Statement of compliance with corporate governance rules



Rzeszów, 8 April 2020

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This "Management Board Report on the Operations of Makarony Polskie S.A. and the Makarony Polskie Group in the financial year 2018" was prepared based on § 71.8 of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information disclosed by the issuers of securities and conditions of considering equivalent the information required by the laws of a country other than a member state.

In 2019, the Company applied "The Best Practice for GPW Listed Companies 2016"

Corporate Governance

Statement of compliance with corporate governance rules

In 2019, the Company applied "The Best Practice for GPW Listed Companies" (Best Practice). A document comprising the Best Practice rules is available on the website of Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange] at: http://corp-gov.gpw.pl.

Explanations of the Company regarding the method of application of the particular rules included in "The Best Practice for GPW Listed Companies 2016" collection in reference to the year 2019:

Information policy and communication with investors

- *I.Z.1.16. The Company maintains a corporate website where in a separate section it publishes in a reader-friendly form not only the information required by law but also the information about the planned transmission of the General Meeting – 7 days prior to the date of the General Meeting at the latest,*
  The Company does not record the course of the General Meeting. If the Company decides to transmit the General Meeting online, the relevant information will be shown on the corporate website at 7 days prior to the date of the General Meeting at the latest.
- *I.Z.1.20. The Company maintains a corporate website where in a separate section it publishes in a reader-friendly form not only the information required by law but also the information an audio or video recording of the General Meeting.*
  The Company does not apply the above principle. The Company does not make any audio or video recordings of the course of the General Meeting.
- *I.Z.2. A company whose shares are qualified to WIG20 or mWIG40 stock exchange indexes shall ensure that its website is available also in English, at least within the scope specified in the principle I.Z.1. This principle shall also be applied by companies that are not qualified to the said indexes, if their shareholding structure or the nature and scope of their business so require.*
  In 2019 that principle did not apply. The shares of the Company are qualified neither to WIG20 nor to mWIG40 stock exchange indexes.
  With regard to the current shareholding structure, the Company applies utmost effort that the contents available on its website in English covers all of the subjects to which that principle applies.

Internal systems and functions

- *III.Z.3. As regards a person managing the internal audit function and other persons responsible for execution of the function, the independence principles specified in the commonly acknowledged international standards of internal audit professional practice apply.*

  The Company does not apply the above principle. A person in charge of internal audit reports directly to the Management Board, however, he/she does not meet the criterion of organisational independence specified in the commonly acknowledged international standards of internal audit professional practice, namely that in functional terms a person in charge of internal audit shall report to the Supervisory Board (this means that Supervisory Board does not sign off a decision on appointing or recalling the internal audit manager or does not approve the remuneration of the internal audit manager).

General Meeting and relations with shareholders

- *IV.Z.2. If it is justified by the structure of the Company's shareholding, the Company shall transmit the General Meeting sessions for general public in real time.*
- The Management Board of Makarony Polskie SA assessed that in 2019 incurring such costs would not be justified by the structure of the Company's shareholding. Moreover, the Articles of Association of Makarony Polskie SA do not provide for the possibility of participation in a General Meeting with the use of electronic communication means, as stipulated in Article 406^5 of the Code of Commercial Companies.
- *IV.Z.3. Mass media representatives may be present at General Meeting sessions.*

  The Company does not apply the above principle. The Management Board of Makarony Polskie SA assessed that currently the presence of the representatives of mass media would not be justified by the structure of the Company's shareholding.

Conflict of interest and transactions with related companies

- *V.Z.6. The Company specifies in its internal regulations the criteria and circumstances giving rise to a conflict of interest within the Company, as well as the principles of conduct in case of a conflict of interest or a possibility of such conflict existence. The internal regulations of the Company take into account, among other things, the ways of prevention, identification and solving of conflicts of interest, as well as the principles of excluding a member of the Management Board or a member of the Supervisory Board from participation in considering a case, in the event of a conflict of interest or a threatened conflict of interest.*

The Company does not apply the above principle. The current internal regulations of the Company do not meet all the requirements of that principle. The Company will do its best to implement adequate internal regulations that would meet all those requirements.

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

Being a parent company, Makarony Polskie SA prepares separate and consolidated financial statements based on the commonly applicable legal and internal regulations. The books of account are kept based on the principles adopted and approved for application by the Management Board of the Company. This includes the Accounting Policy and the Chart of Accounts in conformity with IFRS, which are updated from time to time. The subsidiaries are obligated to implement and use internal documents coherent with the documents of the parent company. The books of account of the Group companies are kept in an ERP class system, whereas access to the IT resources is restricted by the rights granted to a specific group of employees.

On a current basis the Company monitors significant factors of legal, tax, economic, operational and similar risks which set the general directions of the operations of the Makarony Polskie Group.

The Management Board of the Company is responsible for the internal control system at the Company and its effectiveness in the process of preparation of financial statements and interim reports which need to be prepared in accordance with the legal regulations and published in conformity with the principles of the Regulation of the Minister of Finance of 29 March 2018 on the current and interim information disclosed by the issuers of securities [...].

The basic assumption of the Company internal control system applicable to financial reporting is ensuring adequacy and correctness of financial information disclosed in the financial statements and interim reports.

The Accounting Office is responsible for preparation of the financial statements and interim financial reports, while the Financial Office is responsible for current management reporting of the Company and of the Group. Presenting the financial data in the financial statements, interim financial reports and other reports disclosed to the investors, the Company applies coherent accounting rules.

The financial data used as a basis of the financial statements and interim reports come from the monthly financial and operational reporting applied by the Company. Upon accounting

closure of each calendar month, the Financial Office and the Management Board analyse the financial results of the Company comparing them to assumptions for the particular business segments. The identified errors are corrected on a current basis in the Company's books of account, in compliance with the adopted accounting policy.

Preparation of financial statements and interim reports starts after verification and acceptance of the results of the month/period ended by the Management Board. Interim reports of the Company are prepared by the financial and accounting services under the supervision of the Chief Accountant (based on the financial data presented in the interim financial statements) and the Financial Office staff, and are subject to verification by the Director of the Financial Office and the Company Management Board.

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

Within the Supervisory Board of Makarony Polskie SA there operates the Audit Committee, appointed by the Supervisory Board members. The Audit Committee monitors the financial reporting processes at the Company, the efficiency of the internal control and risk management systems as well as internal audit (also in reference to financial reporting), performing the financial audit activities, and specifically auditing the financial statements of the Company by an audit firm, in consideration of any conclusions and determinations of the Audit Supervision Commission on the basis of control carried out at the respective audit firm.

The Audit Committee members maintain direct contacts with the statutory auditor carrying out the audit of Makarony Polskie SA financial statements, and inform the Supervisory Board about the results of the Company financial statements audit, provide an explanation of the way in which the audit contributed to the fairness of financial reporting at the Company, and the role played by of the Audit Committee in the audit process.

At the last stage, the financial statements are also finally assessed by the Supervisory Board of Makarony Polskie SA.

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

In accordance with § 19.c of the Articles of Association of Makarony Polskie SA, selection of a statutory auditor to audit the Company financial statements falls within the powers of the Supervisory Board. The selection is made based on the Audit Committee recommendation.

At least every five years, a new statutory auditor is selected.

The rules concerning a change of the entity authorized to audit the financial statements are provided for in § 4 of the By-law of the Supervisory Board of the Company. A policy of selection

of an audit firm to carry out the audit of financial statements as well as a Procedure of selection of an audit firm to carry out the audit the financial statements, both prepared by the Audit Committee of the Supervisory Board, are binding at the Company.

An entity that is to perform the function of the statutory auditor at the Company is selected such as to ensure independence during the performance of the entrusted tasks. The assessment of the statutory auditor's independence at the particular stages of selection, as well as during further cooperation, is made by the Audit Committee. The Audit Committee also consents to the provision by the statutory auditor and the audit firm of the allowed non-audit services, in accordance with the principles of the Policy passed and implemented in that area.

