Supervisory Board Report for the reporting year 2018



Supervisory Board of Makarony Polskie SA

Ząbki, 26 April 2019

Introduction



The Supervisory Board of Makarony Polskie SA, exercising permanent supervision over the activities of the Company in all areas of its activity, pursuant to the provisions of the Commercial Companies Code, submits to the Ordinary General Assembly a report on its activities during the financial year 2018.

This report has been prepared in accordance with the requirements of the "Code of Best Practice for WSE Listed Companies 2016" collection.

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Roman Sobiecki
Chairman of the Supervisory Board
of Makarony Polskie SA

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Report on the the Supervisory Board activities in the financial year 2018, together with the assessment of the Supervisory Board's own work



The Supervisory Board of Makarony Polskie SA acts on the basis of the Commercial Companies Code, the Company's Articles of Association and the Regulations of the Supervisory Board adopted by the Resolution No. 25 of the Ordinary General Assembly of Makarony Polskie SA, of 28 June 2016.

The report has been prepared in accordance with the following regulations:

- Article 382 § 3 of the Commercial Companies Code,
- rule II.Z.10 of the Code of Best Practice for WSE Listed Companies 2016, adopted by the Resolution No. 26/1413/2015 of Giełda Papierów Wartościowych w Warszawie S.A. from 13 October 2015.

Composition of the Supervisory Board

From 1 January 2018 to 28 June 2018, the Supervisory Board was composed 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

In connection with the end of the 7th term of the Supervisory Board, on 28 June 2018, the Ordinary General Assembly of the Company appointed the 8th term Supervisory Board, until now the composition of the Supervisory Board has not changed, the Supervisory Board is composed of:

- Roman Sobiecki,
- Samer Abdelfatah Mohamed El Waziri,
- Marek Rocki,
- Michał Słomkowski,

– Wiesław Wasilewski.

The Supervisory Board was constituted on 29 June 2018. Mr. Roman Sobiecki became the Chairman of the Supervisory Board, and Mr. Samer El Waziri became the Vice-Chairman of the Supervisory Board.

Form and method of exercising supervision

The Supervisory Board supervised the Company activities in accordance with the relevant legal regulations, the Company's Articles of Association, the Supervisory Board Regulations and the corporate governance rules included in the "Code of Best Practice for WSE Listed Companies".

The competencies of the Supervisory Board include, but are not limited to:

- assessment of the financial statements and the report of the Management Board in respect of their compliance with the books and documents, as well as the facts, and the Management Board's proposals regarding the distribution of profits and coverage of losses, as well as submitting to the General Assembly an annual written report on the results of that assessment,
- approving annual financial plans for the Company and controlling their performance,
- election of a statutory auditor to audit the Company's financial statements.
- granting consent to the purchase or sale of real estate, perpetual usufruct or shares in real estate with a value above 10% of the Company's equity calculated according to the last balance sheet of the Company approved by the General Assembly, unless they were provided for in the Company's annual financial plan, approved by the Supervisory Board,
- granting consent for the sale of the Company's assets, whose value exceeds 10% (in words: ten percent) of the total equity of the Company calculated according to the last balance sheet of the Company approved by the General Assembly, unless they were provided for in the Company's annual financial plan, approved by the Supervisory Board,
- granting consent to incur liabilities or making a disposition which, on the basis of one or more related legal acts, exceeds 10% of the Company's equity calculated according to the last balance sheet of the Company approved by the General Assembly, unless they were provided for in the Company's annual financial plan, approved by the Supervisory Board,
- granting consent to paying shareholders advance payments on the anticipated dividend,
- appointing and dismissing the Company's Management Board or its individual members,
- determining the terms and conditions of remuneration for the Company's Management Board, as well as the amount of remuneration for its individual members,
- representing the Company in contracts between it and a Member of the Management Board, as well as in the Company's disputes with such a person.

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

Throughout the reporting period, all Members of the Supervisory Board, including in particular its Chairman, were in contact with the Management Board, conducting consultations on specific aspects of the Company's activity. The Supervisory Board advised the Management Board. The Management Board received from the Supervisory Board decisive support for its activities, as well as the required approvals and consents to perform important activities and conclude key transactions in accordance with the Company's Articles of Association.

A very important element of the ongoing contacts of the Supervisory Board with the Management Board is the fact that the Chairman of the Supervisory Board holds meetings with the President of the Management Board regardless of the dates of the Supervisory Board's meetings.

