Supervisory Board Report for the reporting year 2017



Supervisory Board of Makarony Polskie SA

Rzeszów, 11 May 2018

Introduction



The Supervisory Board of Makarony Polskie SA, which fulfils standing supervision of the activities of the Company in all areas of toperation, accordingly to the provisions of the Code of Commercial Companies, submits to the Annual General Meeting a report on its activities in the reporting year 2017.

This Report was prepared in accordance with the requirements of "The Best Practice for GPW Listed Companies 2016".

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Roman Sobiecki
Chairman of the Supervisory Board
Makarony Polskie SA

Contents

Report on the activities of the Supervisory Board in the reporting year 2017 and self-assessment of the activities by the Supervisory Board 3

Composition of the Supervisory Board 3

Form and method of supervision 3

Committees of the Supervisory Board 5

Information on the fulfilment of independence criteria by the Supervisory Board Members 6

Self-assessment of the Supervisory Board 7

Request to the General Meeting to grant the vote of approval to the Members of the Supervisory Board 7

Assessment of the Company standing in the reporting year 2017 8

Assessment of the system of internal control, risk management, compliance and internal audit function 9

Internal control system 9

Compliance 10

Risk management system 10

Assessment of the method performing disclosure duties by the Company with regard to the application of corporate governance principles 12

Assessment of reasonability of the Company policy with regard to sponsoring, charity or other similar activities 13

Assessment by the Supervisory Board of the audit of the financial statements of Makarony Polskie SA and the Report of the Management Board on the operations of the Company and the Makarony Polskie Group 14

Assessment of the audit of the financial statements of Makarony Polskie SA for the period from 1 January 2017 to 31 December 2017 14

Assessment of the Report of the Management Board on the operations of the Company and the Makarony Polskie Group in the period from 1 January 2017 to 31 December 2017 ... 16

Assessment of the Management Board proposal for distribution of net profit for the period from 1 January 2017 to 31 December 2017 17

Assessment of the Supervisory Board of the audit of the consolidated financial statements of the Makarony Polskie Group 18

Assessment of the audit of the consolidated financial statements of the Makarony Polskie Group for the period from 1 January 2017 to 31 December 2017 18

Report on the activities of the Supervisory Board in the reporting year 2017 and self-assessment of the activities by the 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 Report was prepared in accordance with the following legal regulations:

- Article 382.3 of the Code of Commercial Companies,
- rule II.Z.10 of "The Best Practice for GPW Listed Companies 2016" passed by Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange] on 13 October 2015.

Composition of the Supervisory Board

From 1 January 2017 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 – Member of the Supervisory Board,
- Marek Rocki – Member of the Supervisory Board,
- Michał Słomkowski – Member of the Supervisory Board,
- Wiesław Wasilewski – Member of the Supervisory Board.

Form and method of supervision

The Supervisory Board supervised the activities of the Company in accordance with the legal regulations, the Company Articles, the By-law of the Supervisory Board and corporate governance principles set out by "The Best Practice for GPW Listed Companies".

Throughout the reporting period, all of the Supervisory Board Members, including the Chairman, were in standing contact with the Management Board, consulting on the particular aspects of the

Company operations. The Supervisory Board provided advice to the Management Board of the Company. The Management Board was supported by the Supervisory Board in its decisions regarding operations, also by acceptance of and consent to carrying out major activities and concluding key transactions in accordance with the Company Articles.

A very important element regarding current contacts between the Supervisory Board and the Management Board is that the Supervisory Board Chairman meets the President of the Management Board outside of the meetings of the Supervisory Board.