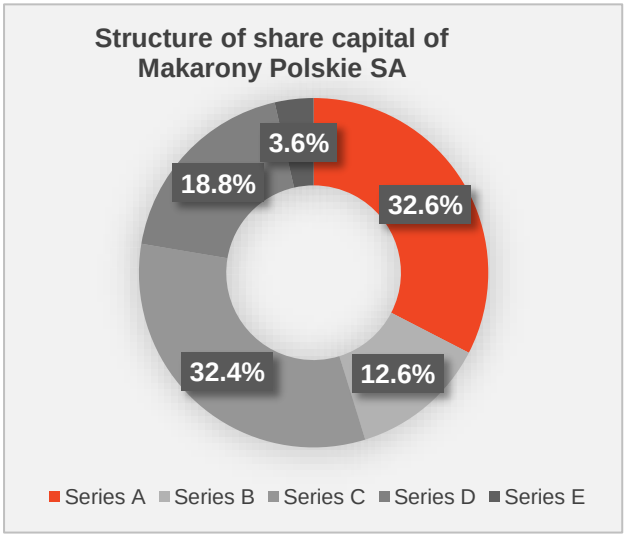
Share capital

Share capital of Makarony Polskie SA:

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

Structure of the share capital of the Company:

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



The shares of the Company are ordinary bearer shares quoted on regulated market run by Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange]. The Company did not issue any securities granting any special control rights to any of its shareholders.

There are no limitations at the Company with regard to exercising the right of vote. Moreover, there are no limitations regarding the transfer of ownership rights to the securities issued by the Company.

Shares held by majority shareholders (above 5% of the capital)

Shareholders who held directly or indirectly through their subsidiaries at least 5% of the total number of votes in the General Meeting of the Company were as follows as at the date of preparing the report (based on the information possessed):

Shareholder	Shares in the share capital		Votes in the General Meeting	
	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, including:	2,311,594	24.99%	2 311 594	24,99%
Praska Giełda Spożywcza SA (formerly: Agro-Technika SA)	*2,050,000*	*22.16%*	*2 050 000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology & Communications S.A.E., including:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta i Grzegorz Słomkowscy, including:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Agroma Ltd	950,000	10.27%	950,000	10.27%
Other shareholders	3,012,031	32.56%	3,012,031	32.56%
TOTAL	**9,250,071**	**100.00%**	**9,250,071**	**100.00%**

Changes in the shareholding in 2019

In 2019 the Company received the following notification regarding the change in the number of shares held by major shareholders (holding the block of shares over 5%):

- on 13 June 2019 Agroma LTD with its registered office in Strovolos, Cyprus informed about the increase in the number of shares of Makarony Polskie SA. As a result of off-session block transactions of 245,500 shares of Makarony Polskie SA in total

concluded on 11 June 2019, the share of Agroma LTD in the total number of votes in the General Meeting of the Company exceeded 5%, to the level of 5.9081% of the total number of votes in the General Meeting of the Company.

Prior to the conclusion of the acquisition transaction, Agroma LTD acquired 303,000 shares of the Company representing approximately 3.2757% of the share capital of the Company and entitling it to 303,000 votes, that is 3.2757% of the total number of votes in the General Meeting of the Company. After the conclusion of the acquisition transaction, Agroma LTD acquires 546,600 shares of the Company representing 5.9081% of the share capital of the Company and entitling it to 546,500 votes, that is 5.9081% of the total number of votes in the General Meeting of the Company.

- on 21 June 2019 with its registered office in Strovolos, Cyprus informed about the increase in the number of shares of Makarony Polskie SA.

  As a result of off-session block transactions of 329,500 shares of Makarony Polskie SA in total concluded on 19 June 2019, the share of Agroma LTD in the total number of votes in the General Meeting of the Company exceeded 10%, to the level of 10.27% of the total number of votes in the General Meeting of the Company.

  Prior to the conclusion of the acquisition transaction, Agroma LTD acquired 620,500 shares of the Company representing approximately 6.71% of the share capital of the Company and entitling it to 620,500 votes, that is 6.71% of the total number of votes in the General Meeting of the Company.

  After the conclusion of the acquisition transaction, Agroma LTD acquires 950,000 shares of the Company representing 10.27% of the share capital of the Company and entitling it to 950,000 votes, that is 10.27% of the total number of votes in the General Meeting of the Company.

At the same time, Agroma LTS declared each time that:

- It does not have any subsidiaries which would hold the shares of the Company and that the agreement containing the provisions as regards the transfer of the entitlements to execute the right to vote in the general meeting of the Company,
- Agroma LTD does not have any financial instruments which on maturity would unconditionally entitle or oblige their holder to acquire the shares with the right to vote issued by the Company,
  - It does not have any financial instruments which relate to the shares of the Company indirectly or directly and have economic consequences similar to the consequences of the financial instruments specified in the previous sentence.

- on 21 June 2019 Mr. Krzysztof Moska informed about a reduction in the number of shares of Makarony Polskie SA.

As a result of of a disposal transaction concluded on 19 June 2019 Mr. Krzysztof Moska disposed of 329,500 shares of Makarony Polskie SA, within session block transaction of stake disposal on the regulated market of the Warsaw Stock Exchange, the previous share in the total number of votes in the General Meeting of the Company held by Mr. Krzysztof Moska was reduced such that his holding dropped below the 5% threshold of the total number of votes in the General Meeting of the Company.

Before the Change in Holdings, Mr. Krzysztof Moska held 464,434 shares of the Company, representing 5.02% in the share capital of the Company and 5.02% of the total number of votes in the General Meeting of the Company, i.e. entitling him to 464,434 votes on the shares of the Company.

After the Change in Holdings, Mr. Krzysztof Moska holds the total of 134,934 shares of the Company, representing 1.46% in the share capital of the Company and 1.46% of the total number of votes in the General Meeting of the Company, i.e. entitling him to 134,934 votes on the shares of the Company.

At the same time Mr. Krzysztof Moska informed that he had no subsidiaries which would hold the shares of the Company and there were no persons referred to in Article 87.1.3.C of the Act on Public Offering, and that he had no financial instruments referred to in Article 69b.1 of the Act on Public Offering.

– on 22 August 2019 the Company received a notification sent by Wojciech Wiśniewski, on his behalf and on behalf of Agro-Jumal Sp. z o.o. with its registered office in Sieradz, regarding the increase in the number of shares of Makarony Polskie SA held by them.

Mr. Wojciech Wiśniewski, acting on his own behalf and on behalf of Agro-Jumal Sp. z o.o. informed that on 13 August 2019, as a result of a purchase transaction of 1,610 shares of Makarony Polskie SA on the stock market, a change occurred in the share in the total number of votes in the General Meeting of the Company held by him and Agro-Jumal Sp. z o.o. Before the Change in Holdings, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. held 461,760 shares of the Company, representing 4.9% share in the share capital of the Company and entitling them to 4.9% votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 461,760 votes, in which:

- Mr. Wojciech Wiśniewski held individually 313,160 shares of the Company representing 3.3% share in the share capital of the Company and entitling him to 313,160 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 313,160 votes.
- Agro-Jumal Sp. z o.o. held individually 148,600 shares of the Company representing 1.6% share in the share capital of the Company and entitling it to 148,600 votes in

the total number of votes in the General Meeting of the Company, i.e. to exercise 148,600 votes.

After the Change in Holdings, Mr Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. hold 463,370 shares of the Company, representing 5% share in the share capital of the Company and entitling them to 463,370 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 463,370 votes, in which:

- Mr. Wojciech Wiśniewski holds individually 314,770 shares of the Company representing 3.4% share in the share capital of the Company and entitling him to 314,770 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 314,770 votes.
- Agro-Jumal Sp. z o.o. holds individually 148,600 shares of the Company representing 1.6% share in the share capital of the Company and entitling it to 148,600 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 148,600 votes.

Changes in shareholding after balance-sheet date

On 18 March 2020 the Company received a notification sent by Mr. Wojciech Wiśniewski, on his behalf and on behalf of Agro-Jumal Sp. z o.o. with its registered office in Sieradz, regarding the decrease in the number of shares of Makarony Polskie SA held by them. Mr. Wojciech Wiśniewski, acting on his own behalf and on behalf of Agro-Jumal Sp. z o.o. informed that on 13 March 2020 as a result of a sales transaction of shares of Makarony Polskie SA on the stock market, a change occurred in the share in the total number of votes in the General Meeting of the Company held by him and Agro-Jumal Sp. z o.o by reducing it to below 5% (hereinafter referred to as the "Change in Holdings").

Before the Change in Holdings, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. held 477,562 shares of the Company, representing 5.16% of share in the share capital of the Company and entitling them to 477,562 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 477,562 votes, of which:

- Mr. Wojciech Wiśniewski held individually 328,962 shares of the Company representing 3.56% of share in the share capital of the Company and entitling him to 328,962 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 328,962 votes;

- Agro-Jumal Sp. z o.o. held individually 148,600 shares of the Company representing 1.6% of share in the share capital of the Company and entitling it to 148,600 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 148,600.

