B2B and Institutions distribution channel in 2021 amounted to approx. PLN 13,9 m and were lower by approx. PLN 8,7 m (i.e. - 39%) compared to 2020. The decrease in sales was mainly due to the decrease in sales of pasta products under subcontracting for the implementation of an institutional contract and a decrease in contracts with government institutions.

Export

Total exports of the Company's revenues for 2021 accounted for approx. 8.2%:

Export (in PLN k)	2021	2020	y/y
Revenues from sale	16 590	17 297	4.2%

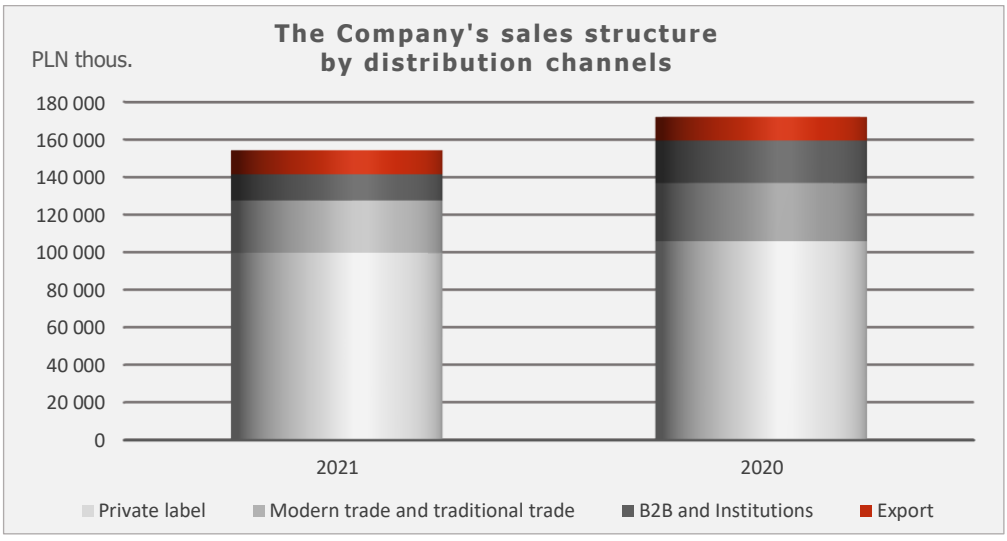
The company's export strategy focuses on establishing cooperation with the largest retail chains - directly, as well as through distributors and official importers. The slight decline in exports was related to the high 2020 base associated with increased purchases of export customers during the pandemic.

The main export market of Makarony Polskie Group is Ukraine, where cooperation with new chains and distributors is systematically developed. Nevertheless, throughout 2021, export sales were developed both in the European Union countries and on non-EU markets. The new product positions were introduced to both existing and new customers in the existing as well as new business partners on the markets of Israel, France and Lithuania.

Operating segments

Structure of sales through distribution channels in Makrony Polskie SA

The sales structure of products and goods, broken down by distribution channels, is shown in the chart below:



Sales revenues broken down by operating segments

(in PLN k)	For the period from 01/01 to 31/12/2021	For the period from 01/01 to 31/12/2020
Pasta	121 384	135 380
Meat and vegetable preparations	20 587	18 328
Vegetable and fruit preparations	8 416	9 696
Other	5 174	8 635
Total	**155 561**	**172 039**

* From the beginning of 2021, the Makarony Polskie Group changed the classification of operating segments. The current segment "Fruit preserves", due to a significant reduction in significance, was merged with the "Vegetable products and stuffing" segment into one segment called "Vegetable and fruit preserves". At the same time, the presentation change for 2020 was made in order to maintain the comparability of data.

The sales revenues of Makarony Polskie SA in 2021 amounted to PLN 155.6 m and were approximately PLN 16.5 m lower than in the corresponding period of 2020.

The value of sales in the pasta category decreased by PLN 14 m to PLN 121.4 m in 2021. The decrease in the amount of approx. 10.3% was the result of a decrease in sales under the brands of retail chains compared to the same period of the previous year.

Sales of processed meat and vegetables increased in the analyzed period by approx. PLN 2.3 m to approx. PLN 20.6 m. The increase by approx. 12.3% (2021 vs. 2020) was the result of an increase in sales under private labels and retail chains. In the analyzed period, the sales of the new line of ready meals in trays and in bowls under the SoFood brand, launched in 2020, developed dynamically. These products have been very well received by customers, reaching the position of the vice-leader in sales in their category in 2021 according to the Nielsen report. A year earlier, the debuting SoFood brand, according to a report by the same company, achieved the third position in terms of sales among competitors present on the market for several years.

Sales of processed vegetables and fruit segment's in the analyzed period decreased by approx. PLN 1.3 m to the amount of nearly PLN 8.4 m, which was caused by a decrease in sales in the category of salads and stuffing.

Structure of assets and liabilities

The Makarony Polskie Company's balance sheet total was PLN 182,7 m as at December 31, 2021 compared to PLN 155.8 m as at December 31, 2020.

Structure of assets and liabilities

ASSETS	01.01.2021-31.12.2021	01.01.2020-31.12.2020
FIXED ASSETS	**118 828**	**116 891**
Tangible fixed assets	79 465	78 249
Fixed assets - IFRS-16	3 291	2 524
Investment real estate	603	603
Goodwill	0	0
Other intangible assets	5 325	5 390
Long-term financial assets, including:	30 080	30 080
Shares	30 080	30 080
Loans granted	0	0
Assets for deferred income tax	0	0
Other assets - long-term	64	45
CURRENT ASSETS	**63 789**	**38 945**
Inventory	13 408	15 046
Short-term receivables	21 446	21 273
Income tax receivables	554	0
Loans granted	2 003	2 006
Cash and cash equivalents	26 121	374
Other assets - short-term	257	246
NON-CURRENT ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	**182 617**	**155 836**

LIABILITIES	01.01.2021-31.12.2021	01.01.2020-31.12.2020
EQUITY CAPITAL	**96 900**	**81 805**
Share capital	27 750	27 750
Supplementary Capital	39 228	35 303

Reserve Capital	24 888	12 000
Retained profit/loss (profit/loss from previous years)	5 034	6 752
LONG-TERM LIABILITIES	**41 997**	**32 616**
Provision for deferred income tax	3 065	2 942
Long-term bank credits and loans	18 027	7 949
Other long-term financial liabilities	215	1 104
Provision for pensions and similar benefits (long-term)	345	336
Deferred revenues (long-term)	16 777	16 944
Long-term financial liabilities - leasing	3 568	3 341
SHORT-TERM LIABILITIES	**43 720**	**41 415**
Short-term bank credits and loans	11 432	11 336
Other short-term financial liability	368	368
Short-term financial liabilities - leasing	1 391	1 381
Other short-term liabilities	28 365	24 999
Liabilities due to income tax	0	1 001
Deferred revenues (short-term)	1 302	1 149
Provision for pensions and similar benefits (short-term)	862	1 181
Other provisions (short-term)	0	0
TOTAL LIABILITIES	**85 717**	**74 031**
TOTAL LIABILITIES	**182 617**	**155 836**

As at December 31, 2021, the value of non-current assets amounted to approx. PLN 118.8 m (75.0% of total assets) compared to approx. PLN 116.9 m at the end of 2020 (an increase of approx. 1.7% vs. end of 2020). The increase in fixed assets was the result of investments in production plants in Rzeszow and Częstochowa.

As at December 31, 2021, current assets amounted to approximately PLN 63.7 m and increased by approximately 63.6% compared to the end of 2020 (approximately PLN 38.9 m). The greatest impact on the change in current assets was the increase in cash by approx. PLN 25.75 m, from approx. PLN 0.4 k at the end of 2020. This was due to two factors: making payments by shareholders to take up the issue of series F shares (registered in the National Court Register on March 4, 2022) and disbursement by Santander Bank SA of funds from an investment loan taken by Makarony Polskie SA for the acquisition of SAS. The SAS purchase transaction was to be completed in 2021,

therefore both the funds from the investment loan and the funds from the issue of series F shares were secured appropriately earlier in the escrow account, but its finalization was postponed to the beginning of 2022. Thus, there was a situation in which both the loan balance and the cash balance increased significantly in a short period of time. This situation resolved after the transaction related to the payment was finalized on January 3, 2022. As at December 31, 2022, the Company's debt amounted to PLN 5.49 million.

Equity as at the balance sheet date amounted to approx. PLN 96.8 m, constituting approx. 53% of the value of liabilities and increased by 18.3% compared to the value of PLN 81.8 m at the end of 2020.

Long-term liabilities amounted to approx. PLN 42 m and increased by approx. 28.8% (from PLN 32.6 m) compared to the end of 2020, mainly due to taking out an investment loan for the purchase of SAS.

Short-term liabilities as at December 31, 2021 amounted to approximately PLN 43.7 m and increased compared to the end of 2020 amounting to approximately PLN 41.4 m.

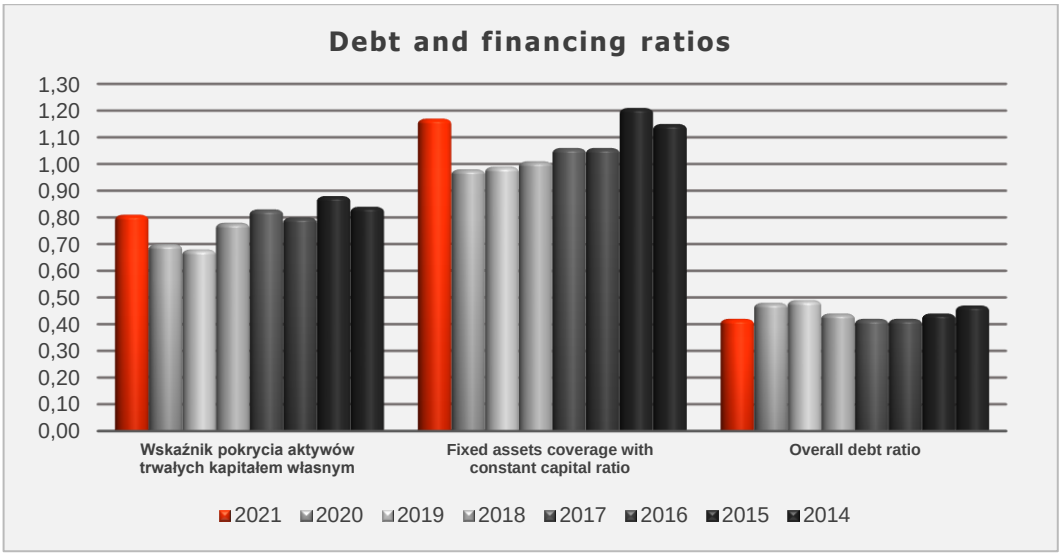
Ratio analysis

The ratio analysis in terms of profitability, liquidity and debt assessment indicates a stable financial situation of Makarony Polskie SA in 2021 in terms of profitability, ability to pay liabilities and security of financing current and investment activities.

The level of profitability and cash flows generated by the Company allowed, inter alia, for: payment of dividends to shareholders in 2021 in the amount of approximately PLN 2.8 m, carrying out a number of investments, purchase of some raw material at an attractive price without a trade credit and maintaining a safe level of debt.