The Supervisory Board held 3 meetings from which minutes were taken. In its work, the Supervisory Board discussed subjects imposed by the Code of Commercial Companies and the Articles of Makarony Polskie SA, as well as the current operations of the Company. The major subjects discussed by the Supervisory Board were:

- ✓ quarterly assessment of the financial results of the Makarony Polskie Group in 2017, mainly as regards development challenges and operating objectives;
- ✓ analysis of situation as regards production, sales of Private Label products and sales of branded products;
- ✓ assessment of the Company operations and the activities of the Management Board, plus providing opinions on issues to be submitted to the General Meeting, including but not limited to:
  - assessment of the Report of the Management Board on the operations of the Company and the Makarony Polskie Group in 2016, as well as individual and consolidated financial statements for the reporting year 2016;
  - assessment of the Management Board proposal regarding profit distribution for 2016;
  - assessment of the Company standing in 2016;
  - approval of the Supervisory Board Report for the reporting year 2016;
  - filing a request with the General Meeting for granting the vote of approval to the Members of the Supervisory and Management Boards of Makarony Polskie SA;
- ✓ appointment of the Management Board of the eighth term and establishing the conditions of employment and remuneration of the President of the Management Board;
- ✓ approval of the By-law of the Audit Committee;
- ✓ appointment of the Audit Committee, selection of its Chairman and Members;
- ✓ assessment of the Company development perspectives and approval of the Management Board information on 2018 plan assumptions;
- ✓ selection of an auditor to review financial statements for the first half of 2017 and audit the financial statements for the reporting year 2017;
- ✓ consent to signing the terms of business by and between the Company and Lidl, concerning the manufacture and supply of private label products;
- ✓ consent to conclusion of a significant agreement with the Material Reserves Agency;

- ✓ consent to changes in the credit finance structure of Makarony Polskie SA;
- ✓ consent to performance by the Company of the project entitled "Implementation of the Results of R&D Works on Functional Food at Makarony Polskie SA" co-financed with EU funds under the Regional Operational Programme of the Podkarpackie Province for the years 2014-2020, Measure 1.4 – Support for SMEs, and establishing the indispensable collaterals for the subsidy agreement;
- ✓ consent to performance by the Company of the project entitled "Creation of a Research and Development Centre of the Pasta Industry at Makarony Polskie SA" co-financed with EU funds under the Smart Growth Operational Programme 2014-2020 Priority Axis 2: "Support for the Environment and Capacity of Enterprises for R+D+I Activities", Measure 2.1: "Support for Investments in R&D Infrastructure of Enterprises" and establishing the indispensable collaterals for the subsidy agreement.

Committees of the Supervisory Board

By 18 October 2017 no committees operated at the Supervisory Board of Makarony Polskie SA. In that period, the Supervisory Board of Makarony Polskie SA committed themselves to fulfil the tasks of the audit committee, in line with the then applicable legal regulations.

Owing to a change in the legal regulations, on 18 October 2018 the Audit Committee was appointed at the Company. 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, composition of shareholders, as well as organisational 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 the Chairman of the same. The minimum membership of the Audit Committee is 3 people.

From the date of appointment, i.e. 18 October 2017 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 requirements, the members of the Audit Committee possess knowledge and skills in accounting or auditing financial statements, as well as knowledge and skills in the sector in which the Company operates.

Information on the fulfilment of independence criteria by the Supervisory Board Members

The criteria regarding independence of the Supervisory Board Members were determined in the Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and in "The Best Practice for GPW Listed Companies 2016". In accordance with the aforesaid regulations a sufficient number of independent non-executive or supervisory directors should be elected to the (supervisory) boards of companies to ensure that any material conflict of interest involving directors will be properly dealt with. A director should be considered to be independent only if he is free of any business, family or other relationship, with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement.

The Supervisory Board Members filed with the Supervisory Board and the Management Board of the Company declarations regarding their fulfilment of independence criteria. The Supervisory Board assessed the possible existence of relations and circumstances which might result in non-fulfilment of the independence criteria by the respective Supervisory Board Members.

Among the five-person Supervisory Board there were three independent Members who submitted the required independence declarations in writing.

The table below refers to the fulfilment of independence criteria by the Supervisory Board Members in accordance with rule II.Z.4 of "The Best Practice for GPW Listed Companies 2016".