After the Change in Holdings, Mr Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. hold 452,623 shares of the Company, representing 4.89% of share in the share capital of the

Company and entitling them to 452,623 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 452,623 votes, of which:

- Mr. Wojciech Wiśniewski holds individually 304,023 shares of the Company representing 3.29% of share in the share capital of the Company and entitling him to 304,023 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 304,023 votes;
- Agro-Jumal Sp. z o.o. holds individually 148,600 shares of the Company representing 1.6% of share in the share capital of the Company and entitling it to 148,600 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 148,600 votes.

Additionally, Mr. Wojciech Wiśniewsk informed that he and Agro Jumal Sp. z o.o. :

- do not have any subsidiaries which would hold the shares of the Company,
- have not concluded the agreement referred to in Article 87.1.3.c of the Act on Public Offering, i.e. the agreement of which the subject matter is the transfer of the entitlements to execute the voting right,
- do not have any financial instruments which on maturity would unconditionally entitle or oblige their holder to acquire the shares to which voting rights are attached, already issued by the Company, referred to in Article 69b.1.1 of the Act on Public Offering,
- do not have any financial instruments which relate to the shares of the Company indirectly or directly and have economic consequences similar to the consequences of the financial instruments specified in the previous sentence, referred to in Article 69b.1.2 of the Act on Public Offering.

The Company does not have any other information that would indicate changes in the number of shares held by the shareholders (holding shares stakes exceeding 5%) in 2019 and by the date of publishing this report.

The Company has no knowledge about any other agreements (inclusive of ones concluded post the balance-sheet date) that might lead to future changes in the structure of shareholding held by the current shareholders.

Shares held by the Members of the Management Board

Number and nominal value of the Company shares held by the Management Board Members as at date of the report:

Management Board Member	2019		2018	
	Number of shares	Nominal value	Number of shares	Nominal value

Zenon Daniłowski*	140,000	420,000	140,000	420,000

* President of the Management Board Zenon Daniłowski is related to Praska Giełda Spożywcza SA (formerly: Agro-Technika SA) and Polskie Smaki Sp. z o.o. that also hold shares of the Company. The total shareholding as at the report publication date is 2,311,594 shares worth PLN 6,934,782.

In accordance with the information possessed by the Company no changes in the status of shares held by the President of the Management Board occurred during 2019 and by the publication date of this report.

Shares held by the Members of the Supervisory Board

Number and nominal value of the Company shares held by the Members of the Supervisory Board as at date of the report:

Member of the Supervisory Board	2019		2018	
	Number of shares	Nominal value	Number of shares	Nominal value
Marek Rocki	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer Elwaziri	0	0	0	0
Wiesław Wasilewski	5,000	15,000	5,000	15,000

In accordance with the information possessed by the Company no changes in the status of shares held by the Members of the Supervisory Board occurred during 2019 and by the publication date of these statements.

Shares in subsidiaries

The managing and supervising staff of Makarony Polskie SA have no shares in the subsidiaries of the Makarony Polskie Group.

The right to make decisions on shares issue or redemption

In accordance with § 9 of the Articles of Association of the Company, the share capital may be increased and decreased pursuant to the procedure specified in the Code of Commercial Companies, or by way of a public offering on the terms and conditions specified in the Act of

29 July 2005 on Public Offering and Conditions Governing Introduction of Financial Instruments to Organized Trading, and on Public Companies (as amended).

Authorization for the Management Board to repurchase the Makarony Polskie SA own shares

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

In accordance with the decision of the General Meeting, the Company is entitled to repurchase fully covered Own Shares, whereby the maximum number of own shares which the Company may repurchase is 1,850,014 shares, providing that the total nominal value of the repurchased shares together with the nominal value of the other shares which have not been sold by the Company does not exceed 20% of the Company share capital. The shares will be repurchased specifically for the purpose of: redemption, resale or conversion.

The authorization covers the period of 5 years, starting from the date of passing the Resolution of the General Meeting, and ending not later than at the moment of complete utilization of the reserve capital created for the purpose of own shares repurchase.

The price for one share will be from PLN 6.00 to PLN 8.52, and the total maximum price for repurchased shares will not be higher than the value of the reserve capital created for that purpose.

the Management Board shall disclose in public the date of commencement and completion of own shares repurchase period, as well as the terms and conditions of repurchasing the own shares which have not been specified in the Resolution of the General Meeting, in accordance with Article 56 of the Act of 29 July 2005 on Public Offering (…) and in accordance with the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (…).

Within the authorization, the Management Board may repurchase own shares solely as a result of an announcement of an invitation to submit own shares sale offers which will be made through an entity running a brokerage business, whereas the minimum number of own shares per invitation may not be smaller than 300,000.

The General Meeting authorized the Management Board to take any actual and legal steps needed to repurchase own shares in accordance with the passed Resolution and to determine the other terms and conditions of acquiring own shares in the scope which has not been regulated in the Resolution.

Reserve capital in the amount of PLN 12.0 million has been created for the purpose of own shares repurchase on the basis and within the limits of the authorization granted to the Management Board. The reserve capital was created by transferring the amount of PLN 12.0 million from the Company's supplementary capital.

Principles of making amendments in the Articles of Association of Makarony Polskie SA

The Articles of Association of Makarony Polskie SA in the currently binding wording do not include any stipulations regarding the Articles amendment otherwise than in accordance with the provisions of the Code of Commercial Companies.

In accordance with Article 430 of the Code of Commercial Companies, any amendment of the Articles of Association requires a resolution passed by the General Meeting and an entry in the register. A resolution of the General Meeting concerning amendments to the Articles of Association must be passed with the majority of 3/4 of the votes cast – Article 415 of the Code of Commercial Companies.

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

General Meeting

The principal rights of the General Meeting

The competencies of the General Meeting include taking decisions on matters concerning organization and operation of the Company, except for the cases specified in the Code of Commercial Companies and the Articles of Association of the Company.

Operation of the General Meeting

The General Meeting operates in accordance with the Code of Commercial Companies, the Articles of Association of the Company and the By-law of the General Meeting of Makarony Polskie SA adopted by virtue of Resolution No. 24 of the Annual General Meeting of Makarony Polskie SA on 28 June 2016.

An Annual General Meeting is convened by the Management Board annually and takes place within 6 months of the end of each reporting year. An Extraordinary General Meeting is convened by the Management Board on their own initiative, by the Supervisory Board if the Board members deem it advisable, or by shareholders representing at least half of the share capital or at least half of the total votes in the Company.

The General Meeting shall be held at the registered office of the Company or at another place within the territory of the Republic of Poland. The venue and date of the General Meeting are determined such as to enable participation of the possibly largest number of shareholders.

The General Meeting is convened in the way specified for disclosure of current information by public companies with the simultaneous publication of the respective announcement on the website of the Company at: www.makarony.pl .

The General Meeting is capable of adopting resolutions irrespective of the number of shares represented at the session, unless the Code of Commercial Companies provides otherwise. Without prejudice to the provisions of Article 404 of the Code of Commercial Companies, the General Meeting may adopt resolutions only concerning the affairs stipulated in the Code of Commercial Companies and the Articles of Association, which are covered by the agenda of a given Meeting.

The resolutions of the General Meeting shall be adopted by absolute majority of the votes cast, unless the binding laws or the Articles of Association provide otherwise.

Voting is open. Secret balloting is ordered by the chairperson of the General Meeting for personal matters and at the request of a shareholder. The right to demand secret balloting does not apply to resolutions concerning organizational matters. The General Meeting may rescind the secrecy of voting in cases concerning the appointment of commissions to be established by Meeting.

Shareholders' rights

The rights of the shareholders and the method of executing them at the General Meeting are defined in the Code of Commercial Companies, the Articles of Association and the By-law of the General Meeting.

The shareholders representing at least half of the Company share capital or at least half of the votes in the Company are entitled to convene an Extraordinary General Meeting.

Only those who are the shareholders of the Company 16 days prior to the date of the General Meeting (record date) may participate in the General Meeting. The shareholders may participate in the General Meeting in person or by a proxy. All shareholders may express their opinions about the matters covered with the agenda.

Description of the procedures of participation in the General Meeting and execution of the rights to vote is each time published in an announcement about the General Meeting.