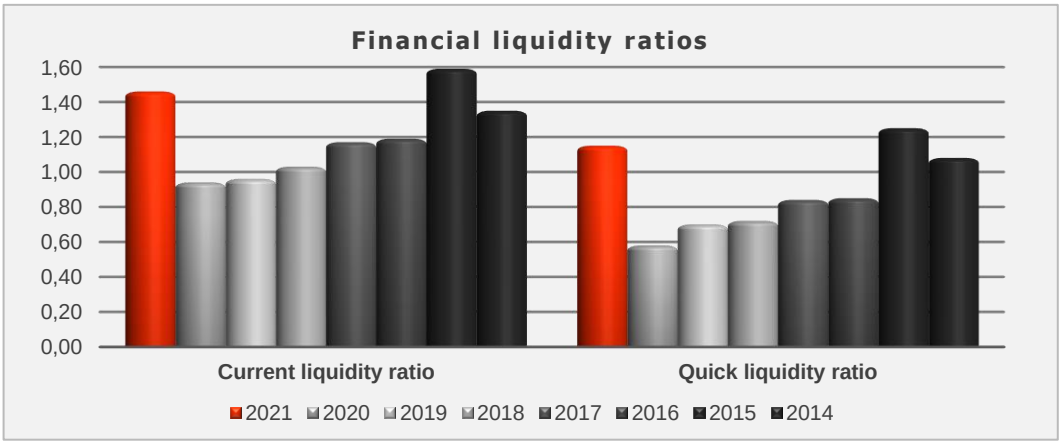
Debt and financing ratios

	2021	2020	2019	2018	2017	2016	2015	2014
Fixed assets coverage with equity ratio *(Equity/Fixed assets)*	0.81	0.70	0.68	0.78	0.83	0.80	0.88	0.84
Fixed assets coverage with constant capital ratio *((Equity + Long-term liabilities)/Fixed assets)*	1.17	0.98	0.99	1.01	1.06	1.06	1.21	1.15
Overall debt ratio *(Total liabilities/Total assets)*	0.42	0.48	0.49	0.44	0.42	0.42	0.44	0.47



Liquidity ratios

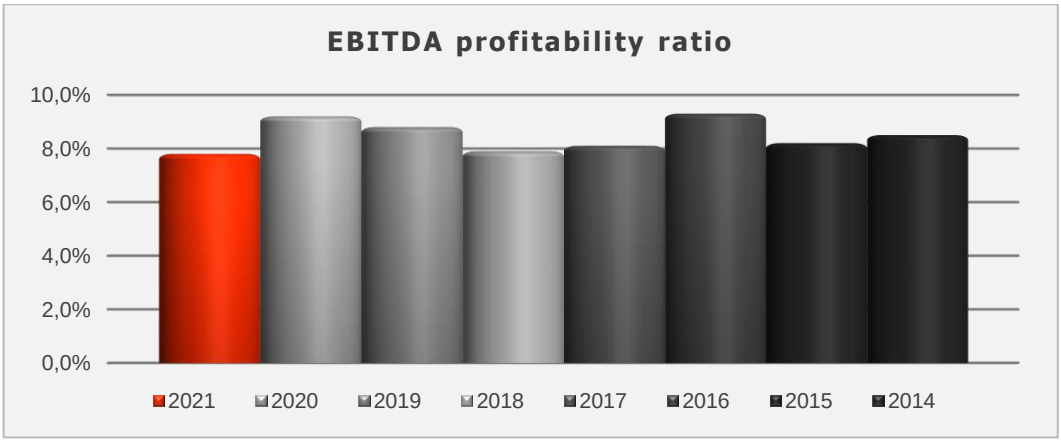
	2021	2020	2019	2018	2017	2016	2015	2014
Current liquidity ratio *(Current assets/Short-term liabilities)*	1.46	0.94	0.96	1.03	1.17	1.19	1.59	1.35
Quick liquidity ratio *((Current assets - Inventories - Short-term prepayments and accruals / Short-term liabilities)*	1.15	0.58	0.70	0.72	0.84	0.85	1.25	1.08

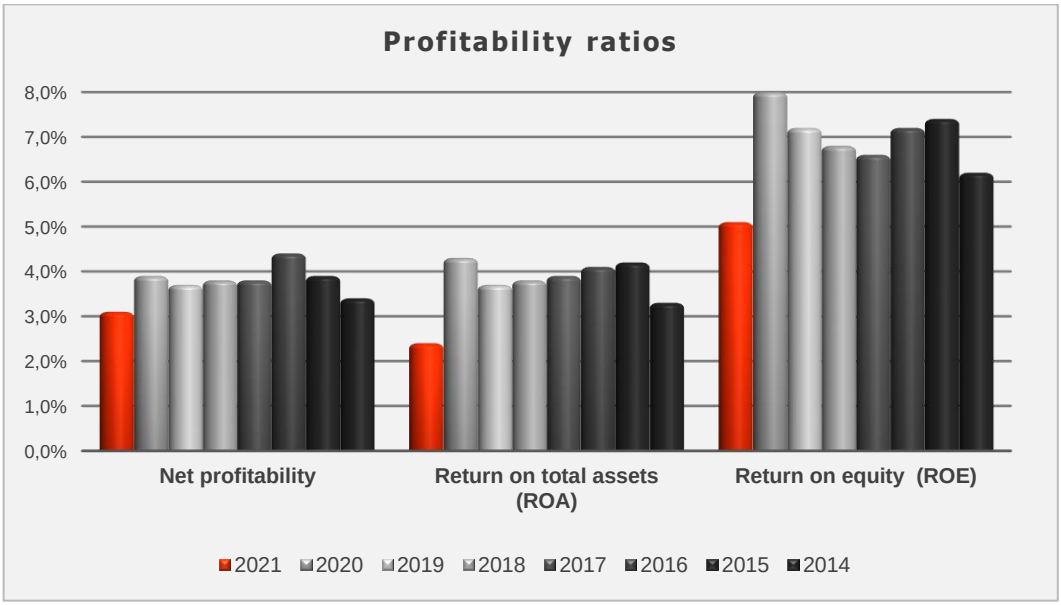


Profitability ratios

	2021	2020	2019	2018	2017	2016	2015	2014
Sales profitability (Gross profit (loss) on sales/Net sales revenue)	17.4%	19.6%	21.8%	22.0%	21.0%	21.8%	21.0%	21.8%

Operating profitability (Profit (loss) from continuing operations/Net revenues from sales)	3.9%	5.8%	5.3%	5.2%	5.1%	6.3%	5.8%	5.9%
Profitability of business activities (Gross profit (loss)/Net revenues from sales)	3.8%	5.0%	4.7%	4.7%	4.8%	5.6%	5.1%	4.7%
Net profitability (Net profit (loss)/net sales revenues)	3.1%	3.9%	3.7%	3.8%	3.8%	4.4%	3.9%	3.4%
Return on total assets (ROA) (Net profit (loss)/Total assets)	2.4%	4.3%	3.7%	3.8%	3.9%	4.1%	4.2%	3.3%
Return on equity (ROE) (Net profit (loss)/equity)	5.1%	8.3%	7.2%	6.8%	6.6%	7.2%	7.4%	6.2%
EBITDA profitability (EBITDA/Net sales revenues)	7.8%	9.2%	8.8%	7.9%	8.1%	9.3%	8.2%	8.5%





Off-balance sheet items

(in PLN k)	December 31, 2021	December 31, 2020
1. Contingent assets	**18 534**	**36 904**
- received guarantees and sureties	16 534	34 904
- collaterals on property	0	0
- bills of exchange	2 000	2 000
2. Contingent liabilities	**121 911**	**134 985**
- due to guarantees and sureties granted	11 365	12 090
- collaterals on property	70 555	81 167
- bill of exchange obligations	39 991	41 728
Total off-balance sheet items	**- 103 377**	**-98 081**

The values of received guarantees, collateral, promissory note obligations, mortgages and other off-balance sheet liabilities in the above table are presented in their maximum values.

In 2021, the Company applied the set of corporate governance rules "Best Practices of WSE Listed Companies 2021".

Corporate Governance

Statement on the application of corporate governance principles

Makarony Polskie SA applies the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies" ("DPSN"). From the beginning of 2021, the company complied with the DPSN 2016 set, while on July 1, 2021, the DPSN 2021 came into force (Resolution of the Stock Exchange Council No. 13/1834/2021 of March 29, 2021) and this set is currently binding on the Company. The document containing a set of rules is available on the website of the Warsaw Stock Exchange http://corp-gov.gpw.pl.

In accordance with DPSN 2021, on July 31, 2021 Makarony Polskie SA published the "Information on the state of application by the company of the principles contained in the Code of Best Practice for WSE Listed Companies 2021". Makarony Polskie SA informed about the failure to apply 13 principles: 1.3.1., 1.4., 1.4.1., 1.4.2., 2.1., 2.2., 2.9., 2.11.6., 4.1., 4.3., 4.4., 6.2., 6.4. In accordance with the comply or explain formula, the Company published explanations of non-compliance with the principles indicated.

The Company's explanations on the method of applying the detailed rules contained in the set of "Best Practices of WSE Listed Companies 2021" in relation to 2021:

- *1.3. In its business strategy, the company also takes into account ESG issues, in particular including: 1.3.1. environmental issues, including measures and risks related to climate change and sustainable development issues;*

  The rule is not applied.

  Company comment: The rule is partially applied by the Company. Among its development directions, the company envisages, inter alia, undertaking activities aimed at meeting environmental requirements and reducing the negative impact of its operating activities on the environment. The company conducts production activities and has a regulated formal and legal status in the use of the environment. The Company respects the requirements and legal regulations relating to the above-mentioned areas. The Company's strategy currently does not include quantitative measures in terms of environmental issues, climate change and sustainable development issues. The Company will endeavor to introduce such measures and the risks associated with these factors into its business strategy.

- 1.4. *In order to ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company publishes on its website information on the assumptions of its strategy, measurable objectives, in particular long-term objectives, planned activities and progress in its implementation, determined by means of financial and non-financial measures. Information on the strategy in the ESG area should, inter alia:*

  The rule is not applied.

  Company comment: The rule is partially applied by the Company. The Company includes information on the adopted directions and objectives of its long-term development in periodic and current reports. These reports are published, among others on the Company's website, however, at the moment both the development strategy of Makarony Polskie Group and the website do not contain all the information required by this rule, e.g. measurable non-financial indicators have not been defined and published.

- 1.4.1. *explain how the decision-making processes in the company and its group entities take account of climate change issues, pointing to the resulting risks;*

  The rule is not applied.

  Company comment: In its decision-making processes, the Company strives to respect the requirements and legal regulations relating to climate issues, but this area has not been formally and measurably covered by the business strategy currently adopted and implemented by the Company.

- 1.4.2. *present the value of the equal wage ratio paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate any inequalities in this respect, along with the presentation of the related risks and the time horizon in which it is planned to achieve equality.*

  The rule is not applied.

  Company comment: The company will carry out the necessary analyzes and make efforts to start publishing information in the manner specified in this rule, starting with the data for the year 2021.

- 2.1. *A company should have a diversity policy towards the management board and supervisory board, adopted respectively by the supervisory board or the general assembly. The diversity policy defines the objectives and criteria of diversity, among others in such areas as gender, field of education, specialist knowledge, age and professional experience, as well as indicates the time and method of monitoring the achievement of these objectives. In terms of gender diversity, the condition for*

ensuring the diversity of company bodies is the participation of a minority in a given body at a level not lower than 30%.

The rule is not applied.

Company comment: The Company has not developed a formal diversity policy in relation to the company's governing bodies. With regard to members of the Company's governing bodies, the selection of persons performing the functions of Members of the Supervisory Board and the Management Board is made by the shareholders and the Supervisory Board, respectively, following the ownership and corporate decisions as well as the principles of professionalism. According to the practice adopted in the Company, the key selection criterion is the competences of a given person needed to perform a given function. The criterion of ensuring the diversity of the Company's bodies is used as an auxiliary.

- 2.2. *The decision-makers on the appointment of members of the management board or supervisory board of a company should ensure the versatility of these bodies by selecting persons who ensure diversity in their composition, enabling, inter alia, achieving the target minimum minority participation rate set at a level of not less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.*

  The rule is not applied.

  Company comment: The rule is partially applied by the Company. With regard to members of the Company's governing bodies, the selection of persons performing the functions of Members of the Supervisory Board and the Management Board is made by the shareholders and the Supervisory Board, respectively, following the ownership and corporate decisions as well as the principles of professionalism. According to the practice adopted in the Company, the key selection criterion is the competences of a given person
- 2.9. *The chairman of the supervisory board should not combine his/her function with managing the work of the audit committee operating within the board.*

  The principle is not applied.

  Company comment: In the current term of the Board
- *2.11. In addition to the activities resulting from legal provisions, once a year the supervisory board draws up and presents an annual report for approval to the ordinary general assembly. The report referred to above must contain at least:* 2.11.6. *information on the degree of implementation of the diversity policy in relation to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1.*

  The principle is not applied.