In the period from 1 January 2017 to 31 December 2017:

Supervisory Board Member	Independence criteria fulfilment
Roman Sobiecki	Fulfilled
Samer Abdelfadah Mohamed Elwaziri	Not fulfilled
Marek Rocki	Fulfilled
Michał Słomkowski	Fulfilled
Wiesław Wasilewski	Fulfilled

Self-assessment of the Supervisory Board

The Supervisory Board maintains independent views on the activities of the Management Board and the operations of Makarony Polskie SA. The Supervisory Board Members possess diversified knowledge and experience. The Supervisory Board Members represent high level of professional experience and subject-matter competencies, as needed for the fulfilment of their functions as Supervisory Board Members.

All of the Supervisory Board Members applied due diligence in the performance of their duties, using their knowledge, professional experience and skills possessed. The Supervisory Board Members represented differentiated views on the operation of the Company and its governing bodies, both as regards business and operations of the Company as a public entity.

In the reporting period, the Supervisory Board exercised ongoing supervision of the Company's activities in all aspects. The Supervisory Board Members, including the Chairman, were in constant contact with the Management Board of Makarony Polskie SA, consulting on the particular areas of the Company operation.

Thanks to high competencies and engagement of the particular members of the Supervisory Board Members, as well as efficient organisation, the Supervisory Board has effectively performed its statutory tasks, focusing on the interest of the Company.

The representatives of the Supervisory Board participated in the Annual General Meeting of the Company in order to provide subject-matter replies to the questions asked during the Meeting.

Request to the General Meeting to grant the vote of approval to the Members of the Supervisory Board

The Supervisory Board requests the General Meeting to grant the vote of approval to all of the Supervisory Board Members of Makarony Polskie SA with regard to the performance of their duties in the reporting year 2017.

Assessment of the Company standing in the reporting year 2017



Pursuant to Article 382.1 of the Code of Commercial Companies and § 19.a of the Company Articles, the Supervisory Board exercised ongoing supervision of the Company's activities in all aspects, as well as considered and assessed quarterly reports of the Management Board in that regard.

The year 2017 was a good one for the Company and the Group of Makarony Polskie. The separate revenues of Makarony Polskie SA in 2017 amounted to PLN 124.1 million and were higher by approximately 10.5% compared to 2016. The Company generated net profit amounting to roughly PLN 5.2 million compared to about PLN 5.0 million in 2016, meaning approx. 5.7% growth. Return on sales calculated in reference to net profit amounted to approx. 4.2%.

The return, liquidity and debt ratios analysis reflects good financial standing of Makarony Polskie SA in 2017 as regards profitability, capacity to pay liabilities as well as security of financing current and investment activities.

In the opinion of the Supervisory Board, the Management Board has consequently and systematically strived for the performance of the assumed objectives, implementing the policy of preparing the Group to the capital investment process planned for the years 2018–2019. The Company has been working on the improvement of its financial standing and strengthening of its market position. The financial leverage, liquidity and profitability ratios of the Company are good. Debt has been significantly decreased in the recent years. The Company has been consequently focusing on actions aimed at building the position of a market leader in Private Label area as well as in modern products, which includes convenience, health-promoting, low-processed and natural ones.

In the opinion of the Supervisory Board, the activities of the Management Board contribute to systematic goodwill improvement.

The Supervisory Board supports the activities undertaken by the Management Board with the aim to improve the Company standing, and positively assesses the results to date. Bearing in mind the above, the Supervisory Board requests the General Meeting to grant the vote of approval to President of the Management Board with regard to the performance of his duties in the reporting year 2017.

Assessment of the system of internal control, risk management, compliance and internal audit function

In accordance with "The Best Practice for GPW Listed Companies 2016", the Supervisory Board assessed the efficiency of the internal control system, risk management, compliance and internal audit function, including all of the material controls, particularly those related to financial reporting and reporting on operating activities.



Pursuant to rule III.Z.3 of "The Best Practice for GPW Listed Companies 2016", the persons responsible for risk management, compliance and audit report directly to the President of the Management Board.