General Meeting in 2019

In the reporting year 2019, the Annual General Meeting of Makarony Polskie SA took place on 18 June. The agenda of the General Meeting included:

- consideration and approval of the financial statements of Makarony Polskie SA for the reporting year 2018,
- consideration and approval of the Management Board report on the operations of the Company and the Makarony Polskie Group in the reporting year 2018,
- consideration and approval of the consolidated financial statements of the Makarony Polskie Group for the reporting year 2018,
- net profit distribution for the reporting year 2018,
- coverage of accumulated previous years net loss of Makarony Polskie SA as reflected in the balance sheet of the Company as at 31 December 2018,
- consideration of the report of the Supervisory Board of Makarony Polskie SA for the reporting year 2018,
- granting the vote of approval to the Members of the Company Management Board with regard to their fulfilment of duties in the reporting year 2018,
- granting the vote of approval to the Members of the Company Supervisory Board with regard to their fulfilment of duties in the reporting year 2018,
- passing the resolution concerning the authorization for the Management Board to repurchase the Makarony Polskie SA own shares,
- passing the resolution concerning the creation of reserve capital for own shares repurchase.

The resolutions of the Annual General Meeting were published in the current report No. 15/2019 of 19 June 2019. Moreover, they are available on the website of the Company at: www.makarony.pl.

The Management Board did not convene any Extraordinary General Meetings. Neither the shareholders of the Company nor the Members of the Supervisory Board submitted any other requests for convening of the General Meeting.

The Members of the Management Board and of the Supervisory Board participated in the sessions of the General Meetings and were able to provide subject-related answers to any questions raised by the shareholders at the General Meeting.

Supervisory Board

The Supervisory Board of Makarony Polskie SA operates based on the Code of Commercial Companies, the Articles of Association of the Company and the By-law of the Supervisory Board adopted by virtue of Resolution No. 25 of the Annual General Meeting of Makarony Polskie SA of 28 June 2016.

The principles of appointing and recalling the Supervisory Board Members

The Supervisory Board of the Company consists of 5 to 7 members appointed and recalled by the General Meeting.

The term of office of the Supervisory Board is two years. The mandates of the Supervisory Board Members expire on the day on which the Annual General Meeting approves the Company financial statements for the last full reporting year of the term of the Supervisory Board. If during the term of office of the Company Supervisory Board a supplementary or an extending election has been held, the mandate of the newly appointed member of the Supervisory Board shall expire simultaneously with the mandates of the remaining members of the Company Supervisory Board.

The candidacies announced for the Supervisory Board Members shall be justified, such as to enable the General Meeting to make an educated selection. Members of the Supervisory Board are selected on the basis of their proper education and life experience, which makes them competent to properly assess the operation of the Company and duly perform their functions at the Supervisory Board and Audit Committee, and such that at least two Members of the Board are independent of the Company, its shareholders or employees.

The Supervisory Board Members are entitled to remuneration according to the principles determined by the General Meeting.

The Supervisory Board Members select the Chairman from among themselves to manage the works of the Supervisory Board. The Supervisory Board may also appoint Deputy Chairmen and a Secretary.

Competencies of the Supervisory Board

The Supervisory Board exercises ongoing supervision of the Company activities in all aspects. The competencies of the Supervisory Board include, among other things:

- assessment of the financial statements and the Management Board report with regard to their conformity with the books of account and evidence documents as well as with the actual state of affairs, and evaluation of the Management Board proposals regarding profit distribution or loss coverage as well as submission to the General Meeting of annual reports on the results of such evaluation,
- approval of annual financial plans of the Company and supervision of their execution,
- selection of a statutory auditor to audit the Company financial statements,
- granting consent to purchase or sale of real estate, perpetual usufruct rights or share in real estate of the value exceeding 10% of the Company equity, calculated in reference to the latest balance sheet of the Company approved by the General Meeting, unless such purchase has been stipulated in the annual financial plan of the Company approved by the Supervisory Board,
- granting consent to a sale of the Company assets, the value of which exceeds 10% (ten per cent) of the total value of the Company equity, calculated in reference to the latest balance sheet of the Company approved by the General Meeting, unless the sale has been stipulated in the annual financial plan of the Company approved by the Supervisory Board,
- granting consent to assume a liability or dispose of rights which – within one or several interrelated legal transactions – exceeds 10% of the Company equity, calculated in reference to the latest balance sheet of the Company approved by the General Meeting, unless such liability or disposal has been stipulated in the annual financial plan of the Company approved by the Supervisory Board,
- granting consent to the payment to the shareholders of an advance on account of the expected dividend,
- appointing and dismissing the whole Management Board of the Company or its individual members,
- establishing the rules and the terms and conditions of remuneration for the Members of the Management Board as well as the value of the remuneration,
- representing the Company in any contracts concluded between the Company and a Member of the Management Board, and in any disputes between the Company and such a person.

The Supervisory Board may examine any and all activities of the Company, request any reports, explanations and information from the Management Board and employees, check the books of account and evidence documents (including the financial documents), request access to all premises of the Company (§ 10 of the By-law of the Supervisory Board), whereas in their activities the Supervisory Board Members are obliged to keep in mind the good name and interest of the Company (§ 6.1 of the By-law of the Supervisory Board).

The work of the Supervisory Board is carried out in the form of meetings, control activities and participation in the work of the Company governing bodies.

Composition of the Supervisory Board

From 1 January 2019 to the date of publication of this report, the Supervisory Board consisted of:

- Roman Sobiecki – Chairman of the Supervisory Board,
- Samer Abdelfatah Mohamed El Waziri – Deputy Chairman of the Supervisory Board,
- Marek Rocki – Member of the Supervisory Board,
- Michał Słomkowski – Member of the Supervisory Board,
- Wiesław Wasilewski – Member of the Supervisory Board.

Committees of the Supervisory Board

In accordance with the legal regulations, an Audit Committee is operating within the Supervisory Board of Makarony Polskie SA.

At the moment, the Company has not planned to appoint other committees at the Supervisory Board than those required by the legal regulations. It is so because of the status of the Company, the shareholding structure, as well as organizational and economic considerations, which include the necessity of providing additional administrative and legal servicing of such committees.

Audit Committee

The Audit Committee of Makarony Polskie SA operates based on the binding legal regulations as well as the By-law of the Audit Committee adopted by virtue of Resolution No. 5 of the Supervisory Board of Makarony Polskie SA of 18 October 2017.

The membership of the Audit Committee is determined by the Supervisory Board, which also appoints the Audit Committee members and appoints the Committee chairperson. The minimum membership of the Audit Committee is 3 people.

The Audit Committee members are appointed from among the Supervisory Board, such that:

- most of the Audit Committee members, including the chairperson, are independent,
- there is at least one member of the Audit Committee who possess knowledge and skills in accounting or auditing financial statements, and at least one member who possesses knowledge and skills in the sector in which the Company operates.

The mandates of the Audit Committee members expire as at the date of expiry of the Supervisory Board mandates. Each of the Audit Committee members may also be recalled at any time by the Supervisory Board.

In case a mandate of a Member of the Supervisory Board appointed for the Audit Committee expires before the expiry of the term of the whole Supervisory Board, or if the Member resigns from his function in the Audit Committee, the Supervisory Board supplements the membership of the Committee by appointing a new member of the Committee for the period ending at the expiry of the Board term.

Specifically, the tasks of the Audit Committee include:

- monitoring of:
  - the Company financial reporting processes,
  - the efficiency of internal control and risk management systems as well as internal audit, also in reference to financial reporting,
  - the financial audit activities performance, and specifically auditing the financial statements of the Company by an audit firm, in consideration of any conclusions and determinations of the Audit Supervision Commission on the basis of control carried out at the respective audit firm;
- control and monitoring the independence of the statutory auditor and the audit firm carrying out the audit of the Company financial statements (specifically if the audit firm also provides the Company with non-audit services);
- informing the Supervisory Board about the results of the Company financial statements and explanation of how the audit contributed to the fairness of the financial reporting of the Company, and what was the role of the Committee in the audit process;
- assessing the independence of the statutory auditor and the audit company carrying out the audit of the Company financial statements, and expressing consent to the provision by them of any allowed non-audit services to the Company;
- preparing a policy of selection an audit firm to carry out the Company financial statements audit;
- preparing a policy of providing the allowed non-audit services to the Company by the audit firm carrying out the audit of the Company financial statements, the entities related to that audit firm or a member of the audit firm's network (within the meaning of generally binding regulations);

- preparing a procedure of selection of an audit firm to carry out the audit of the Company financial statements;
- presentation to the Supervisory Board of a recommendation regarding the selection of a statutory auditor or audit firm to carry out the audit the Company financial statements. The recommendation should comply with the requirements of Regulation No. 537/2014 and the Act on Statutory Auditors;
- providing the Supervisory Board and the Management Board with recommendations aimed at ensuring the fairness of the Company financial reporting process.