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

In 2018, the Supervisory Board held four meetings of which the minutes were drawn up. During its work, the Supervisory Board addressed topics arising from the provisions of the Commercial Companies Code and the Articles of Association of Makarony Polskie SA, as well as the ongoing operations of the Company.

The most important topics of the Supervisory Board's work were:

- quarterly assessment of financial results of the Makarony Polskie Group in 2018, main development challenges and operational objectives,
- analysis of the situation in the area of production, sales of private label products and sales of brand products,
- assessment of the Company's and the Management Board's operations, as well as giving opinions on matters presented to the General Assembly include, but are not limited to:
  - assessment of the Management Board's report on the Company's operations and on the Makarony Polskie Group's operations in 2017 as well as the separate and consolidated financial statements for the financial year 2017,
  - assessment of the Management Board's proposal regarding the distribution of profit for 2017,
  - assessment of the Company's situation in 2017,
  - adoption of the Supervisory Board report for the financial year 2017,

  - submitting an application to the General Assembly for acknowledgement of the fulfilment of duties by Members of the Management Board and the Supervisory Board of Makarony Polskie SA,
- appointment of the Audit Committee of Makarony Polskie SA,
- appointment of an auditor to review financial statements of Makarony Polskie Group companies for the first half of the financial year and to audit financial statements of Makarony Polskie Group companies for the financial year 2018-2019,
- granting consent to the conclusion of significant contracts by the Company,
- granting consent to changes in the terms of loan agreements,
- providing an opinion on the draft amendments to the Company's Articles of Association involving the authorization of the Management Board increasing the share capital within the limits of the authorized capital excluding the pre-emptive right,
- providing an opinion on the project of issue of bonds convertible into shares of the Company, conditional increase of share capital, amendments to the Company's Articles of Association and exclusion of the pre-emptive right for shares.

Supervisory Board Committees

Within the Supervisory Board of Makarony Polskie SA, the Audit Committee operates in accordance with the law.

At the moment, it is not planned to appoint any Supervisory Board's committees other than those required by law. This is supported by: the the Company's Articles of Association, the shareholding structure as well as organizational and economic considerations, including the need to provide additional administrative and legal support for such committees.

AUDIT COMMITTEE

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

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

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

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

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

If the mandate of a Supervisory Board Member elected to the Audit Committee expires before the end of the entire Supervisory Board's term or due to his resignation from the position in the Audit Committee, the Supervisory Board completes the Committee by selecting a new member of the Audit Committee until the end of the Supervisory Board term.

Composition of the Audit Committee

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

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

On 29 June 2018, in connection with the end of the 7th term of the Supervisory Board, the Supervisory Board of the Company appointed the Audit Committee of the new term in an unchanged composition.

In accordance with the legal requirements, members of the Audit Committee have:

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

Mr. Roman Sobiecki - is a professor of economics at the Warsaw School of Economics, where he has been working since 1978, currently at the Institute of Markets and Competition. Since 2012, he has been the dean of the Collegium of Business Administration of the Warsaw School of Economics. Since 1996, he has been a member of the Council of College of Business Sciences of the Warsaw School of Economics. Between 1996 and 1997 he was an adviser in the Political Cabinet of the Minister of Treasury. Between 1999 and 2005 he was a member of the Team of Consultants of the President of the Republic of Poland for Agriculture and Rural Development. Between 2013 and 2015 he was the chairman of the National Council of Entrepreneurship, which operates at the Ministry of Economy.

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

Mr. Michał Słomkowski - has a university degree, he completed BA studies in the field of BBA Finance and Accounting and a master's degree in Finance and Accounting, specialization in Finance of Enterprises, at the Leon Kozminski University. He also completed postgraduate studies at the Institute of Spatial Management and Housing and at the Leon Kozminski University - Property Management. He has experience in managing efficiency and labor costs.

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

Works of the Audit Committee in the financial year 2018 and in relation to 2018

In the financial year 2018, the Audit Committee held three meetings convened by the Chairman of the Audit Committee devoted to the performance of the audit committee's duties, in particular regarding:

- starting the procedure of selecting an audit firm,
- present to the Supervisory Board recommendations regarding the selection of an audit firm for the statutory audit of the financial statements of Makarony Polskie SA and the Makarony Polskie Group of Companies in the financial years 2018-2019,
- adoption of the annual report on the activity of the Audit Committee in 2017,
- cooperation with the statutory auditor in the course of the audit of financial statements for the financial year 2018.