Internal control system

At Makarony Polskie SA there is no separate internal control unit. Internal control is one of the functions of current Company management effected directly by the Management Board of the Company, Directors, Proxies and other staff employed at managerial positions, or persons entrusted with such function, as well as external legal service. Jointly they make up an internal control system to ensure the proper level of the Company operations and active risk management, and specifically such circumstances which may have a negative impact on the financial result of the Company and the Makarony Polskie Group.

Control is exercised at all stages of activities, in the form of initial control, current control and *post factum* control. Financial and accounting documents undergo subject-matter, formal and accounting control.

Internal control at Makarony Polskie SA not only protects the Company assets and use of the assets, but also contributes to extension of the assets and generating optimal financial results.

The comprehensive nature of the control system ensures timely and accurate disclosure of facts related to the major elements of the Company operations. It enables the Management Board as well as the Audit Committee and the Supervisory Board to gain complete insight in the financial standing of the Company, operating results as well as the status of assets of the Company and effectiveness of management. The Supervisory Board assesses that the control system applied at the Makarony Polskie Group ensures complete reflection of business transactions, proper qualification of source documents, and correct measurement of the possessed assets at various stages of their registration, thus, contributing to the correct preparing of financial statements and enabling the Management Board to run the activities of the Company and the Group based on verified and complete information.

Compliance

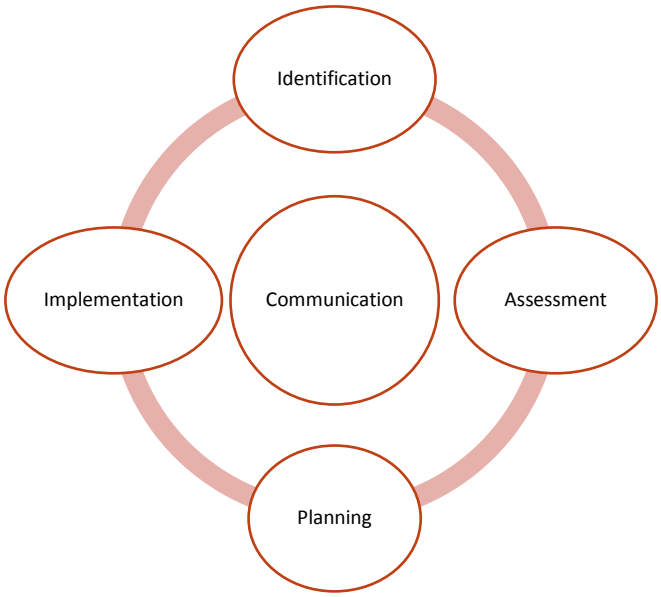
Supervision with regard to the particular business units of Makarony Polskie SA compliance with laws is provided by people responsible for the operation of the business units, supported by the legal service and audit service. The system operates based on the principles of internal procedures of the Group as well as general legal regulations.

Implementation at Makarony Polskie SA of adequately adjusted internal procedures results in reduction to the minimum of the possibility of irregularities occurrence. Some compliance measures are applied on preventive basis, specifically those directly related to the main scope of the Company business operations and risks.

Risk management system

In the opinion of the Supervisory Board, both identification and monitoring of risk factors, as well as the applied system of risk mitigating activities applied at the Makarony Polskie Group, properly protect the interest of the Group.

The risk management system covers all elements of the chain value of the Makarony Polskie Group and is adjusted to the scale of operations and the organisational structure. The risk management structure is based on several competence levels, which means that all of the Group staff participate in the process of risk management.



Corporate risk management process

The corporate risk management is exercised by the Management Boards of the particular Group companies as well as the persons responsible for owner supervision of the Makarony Polskie SA subsidiaries.

Within the risk management process at the Group an important role is played by the Management Board of Makarony Polskie SA, as well as the Sales Director and Finance Office Director, who supervise the area of commercial risk or financial and credit risks, respectively. The persons holding the positions possess adequate knowledge of the Company and its environment, as well as the necessary qualifications and rights.