When performing its work, the Audit Committee may:

- request the provision of information, explanations and documents needed for the performance of the tasks, without the intermediation of the Supervisory Board,
- request the key statutory auditor to discuss with the Audit Committee or the Management Board the major issues resulting from the audit, which have been mentioned in the additional report referred to in Article 11 of Regulation No. 537/2014.

Membership of the Audit Committee

From 1 January 2018 to the date of publication of this report, the Audit Committee consisted of:

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

In accordance with the legal regulations, the Audit Committee members possess:

- knowledge and skills in accounting or auditing financial statements – Mr. Michał Słomkowski i Pan Roman Sobiecki,
- knowledge and skills in the sector in which the Company operates – Mr. Wiesław Wasilewski i Pan Roman Sobiecki.

Mr. Roman Sobiecki is a Professor of Economy at the SGH Warsaw School of Economics, where he has been working since 1978, and currently at the Institute of Markets and Competition. Since 2012 he has been dean of the Collegium of Business Administration of the Warsaw School of Economics. In the years 1996-2005 he was and since 2012 until now he has been a member of the Senate of the Warsaw School of Economics. In the years 1996–1997 he was Advisor to the Political Cabinet of the Minister of State Treasury. In the years 1999–2005 was a member of the Team of Consultants for the President of the Republic of Poland for Agriculture and Rural Development. In the years 2013–2015 he was chairman of the National Council of Entrepreneurship at the Ministry of Economy.

Mr. Roman Sobiecki is an author and co-author of over 60 books and articles in micro- and macroeconomics, globalization and entrepreneurship (including the book entitled "Globalization and the Functions of Polish Agriculture"). He is also author and co-author of academic textbooks for students in the theory of competition and the strategy of competing companies, plus textbooks and curricula for teaching economics at secondary and professional schools.

Mr. Michał Słomkowski is a graduate from the bachelor's course in BBA Finance and Accounting and the master's course in Finance and Accounting, major in Company Finance, of the Kozminski University in Warsaw. He also made a post-graduate course organized by the Institute of Spatial Management and Housing and Kozminski University in Real Property Management. He is experienced in managing work effectiveness and labor costs.

Mr. Wiesław Wasilewski graduated from the Higher School of Engineering in Radom, Faculty of Economics and Organization (but has not submitted the master's thesis for defense). Since 2002 he is the owner of an advisory company Big-Pol Fundusze Pomocowe [Support Funds] specializing in gaining EU subsidies and investment advisory services for food processing companies. Most of the projects of the company carried out so far referred to new technologies and energy efficient operation of food processing companies. Moreover, several process and products innovations have been implemented.

Activities of the Audit Committee in 2019 and in reference to 2019

In the reporting year 2019, the Audit Committee held 2 meetings convened by the Audit Committee Chairman and devoted to the performance of duties by the Committee, and specifically referring to:

- acceptance of the annual report on the activities of the Audit Committee in 2018,
- cooperation with the statutory auditor during the audit of the financial statements for the reporting year 2019, as well as controlling and monitoring the independence of the statutory auditor and the audit firm auditing the financial statements of the Company,
- monitoring of financial reporting processes in the Company, effectiveness of internal control systems and risk management systems, as well as internal audit, including within the scope of financial reporting,
- informing the Supervisory Board about the results of the audit of the Company's financial statements and explaining how this audit contributed to the fairness of financial reporting in the Company and what the role of the Audit Committee in the audit process was,
- assessing the independence of the statutory auditor and the audit firm carrying out the audit of the financial statements of the Company.

After the end of the reporting year 2019, the Audit Committee held 2 meetings convened by the Audit Committee Chairman and devoted specifically to:

- cooperation with the statutory auditor during the audit of the financial statements for the reporting year 2019,
- preparing information for the Supervisory Board about the results of the Company and the Makarony Polskie Group financial statements audit and explanation of the way in which the audit contributed to the fairness of financial reporting, and the role played by of the Committee in the audit process,
- commencing the procedure of selection of the audit firm carrying out the audit of the financial statements of the Company in the years 2020-2022,
- acceptance of the annual report on the activities of the Audit Committee in 2019.

The object of the ongoing activities of the Audit Committee is to monitor the works related to the process of preparing and auditing the financial statements of the Company. The Audit Committee monitored the correctness of preparing the financial statements by the Company for the reporting year 2019, cooperating in that regard with the Management Board of the Company and remaining in contact with the statutory auditor carrying out the audit of the financial statements, i.e. BDO Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw.

In the opinion of the Audit Committee, the internal audit activities at the Company were fulfilled by the Management Board, the managerial staff and other employees in accordance with their respective duties. The internal audit mechanisms cover the method of performance of tasks by the employees, and specifically the rights, competencies and compliance of the carried out activities with the principles and procedures developed for the particular areas of operation. These mechanisms are of control nature and are incorporated both in the internal normative acts and procedures and in the ERP class integrated IT system. The risk areas important for the Company were properly identified for the purpose of ensuring the performance of the strategic objectives assumed by Makarony Polskie SA. The Management Board, together with the managerial staff, review and update on the current basis the risk factors accompanying the operations of the Company which may have impact on the financial and market standing of the Company.

Policies regarding the selection of a statutory auditor and cooperation with the auditor, as prepared by the Audit Committee

On 18 October 2017, the Audit Committee passed:

- the "Policy of selection of an audit firm to carry out the statutory audit of the financial statements of Makarony Polskie SA with its registered office in Rzeszów and the Makarony Polskie Group", which reads that the audit firm is selected in accordance with the following principles:

- by the Company Supervisory Board, upon recommendation of the Audit Committee,
- in due advance, such that the agreement on the financial statements audit may be signed at the date enabling the audit firm to participate in the major assets inventory taking,
- with particular attention paid to the independence of the audit firm and the statutory auditor; in that regard – when presenting its recommendation to the Supervisory Board of the Company – the Audit Committee considers the scope of the services performed by the audit firm and the statutory auditor within the last five years preceding the selection of the audit company,
- control and monitoring by the Audit Committee of the statutory auditor and audit firm independence at each stage of the procedure of the audit firm selection or carrying out the audit and review of the aforesaid financial statements,
- the selection of the audit firm is made in consideration of the experience of that firm in carrying out 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 in consideration of the principle of audit firm and key statutory auditor rotation, such that the maximum time of uninterrupted duration of orders regarding statutory audits performed by the same audit firm or an audit firm related to that audit firm, or any member of the audit firm's operating in the European Union member states, must not exceed five years, whereas the key statutory auditor cannot carry out the statutory audits at the Company for a period longer than five years (in such case the key statutory auditor may carry out the statutory audit at the Company again after the lapse of at least three years of the end of the previous statutory audit).
- the first agreement on the financial statements audit is concluded with the audit firm for a period not shorter than two years, with the possibility of extension for further at least two-year periods, in consideration of the principles of rotation of the audit firm and the key statutory auditor, as provided by the legal regulations,

- the "Policy of providing the allowed non-audit services by the audit firm carrying out the audit of the financial statements of Makarony Polskie SA with its registered office in Rzeszów and the Makarony Polskie Capital Group, or by entities related to that audit firm or a member of the audit firm's network", which reads that:
  - the statutory auditor or the audit firm that carry out the statutory audit of the Company, or an entity related to that audit firm, or any member of the statutory auditor's or the audit firm's network, do not provide directly or indirectly to the Company or its related companies any prohibited non-audit services or financial review procedures.

- the prohibited services do not include those identified in Article 136.2 of the Act of 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision (Journal of Laws of 2017, item 1089),
- the provision of permitted services is possible solely in the scope which is not related to the tax policy of the Company, upon assessment by the Audit Committee of threats and independence security measures, and obtaining the consent of the Audit Committee,
- in the respective cases, the Audit Committee issues guidelines regarding such services.

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

In the reporting year 2019 and by the publication of this report, the audit firm carrying out the audit of 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 2019 Makarony Polskie SA did not change the statutory auditor. In 2020, the Audit Committee will carry out a procedure of selection of an audit firm for reviewing and auditing the financial statements of the Company in the years 2020-2020, and then, it will present to the Supervisory Board its recommendation regarding the selection of an audit firm for auditing.