After the end of the financial year 2018, the Audit Committee held 2 meetings convened by the Chairman of the Audit Committee regarding 2018, the subject of which includes, but was not limited to:

- cooperation with the statutory auditor in the course of the audit of financial statements for the financial year 2018,

- preparation of Information for the Supervisory Board on the results of the audit of the financial statements of the Company and the Makarony Polskie Group together with an explanation of how that audit contributed to the reliability of financial reporting, and what was the role of the Audit Committee during the audit,
- adoption of the annual report on the activity of the Audit Committee in 2018,

The subject of the permanent activities of the Audit Committee is the monitoring of works related to the process of preparing and reviewing the Company's financial statements. The Audit Committee monitored the correctness of the Company's preparation of financial statements for the financial year 2018, cooperating in this respect with the Company's Management Board and being in contact with the auditor auditing the statements, i.e. with BDO Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in in Warsaw.

In the opinion of the Audit Committee, the internal control system in the Company is performed by the Management Board, management and other employees in the scope of duties entrusted thereto. The internal control mechanisms cover the manner of performing tasks by employees, including in particular: rights, competences and compliance of activities performed with the rules and procedures developed for particular areas of operation. These mechanisms are of control nature and are embedded in internal normative acts, procedures and an integrated ERP class IT system. Areas of risk relevant to the Company are properly identified and to ensure the implementation of the strategic objectives set up by Makarony Polskie SA. The Management Board, together with the management, regularly reviews and updates the risk factors associated with the company's operations that may affect the financial and market situation of the Company.

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

Criteria regarding the independence of members of the Supervisory Board have been set out in the European Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive directors or directors being supervisory board members of listed companies and members of (supervisory) board committees and the Code of Best Practice 2016 collection. Pursuant to the provisions of the above-mentioned legal act, the number of independent non-executive directors or directors being members of the supervisory board to be elected to the (supervisory) board of a company should be sufficient to ensure control over a significant conflict of interests on the part of directors. A director should be considered independent only when there is no economic, family or other relationship with the company, its shareholder having controlling interest or management, which results in a conflict of interests that may affect his/her judgment.

Members of the Supervisory Board submitted to the Company's Supervisory Board and Management Board statements regarding their fulfillment of the independence criteria. The Supervisory Board

assessed the existence of relationships and circumstances that may affect the fulfillment of the independence criteria by a given member of the Supervisory Board.

In 2018, there were four independent members in the five-member Supervisory Board, who submitted in writing appropriate statements about their independence.

The table below presents information on the fulfillment of independence criteria by the Members of the Supervisory Board, referred to in rule II.Z.4 of Code of Best Practice 2016.

In the period from 1 January 2018 to 31 December 2018:

Member of the Supervisory Board	Fulfillment of independence criteria
Roman Sobiecki	fulfills the independence criteria
Samer Abdelfadah Mohamed Elwaziri	does not fulfill the independence criteria
Marek Rocki	fulfills the independence criteria
Michał Słomkowski	fulfills the independence criteria
Wiesław Wasilewski	fulfills the independence criteria

Self-assessment of the Supervisory Board

The Supervisory Board maintained independence of views on the works of the Management Board and on the operations of Makarony Polskie SA. The Supervisory Board is composed of people with diverse knowledge and experience. The members of the Supervisory Board represent a high level of professional preparation and hold appropriate substantive preparation necessary to perform the function of a Member of the Supervisory Board.

All members of the Supervisory Board exercised due diligence in the performance of their duties, using their knowledge, professional experience and skills. The members of the Supervisory Board presented various views on the functioning of the Company and its bodies, both in the sphere of economic activity as well as in the sphere of the functioning of the Company as a public entity.

In the reporting period, the Supervisory Board exercised permanent supervision over the Company's activity in all areas of its operations. Members of the Supervisory Board, in particular its Chairman, were in constant contact with the Management Board of Makarony Polskie SA, conducting numerous consultations on specific areas of the company's operations.

Due to the high competences and involvement of individual Supervisory Board members and efficient organization, the Supervisory Board effectively implemented its statutory tasks guided by the interest of the Company in its conduct.

Representatives of the Supervisory Board participated in the meetings of the General Assembly of the Company in a composition allowing for providing a substantive answer to questions asked during the meeting of the General Assembly.