  Company comment: The Company has not developed a formal diversity policy in relation to the company's governing bodies and its key managers.

- 4.1. *The company should enable its shareholders to participate in the general assembly by means of electronic communication (e-general assembly), if it is justified in view of the shareholders' expectations reported to the company, and if it is able to provide the technical infrastructure necessary to conduct such a general assembly.*

  The principle is not applied.

  Company comment: In the opinion of the Management Board, incurring such costs is not justified in the shareholding structure of the Company.
- 4.3. *The company provides publicly available real-time broadcast of the general assembly.*

  The principle is not applied.

  Company comment: In the opinion of the Management Board, incurring such costs is not justified in the shareholding structure of the Company.
- 4.4. *Presence of representatives of the media at general assemblies is allowed.*

  The principle is not applied.

  Company comment: In the opinion of the Management Board, at the moment, the presence of media representatives at general assemblies is not justified by the Company's shareholding structure.
- 6.2. *Incentive programs should be structured in such a way as to make the level of remuneration of the members of the company's management board and its key managers dependent on the actual, long-term situation of the company in terms of financial and non-financial results as well as long-term increase in shareholder value and sustainable development, as well as the stability of the company's operations.*

  The principle is not applied.

  Company comment: The rule is partially applied. The Company's authorities make every effort to ensure that the incentive programs are structured in such a way that, inter alia, make the level of remuneration of members of the management board and key managers of the Company dependent on the actual, long-term situation in terms of financial results and long-term increase in value for shareholders, as well as the stability of the company's operations. However, at the moment, there is a limited link between incentive systems with non-financial results and elements of sustainable development (e.g. due to the lack of formal recognition of this element and measurable indicators related to it in the company's current strategy).
- 6.4. *The supervisory board performs its tasks on a continuous basis, therefore the remuneration of board members may not depend on the number of meetings held. Remuneration of members of committees, in particular the audit committee, should cover additional workload related to the work in these committees.*

  The principle is not applied.

Company comment: The current remuneration system of the Supervisory Board, adopted by the General Assembly in 2020, makes the remuneration of supervisory board members dependent on the number of meetings held. Supervisory board members who are also members of the audit committee do not receive any additional remuneration related to their work in this committee.

Internal control and risk management system in the process of financial statements preparing

Makarony Polskie SA as the parent company prepares separate and consolidated financial statements based on the generally applicable provisions of law and internal regulations. The books of accounts are kept based on the principles adopted and approved for use by the Management Board of the Company, i.e. Accounting Policy and the Chart of Accounts compliant with IFRS, which are updated as needed. Subsidiaries are obliged to implement and use internal documents consistent with the documents of the parent company. The accounting books of the Group's companies are kept in the ERP class system, and access to IT resources is limited by authorizations for a specific group of employees.

The Company constantly monitors material legal, tax, economic, operational risk factors, etc., which determine the general directions of the Makarony Polskie Group's operations.

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in the process of preparing financial statements and periodic reports prepared in accordance with the law and published in accordance with the rules of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities (...).

The basic assumption of the developed internal control system of the Company in financial reporting is to ensure the adequacy and correctness of the financial information contained in the financial statements and periodic reports.

The Accounting Team is responsible for the preparation of financial statements and periodic financial reporting, while the Financial Team is responsible for the ongoing management reporting of the Company and the Group. The Company applies consistent accounting principles, when presenting financial data in financial statements, periodic financial reports and other reports presented to investors.

The financial data on which the financial statements and periodic reports are based come from the monthly financial and operational reporting applied by the Company. After the accounting closure of each calendar month, the Finance Team, together with the

Management Board, analyzes the Company's financial results in comparison to the assumptions and taking into account business segments. Identified errors are corrected on an ongoing basis in the Company's books, in accordance with the adopted accounting policy.

The preparation of financial statements and periodic reports begins after the Management Board reviews and approves the results of the completed month/period. The Company's periodic reports are prepared by the financial and accounting services under the supervision of the Chief Accountant (based on the financial data contained in the periodic financial reporting) and employees of the Financial Team, and are verified by the Management Board, Financial Team Manager, Development Director, and Director of the Company.

The annual separate and consolidated financial statements of the Group companies are audited by an independent chartered auditor. The semi-annual separate and consolidated financial statements of the Group companies are audited by an independent chartered auditor.

Within the framework of the Supervisory Board of Makarony Polskie SA, there is an Audit Committee appointed from among the members of the Supervisory Board. The Audit Committee monitors the financial reporting processes in the Company, the effectiveness of internal control systems and risk management systems as well as internal audit (including in the field of financial reporting) and the performance of financial audit activities, in particular the audit of the Company's financial statements by the audit firm, taking into account all conclusions and findings of the Audit Supervision Commission resulting from the control executed in a given audit firm.

Members of the Audit Committee are in direct contact with the statutory auditor carrying out the audit of Makarony Polskie SA's financial statements, inform the Supervisory Board about the results of the audit of the Company's financial statements and provide explanations on how the audit contributed to the reliability of financial reporting in the Company, and what was the role of the Audit Committee in the audit process.

In the final stage the Supervisory Board of Makarony Polskie SA also performs the final assessment of the financial statements.

Information on the principles of changing the entity authorized to audit financial statements

In accordance with §19 item c) of the Articles of Association of Makarony Polskie SA, the selection of the statutory auditor to audit the financial statements of the Company is within the competence of the Supervisory Board. The selection is made on the basis of the recommendations of the Audit Committee.

A change of the statutory auditor is made at least once every five years.

The rules for changing the entity authorized to audit financial statements are set out in §4 of the Regulations of the Supervisory Board of the Company. The Company has in place the Policy of selecting an audit company to audit financial statements and the Procedure for selecting an audit company to audit financial statements, which was developed by the Audit Committee of the Supervisory Board.

The entity that is to perform the function of the statutory auditor in the Company is selected in such a way as to ensure independence in the performance of the tasks entrusted to it. The auditor's independence is assessed by the Audit Committee at individual selection stages, as well as in the course of further cooperation. The Audit Committee may also consent to the provision by the statutory auditor and the audit firm of permitted services other than the audit of the financial statements, in accordance with the principles of the Policy adopted and implemented in this area.

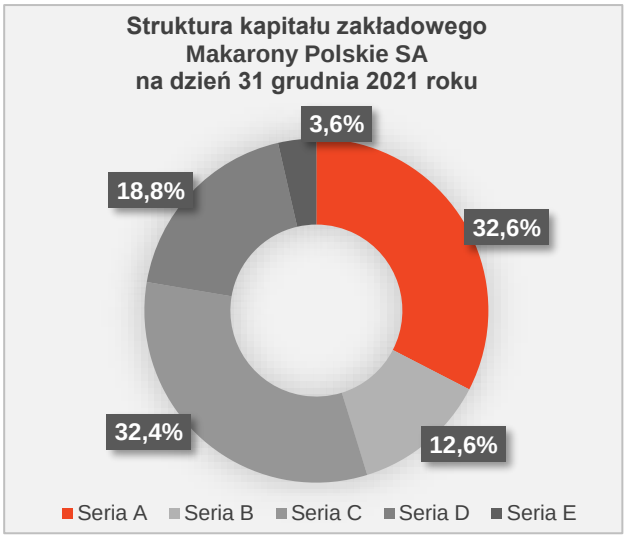
Share capital

Share capital of Makarony Polskie SA as at December 31, 2021:

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



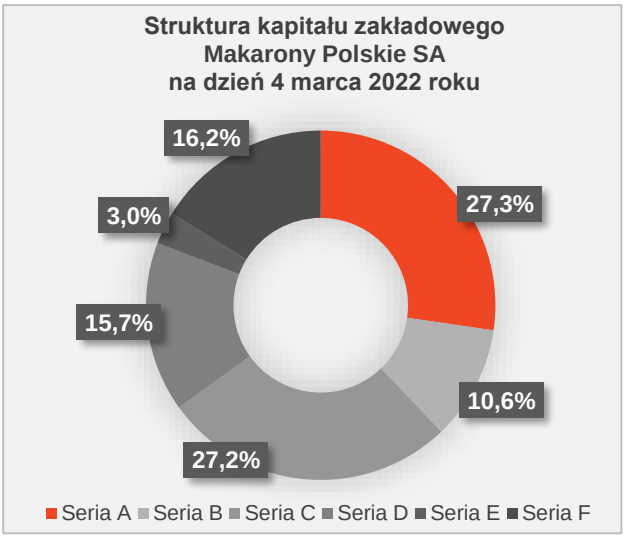
On March 4, 2022, an increase in the share capital of Makarony Polskie SA by the issue of 1,790,000 series F ordinary bearer shares was registered in the Register of Entrepreneurs of the National Court Register, i.e. an increase in the share capital by PLN 5,370,000, to PLN 33,120,213.

Share capital of Makarony Polskie SA as at December 4, 2022:

- share capital amount PLN 33 120 213,
- total number of shares 11 040 071 shares,
- total number of votes at the General Assembly 11 040 071 votes.

Structure of the Company's share capital:

- 3,013,250 series A ordinary bearer shares,
- 1,169,750 series B ordinary bearer shares,
- 3,000,000 series C ordinary bearer shares,
- 1,735,821 series D ordinary bearer shares,
- 331 250 series E ordinary bearer shares,
- 1,790,000 series F ordinary bearer shares.



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

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

Shares held by major shareholders (over 5% of 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 report (according to the information available):

Shareholder	Shares in share capital		Votes at the General Assembly	
	number	**share%**	**number**	**share%**
Mr. Zenon Daniłowski and entities from PGS Group, including:	3 641 594	32.99%	3 641 594	32.99%
Praska Giełda Spożywcza SA (formerly: Agro-Technika SA)	*3 380 000*	*30.62%*	*3 380 000*	*30.62%*
Zenon Daniłowski	*140 000*	*1.27%*	*140 000*	*1.27%*
Polskie Smaki Sp. z o.o.	*121 594*	*1.10%*	*121 594*	*1.10%*
Raya Holding for Technology & Communications S.A.E., including:	3 254 706	29.48%	3 254 706	29.48%
Madova Sp. z o.o.	*3 254 706*	*29.48%*	*3 254 706*	*29.48%*
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	1 169 750	10.60%	1 169 750	10.60%

Other shareholders	2 974 021	26.94%	2 974 021	26.94%
TOTAL	**11 040 071**	**100.00%**	**11 040 071**	**100.00%**

Changes in the shareholding structure during 2021

On April 26, 2021, the Company received notifications from two shareholders regarding the 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 (1) (a) of the Act on Public Offering, informed about:
  1) Praska Giełda Spożywcza SA with its registered office in Ząbki, on the basis of a share purchase transaction concluded on the regulated market, on April 21, 2021, acquired a block of 740,000 shares of the Company entitling to the same number of votes at the General Assembly of Shareholders.
  2) Praska Giełda Spożywcza SA, before the change of share, held directly and indirectly 2 311 594 shares of the Company, constituting 24.99% of the share capital, entitling to 2 311 594 votes at the General Assembly, which constitutes 24.99% of the total number of votes, of which Praska Giełda Spożywcza SA had:
     - directly - 2 050 000 shares, which constituted a 22.16% share in the share capital, entitling to 2 050 000 votes at the General Assembly, which constituted 22.16% of the total number of votes,
     - indirectly - 261 594 shares, which constituted a 2.82% share in the share capital, entitling to 261 594 votes at the General Assembly, which constituted 2.82% of the total number of votes,
  3) Praska Giełda Spożywcza SA currently holds, directly and indirectly, 3,051,594 shares, which constitutes 32.98% of the share capital, entitling to 3 051 594 votes at the General Assembly, which constitutes 32.98% of the total number of votes, of which Praska Giełda Spożywcza SA has:
     - directly - 2 790 000 shares, which constitutes a 30.16% share in the share capital, entitling to 2 790 000 votes at the General Assembly, which constitutes 30.16% of the total number of votes,
     - indirectly - 261 594 shares, which constituted a 2.82% share in the share capital, entitling to 261 594 votes at the General Assembly, which constituted 2.82% of the total number of votes,
  4) Subsidiaries of the notifying shareholder who hold the company's shares:

- iPolskie Smaki Sp. z o.o. holds 121 594 shares, which constitutes a 1.31% share in the share capital, entitling to 121 594 votes at the General Assembly, 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 share capital, entitling to 140 000 votes at the General Assembly, which constituted 1.51% of the total number of votes,

5) There are no persons referred to in Article 87 paragraph 1 point 3 item c) of the Act.
6) No financial instruments referred to in Article 69b paragraph 1 point 1 of the Act and the lack of instruments referred to in Article 69b paragraph 1 point 2.
7) There are no financial instruments referred to in Article 69b paragraph 1 point 2 of the Act.
8) Praska Giełda Spożywcza SA 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, announced a direct reduction of the share in the total number of votes at the General Assembly of the Company to 0% (zero percent):

1) The reduction of the share in the total number of votes at the General Assembly of the Company by Agroma Ltd occurred as a consequence of the settlement of sales transactions in the form of OTC block deals and in the form of session orders in total 950,000 shares concluded on April 21-23, 2021.
2) Before the transaction, Agroma Ltd held directly 950,000 shares, representing approximately 10.27% of the share capital of the Company and entitling to 950,000 votes representing approximately 10.27% of the total number of votes at the General Assembly.
3) After the settlement of the transactions referred to in the notification, Agroma Ltd does not hold any shares of the Company.
4) There are no subsidiaries of Agroma Ltd that would own the Company's shares.
5) Agroma Ltd stated that it has not concluded an agreement containing provisions on the transfer of rights to exercise voting rights at the General Assembly of the Company.
6) Agroma Ltd does not have any financial instruments that would unconditionally entitle or oblige their holder to acquire voting shares issued by the Company upon maturity.
7) There are no financial instruments referred to in Article 69b paragraph 1 point 2 of the Act.
8) Agroma Ltd is not entitled to any votes at the General Assembly of the Company.