Assessment of the method performing disclosure duties by the Company with regard to the application of corporate governance principles



The disclosure duties with regard to the application of corporate governance principles in 2017 are specified in the Stock Exchange By-law and the Regulation of the Minister of Finance of 19 February 2009 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 2017, the Company applied "The Best Practice for GPW Listed Companies 2016". In 2016, the Company submitted to the Warsaw Stock Exchange a current report within the Electronic Information Base System (EIB) informing about permanent non-application of the selected corporate governance principles, providing justification for the departure from the application of the specific principles. Except for the rules specified in that report, the Supervisory Board did not find in 2017 any other departures from the rules of "The Best Practice for GPW Listed Companies 2016".

The Supervisory Board of the Company has read the Statement of compliance with corporate governance rules published in the Report of the Management Board on the operations of the Company for the reporting year 2017. In the assessment of the Supervisory Board, the information disclosed by the Company complies with the requirements and fairly presents the status of corporate governance principles application.

In the reporting year ended 31 December 2017 the Supervisory Board did not observe any irregularities in the performance of the disclosure duties by the Company.

Assessment of reasonability of the Company policy with regard to sponsoring, charity or other similar activities

The Supervisory Board has read the Statement of the Company on sponsoring, charity and other similar activities published in the Reports of the Management Board on the operations of the Company and of the Group in the reporting year 2017.



In the opinion of the Supervisory Board, in 2017 the Company had reasonably implemented the policy of sponsoring, charity and other similar activities.

Makarony Polskie SA has established long-term relationships with universities, for example with the University of Rzeszów in the field of R&D and with the Technical University of Rzeszów.

Moreover, for many years Makarony Polskie SA has carried out various charity activities on local and national level, providing support to children in need (Christmas campaigns and St. Nicholas' Day events, support of summer holidays), hospices (Rzeszów Hospice for Children), social aid centres (including, but not limited to Caritas of the Rzeszów Diocese), foundations (for instance, the Foundation "Mimo Wszystko" [Despite Everything] of Anna Dymna, Fundacja Dziedzictwa Kresowego we Lwowie [Borderland Heritage Foundation in Lvov]) and schools.

The Company invests in the development of culture and art by way of sponsoring cultural events and initiatives, and also by providing support to the development of sports.

Assessment by the Supervisory Board of the audit of the financial statements of Makarony Polskie SA and the Report of the Management Board on the operations of the Company and the Makarony Polskie Group

The object of the assessment by the Supervisory Board were the financial statements of the Company for the reporting year 2017, i.e. for the period from 1 January 2017 to 31 December 2017, as well as the Report of the Management Board on the operations of the Company in the reporting year 2017.



Assessment of the audit of the financial statements of Makarony Polskie SA for the period from 1 January 2017 to 31 December 2017

The object of the assessment by the Supervisory Board were the financial statements of the Company for the reporting year 2017, i.e. for the period from 1 January 2017 to 31 December 2017.

Pursuant to § 19.c of the Company Articles, the Supervisory Board of Makarony Polskie SA selected REVISION Rzeszów – Józef Król Sp. z o.o. with its registered office in Rzeszów as the statutory auditor to review the financial statements of the Company for the first half of 2017 and audit the financial statements for the reporting year 2017 (Resolution No. 15 of the Supervisory Board of Makarony Polskie SA of 24 May 2017).

The audit company, represented by its key statutory auditor Agnieszka Lew (entered in the list of statutory auditors under the number 11556), audited the financial statements of Makarony Polskie SA consisting of:

- introduction to the financial statements;
- statement of financial position as at 31 December 2017, reflecting on the side of assets and equity/liabilities, respectively, the amount of PLN 122,883,000;
- statement of comprehensive income for the reporting year from 1 January 2017 to 31 December 2017 reflecting total net income of PLN 5,249,000;

- statement of other comprehensive income for the reporting year from 1 January 2017 to 31 December 2017 reflecting other total net income of PLN 5,249,000;
- statement of changes in equity for the reporting year from 1 January 2017 to 31 December 2017, reflecting equity increase by PLN 2,937,000;
- statement of cash flows for the reporting year from 1 January 2017 to 31 December 2017, reflecting a decrease in the balance of cash by PLN 38,000;
- additional information and explanatory notes.