Application to the General Assembly for acknowledgement of the fulfilment of duties by Members of the Supervisory Board

The Supervisory Board applies to the General Assembly for acknowledgement of the fulfilment of duties by all Members of the Supervisory Board of Makarony Polskie SA in the financial year 2018.

Assessment of the Company's situation in the financial year 2018



Pursuant to Article 382 §1 of the Commercial Companies Code and §19 item a) of the Company's Articles of Association, in 2018, the Supervisory Board exercised permanent supervision over the activities of the Company in all areas of its activities and considered and assessed quarterly reports of the Management Board in this respect.

In 2018, Makarony Polskie SA focused its activities mainly on the production, implementation of investment projects and on improving the Company's and the Group's organization. Efforts were made to maintain proper relations between sales and costs, which was not easy due to the high cost pressure on the labor and basic raw materials markets. The activities undertaken allowed to generate an EBITDA surplus of over PLN 14.1 million in 2018, with a profitability level of 9.1% and a net profit of PLN 5.8 million, which gives a net margin of 3.8% in relation to sales. Earnings per share amounted to PLN 0.63, while the value of one share increased to PLN 8.52.

In the opinion of the Supervisory Board, the Management Board consistently pursued the objectives and implemented the investment process planned for 2018-2019 in a consistent and structured manner. The Company worked on maintaining its good financial standing and strengthening its market position. It has good, stable ratios of financing, liquidity and profitability. The debt in recent years has been significantly reduced. The Company consistently conducts activities aimed at building the market leader position in the area of private label, as well as brand products, consistent with the convenience, pro-health, low-processed, natural, clean label market trends.

In the opinion of the Supervisory Board, the activities performed by the Management Board contribute to the systematic building of the company's value.

The Supervisory Board supports actions undertaken by the Management Board aimed at improving the Company's situation, at the same time positively assessing their previous results. Considering the above, the Supervisory Board applies to the General Assembly for acknowledgement of the fulfilment of duties by the President of the Management Board in the financial year 2018.

11th May 2018

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



In accordance with the Code of Best Practice 2016 rules, the Supervisory Board assessed the effectiveness of the internal control system, risk management, compliance and internal audit function, including all significant control mechanisms, in particular regarding financial reporting and operating activity.

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

Internal control system

There is no separate internal control unit appointed in Makarony Polskie SA. The internal control is one of the functions of the day-to-day management of the Company exercised directly by the Company's Management Board, directors, proxies and other employees employed in managerial positions or entrusted with such a function and external legal services. Together, those units constitute an internal control system that should ensure an appropriate level of security of the Company's activity, as well as enable active management of risks, in particular those that may have a negative impact on the financial result of the Company and the Makarony Polskie Group.

The control activities are performed in all phases of the activity in the form of initial, ongoing and follow-up (post factum) controls. Financial and accounting documents are subject to substantive, formal and accounting control.

The internal control of Makarony Polskie SA protects not only its assets and their use, but also contributes to their multiplication and achieving optimal financial conditions.

The comprehensive nature of the control system ensures both timely and accurate disclosure of facts regarding significant elements of the Company's activity. It allows the Management Board as well as the Audit Committee and the Supervisory Board to obtain full knowledge of the financial condition, operating results, standing of the Company's assets, as well as management effectiveness. The Supervisory Board considers that the control system operating in the Makarony Polskie Group ensures the completeness of the business operations, the correct classification of source documents, as well as the correct valuation of resources held at individual stages of registration, and thus ensures the correctness of financial statements and allows the Management to conduct the activities of the Company and the Group based on verified and complete information.

Compliance (supervision over the compliance of the activity with the law)

The supervision over the compliance of activities with the law of individual organizational units of Makarony Polskie SA is exercised by persons responsible for the functioning of those units, supported by legal services and audit services. The system operates based on the provisions of the Group's internal procedures and general legal rules.

The implementation of properly adapted internal procedures at Makarony Polskie SA results in a reduction of irregularities to a minimum.

Risk Management System

In the Supervisory Board's opinion, the identification of risk factors, their monitoring as well as the applied system of mitigating risk in the Makarony Polskie Group secure in an appropriate manner the interests of the Group.

The risk management system covers all elements of the Makarony Polskie Group value chain and it is adapted to the scale of operations and the organizational structure. The risk management structure is based on several levels of competence, and all employees of the Group participate in the risk management process.