On November 24, 2021, the Company received a notification from Madova Sp. z o.o. and Raya Holding For Financial Investments S.A.E. being a direct parent company of Madova, informing that as a result of the civil law agreement for the sale of shares on November 23, 2021 and settlement on November 24, 2021 of the transaction for the purchase of 461,300 shares of the Company by Madova, direct exceeding by Madova and indirect exceeding by Ray Holding the threshold of 20% share in Makarony Polskie SA:

1) Before the change of share, Madova held directly, and Raya Holding indirectly, 1 793 406 shares of the Company constituting 19.39% of the share capital of Makarony Polskie SA, entitling to cast 1 793 406 votes constituting 19.39% of the total number of votes.
2) After the change of share, Madova holds directly, and Raya Holding indirectly, 2,254,706 shares of the Company constituting 24.38% of the share capital of Makarony Polskie SA, entitling to cast 2,254,706 votes constituting 24.38% of the total number of votes.
3) There are no subsidiaries of Madova holding the shares of Makarony Polskie SA and there are no subsidiaries of Ray Holding other than Madova holding the shares of the Company.
4) There are no persons referred to in Article 87 paragraph 1 (3) (c) of the Act on Public Offering.
5) None of the notifying entities has the financial instruments referred to in Article 69b paragraph 1 of the Act on Public Offering.
6) The total number of votes indicated pursuant to Article 69b paragraph 4 points 3, 7, 8 of the Act on Offerings is indicated in paragraph 2 above.

Changes in the shareholding after the end of the reporting period

In connection with the registration in the register of entrepreneurs of the National Court Register, on March 4, 2022, the increase in the share capital of Makarony Polskie SA by issuing 1,790,000 series F ordinary bearer shares, i.e. increasing the share capital by PLN 5,370,000 up to the amount PLN 33 120 213, the Company received notices from shareholders informing about changes in the share in the share capital and in the total number of votes in the Company:

- Madova Sp. z o.o. and Raya Holding For Financial Investments S.A.E. being a direct parent company of Madova, informing that due to Madova taking up 1,000,000 series F shares 2021 direct exceeding by Madova and undirect exceeding by Ray Holding of the threshold of 25% share in Makarony Polskie SA occurred:

1) Before the change of share, Madova holds directly, and Raya Holding indirectly, 2,254,706 shares of the Company constituting 24.38% of the share capital of Makarony Polskie SA, entitling to cast 2,254,706 votes constituting 24.38% of the total number of votes.
2) After the change of share, Madova holds directly, and Raya Holding indirectly, 3,254,706 shares of the Company constituting 29.48% of the share capital of Makarony Polskie SA, entitling to cast 3,254,706 votes constituting 29.48% of the total number of votes.
3) There are no subsidiaries of Madova holding the shares of Makarony Polskie SA and there are no subsidiaries of Ray Holding other than Madova holding the shares of the Company.
4) There are no persons referred to in Article 87 paragraph 1 (3) (c) of the Act on Public Offering.
5) None of the notifying entities has the financial instruments referred to in Article 69b paragraph 1 of the Act on Public Offering.
6) The total number of votes indicated pursuant to Article 69b paragraph 4 points 3, 7, 8 of the Act on Offerings is indicated in paragraph 2 above.

– shareholders of Z.P.H. Elpast Elżbieta and Grzegorz Słomkowscy s.c. informed that there was a direct reduction in the share in Makarony Polskie SA:
  1) Before the change in the share of Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. held indirectly, 1 169 750 shares of the Company constituting 12.65% of the share capital of Makarony Polskie SA, entitling to cast 1 169 750 votes constituting 12.65% of the total number of votes.
  2) After the change in the share of Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. hold indirectly, 1 169 750 shares of the Company constituting 10.60% of the share capital of Makarony Polskie SA, entitling to cast 1 169 750 votes constituting 10.60% of the total number of votes.
  3) There are no subsidiaries of Z.P.H. Elpast Elżbieta and Grzegorz Słomkowscy s.c. holding shares in Makarony Polskie SA.
  4) There are no persons referred to in Article 87 paragraph 1 (3) (c) of the Act on Public Offering.
  5) Notifying persons do not possess the financial instruments referred to in Article 69b paragraph 1 of the Act on Public Offering.
  6) The total number of votes indicated pursuant to Article 69b paragraph 4 points 3, 7, 8 of the Act on Offerings is indicated in paragraph 2 above.

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

1) Before the change of share, Praska Giełda Spożywcza SA held directly and indirectly, 2 911 594 shares of the Company constituting 31.47% of the share capital of Makarony Polskie SA, entitling to cast 2 911 594 votes constituting 31.47% of the total number of votes.
    a. directly - 2 790 000 shares of the Company constituting 30.16% of the share capital of Makarony Polskie SA, entitling to cast 2 790 000 votes constituting 30.16% of the total number of votes.
    b. indirectly (through the subsidiary Polskie Smaki Sp. z o.o.) - 121 594 shares of the Company constituting 1.31% of the share capital, entitling to cast 121 594 votes constituting 1.31% of the total number of votes.
2) After the change of share, Praska Giełda Spożywcza SA holds directly and indirectly, 3 501 594 shares of the Company constituting 31.72% of the share capital of Makarony Polskie SA, entitling to cast 3 501 594 votes constituting 31.72% of the total number of votes.
    a. directly - 3 380 000 shares of the Company constituting 30.62% of the share capital of Makarony Polskie SA, entitling to cast 3 380 000 votes constituting 30.62% of the total number of votes.
    b. indirectly (through the subsidiary Polskie Smaki Sp. z o.o.) - 121 594 shares of the Company constituting 1.10% of the share capital, entitling to cast 121 594 votes constituting 1.10% of the total number of votes.
3) There are no other than Polskie Smaki Sp. z o.o. subsidiaries of Praska Giełda Spożywcza SA holding shares in Makarony Polskie SA.
4) There are no persons referred to in Article 87 paragraph 1 (3) (c) of the Act on Public Offering.
5) Notifying persons do not possess the financial instruments referred to in Article 69b paragraph 1 of the Act on Public Offering.
6) The total number of votes indicated pursuant to Article 69b paragraph 4 points 3, 7, 8 of the Act on Offerings is indicated in paragraph 2 above.

– Mr. Zenon Daniłowski informed that as a result of the acquisition of 590,000 series F shares by Praska Giełda Spożywcza SA, the share in the Company was indirectly increased:
1) Before the change of share, Mr. Zenon Daniłowski held directly and indirectly, 3 051 594 shares of the Company constituting 32.99% of the share capital of Makarony Polskie SA, entitling to cast 3 051 594 votes constituting 32.99% of the total number of votes.
    a. directly - 140 000 000 shares of the Company constituting 1.51% of the share capital of Makarony Polskie SA, entitling to cast 140 000 votes constituting 1.51% of the total number of votes.

b. indirectly (through the subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) - 2 911 594 shares of the Company constituting 31.47% of the share capital, entitling to cast 2 911 594 votes constituting 31.47% of the total number of votes.

2) After the change of share, Mr. Zenon Daniłowski held directly and indirectly, 3 641 594 shares of the Company constituting 32.99% of the share capital of Makarony Polskie SA, entitling to cast 3 641 594 votes constituting 32.99% of the total number of votes.
   a. directly - 140 000 000 shares of the Company constituting 1.27% of the share capital of Makarony Polskie SA, entitling to cast 140 000 votes constituting 1.27% of the total number of votes.
   b. indirectly (through the subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) - 3 501 594 shares of the Company constituting 31.72% of the share capital, entitling to cast 3 501 594 votes constituting 31.72% of the total number of votes.
3) There are no other than Polskie Smaki Sp. z o.o. and Praska Giełda Spożywcza SA, subsidiaries of Mr. Zenon Daniłowski, holding shares in Makarony Polskie SA.
4) There are no persons referred to in Article 87 paragraph 1 (3) (c) of the Act on Public Offering.
5) Notifying persons do not possess the financial instruments referred to in Article 69b paragraph 1 of the Act on Public Offering.
6) The total number of votes indicated pursuant to Article 69b paragraph 4 points 3, 7, 8 of the Act on Offerings is indicated in paragraph 2 above.

The company has no other information that would indicate changes in the number of shares held by material shareholders (with blocks of shares above 5%) in 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 members of the Management Board

The number and nominal value of the Company's shares held by the Members of the Management Board as at the date of the report:

Member of the Management Board	2021		2020	
	number of shares	**nominal value**	**number of shares**	**nominal value**

Zenon Daniłowski*	140 000	420 000	140 000	420 000

* Zenon Daniłowski, President of the Management Board, 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 date of publication of the report for 2021 is 3 641 594 shares with a value of PLN 10 924 782, and for 2020 it was 2 311 594 shares with a value of PLN 6 934 782.

According to the information in the possession of the Company, in 2021 and in the period until the date of publication of these statements, there were no other changes in the ownership of shares held by the President of the Management Board.

Shares held by members of the Supervisory Board

The number and nominal value of the Company's shares held by the Members of the Supervisory Board as at the date of the report:

Member of the Supervisory Board	2021		2020	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil *	0	0	-	-
Janusz Pierun *	0	0	-	-
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski **	26 782	80 346	6 550	19 650

* Members of the Supervisory Board of Ahmed Khalil and Janusz Pierun were appointed to the Supervisory Board of the Company on September 24, 2020.

** In 2021, Mr. Wiesław Wasilewski acquired 20,000 new issue - series F - shares.

According to the information in the possession of the Company, in 2021 and in the period 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 persons managing and supervising Makarony Polskie SA do not hold any shares in the subsidiaries of the Makarony Polskie Group.

Right to decide on the issue or redemption of shares

Pursuant to §9 of the Company's Articles of Association the share capital may be increased and decreased under the terms and in the manner specified in the Commercial Companies Code, as well as by way of a public offering under the conditions specified in the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to an organized trading system and on public companies, as amended.

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

On June 18, 2019, the General Assembly 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 Assembly, 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 Assembly, but no longer than until the time the reserve capital was used to acquire own shares.

The price of payment 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 Assembly 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 (...),

The Management Board, under the authorization granted, 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 Assembly 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 other rules and conditions for the acquisition of own Shares, in the scope not regulated by the Resolution.

For the purposes 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 in the amount 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.

Rules for amending the Articles of Association of Makarony Polskie SA

The Articles of Association of Makarony Polskie SA in the wording in force at present do not contain any provisions concerning amendments to the Articles of Association that differ from the provisions of the Commercial Companies Code.