Supervisory Board Members Remuneration Policy

In accordance with the Company Articles of Association, the Supervisory Board Members receive remuneration in the value determined by the General Meeting.

The Supervisory Board Members receive remuneration for each Supervisory Board meeting in which they participate in accordance with the system of remuneration for the Supervisory Board of Makarony Polskie SA adopted by way of Resolution No. 22 of the Annual General Meeting of 28 June 2018.

The information concerning the remuneration paid to the Members of the Company Supervisory Board is presented in the table below, as well as in Note 39 to the consolidated financial statements and Note 38 to separate financial statements.

(in PLN '000)	Function	For the period from 01.01 to 31.12.2019	For the period from 01.01 to 31.12.2018
Roman Sobiecki	Chairman of the Supervisory Board	26	29
Samer Abdelfatah Mohamed Elwaziri	Deputy Chairman of the Supervisory Board	24	30
Wiesław Wasilewski	Supervisory Board Member	21	23
Marek Rocki	Supervisory Board Member	21	23
Michał Słomkowski	Supervisory Board Member	21	23
Total		**113**	**128**

There are no liabilities at the Company related to the payment of pensions or other similar payables to the former supervisory staff, or any liabilities incurred in relation to such pensions.

Supervisory Boards of the subsidiaries

The Group subsidiaries have no Supervisory Boards. The governing bodies of the subsidiaries of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. are the General Meeting and the Management Board.

Management Board

Principles of Management Board Members appointment and dismissal

In accordance with the Articles of Association of Makarony Polskie SA, the Management Board of the Company consists of one to three members, including the President of the Management Board and Vice President of the Management Board who are appointed and recalled by the Supervisory Board.

The term of office of the Management Board Members is two years. The Management Board Members may be appointed for the consecutive two-year terms of office. The mandates of the Management Board Members expire pursuant to Article 369.4 of the Code of Commercial Companies. If during the term of office of the Company Management Board a supplementary or an extending election has been held, the mandate of the newly appointed member of the Management Board shall expire simultaneously with the mandates of the remaining members of the Company Management Board.

Competencies of the Management Board

The Management Board represents the Company outside and makes decisions on all the issues which have not been reserved to the competencies of the remaining governing bodies of the Company in accordance with the Company Articles of Association and the binding laws.

The declarations of will on behalf of the Management Board may be made by:

- one person in case of a Management Board consisting of one member,
- two Management Board Members acting jointly or one Management Board Member acting jointly with a Proxy in case of a Management Board with more than one member.

As at the date of publication of this report, the functions of the Company Proxies were fulfilled by:

- Grażyna Kozielec – from 31 May 2012
- Beata Majewska-Karp – from 31 May 2012
- Witold Żarek – from 4 March 2013
- Tomasz Blat – from 7 August 2017
- Marcin Zieliński – from 19 November 2019.

The rights of proxy granted are binding jointly – a Proxy may represent the Company only in liaison with another Proxy or a Member of the Management Board.

During the reporting year 2018, Mr. Dariusz Cylka also acted as a Proxy, however, his mandate was recalled by the Company Management Board on 17 April 2019.

Composition of the Management Board

In the period from 1 January 2019 to the date of this report publication, the Management Board consisted of one person. The office of the President of the Management Board has been held by Zenon Daniłowski.

Division of duties among the Management Board Members

The Management Board of the Company consists of one person.

Management Board Members Remuneration Policy

In accordance with the Company Articles of Association, the Management Board Members receive remuneration in the value determined by the Supervisory Board. The system of remunerating the President of the Management Board consists of a fixed part (basic salary under an employment contract) and a variable incentive part (remuneration for the fulfilment of function calculated based on the EBITDA result /operating profit + depreciation/ generated

by the Company in the quarter for which the remuneration is paid, and disclosed in the published interim reports covering the respective quarter).

In the period covered with these financial statements, the Group companies concluded no contracts with the managing persons providing for a compensation should they resign from their position or should they be dismissed from the office held without important reason or should they be recalled or dismissed due to a merger of the Company by way of takeover.

In the financial year 2019, as well as in the period by the date of publication of this report, Makarony Polskie SA did not have any employee share schemes.

The information concerning remuneration paid to the Members of the Company Management Board is presented in the table below, as well as in Note 39 to consolidated financial statements, and Note 38 to the separate financial statements.

Forename and surname	Function	For the period from 01.01 to 31.12.2019		For the period from 01.01 to 31.12.2018	
		Fixed	Variable	Fixed	Variable
Zenon Daniłowski	President of the Management Board	540*	248	528*	287
	Total	**788***		**815***	

* Including the remuneration on account of acting as the President of the Management Board of MP Trade Sp. z o.o. subsidiary: PLN 120,000 in 2019 and PLN 108,000 in 2018

There are no liabilities at the Company related to the payment of pensions or other similar payables to the former managing staff or former members of the administrative bodies, or any liabilities incurred in relation to such pensions.

Management Boards of the subsidiaries

Stoczek Natura Sp. z o.o.

As at 31 December 2019 and as at the date of this report publication, the composition of the Management Boards of the subsidiary was as follows:

- Rafał Dziobko – President of the Management Board, Adam Ławnik - Vice President of the Management Board

On 16 January 2020 Mr. Rafał Dziobko resigned from the position of the President of the Management Board in connection with other professional plans. The Meeting of Shareholders

of the subsidiary decided to change the number of members of the Management Board of the current term of office, determine it to be one-person and entrust the position of the President of the Management Board to Mr. Adam Ławnik.

As at the date of this report publication, the composition of the Management Boards of Stoczek Natura Sp. z o.o. was as follows:

- Adam Ławnik – President of the Management Board.

As at the date of publication of this report, the functions of Proxies of Stoczek Natura Sp. z o.o. were fulfilled by:

- Alicja Hinz – from 5 October 2001
- Jerzy Krzyżowski – from 17 January 2020
- Dariusz Cylka – from 17 January 2020

The rights of proxy granted are binding jointly – the Proxy may represent the Company only in liaison with another Proxy or a Member of the Management Board.

MP Trade Sp. z o.o.

As at 31 December 2018 and as at the date of this report publication, the composition of the Management Boards of the subsidiary was as follows:

- Zenon Daniłowski – President of the Management Board.

There were no Proxies appointed at MP Trade Sp. z o.o. as at 31 December 2019 and the date of this report publication. During the reporting year 2019, the function of a Proxy at MP Trade Sp. z o.o. was fulfilled by Mr Dariusz Cylka (the rights of proxy granted were binding jointly – the Proxy might represent the Company only in liaison with another Proxy or a Member of the Management Board), however, the Proxy was recalled by the Management Board on 17 April 2019.

Other information

Information concerning cooperation with the statutory auditor

The Supervisory Board of Makarony Polskie SA selected BDO Spółka z ograniczoną odpowiedzialnością sp.k. (formerly: BDO Spółka z ograniczoną odpowiedzialnością) with its registered office in Warsaw, as the statutory auditor to review the financial statements of the Makarony Polskie Group companies for the first half of the reporting year and to audit the financial statements of the Makarony Polskie Group companies for the reporting year, in the years 2018–2019.

BDO Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the list of audit firms kept by the National Council of Statutory Auditors (KRBR) under the number 3355, as well as the Register of Entrepreneurs of the National Court Register (KRS), kept by the District Court for the Capital City of Warsaw, 13th Commercial Division, KRS number 0000729684.

The companies of the Makarony Polskie group have not previously availed of the services of BDO Spółka z ograniczoną odpowiedzialnością sp.k.

On 27 July 2018, Makarony Polskie SA concluded an agreement with the aforesaid auditor regarding the review of condensed financial statements for the first half of the reporting year, and audit of the financial statements of the Company and the Group for the reporting year, in the years 2018–2019.

The remuneration of BDO Spółka z ograniczoną odpowiedzialnością sp.k. on account of the audit of the financial statements of Makarony Polskie SA for the reporting year 2018 amounts to the total of PLN 80,600 (PLN 26,300 for the review of the separate and consolidated semi-annual financial statements; PLN 54,300 for the audit of the financial statements of Makarony Polskie SA and the Makarony Polskie Group for 2019).

The remuneration of BDO Spółka z ograniczoną odpowiedzialnością sp.k. on account of the audit of the financial statements of Makarony Polskie SA for the reporting year 2018 amounts to the total of PLN 80,600 (PLN 26,300 for the review of the separate and consolidated semi-annual financial statements; PLN 54,300 for the audit of the financial statements of Makarony Polskie SA and the Makarony Polskie Group for 2018).