The statutory auditor stated that the audit was carried out in accordance with the provisions of:

- Chapter 7 of the Act on Accounting;
- the domestic financial revision standards issued by the National Council of Statutory Auditors in Poland.

The audit was planned and carried out such as to arrive at a rational surety, enabling the expression of an opinion on the financial statements.

In particular, the audit covered a verification of correctness of the accounting principles and major estimates applied by the Company, verification – mostly at random – of the accounting evidence and entries from which the figures and information included in the financial statements derive, as well as general assessment of the financial statements.

The statutory auditor decided that the audited financial statements presented in a fair and transparent manner any information material for the assessment of the assets and financial standing of the Company as at 31 December 2017, as well as the Company's financial result for the reporting year 2017. The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations announced in the form of the European Commission regulations, and in the scope which has not been regulated by the Standards – in accordance with the requirements of the Act on Accounting and the related enforcement regulations, which require the application of the accounting policy, and based on properly kept books of account. The statements comply with the legal regulations and provisions of the Company Articles that affect the contents of the financial statements.

Pursuant to Article 382 paragraphs 3 and 4 of the Code of Commercial Companies, and based on the audit carried out by the statutory auditor, the report of the Audit Committee as well as additional information received from the Company Management Board, the Supervisory Board assessed the financial statements of Makarony Polskie SA for the reporting year 2017, stating that the statements had been prepared in accordance with the books of account, evidence documents and the actual status.

The Supervisory Board is of very good opinion on the activities of the Management Board focusing on the improvement of the Company standing. The current situation of the Company does not pose any threat to the continuation of its operations in the year following the audited year, which is confirmed by the economic and financial ratios analysed by the statutory auditor and by the results of the audit of the financial statements for 2017, or any post-balance-sheet events.

The Supervisory Board of Makarony Polskie SA requests the General Meeting to approve the financial statements of Makarony Polskie SA for the period from 1 January 2017 to 31 December 2017.

Assessment of the Report of the Management Board on the operations of the Company and the Makarony Polskie Group in the period from 1 January 2017 to 31 December 2017

The statutory auditor stated that the Report on the operations of the Company and the Makarony Polskie Group for the reporting year 2017 prepared by the Management Board was complete within the meaning of Article 49.2 of the Act on Accounting and the Regulation of the Minister of Justice of 19 February 2009 on current and interim information disclosed by the issuers of securities [...], whereas the information provided therein, derived from the audited financial statements, complied with the statements.

Upon reading the Report of the Management Board on the operations of Makarony Polskie SA in the reporting year 2017, the Supervisory Board declares that it comprises the information required by the Act on Accounting, and specifically that specified in Article 49.2 of the Act, and takes into account the provisions of the Regulation of the Minister of Justice of 19 February 2009 on current and interim information disclosed by the issuers of securities [...].

The financial data presented by the Management Board comply with the data of the financial statements of Makarony Polskie SA and that of the consolidated financial statements of the Makarony Polskie Group. The Management Board presented the financial standing and assets the Company and the Makarony Polskie Group based on the actual economic status.

The Report discusses the directions of business, and assesses the existing opportunities and threats for the development of the operations of the Company and the Group in future.

The Supervisory Board requests the General Meeting to approve the Report of the Management Board on the operations of the Company and the Makarony Polskie Group in the reporting year 2017.

Assessment of the Management Board proposal for distribution of net profit for the period from 1 January 2017 to 31 December 2017

The Management Board of Makarony Polskie SA decides that in the years 2018–2019 it is going to recommend to the General Meeting the allocation of the whole net profit generated by the Company to the supplementary capital of the Company and resignation from dividend payout to the shareholders, in relation to ambitious, multimillion capital investment plans assumed by the Group for the years 2018–2019. The planned investment projects focus not only on modernisation and extension of plant but also creation of research and development facilities enabling fast reaction to consumer demands and market trends, as well as offering innovative products on the market, including functional ones.