Pursuant to Article 430 of the Commercial Companies Code, an amendment to the Articles of Association requires a resolution of the General Assembly and an entry into the register. A resolution of the General Assembly on amendments to the Articles of Association requires a majority of votes cast - Article 415 of the Commercial Companies Code.

The Articles of Association of Makarony Polskie SA are available on the Company's website www.makarony.pl.

General Assembly

- Fundamental powers of the General Assembly

The powers of the General Assembly include making decisions on matters relating to the organization and operation of the Company, subject to the cases specified in the Commercial Companies Code and the Company's Articles of Association.

Manner of operation of the General Assembly

The General Assembly operates in accordance with the Commercial Companies Code, the Company's Articles of Association and the Regulations of the General Assembly of Makarony Polskie SA adopted by Resolution No. 24 of the Ordinary General Assembly of Makarony Polskie SA of June 28, 2016.

The Ordinary General Assembly is convened annually by the Management Board and takes place within 6 months after the end of each financial year (during the Covid-19 pandemic this period was extended to 9 months under generally applicable laws). The Extraordinary General Assembly is convened by the Management Board on its own initiative, by the Supervisory Board if it deems it advisable to convene the General Assembly or by shareholders representing at least half of the share capital or at least half of the total votes in the Company.

The General Assembly shall be held at the registered office of the Company or elsewhere in the territory of the Republic of Poland. The place and date of the General Assembly is selected in such a way as to enable the participation of the widest possible group of shareholders.

General Assemblies are convened in the manner specified for the provision of current information by public companies along with the announcement on the Company's website www.makarony.pl.

The General Assembly is capable of adopting resolutions irrespective of the number of shares represented at it, unless the provisions of the Commercial Companies Code provide otherwise. Subject to the provisions of Article 404 of the Commercial Companies Code, the General Assembly may adopt resolutions only in matters provided for in the Commercial Companies Code and in the Articles of Association and included in the agenda of a given Assembly.

Resolutions of the General Assembly are adopted by an absolute majority of votes cast, unless mandatory provisions of law or the provisions of these Articles of Association provide otherwise.

Voting is open. Secret voting is ordered by the Chairman of the General Assembly in personal matters and at the request of a shareholder. The right to demand secret voting

is not applicable when adopting resolutions on order matters. The Assembly may waive the secrecy of voting on matters relating to the election of the committees it appoints.

Shareholders' rights

Shareholders' rights and the manner of exercising them at the General Assembly are set out in the Commercial Companies Code, the Articles of Association and the Regulations of the General Assembly.

Shareholders representing at least half of the share capital of the Company or at least half of the votes in the Company have the right to convene an Extraordinary General Assembly.

Only persons who are shareholders of the Company 16 days before the date of the General Assembly (record date) have the right to participate in the General Assembly. Shareholders have the right to participate in the General Assembly in person or through an attorney in fact. Each shareholder has the right to comment on matters included in the agenda.

The description of the procedures concerning participation in the General Assembly and exercising the voting right is each time included in the announcement on the General Assembly.

General assembly in 2021

In the financial year 2021, the Ordinary General Assembly of Makarony Polskie SA was held on July 7. The following matters were discussed at the Assembly:

- review and approval of the financial statements of Makarony Polskie SA for the financial year 2020,
- review and approval of the Management Board's report on the activities of the Company and Makarony Polskie Group in the financial year 2020,
- review and approval of the consolidated financial statements of the Makarony Polskie Group for the financial year 2020,
- distribution of the net profit for the financial year 2020,
- consideration of the report of the Supervisory Board of Makarony Polskie SA for the financial year 2020,
- acknowledging the fulfillment of duties by members of the Management Board of the Company in the financial year 2020,
- acknowledging the fulfillment of duties by members of the Supervisory Board of the Company in the financial year 2020,

- adopting a resolution on expressing an opinion on the Report of the Supervisory Board on the remuneration of Members of the Management Board and Supervisory Board of Makarony Polskie SA for the financial years 2019-2020,
- adopting a resolution on increasing the share capital by issuing series F ordinary bearer shares with the exclusion of pre-emptive rights and amending the Company's Articles of Association.

The content of the resolutions of the Ordinary General Assembly was published in the current report No. 20/2021 on July 7, 2021 and is available on the company's website www.makarony.pl.

The Management Board did not convene Extraordinary General Assemblies. The Company's shareholders and members of the Supervisory Board did not submit any other requests to convene the General Assembly.

Members of the Management Board and the Supervisory Board participated in the General Assembly in a composition enabling them to provide substantive answers to shareholders' questions asked during the Meeting.

Supervisory Board

The Supervisory Board of Makarony Polskie SA operates pursuant to the Commercial Companies Code, the Articles of Association and the Regulations of the Supervisory Board adopted by Resolution No. 25 of the Ordinary General Assembly of Makarony Polskie SA of June 28, 2016.

Rules for appointing and dismissing Members of the Supervisory Board

The Company's Supervisory Board consists of 5 to 7 members, appointed and dismissed by the General Assembly.

The term of office of the Supervisory Board is two years. The mandates of members of the Supervisory Board shall expire on the day of the Ordinary General Assembly approving the financial statements of the Company for the last full financial year of their term of office. If during the term of office of the Supervisory Board of the Company a supplementary or extension selection has been made, the mandate of the newly

appointed member of the Supervisory Board shall expire simultaneously with the mandates of the remaining members of the Supervisory Board.

Candidates for members of the Supervisory Board are reported in order to enable the General Assembly to make an informed choice. Members of the Supervisory Board are selected in such a way that they have appropriate education and life experience enabling them to properly assess the functioning of the Company and properly perform their functions in the Supervisory Board and the Audit Committee, and in such a way that at least two members of the Supervisory Board are persons free from any connections with the Company and shareholders or employees of the Company.

Members of the Supervisory Board are entitled to remuneration in accordance with the rules established by the General Assembly.

The Supervisory Board elects from among its members a Chairman who manages the work of the Supervisory Board. The Supervisory Board may also appoint Vice-Chairmen and a Secretary.

Powers of the Supervisory Board

The Supervisory Board exercises permanent supervision over the activities of the Company in all areas of its enterprise. The powers of the Supervisory Board include, inter alia:

- assessment of the financial statements and the Management Board's report in terms of their compliance with the books and documents, as well as with the actual state of affairs, as well as the Management Board's requests for the distribution of profits and coverage of losses, as well as submitting to the General Assembly an annual written report on the results of this assessment,
- approval of annual financial plans for the Company and control of their implementation,
- selection of a certified auditor to audit the Company's financial statements,
- granting consent for the purchase or sale of real estate, perpetual usufruct or shares in real estate with a value exceeding 10% of the Company's equity calculated according to the last balance sheet of the Company approved by the General Assembly, unless they have been provided for in the annual financial plan of the Company, approved by the Supervisory Board,
- granting consent for the sale of the Company's assets whose value exceeds 10% (in words: ten percent) of the Company's total equity calculated according to the last balance sheet of the Company approved by the General Assembly, unless they have

been provided for in the annual financial plan of the Company, approved by the Supervisory Board,

- granting consent to incur a liability or make a disposition which, under one or more related legal acts - exceeds the amount of 10% of the Company's equity calculated according to the last balance sheet of the Company approved by the General Assembly, unless they were provided for in the annual financial plan of the Company, approved by the Supervisory Board,
- granting consent to the payment of advance payments to Shareholders against the expected dividend,
- appointing and dismissing the Management Board of the Company or its individual members,
- establishing the terms and conditions of remunerating the Management Board of the Company, as well as the amount of remuneration of its individual members.
- representing the Company in contracts between it and a member of the Management Board, as well as in a dispute between the Company and such a person.

The Supervisory Board has the right to audit all activities of the Company, demand from the Management Board and employees reports, explanations and information, check books and documents (including financial ones), demand access to all premises of the Company (§10 of the Regulations of the Supervisory Board), and Members of the Supervisory Board in their actions, they are obliged to be guided by the good and interest of the Company (§6 (1) of the Regulations of the Supervisory Board).

The Supervisory Board works in the form of meetings, control activities and participation in the work of the Company's governing bodies.

Composition of the Supervisory Board

From January 1, 2021 to the publication of this report, the Supervisory Board has been operating in the following composition:

The following persons were appointed to the Supervisory Board of the 9th term of office:

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

Supervisory Board Committees

Audit Committee functions within the Supervisory Board of Makarony Polskie SA, in accordance with the provisions of law.

At the moment, the Company does not plan to appoint any Supervisory Board committees other than those required by law. This is supported by: the status of the Company, the shareholding structure, as well as organizational and economic reasons, including the need to provide additional administrative and legal services to such committees.

AUDIT COMMITTEE

The Audit Committee of Makarony Polskie SA operates pursuant to the applicable provisions of law and the Regulations of the Audit Committee adopted by Resolution No. 5 of the Supervisory Board of Makarony Polskie SA of October 18, 2017.

The number of members of the Audit Committee is established by the Supervisory Board, which also appoints members of the Audit Committee and appoints its Chairman. The minimum number of members of the Audit Committee is 3.

Members of the Audit Committee are appointed from among the Members of the Supervisory Board in such a way that:

- most of the members of the Audit Committee, including its Chairman, are independent members,
- the Audit Committee is composed of at least one Member with knowledge and skills in accounting or auditing and at least one Member with knowledge and skills in the industry in which the Company operates.

The mandate of a member of the Audit Committee expires on the day of expiry of the mandate in the Supervisory Board. Each member of the Audit Committee may also be dismissed by the Supervisory Board at any time.

In the event that the mandate of a Supervisory Board member elected to the Audit Committee expires before the end of the term of office of the entire Supervisory Board, or he/she resigns from his/her function in the Audit Committee, the Supervisory Board supplements the composition of the Committee by selecting a new member of the Audit Committee for the period until the end of the term of office of the Supervisory Board.

The tasks of the Audit Committee include in particular:

- monitoring:
  - financial reporting processes in the Company,

  - effectiveness of internal control systems and risk management systems as well as internal audit, including in the field of financial reporting,
  - performing financial audit activities, in particular auditing the Company's financial statements by the audit firm, taking into account all conclusions and findings of the Audit Supervision Commission resulting from the control executed in a given audit firm;
- controlling and monitoring the independence of the statutory auditor and the audit firm carrying out the audit of the Company's financial statements (in particular when the audit firm also provides services other than audit services to the Company);
- informing the Supervisory Board about the results of the audit of the Company's financial statements and explaining how the audit contributed to the reliability of financial reporting in the Company, as well as the role of the Committee in the audit process;
- assessing the independence of the statutory auditor and the audit firm carrying out the audit of the Company's financial statements and expressing consent for them to provide for the Company permitted services other than an audit of the Company's financial statements;
- developing a policy for selecting an audit firm that audits the Company's financial statements;
- developing a policy of providing for the Company by the audit firm carrying out the audit of the Company's financial statements, entities related to this company and by a member of the network of the audit firm (within the meaning of generally applicable regulations) of permitted services other than an audit of the Company's financial statements;
- defining the procedure for selecting an audit firm that audits the Company's financial statements;
- submitting recommendations to the Supervisory Board regarding the appointment of a statutory auditor or audit firm to audit the Company's financial statements. The recommendation should meet the requirements set out in Regulation No. 537/2014 and the Act on statutory auditors;
- submitting to the Supervisory Board and the Management Board recommendations aimed at ensuring the reliability of the financial reporting process in the Company.

In the course of its work, the Audit Committee may:

  - request information, explanations and documents necessary to perform tasks without the intermediation of the Supervisory Board,
  - demand that the key statutory auditor discuss with the Audit Committee or the Management Board the key issues arising from the audit, which were listed in the additional report referred to in Article 11 of the Regulation No. 537/2014.

Composition of the Audit Committee

From January 1, 2021 to the publication of this report, the Audit Committee has been operating in the following composition:

- 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 the field of accounting or auditing of financial statements - Mr. Michał Słomkowski and Mr. Roman Sobiecki,
- knowledge and skills in the industry in which the Company operates - Mr. Wiesław Wasilewski and Mr. Roman Sobiecki.