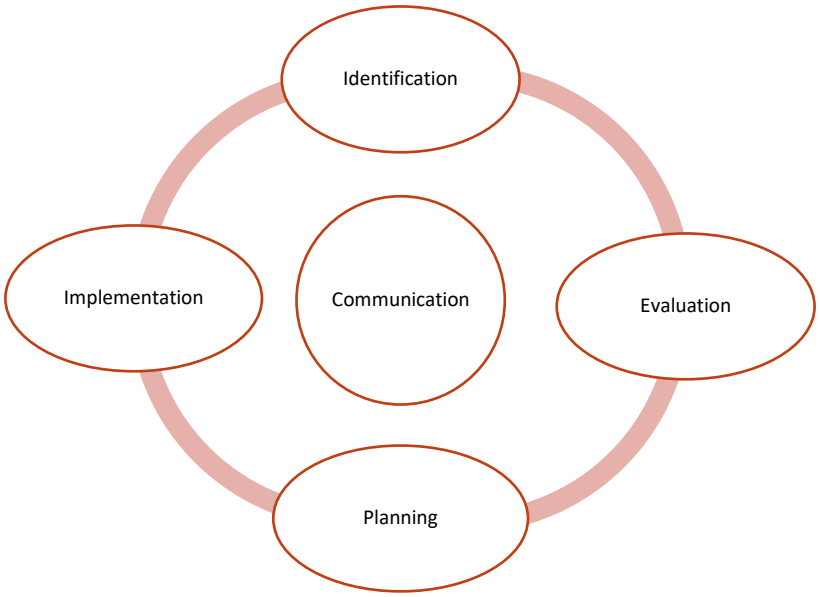


Fig. Corporate Risk Management Processes

The corporate risk management process is exercised by the management boards of individual Group companies and persons responsible for ownership supervision over subsidiaries of Makarony Polskie SA.

As part of the risk management process performed in the Group, the Management Board of Makarony Polskie SA, as well as the the Sales Director and the Director of the Financial Office supervising the commercial risk area and the area of financial and credit risks, play an important role. Persons occupying those positions during the financial year 2018 had adequate knowledge of the Company and its environment, as well as necessary qualifications and powers

Assessment of the manner in which the Company fulfills disclosure obligations regarding the application of corporate governance principles



The disclosure obligations regarding the application of corporate governance principles are set out in the Stock Exchange Regulations and in the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state.

In 2018, the Company applied the rules of the "Code of Best Practice for WSE Listed Companies 2016" (BPLC).

The Supervisory Board of the Company read the Statement on the application of corporate governance principles included in the Report of the Management Board on the Company's operations for the financial year 2018. In the opinion of the Supervisory Board, the information provided by the Company complies with the requirements and reliably presents the state of application of the corporate governance principles.

In the financial year ended 31 December 2018, the Supervisory Board did not observe any Company failures in the performance of its disclosure obligations.

Assessment of the rationality of the Company's policy in the area of sponsorship, charity or other activities of a similar nature



The Company's Supervisory Board read the Company's statement regarding sponsoring, charity or other activities of a similar nature included in the Reports of the Management Board on the Company's operations and on the Group's operations in the financial year 2018.

In the opinion of the Supervisory Board in 2018, the Company rationally implemented the policy of sponsoring, charity and other activities of a similar nature.

Makarony Polskie SA, creating a development strategy and pursuing business objectives, strives to ensure that its operational activities are performed taking into account the principles of CSR, i.e., the corporate social responsibility, taking into account the needs and requirements of broadly understood social and environmental interests in the company's surroundings.

Makarony Polskie SA maintains long-term relationships with the academic community, an example of which is cooperation with the University of Rzeszów and the Rzeszów University of Technology.

For many years, the company has been involved in various types of charity activities at local and national levels, providing support both directly to children in need (Christmas and St. Claus gifts donating activities, support for holidays), and institutions such as hospices (Rzeszowskie Hospicjum dla Dzieci) and social welfare centers (e.g. Caritas Diocese of Rzeszów), foundations (e.g. Fundacja Dziedzictwa Kresowegoin Lviv) and schools.

Makarony Polskie SA sponsors both cultural and sports events of national and local character, as well as of individual sportsmen, whose it supports in the development of their careers, e.g., the vice-champion of the world in taiji forms Anna Kubiak and beach volleyball team Chiniewicz-Korycki.