The Group applies utmost effort to act in a sustainable and responsible way while pursuing its business activities.

Corporate Social Responsibility

While executing the main business target for which enterprises are being established, namely profit generation, each enterprise must be aware of the fact that it has a significant effect on its neighbourhood (natural environment, people, other businesses).



Corporate Social Responsibility (CSR) is a responsible way of a company operation in social, economic, and environmental space. The CSR concept has been changing, evolving and continued to be a subject of public debate. Now, CSR is not only an idea but also an approach to management. CSR assumes the rational management of enterprise and its assets while respecting the rights of citizens and employees, as well as social coexistence.

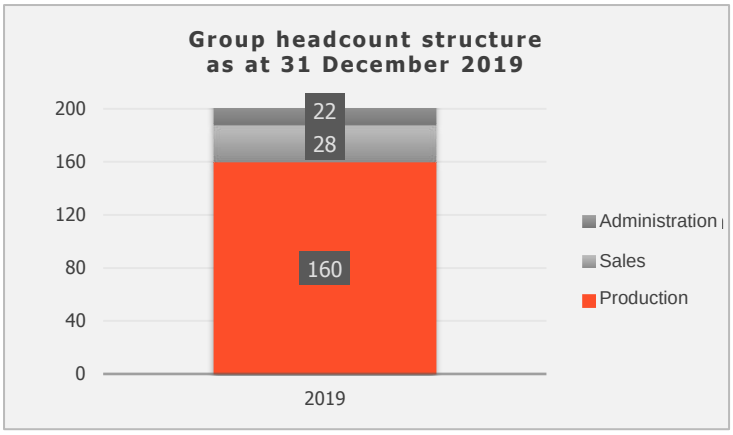
The Makarony Polskie Group applies utmost effort to follow the CSR (Corporate Social Responsibility) principles when carrying out its operating activity and accomplishing its business objectives. This concept is an important, constant and consistently developed element of the Group's identity.

Creating its development strategy and accomplishing business objectives, the Makarony Polskie Group has applied utmost effort to carry out its operating activities in consideration of the CSR principles, i.e. in caring for the needs and requirements of the broadly understood social and ecological interest of the Company environment.

Employees

The Makarony Polskie Group is consistently realizing the program of headcount optimization initiated in 2013, which assumes stabilization of staff employed on permanent basis at the level of the necessary minimum and making the headcount of the production plants flexible by making it dependent on the size of production. The basis of the scheme was continuous care for the proper work organization (including Lean Manufacturing implementation), as well as effective use of resources.

In accordance with the adopted policy, the Makarony Polskie Group maintained the total headcount at the level of the necessary minimum. The headcount of the Makarony Polskie Group as at 31 December 2019 was to 210 people (compared to 186 people at the end of 2018 and 181 people at the end of 2017).



Diversity policy

The HR policy of the Makarony Polskie Group focuses on keeping the best specialists and managers who, thanks to their knowledge, experience and involvement, ensure the top level of execution of the business goals of the Group entrusted to them, by which they guarantee continuing improvement of the organization and quality of the offered products and services provided. Makarony Polskie SA has not developed any formal diversity policy concerning the Company governing bodies or its key managers. The current status of the Company does not imply any duty to report that element.

HR planning and recruitment of employees

The increasingly stronger "employee market" and shrinking unemployment, as well as the consequent growing problems in finding qualified personnel, force the employers to focus on the effective use of human resources and fast reacting to changes. In order to ensure the optimum level of tasks and goals execution, the Makarony Polskie Group has undertaken actions aimed at effective HR planning, even before a real demand in this respect occurs. The Group has implemented and carried out systematic identification of future HR needs, in close cooperation with managers of organizational units.

When recruiting and selecting candidates the Group applies utmost effort to make the process transparent, employee friendly and effective for the Company. In the decision-making process with regard to employing the candidates, the Group companies take into account their work history, seniority in their profession and education, adequately to the scope of the entrusted tasks. The Group employs women and men of various age alike, providing that they meet the subject-related criteria, and attempts to prevent any forms of discrimination.

By age and gender	Group headcount structure as at 31 December 2019		
	Women	Men	Total
18-29	16	23	39
30-49	58	56	114
50+	19	38	57

For its staff, the Makarony Polskie Group has been looking for people who have passion for new challenges, are ready to develop their talents on a continuing basis and willing to share their knowledge. At specialist and managerial positions, the Company prefers persons showing high professionalism, entrepreneurship, and involvement, who want to develop themselves professionally, enjoy their work and can cooperate with other people.

Taking care of its staff the Group, first of all, carries out internal recruitment due to the fact that internal promotions (both horizontal and vertical) make it possible to keep in the organization those employees who are involved, have extensive experience and the required qualifications. Should no proper candidates be found in internal recruitment, the Group carries out recruitment processes addressed to external candidates, using for that the sources of recruitment adequate to the profile of a vacant position, including but not limited to, headhunters, career offices, student placements and apprenticeships, as well as Internet portals.

The recruitment process is carried out in accordance with the principles of confidentiality and based on the internal procedures binding at the Group.

Placements and apprenticeships

The Makarony Polskie Group appreciates the value and competencies of young people as well as their enthusiasm and creativity. Therefore, the Group gladly participates in various placement programmes addressed to students and graduates. The Group also enables secondary and higher education students to serve their apprenticeship. In 2019, 11 people took advantage of such apprenticeships.

In 2019 the Makarony Polskie Group offered a new apprenticeship program for graduates, fully financed from the Company own funds. The program lasts 3 months. It is directed to young, ambitious people, who are making their first steps in their professional career. The purpose of program is to facilitate the people who are entering the labor market to gain practical skills in the current business operations. The apprentices learn about the organization of the Group and the operation of its business units. The Group has planned to propose long-term employment to the best apprentices.

Training

Grupa The Makarony Polskie Group attaches great importance to the effective use of human resources. A significant element of that process is ensuring professional development to the employees and continuing improvement of their professional qualifications by way of providing them with specialist training and competencies improvement programs. Performing such activities, the Group avails mostly of external specialist training and specially prepared, closed programs for development of competencies that, in the opinion of the Group, are the best investment in the employees.

In 2019, in the formula of internal trainings, the Group carried out mainly the project Kuźnia talentów [Talent Forge] addressed to young managers at the beginning of their professional careers. There were mainly trainings concerning the development of managerial skills, the art of public speaking and presentation, as well as assertive communication carried out.

The employees of various levels availed of open external training, refreshing and extending their knowledge in the scope needed for the effective performance of duties at their positions, in the changing technical, engineering, qualitative and legal environment.

The Makarony Polskie Group has also supported self-education of their staff and improvement of professional qualifications, particularly in the scope of the tasks performed or planned at their positions, which is also important from the point of view of the Group

It is important to implement the acquired skills at work and share the knowledge with other team members and among the teams. Taking the above into account, when designing various forms of training, the Group uses also the approach of periodically organized internal conferences at which the Group employees become trainers or co-trainers, thus improving their own competencies and sharing their knowledge with the others.

Remuneration system

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

The basic salary is determined depending on how a given position ranks, based on work contribution, scope of responsibilities, qualifications and experience. The Group assesses the specific positions, taking care of keeping the remuneration at a competitive level, which makes it possible to recruit persons of desirable qualifications and experience, based on the best market practices.

The variable part of the remuneration depends on the level of execution of individual goals/tasks set by the superiors, involvement of specific employees, their conscientiousness

and care applied in the work performed, improvement of productivity and quality of work as well as special achievements related to execution of the tasks set by the superiors. The purpose is to motivate the employees to have very good work results compliant with the business interest of the Group.

The remuneration system implemented at the Group ensures effective support for business activities and execution of the strategy of development. The variable part of the remuneration system ensures its flexibility, ability to adjust to the needs of the organization and to reflect the goals of the Group in the goals of the managers, and then delegating them downwards onto the employees.

In 2019, there were no significant changes in the remuneration system adopted at the Group.

OSH

Being a responsible employer, the Makarony Polskie Group also takes care to guarantee safe conditions of work to its employees. The particular companies of the Group have their own OSH policies implemented. In accordance with the regulations binding in this respect, in order to protect the health and life of the employees, the Group companies provide OSH training, ensure pre-employment and interim medical checks, hire employees of the required qualifications and equip them with personal protective equipment.

In 2018, there were reported five minor accidents at work at the Group.

Natural environment

The Group has consistently been trying to minimize its negative impact on the natural environment in each area of its operations by looking for environmentally friendly solutions.