Mr. Roman Sobiecki - is a professor of economics at the Warsaw School of Economics, where he has been working since 1978, currently at the Institute of Markets and Competition. Since 2012, he has been the dean of the College of Enterprise Sciences at the Warsaw School of Economics. In the years 1996-2005 he was and in 2012 - until now he is a member of the Senate of the Warsaw School of Economics. In 1996–1997 he was an advisor in the Political Office of the Minister of the Treasury. In the period 1999-2005 he was a member of the Team of Consultants of the President of the Republic of Poland for Agriculture and Rural Development. In the years 2013-2015 he was the chairman of the National Council of Entrepreneurship, which operates at the Ministry of Economy.

Mr. Roman Sobiecki is the author and co-author of over 60 books and articles on micro- and macroeconomics, globalization and entrepreneurship (including the book "Globalization and the functions of Polish agriculture"). He is also the author and co-author of academic textbooks for students in the field of competition theory and company competition strategy, as well as economic textbooks and curricula for secondary and vocational schools.

Mr. Michał Słomkowski - graduated from BA studies in the field of BBA Finance and Accounting and graduate studies in the field of Finance and Accounting, specializing in corporate finance, Leon Kozminski University. He also completed post-graduate studies at the Institute of Spatial Management and Housing and the Leon Kozminski University - Real Estate Management. He has experience in the field of efficiency and labor cost management.

Mr. Wiesław Wasilewski - graduated from the University of Engineering in Radom at the Faculty of Economics and Organization (he did not submit his master's thesis for defense).
Since 2002, Mr. Wiesław Wasilewski has been the owner of the Big-Pol Fundusze Pomocowe consulting company specializing in obtaining EU subsidies and in investment consulting for food processing. Most of the projects implemented so far concerned the implementation of new technologies and the energy efficiency of the operation of food processing plants, several process and product innovations were implemented.

Works of the Audit Committee in the financial year 2021 and in relation to 2022

In the financial year 2021, the Audit Committee held 4 meetings, convened by the Chairman of the Audit Committee, devoted to performing the duties of the audit committee, in particular regarding:

- approval of the annual report on the activities of the Audit Committee in 2020,
- cooperation with the statutory auditor in the course of auditing the financial statements for the financial year 2020, as well as controlling and monitoring the independence of the statutory auditor and the audit firm carrying out the audit of the Company's financial statements,
- monitoring financial reporting processes in the Company, the effectiveness of internal control systems and risk management systems as well as internal audit, including in the field of financial reporting,
- informing the Supervisory Board about the results of the audit of the Company's financial statements and explaining how the audit contributed to the reliability of financial reporting in the Company, as well as the role of the Committee in the audit process;
- assessing the independence of the statutory auditor and the audit firm carrying out the audit of the Company's financial statements.

After the end of the financial year 2021, the Audit Committee held 2 meetings, convened by the Chairman of the Audit Committee, the subject of which was in particular:

- cooperation with a statutory auditor in the course of auditing financial statements for the financial year 2021,
- preparation of Information for the Supervisory Board on the results of the audit of the financial statements of the Company and Makarony Polskie Group, along with an explanation of how the audit contributed to the reliability of financial reporting, as well as the role of the Audit Committee during the audit,
- approval of the annual report on the activities of the Audit Committee in 2021,

The subject of ongoing activities of the Audit Committee is to monitor works related to the process of drawing up and auditing the Company's financial statements. The Audit

Committee monitored the correctness of the preparation of the financial statements by the Company for the financial year 2021, cooperating in this respect with the Management Board of the Company and being in contact with the statutory auditor examining the statements, i.e. with BDO Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw.

In the opinion of the Audit Committee, the internal control system in the Company is fulfilled by the Management Board, management and other employees within the scope of their duties. Internal control mechanisms cover the way employees perform their tasks, in particular: authorizations, competences and compliance of the activities performed with the principles and procedures developed for individual areas of operation. These mechanisms are of a control nature and are embedded in internal normative acts, procedures and an integrated IT system of the ERP class. Risk areas material for the Company are properly identified, to ensure the implementation of strategic objectives assumed by Makarony Polskie SA. The Management Board, together with the management, regularly reviews and updates the risk factors accompanying the company's operations, which may affect the financial and market situation of the Company.

Policies on selection and cooperation with the statutory auditor developed by the Audit Committee

On October 18, 2017, the Audit Committee adopted:

- "Policy of selecting an audit firm to carry out the statutory audit of the financial statements of Makarony Polskie SA with its registered office in Rzeszow and the Makarony Polskie Capital Group", according to which the selection of an audit firm is made in accordance with the following rules:
  - by the Supervisory Board of the Company after getting acquainted with the recommendation of the Audit Committee,
  - sufficiently in advance so that the contract for the audit of the financial statements can be signed in time enabling the audit firm to participate in the inventory of material assets,
  - with particular attention to the need to maintain the independence of the audit firm and the statutory auditor, in particular the Audit Committee, when presenting a recommendation to the Supervisory Board of the Company, takes into account the scope of services provided by the audit firm and the statutory auditor in the last five years preceding the selection of the audit firm,
  - control and monitoring of the independence of the statutory auditor and the audit firm by the Audit Committee are performed at each stage of the procedure of selecting an audit firm to audit and review the above-mentioned financial

statements,

- the selection of an audit firm is made taking into account the experience of the audit firm in the field of statutory audits of financial statements of public interest entities, including companies listed on the Warsaw Stock Exchange,
- the selection of the audit firm is made taking into account the principle of rotation of the audit firm and the key statutory auditor in such a way that the maximum uninterrupted duration of statutory audit engagements executed by the same audit firm or an audit firm associated with this audit firm or any member of the network operating in the European Union to which these audit firms belong, has not exceeded five years, and the key statutory auditor has not conducted the statutory audit in the Company for more than five years (in such case the key statutory auditor may re-conduct the statutory audit in the Company after at least three years from completion of the last statutory audit).
- the first contract for the audit of financial statements is concluded with an audit firm for a period of not less than two years with the possibility of extension for at least two-year subsequent periods, taking into account the principles of rotation of the audit firm and the key statutory auditor resulting from the provisions of law,

- "Policy for the provision of permitted non-audit services by the audit firm carrying out the audit of the financial statements of Makarony Polskie SA with its registered office in Rzeszow and the Makarony Polskie Capital Group, by entities related to this audit firm and by a member of the audit firm network", which assumes that:
  - a statutory auditor or an audit firm - conducting statutory audits of the Company or an entity related to the audit firm, or any of the members of the network to which the statutory auditor or the audit firm belongs - do not provide, directly or indirectly, to the Company or its affiliates any prohibited non-audit services or financial audit activities,
  - the prohibited services are not the services indicated in Article 136 paragraph 2 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017, item 1089),
  - the provision of permitted services is possible only to the extent unrelated to the tax policy of the Company, after the Audit Committee assesses the threats and safeguards to independence and giving consent by the Audit Committee,
  - where appropriate, the Audit Committee issues guidelines for this type of service.

Consent of the Audit Committee for the provision of additional services by the statutory auditor

In the financial year 2021 and until the date of publication of this report, the audit firm auditing the financial statements of Makarony Polskie SA did not provide any permitted non-audit services to the companies of the Makarony Polskie Group.

Recommendation of the Audit Committee regarding the selection of an audit firm

In the financial year 2020, Makarony Polskie SA selected the statutory auditor for the years 2020-2022. The Audit Committee carried out the selection procedure that met the applicable criteria, and then presented to the Supervisory Board its recommendation regarding the selection of an audit firm to conduct the audit

Remuneration Policy for Members of the Supervisory Board

The remuneration of members of the Supervisory Board is determined by the General Assembly, in accordance with the Company's Articles of Association and the Remuneration Policy for Members of the Management Board and Supervisory Board of Makarony Polskie SA, adopted by the Ordinary General Assembly on September 24, 2020.

In 2021, Members of the Supervisory Board received remuneration for each meeting of the Supervisory Board in which they participated in accordance with the remuneration system of the Supervisory Board of Makarony Polskie SA adopted by Resolution No. 25 of the Ordinary General Assembly of September 24, 2020.

Information on the remuneration paid to Members of the Company's Supervisory Board is presented in the table below and included in the consolidated financial statements in note 39 and in the separate financial statements in note 38.

(in PLN k)	Function	For the period from 01/01 to 31/12/2021	For the period from 01/01 to 31/12/2020
Roman Sobiecki	Chairman of the Supervisory Board of the 8th and 9th term of office	26	26
Ahmed Khalil *	Vice-chairman of the Supervisory Board of the 9th term of office	24	8
Janusz Pierun *	Member of the Supervisory Board of the 9th term of office	21	7
Wiesław Wasilewski	Member of the Supervisory Board of the 3rd and 9th term of office	21	21
Marek Rocki	Member of the Supervisory Board of the 3rd and 9th term	21	21

	of office		
Michał Słomkowski	Member of the Supervisory Board of the 3rd and 9th term of office	21	21
Samer Abdelfatah Mohamed Elwaziri **	Vice-chairman of the Supervisory Board of the 8h term of office	0	16
Total		**134**	**120**

* Members of the Supervisory Board of Ahmed Khalil and Janusz Pierun were appointed to the Supervisory Board of the Company on September 24, 2020.

The company does not have any obligations arising from pensions and benefits of a similar nature for former supervisory staff, nor any obligations incurred in connection with these pensions.

Supervisory boards of subsidiaries

There are no Supervisory Boards in the Group's subsidiaries. The governing bodies in 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 Board

Rules for appointing and dismissing members of the Management Board

Pursuant to the provisions of the Articles of Association of Makarony Polskie SA, the Management Board of the Company consists of one to three members, including the President and Vice President, who are appointed and dismissed by the Supervisory Board.

The term of office of the Management Board members is two years. Members of the Management Board may be appointed for subsequent two-year terms. The mandates of the members of the Management Board shall expire in accordance with Article 369 § 4 of the Commercial Companies Code. If during the term of office of the Management Board of the Company a supplementary or extension selection has been made, the mandate of the newly appointed member of the Management Board shall expire simultaneously with the mandates of the remaining members of the Management Board.

Competencies of the Management Board

The Management Board represents the Company outside and makes decisions on all matters which, in accordance with the Articles of Association and mandatory legal provisions, have not been reserved for the competence of other bodies of the Company.

Declarations of will on behalf of the Management Board are made by:

- one person - in the case of a one-person Management Board,
- two Members of the Management Board jointly or a Member of the Management Board together with a Proxy - in the case of a multi-person Management Board.

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.

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

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 of the parties.

Composition of the Management Board

In the period from January 1, 2021 to the publication of this report, the Management Board of the Company operates in a single composition. Zenon Daniłowski is the President of the Management Board.

During the reporting period, on June 1, 2021, in connection with 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 one, and re-entrusted the position of President of the Management Board to Mr. Zenon Daniłowski. The resolution of the Supervisory Board came into force on the date of the Annual General Assembly approving the Company's financial statements for the financial year 2020, i.e. on July 7, 2021.

Division of duties among members of the Management Board

The Management Board of the Company consists of one person.

Remuneration Policy for Members of the Management Board

Pursuant to the Company's Articles of Association, members of the Management Board receive remuneration in the amount determined by the Supervisory Board. On September 24, 2020, the Ordinary General Assembly adopted the Remuneration Policy for Members of the Management Board and Supervisory Board of Makarony Polskie SA, which defines the rules for determining the remuneration system for members of the Company's bodies.

The remuneration system of the President of the Management Board is based on a fixed part (base remuneration under an employment contract) and a variable incentive.

In 2021, the variable part of the remuneration for performing the function was calculated based on the EBITDA result/operating profit + depreciation/in the quarter to which the remuneration related, disclosed in the published periodic reports for a given quarter, generated by:

- The Company - in the period from January 1 to 30 June, i.e. during the 9th term of office of the management board,
- Group - in the period from July 1 to December 31, i.e. during the 10th term of the management board.

In the period covered by these financial statements, the companies of the Group did not conclude any agreements with managing persons providing for compensation in the event of their resignation or dismissal from their position without a valid reason, or if their recall or dismissal would take place due to the merger of the company by acquisition.