By virtue of Resolution No. 1 of 19 March 2018, the Management Board of the Company proposed allocation of the whole net profit for the reporting year 2017 amounting to PLN 5,249 thousand (PLN 5,248,889.01) to the supplementary capital of Makarony Polskie SA.

Upon considering of the Management Board proposal for profit distribution, the Supervisory Board supports the presentation to the General Meeting of a draft resolution on allocation of the total net profit for the reporting year 2017 in the amount of PLN 5,249 thousand (PLN 5,248,889.01) to the supplementary capital of Makarony Polskie SA, in accordance with the proposal of the Company Management Board.

Assessment by the Supervisory Board of the audit of the consolidated financial statements of the Makarony Polskie Group



The object of the assessment by the Supervisory Board were the consolidated financial statements of the Makarony Polskie Group for the reporting year 2017, i.e. for the period from 1 January 2017 to 31 December 2017.

Assessment of the audit of the consolidated financial statements of the Makarony Polskie Group for the period from 1 January 2017 to 31 December 2017

Pursuant to § 19.c of the Company Articles, the Supervisory Board of Makarony Polskie SA selected REVISION Rzeszów – Józef Król Sp. z o.o. with its registered office in Rzeszów as the statutory auditor to review the consolidated financial statements of the Company for the first half of 2017 and audit the financial statements for the reporting year 2017 (Resolution No. 15 of the Supervisory Board of Makarony Polskie SA of 24 May 2017).

The audit company, represented by its key statutory auditor Agnieszka Lew (entered in the list of statutory auditors under the number 11556), audited the consolidated financial statements of the Makarony Polskie Group consisting of:

- the introduction to the consolidated financial statements;
- consolidated statement of financial position as at 31 December 2017, reflecting on the side of assets and equity/liabilities, respectively, the amount of PLN 137,208,000;
- consolidated statement of comprehensive income for the reporting year from 1 January 2017 to 31 December 2017 reflecting total net income of PLN 5,517,000;
- consolidated statement of other comprehensive income for the reporting year from 1 January 2017 to 31 December 2017 reflecting other total net income of PLN 5,517,000;
- consolidated statement of changes in equity for the reporting year from 1 January 2017 to 31 December 2017, reflecting equity increase by PLN 3,204,000;
- consolidated statement of cash flows for the reporting year from 1 January 2017 to 31 December 2017, reflecting an increase in the balance of cash by PLN 539,000;
- additional information and explanatory notes.

The statutory auditor stated that the audit was carried out in accordance with the provisions of:

- Chapter 7 of the Act on Accounting;
- the domestic financial revision standards issued by the National Council of Statutory Auditors in Poland.

The audit was planned and carried out such as to obtain data enabling the expression of an opinion on the consolidated financial statements of the Makarony Polskie Group. In particular, the audit covered the verification of the correctness of the accounting principles and major estimates applied by the Group companies, verification of the accounting evidence and entries from which the figures and information included in the consolidated financial statements derive, as well as the general assessment of the consolidated financial statements.

The statutory auditor decided that the audited financial statements presented in a fair and transparent manner any information material for the assessment of the assets and financial standing of the Group as at 31 December 2017, as well as the Group's financial result for the reporting year 2017. The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations announced in the form of the European Commission regulations, and in the scope which has not been regulated by the Standards – in accordance with the requirements of the Act on Accounting and the related enforcement regulations, and based on properly kept books of account. The statements comply with the legal regulations binding for the Makarony Polskie Group that affect the contents of the consolidated financial statements.

Pursuant to Article 382 paragraphs 3 and 4 of the Code of Commercial Companies, and based on the audit carried out by the statutory auditor, the report of the Audit Committee as well as additional information received from the Company Management Board, the Supervisory Board assessed the consolidated financial statements of the Makarony Polskie Group for the reporting year 2017, stating that the statements had been prepared in accordance with the books of account, evidence documents and the actual status.

The Supervisory Board of Makarony Polskie SA requests the General Meeting to approve the consolidated financial statements of the Makarony Polskie Group for the period from 1 January 2017 to 31 December 2017.