The activities of the Group focus, among other things, on rational consumption of water and energy, caring for carbon dioxide emissions limitation, minimization of the quantity of sewage and waste produced by means of continuing improvement of manufacturing processes, use of modern, energy-efficient and high-performance engineering lines, taking care of good condition of machines and equipment. The Group companies have been applying utmost care in segregation of waste to

the specific fractions. The Group has been carrying out education and information actions in order to raise the staff environmental awareness.

In 2019, Makarony Polskie SA carried out investment projects aimed at improving the effectiveness and energy-consumption of pasta manufacturing processes, e.g. installation of modern production lines in the plant in Rzeszów, modernization and extension of the cold store for storing raw materials in the plant in Częstochowa.

Stoczek Natura Sp. z o.o. also carries out investments aimed at modernization and automation of production processes in order to optimize them. The Company is carrying out a project of replacing a current coal-fired boiler room with a modern gas boiler room. The project is planned for the years 2020-2021, at the moment the Company is at the stage of design works regarding bringing gas to the plant.

Among the environmental protection activities undertaken by the Group, also emphasized should be the systematic disposal of electric and electronic waste as well as segregation and recycling of production waste.

Market

The trust placed by the customers in the Makarony Polskie Group is a stimulus to continuously modernise the manufacturing plants, it has state-of-the-art production lines and comprehensive systems to control the manufacturing processes. The Group has also been investing in the acquisition and implementation of modern technologies, which is supported by the currently pending EU projects.

Caring for its development, Makarony Polskie SA has been performing EU projects. The purpose of one of such projects is the creation of a Research and Development Centre for the Pasta Industry where works will be carried out on innovative health-promoting products to be implemented in the business of the Company in the form of a new product line.

The main objective of the projects carried out by Stoczek Natura Sp. z o.o. is to improve competitiveness and innovativeness of the company on the domestic and foreign markets, by way of introducing technological and product innovations (such as health-promoting products addressed to the new group of consumers).

In the first stage, in Q.1, 2020, the Company offered 9 new products on the market in a dynamically developing product category, i.e. ready-made dishes on trays. These dishes were positively received by customers.

Each production process taking place at the manufacturing plants of the Makarony Polskie Group is strictly supervised by the in-house Quality Control Teams that take care of products conformity with the requirements of food standards and high quality standards of the Company. Both raw materials and finished products are scrutinized at the in-house laboratories and, periodically, they are also examined at independent accredited external laboratories.



Makarony Polskie SA and Stoczek Natura Sp. z o.o. have implemented and certified a quality system that meets the requirements of IFS (International Food Standard) and BRC (British Retail Consortium), to be in compliance with the legal requirements regarding food safety.

The Group systematically develops its cooperation with scientific institutes, R&D laboratories, and suppliers of raw materials, machines and packaging.

The achievements of the Group have been appreciated, which is expresses in a number of awards and special mentions granted to the Group and its products in 2019.



In March, Makarony Polskie SA was awarded in the category of food production on the occasion of 20 years of the Company's business activity.



In May, 5-egg noodle pasta offered under the Makarony Polskie brand was awarded Złoty Paragon 2019 Nagroda Kupców Polskich [Golden Receipt 2019 - Polish Merchants Award] in the "Pasta" category.


KAPITUŁA PROGRAMU CERTYFIKUJĄCEGO NAJLEPSZE PRODUKTY SPOŻYWCZE PODKARPACKIEGO PRZYZNAJE

CERTYFIKAT

„SMACZNE BO PODKARPACKIE"

dla

Makarony Polskie S.A.

Gniazda jajeczne z mąki durum,
Wstęgi jajeczne z mąki durum

na okres od 11' 2019 do 12' 2020

In 2019, egg ribbon and fettuccine made of durum flour under the Makarony Polskie brand were awarded the "Smaczne bo Podkarpackie" certificate [It is tasteful because it comes from the Podkarpackie Province].


CERTYFIKAT

Podkarpackie

„MAKARON- GNIAZDKA WAŁKOWANE 5-JAJECZNE"

5-egg rolled fettuccine under the Makarony Polskie brand was awarded the „Jakość i Tradycja" [Quality and Tradition] title.



In February 2019, the fact that Stoczek Natura Sp. z o.o. belongs to the group of the fastest developing companies was confirmed by the obtained "Business Gazelles 2018" title.

Community

The Makarony Polskie Group attempts to actively participate in the life of local communities in which it is present on a daily basis due to the location of its production plants and sales offices.

Charity is one of the areas of the Makarony Polskie Group activities within the CSR projects, by way of providing support to public benefit institutions and foundations, as well as participation in charity projects.

Moreover, the Group has also actively supported the actions and initiatives for the development of culture, education and sports. It has also been engaging in community activities.

Cooperation with schools and universities

The Group companies have established long-term relationships with universities. For instance, Makarony Polskie SA cooperates with the University of Rzeszów in the field of R&D and with

the Poznań University of Life Sciences, whereas Stoczek Natura Sp. z o.o. cooperates with the University of Life Sciences in Lublin.

Charity activities


Związek Harcerstwa Polskiego
Hufiec Ropczyce

Harcerze i Instruktorzy Hufca ZHP
Ropczycko-Sędziszowskiego składają podziękowanie

Zenonowi Daniłowskiemu
Prezesowi Zarządu
Makarony Polskie

Z harcerskim pozdrowieniem
Genowefa Zygmunt
Wioletta Czernecki
Agnieszka Rut
Mateusz Gielak
Szymon Wróbel

Ropczyce, luty 2020 r.

For many years the Group has carried out charity activities of various kind at local and national level, providing support to children in need (Christmas campaigns and St. Nicholas' Day events, support of recreation during summer holidays), hospices (Rzeszów Hospice for Children), social aid centers (including, but not limited to Caritas Foundation of the Rzeszów Diocese), foundations (Fundacja Dziedzictwa Kresowego we Lwowie [Borderland Heritage Foundation in Lvov]), scouting and guiding associations ("Hufiec" Polish Scouting and Guiding Association in Ropczyce) and schools.


PODZIĘKOWANIE
z okazji Dnia Dziecka
dla Makarony Polskie S.A.

For a few years, the Group companies have been actively involved in various initiatives of the Rzeszów Hospice for Children, such as, St. Nicholas' Day events, gifts for kids staying at the hospice and for their brothers and sisters on the Children's Day.


PODZIĘKOWANIE

dla

FIRMY MAKARONY POLSKIE S.A.

Z wyrazami wdzięczności

In 2019, the Group cooperated with the Caritas Foundation of the Rzeszów Diocese and Borderland Heritage Foundation in Lvov. The Group companies supported the holiday recreation of children organized by the "Equal Opportunities" Society and the Catholic Youth Society of the Rzeszów Diocese.

Patronage and sponsoring of culture and sports

The Makarony Polskie Group has been a patron of cultural and sports events, both on Poland-wide and local level.

In 2018 the Group participated, for instance, in such initiatives as:

Sponsoring of the "27th Polish First Aid Championship of the Polish Red Cross organisation" held in Rzeszów in April 2019, within which the Makarony Polskie Group companies founded the prizes for the Championship participants and laureates.

Sponsoring of the Mother's Day and Children's Day taking place at the market square in Rzeszów and organized by the Caritas Foundation of the Rzeszów Diocese.



Sponsoring of the 26th Rzeszów Juwenalia (Juvenile Festival), being one of the largest students' projects in the Podkarpacie Region, organised by three universities based in Rzeszów: the Technical University of Rzeszów, the Higher School of IT and Management, and the Higher School of Law and Administration, awarded by the prestigious ProJuventus statuette in the years 2014 and 2018, in the category of the "Best Juwenalia in Poland".

Ongoing sponsoring by Makarony Polskie SA of the sports activities of Anna Kubiak, the World Champion in taiji forms. In addition to national competitions, as a member of the Polish National Team, she represents our country in various international competitions, including the European and World Championships. In 2019 she won the gold medal at the Kung Fu World Championship.





Sponsoring of the beach volleyball team of Martin Chiniewicz and Michał Korycki in 2019. The highest achievement of the sportsmen was the fourth position in the one-star World Cup in Malbork in August 2019. In the country, their victory in the Polish Championship in Rybnik in 2018 was of considerable importance. What is more, the volleyball players stood three more times on the podium of the tournaments included in the preliminaries of the Polish Championship. .

Sponsoring of the 12th PKO Rzeszów Halfmarathon which attracted many people and fans of running.