In the financial year 2021, as well as in the period until the publication of this report, Makarony Polskie SA did not conduct any employee share programs.

Information on the remuneration paid to Members of the Company's Management Board is presented in the table below and included in the consolidated financial statements in note 39 and in the separate financial statements in note 38.

Name and surname	Function	For the period from 01/01 to 31/12/2021		For the period from 01/01 to 31/12/2020	
		fixed	**variable**	**fixed**	**variable**
Zenon Daniłowski	President of the Management Board	507	479	450*	353
	Total	**986**		**803***	

* including remuneration for performing the function of the President of the Management Board in the subsidiary MP Trade Sp. z o.o.: 30 k in 2020 (in the period I-III).

The company does not have any obligations arising from pensions and benefits of a similar nature for former managers or former members of administrative bodies, nor any obligations incurred in connection with these pensions.

Management boards of subsidiaries

Stoczek Natura Sp. z o.o.

In the period from January 1, 2021 to July 26, 2021, the management board of Stoczek Natura Sp. z o.o. functioned in the following composition:

- 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 meeting of shareholders of Stoczek Natura Sp. z o.o. decided that the management board of the new term of office will be two-person one and will operate in the following composition:

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

In the period from July 26, 2021 to the publication of this report, the management board of Stoczek Natura Sp. z o.o. has not changed.

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

- Alicja Hinz – from October 5, 2001

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

In 2021, the function of a proxy in Stoczek Natura Sp. z o.o. was also served by Mr. Jerzy Krzyżowski - the proxy expired on July 26, 2021 due to the appointment of Mr. Jerzy Krzyżowski to the company's management board.

MP Trade Sp. z o.o.

As at December 31, 2021, the management board of the subsidiary was composed of:

- Zenon Daniłowski – President of the Management Board

On March 1, 2022, Mr. Zenon Daniłowski resigned from the position of the President of the Management Board of MP Trade Sp. z o.o. On the same day, the Meeting of Shareholders appointed Mr. Marcin Zieliński as the president of the management board of the company.

As at the date of publication of this report, the management board of the subsidiary is composed of:

- Marcin Zieliński – President of the Management Board.

In MP Trade Sp. z o.o. no proxies were appointed as at December 31, 2021 and as at the date of publication of this report.

Other information

Information on cooperation with the statutory auditor

The Supervisory Board of Makarony Polskie SA has chosen the company BDO Spółka z ograniczoną odpowiedzialnością sp.k. (formerly: BDO Spółka z ograniczoną odpowiedzialnością) with its registered office in Warsaw as a statutory auditor for the audit of financial statements of the Makarony Polskie Group companies for the H1 of the financial year and for the audit of the financial statements of the Makarony Polskie Group companies for the financial year 2020-2022.

BDO Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the list of audit firms kept by the National Council of Statutory Auditors under number 3355 and entered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register under the number 0000729684.

The companies of the Makarony Polskie Group previously used the services of BDO Spółka z ograniczoną odpowiedzialnością sp.k. in the scope of auditing annual reports for the financial years 2018-2019.

On August 20, 2020, Makarony Polskie SA concluded with the above-mentioned auditor an agreement regarding the review of condensed financial statements for the H1 of the financial year and the audit of the financial statements of the Company and the Group for the financial year 2020-2022.

Remuneration due to BDO Spółka z ograniczoną odpowiedzialnością sp.k. due to the audit of financial statements for the financial year 2021 in Makarony Polskie SA amounts to a total of 114.2 k (PLN 37.3 k for the review of the separate and consolidated semi-annual report, PLN 76.9 k for the audit of the financial statements of Makarony Polskie SA and the Makarony Polskie Group for 2021).

Remuneration due to BDO Spółka z ograniczoną odpowiedzialnością sp.k. due to the audit of financial statements for the financial year 2020 in Makarony Polskie SA amounts to a total of 114.2 k (PLN 37.3 k for the review of the separate and consolidated semi-annual report, PLN 76.9 k for the audit of the financial statements of Makarony Polskie SA and the Makarony Polskie Group for 2020).

The Group strives to operate in a sustainable and responsible manner when conducting its business activity.

Corporate social responsibility

Corporate social responsibility is a responsible way of operating of a company in the social, economic and natural spaces. The concept of corporate social responsibility is changing, evolving and is still subject to public debate. Currently, CSR (Corporate Social Responsibility) is not only an idea, but also an approach to management.CSR assumes rational management of the enterprise and property with respect for the rights of citizens and employees, as well as social coexistence.



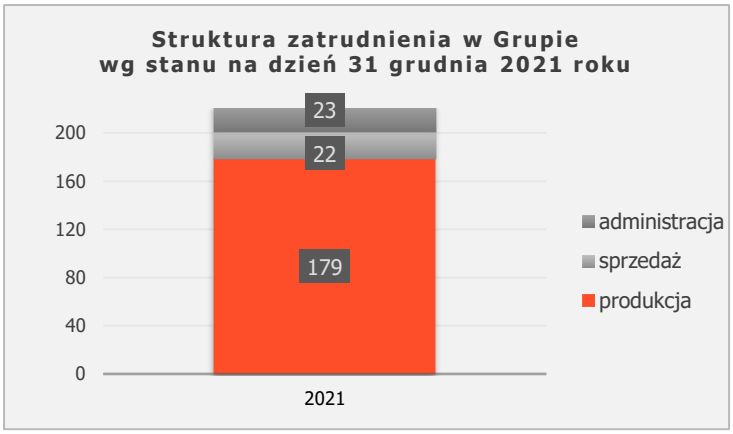
When creating a development strategy and implementing business objectives, the Makarony Polskie Group makes every effort to ensure that its operating activities are executed taking into account the principles of corporate social responsibility CSR, i.e. taking into account the needs and requirements of broadly understood social and environmental interests in the company's environment. Activities in this area focus mainly on:

- building stable and long-term relationships with all stakeholders,
- conducting a socially responsible policy expressed in supporting local and charity initiatives, as well as sports and cultural patronage,
- creating a unique team and a friendly work environment,
- reducing the company's impact on the environment.

Employees

The Makarony Polskie Group is consistently performing the employment optimization program implemented in 2013. This program assumes the stabilization of permanent jobs at the necessary minimum level and the flexibility of employment in production plants by making its level dependent on changes in the production volume. The basis of such a solution is the constant care for the proper organization of work (including the implementation of Lean Manufacturing) and the effectiveness of the use of human resources.

The Makarony Polskie Group, in accordance with the adopted policy, maintains the total employment at the minimum level. The employment in the Group as at December 31, 2021 was 224 people (vs. 213 at the end of 2020 vs 210 people at the end of 2019).



Diversity policy

The personnel policy of Makarony Polskie Group is aimed at maintaining high-class specialists and managers who, thanks to their knowledge, 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 products and services provided. Makarony Polskie SA has not developed a formal diversity policy in relation to the company's governing bodies and its key managers. There is no obligation to report this element due to the current status of the Company.

Planning of human resources and recruitment of employees

The current labor market requires employers to focus more and more on process optimization, effective use of human resources and quick response to changes. In order to ensure a high level of implementation of tasks and objectives in the dynamic world of VUCA, 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.

When recruiting and selecting candidates, the Group makes every effort to ensure that the recruitment process is transparent and employee-friendly and effective for the company. When making decisions about employing the candidates, the companies of the Group try to act in a transparent manner, guided by their professional experience, seniority in the profession, and education, appropriate to the scope of the tasks entrusted to them. The Group employs both women and men of different age groups, taking into account the assessment of the applicants' compliance with the substantive criteria and tries to prevent any form of discrimination.

according to the age and gender criteria	Employment structure of the Group's employees as of December 31, 2021		
	women	men	total
18-29	10	23	33
30-49	67	60	127
50+	29	35	64

When recruiting members of its team, the Makarony Polskie Group relies on candidates who approach their work with passion. It is looking for people who are not afraid of new challenges, ready to constantly develop their skills and willing to share their knowledge. For specialist and managerial positions, preference is given to people who represent a high level of professionalism, enterprising, committed, focused on professional development, deriving satisfaction from their work and able to cooperate with other people.

In the interests of staff development, Makarony Polskie Group first tries to conduct internal recruitment, due to the fact that internal (horizontal and vertical) promotions allow the retention of involved people with extensive experience and desired qualifications in the organization. In the absence of suitable internal candidates, the Group conducts recruitment processes addressed to external candidates, using recruitment sources adequate to the profile of the vacant position, including through headhunting companies, career offices, student internships and apprenticeships, publications on the company's website, internet portals, social media and by District Labor Offices.

Recruitment processes are executed in compliance with the principles of confidentiality and internal procedures applicable in the Group.

Internships and apprenticeships

Makarony Polskie Group appreciates the value and competence of young people, their enthusiasm and creativity. It willingly participates in various types of internship programs aimed at students and graduates. It enables apprenticeships to be held by high school and university students. It also cooperates with District Labor Offices in the field of organizing internships for the unemployed.

In 2021, 5 people took part in apprenticeships at the Production Plant in Rzeszow (lasting on average about 1 month), while 2 people took part in the Makarony Polskie Group student internships (also lasting on average about 1 month). In this respect, cooperation was conducted with the University of Rzeszow, the University of Information Technology and Management in Rzeszow, the Rzeszow University of Technology and the Complex of Electronic Schools in Rzeszow. In 2021, Makarony Polskie SA, in cooperation with the Labor Office in Rzeszow, also organized a five-month internship for 1 unemployed person referred by the Office.

For several years, Makarony Polskie Group has been offering an internship program aimed at young, ambitious university graduates who are taking their first steps in their professional career. The program lasts 3 months and is entirely financed from own funds. The aim of the program is to enable people entering the labor market to gain practical skills in the course of the company's day-to-day operations. The trainees have the opportunity to learn about the organization of the Group and the functioning of its organizational units. The Group intends to offer the best interns long-term employment. In 2021, the Group's companies did not record interest in this type of internships of graduates, which could have been dictated by Covid-19 pandemic and the fact that most universities conducted remote learning. Further actions in this regard are planned for 2022.

Training

The Makarony Polskie Group attaches great importance to the effective use of human resources. An important element of this process is ensuring the professional development of employees and continuous improvement of their professional qualifications through specialist training and competence improvement programs. In carrying out activities in this area, the Group focuses mainly on external specialist training and specially prepared, closed competence development programs, which, in the Group's opinion, are the best investment in employees.

In 2021, due to epidemic conditions, the Makarony Polskie Group limited the number of trainings organized in the internal formula, usually organized in a stationary formula. Most of the specialized external open training courses attended by the Group's employees (at various levels) to update and expand their knowledge in the scope necessary to perform their job duties effectively, took place online.

The topics of the training courses concerned changes in regulations and good practices regarding labor law, management of production processes, exports, marketing and advertising activities, remuneration calculation and accounting services. In addition, the Quality Team and employees of the Research and Development Center operating at Makarony Polskie SA broadened their knowledge in the area of international processes and standards in the field of food production.

The Makarony Polskie Group also supports the self-education of its employees and improving their professional qualifications, especially in the areas that are consistent with the scope of performed or planned to perform job tasks, and thus are also important from the point of view of the Group.

It is important to implement the acquired skills in the workplace, as well as to share knowledge within and between individual employee teams. Considering the above, the Group, when designing various training forms, also uses the approach according to which, at periodically organized internal conferences, the Group's employees become trainers or co-

conductors of training - thus developing their own competences and sharing their knowledge with others.

Remuneration system

The motivational remuneration system adopted in the Group assumes that employees receive a remuneration consisting of a fixed part (base remuneration) and a variable part (including bonuses and awards) awarded depending on the amount of work, commitment and the level of achievement of objectives/tasks set for employees by their superiors.

The base remuneration is the result of the rank of the position held, work input, scope of responsibility, qualifications and experience. The Group evaluates individual positions, taking care to maintain a competitive level of remuneration, allowing the recruitment of people with the desired qualifications and experience, based on the best market practices.

Variable remuneration depends on the level of implementation of individual objectives/tasks set by superiors, the involvement of individual employees, their diligence in performing work, increasing the efficiency and quality of work, and special achievements in the implementation of tasks set by their superiors. Its purpose is to motivate employees to achieve high work results consistent with the Group's business interests.

The remuneration system implemented in the Group ensures effective support for business activities and the implementation of the development strategy. The variable part of the remuneration system ensures its flexibility and the ability to adapt to the needs of the organization. Such a remuneration system makes it possible to effectively translate the Group's objectives into the managerial staff, and then cascade the objectives further onto employees.

In 2021, there were no material changes to the remuneration system adopted by the Group.

OHS

As a responsible employer, the Makarony Polskie Group also ensures safe working conditions for its employees. Individual companies of the Group have implemented their own Health and Safety Policies. In accordance with the applicable regulations, in order to protect the health and life of employees, the Group's companies conduct health and safety training, provide preliminary and periodic medical examinations, employ employees with the required qualifications and equip these people with appropriate personal protective equipment.

In 2021, one minor accident at work was reported in the Group.

In the era of constant uncertainty related to the pandemic, Makarony Polskie Group tries to give its employees a sense of security and adapt working conditions to the changing environment:

- teams have been established to constantly monitor the threats resulting from the epidemic situation and to support both employees and Management Boards of the Group's companies in maintaining the highest safety standards in the workplace,
- contracts were concluded with medical companies which, as part of the determination of an increased epidemiological risk in individual locations of the Group, conduct preventive testing for the presence of the Sars-Cov-2 virus among employees,
- formal and practical solutions have been prepared to enable the implementation of duties remotely, in relation to organizational units where such a possibility exists, which in the event of an increased epidemic threat ensures continuity of tasks, and at the same time gives employees a greater sense of security.

Natural environment

The Group is consistently working on minimizing the impact on the natural environment in every area of its activity.



The activities of the Group are focused, inter alia, on the rational use of water and energy, caring for the reduction of carbon dioxide emissions, minimizing the amount of sewage and waste generated by continuous improvement of production processes, the use of modern, energy-saving and efficient technological lines, care for the proper condition of machines and devices. The companies belonging to the Group exercise due diligence in the segregation of waste with division into appropriate fractions. The group conducts educational and information activities aimed at increasing the environmental awareness of the staff.

The Makarony Polskie Group has executed large investment projects aimed at, inter alia, lowering the environmental impact of production plants (thermal insulation of the building and construction of a new facade at the Rzeszow Plant, replacement of lighting with LED lamps), increasing the efficiency and reducing energy consumption of pasta production processes (installation of modern production lines and installation of a precise liquid egg dosing system in the Rzeszow plant, modernization technological lines for the production of rolled pasta, construction of a drying tunnel for continuous drying of pasta) and

improvement of working conditions (including reconstruction of ventilation and air conditioning in production halls).

Stoczek Natura Sp. z o.o. also conducts investments aimed at the modernization and automation of production processes in order to optimize them. The company is implementing a project to replace the current coal-fired boiler room with a modern gas-fired boiler room, which is scheduled for 2020-2021.

Among the pro-environmental activities executed by the Group, the systematic disposal of electro-waste as well as segregated and recycled waste generated during production should also be distinguished.

One of the Group's priorities for 2022-2023 is also investments in ecological energy sources, including assembly of photovoltaic installations in production plants.

Market

The trust of consumers obliges, which is why the Makarony Polskie Group constantly modernizes its plants, has modern production lines and an extensive production process control system, as well as constantly invests in the acquisition and implementation of modern technologies, an example of which can be currently implemented EU projects.

As part of the development, Makarony Polskie SA launched the Research and Development Center of the Pasta Industry, in which work is executed on innovative products, with pro-health features that are to ultimately enrich the company's portfolio.

The main objective of the projects executed by Stoczek Natura Sp. z o.o. is to increase the company's competitiveness and innovation on the domestic and foreign market by introducing technological and product innovations (including products with pro-health values, targeted at a new group of consumers). In the first stage, in Q1 2020, the company offered 9 new products on the market in the dynamically developing product category, i.e. ready-made dishes on trays. These dishes were positively received by the customers.



Each production process taking place in the Makarony Polskie Group plants is strictly supervised by the in-house Quality Control Teams, which ensure the compliance of products with the requirements of food standards and high quality standards of the company. Both raw materials and finished products are

thoroughly tested in in-house laboratories, and periodically also tested in independent, accredited external laboratories.

Makarony Polskie SA and Stoczek Natura Sp. z o.o. implemented and certified a quality system that meets the requirements of the international IFS (International Food Standard) and BRC (British Retail Consortium) standards in order to meet the legal requirements in the field of food safety.

Collaboration with scientific institutions, research laboratories, suppliers of raw materials, machines and packaging is systematically developed.

The Group's achievements in this area are reflected in the awards and prizes received by the Group and its products in 2021.

Perły Rynku FMCG 2021 [FMCG Market Pearls] for the new products of the Makarony Polskie Group

In the nationwide research Perły Rynku FMCG 2021, organized by *Wiadomości Handlowe* Journal, in which an independent jury consisting of representatives of the most important food chains, petrol stations and drugstore chains on the market indicates the most successful food novelties, three SoFood products were awarded prizes:



- Pearl of the FMCG Market 2021 - GOLD! - 1st place in the EKO, BIO, VEGE DISHES category - went to SoFood Vegetarian goulash with mushrooms and buckwheat groats,
- Pearl of the FMCG Market 2021 - GOLD! - 1st place in the READY DISHES category - was awarded to the SoFood Goulash a'la Strogonow product with buckwheat,
- Pearl of the FMCG Market 2021 - BRONZE! - 3rd place in the READY DISHES category - went to SoFood Japanese Beef with Rice.

Gold Medal of the Business-Food-Medicine-Auto Fleet Rzeszow 2021 Fair for SoFood vegetarian cabbage rolls

During the Business-Food-Medicine-Auto Flota Fair in Rzeszow, the jury awards special certificates and "Gold Medals" for FMCG products.



In 2021, during the 24th edition of the Fair, the jury of the competition awarded the Gold Medal to vegetarian cabbage rolls in tomato sauce, hand-rolled of SoFood.

Złoty Paragon 2021 - prize for 2-egg Makarony Polskie dumplings

The Złoty Paragon competition - Polish Merchants Award is a prize awarded by owners and managers of grocery and industrial stores from all over Poland. The competition selects those products and services that have a particular impact on the development of retail trade in Poland.

In 2021, the 2-egg Makarony Polskie Abak dumpling 250g was awarded in the Złoty Paragon competition in the Pasta category. This is another award in a row for this product, which was also awarded in 2020.

Society

The Makarony Polskie Group is involved in the life of local communities in the towns where its production plants and sales offices are located. It actively supports activities and initiatives for the development of culture, education and sport. It is involved in charity and social campaigns. It provides support to public benefit organizations and foundations.

Cooperation with schools and universities

The companies of the Group maintain long-term relationships with the academic community, an example of which is the cooperation of Makarony Polskie SA with the University of Rzeszów in the field of R&D activities and with the University of Life Sciences in Poznań, the University of Information Technology and Management in Rzeszów, and the Warsaw School of Economics, as well as cooperation of Stoczek Natura Sp. z o.o. with the University of Life Sciences in Lublin.

In 2021, the Group companies organized apprenticeships and internships for students of the Rzeszów University of Technology, the University of Rzeszów, the University of Information Technology and Management, and students of the Complex of Electronic Schools in Rzeszów.

Charity work

For many years, the group has been carrying out various types of charity activities at the local and national level, providing support both to children in direct need (Christmas and St. Nicholas' Day campaigns, support for holiday rest), as well as institutions such as hospices, social welfare centers, foundations, scouting associations and schools.

In 2021, the Group once again joined the “Serce dla Rodaka” [Heart for a Countryman] campaign organized by the Kresowe Dziedzictwo Foundation. Approximately 1.5 k Poles were supported as part of the campaign, mainly elderly and lonely people, living in Lviv, Mostyska, Kremenets and Zhovkva.

Product support was also given to the community of the “MONAR” Rehabilitation and Readaptation Center in Rożnowice, which provides care to the uninsured, homeless, sick, lonely, elderly and in need of help.

Permanent cooperation with the Podkarpackie Hospice for Children was also continued - packages with the Group's products (including “Wiejska Zagroda” [Country Farm] animal-shaped pasta and Novelle brand vegetable pastas) were delivered to the families and patients of the Hospice.

In 2021, the employees of the Rzeszow plant joined the campaign to support the wards of the Hospice, who, as part of employee volunteering, collected and handed over to children products that were on the “Letter to Santa Claus” prepared by the hospice employees, e.g. toys, sweets, shampoos, washing gels, diapers.



Patronage and sponsorship of culture and sport

Makarony Polskie Group patronizes cultural and sports events, both nationwide and local ones.



Sponsorship of the 17th International Song Festival “Carpathia Festival”. Worldwide events, held annually in Rzeszow. The festival has promoted many of the current stars of the vocal scene and enjoys unflagging popularity. The event is organized by the Rzeszow City Hall, the Center for Vocal Art in

Rzeszow and the Rzeszow Stage. The main award for the winner is the co-financing of the album release or the costs of organizing the concert tour, an invitation to a concert in the next edition of the Festival and a commemorative statuette.



Permanent sponsorship of the sports activities of the World Champion in the forms of taiji of Anna Kubiak by Makarony Polskie SA. In addition to national competitions, as a member of the Polish Team, it represents our country at various international competitions, including the European and World Championships.

Management Board statements

Statement on the reliability of the consolidated financial statements preparing

The Management Board of Makarony Polskie SA declares that, to the best of its knowledge, the annual consolidated financial statements of the Makarony Polskie Group for the financial year ended December 31, 2021 and the comparable data were prepared in accordance with the applicable accounting principles and that they reflect truthfully, fairly and clearly the financial situation and financial performance of Makarony Polskie Group and its financial result.

Statement on the reliability of the separate financial statements preparing

The Management Board of Makarony Polskie SA, with its registered office in Rzeszow, declares that, to the best of its knowledge, the annual separate financial statements of Makarony Polskie SA for the financial year ended December 31, 2021 and the comparable data were prepared in accordance with the applicable accounting principles and that they reflect truthfully, fairly and clearly the financial situation and financial performance of Makarony Polskie SA and its financial result.

Statement on the reliability of the preparation of the report on the activities of the Company and the Makarony Polskie Group

The Management Board of Makarony Polskie SA declares that, to the best of its knowledge, the Management Board report on the activities of Makarony Polskie SA and the Makarony Polskie Group in the financial year 2021, ended December 31, 2021, contains a true picture of the development and achievements as well as the situation of the Company and the Group, including a description of basic threats and risks.

Statement on the selection and selection procedure of the audit firm

The Management Board of Makarony Polskie SA, on the basis of the statement of the Supervisory Board of Makarony Polskie SA, on the selection of the audit firm carrying out the audit of the annual separate financial statements of Makarony Polskie SA and the consolidated financial statements of the Makarony Polskie Group for the financial year 2021 ended on December 31, 2021, informs that:

1. the audit firm BDO Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw was selected to audit the annual financial statements of Makarony Polskie SA and the consolidated financial statements of the Makarony Polskie Group, in accordance with the regulations, including the selection and selection procedure of an audit firm,
2. the selected audit firm and members of the audit team met the conditions for drawing up an impartial and independent report on the audit of the annual financial statements in accordance with the applicable regulations, professional standards and the principles of professional ethics,
3. at Makarony Polskie SA, the applicable regulations related to the rotation of the audit firm and the key statutory auditor as well as mandatory grace periods are complied with,
4. Makarony Polskie SA has a policy regarding the selection of an audit firm and a policy for the provision of additional non-audit services to Makarony Polskie SA by an audit firm, an entity related to the audit firm or a member of its network, including services conditionally exempt from the prohibition on providing by the audit firm.

Approval of the financial statements

This report of the Management Board on the activities of Makarony Polskie SA and the Makarony Polskie Group in the financial year 2021 was approved for publication by the parent company's Management Board on April 28, 2022.

Zenon Daniłowski
President of the Management Board

Company information

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 July 5, 2004 under number 0000212001.

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

Tel. 17 875 30 10; Fax 17 875 30 20

Please contact us at the following email address:

relacje@makarony.pl

The source of data in these statements is Makarony Polskie Group, unless otherwise indicated.