Assessment of the Supervisory Board based on the audit of the Financial Statements of Makarony Polskie SA and the Report of the Management Board on the Company's operations and the Makarony Polskie Group's operations

The subject of the assessment of the Supervisory Board were the financial statements of the Company for the financial year 2018, i.e. for the period from 1 January 2018 to 31 December 2018. and the Report of the Management Board on the Company's operations in the financial year 2018.



Assessment based on the audit of the financial statements of Makarony Polskie SA for the period from 1 January 2018 to 31 December 2018

The subject of the assessment of the Supervisory Board were the financial statements of the Company for the financial year 2018, i.e. for the period from 1 January 2018 to 31 December 2018.

The Supervisory Board of Makarony Polskie SA pursuant to §19 item c) of the Articles of Association, appointed BDO Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, as a statutory auditor reviewing the Company's financial statements for the first half of the year and auditing financial statements for the financial year 2018-2019 (resolution No. 9 of the Supervisory Board of Makarony Polskie SA of 11 May 2018).

The auditing company has audited the financial statements of Makarony Polskie SA including:

- introduction to the financial statements,
- consolidated statement of financial position prepared as at 31 December 2018, which presents the total balance of assets and liabilities in the amount of PLN 132640 k,
- consolidated statement of the total revenues for the financial year from 1 January 2018 to 31 December 2018, reporting the total net revenue in the amount of PLN 5070 k,
- consolidated statement of the other total revenues for the financial year from 1 January 2018 to 31 December 2018, reporting the other total net revenue in the amount of PLN 5070 k,

- statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018, showing an increase in equity by PLN 5,070 k,
- consolidated statement of cash flows for the financial year from 1 January 2018 to 31 December 2018, reporting a decrease in cash by the amount of PLN 122 k;
- notes.

The auditor concluded that the audit was performed in accordance with the provisions of:

- Chapter 7 of the Accounting Act,
- national auditing standards issued by the National Board of Statutory Auditors in Poland.

The audit was planned and performed in such a way as to obtain reasonable assurance that would allow us to express an opinion on the financial statements.

In particular, the audit included examining the accuracy of the Company's accounting principles (policy) and the significant estimates, verifying - mostly at random - accounting evidence and records supporting the amounts and information included in the financial statements and the overall evaluating of the financial statements.

The auditor concluded that the audited financial statements, in all material respects, give a true and fair view of information relevant to the assessment of the financial position of the Company as at 31 December 2018; and of its financial result for the financial year 2018. have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and to the extent not covered by those standards - in accordance with the requirements of the Accounting Act and the implementing regulations issued thereunder, have been prepared in accordance with the applicable accounting principles (policy) and based on properly maintained accounting records. are in compliance with the regulations and the Articles of Association of the Company that influence the contents of the financial statements.

The Supervisory Board pursuant to Article 382 § 3 and 4 of the Commercial Companies Code, based on the audit performed by the statutory auditor, Report of the Audit Committee and additional information obtained from the Management Board, assessed the financial statements of Makarony Polskie SA Company for the financial year 2018, stating that those statements were prepared in accordance with the books and documents, as well as the facts.

The Supervisory Board highly evaluates the activities of the Management Board aimed at improving the Company's situation. The current situation of the entity does not pose a threat to its continuation in the year following the audited year, which is confirmed by the economic and financial analysis made by the statutory auditor and the results of audit of the financial statements for 2018 and economic events that occurred after the balance sheet date.

The Supervisory Board of Makarony Polskie SA requests the General Assembly to approve the financial statements of Makarony Polskie SA for the period from 1 January 2018 to 31 December 2018.

Assessment of the Management Board's report on the Company's operations and on the Makarony Polskie Group's operations for the period from 1 January 2018 to 31 December 2018

The statutory auditor expressed the opinion that the Report on the Company's operations and on the Makarony Polskie Group's operations for the financial year 2018 prepared by the Management Board is complete within the meaning of Article 49 paragraph 2 of the Accounting Act and the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities (...), and the information contained therein, derived from the audited financial statements is consistent therewith.

Having read the contents of the Report of the Management Board on the Company's operations and of the Makarony Polskie Group operations in the financial year 2018, the Supervisory Board states that it contains information required by the provisions of the Accounting Act, in particular those specified in Article 49 paragraph 2 of that Act and takes into account the provisions of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities (...).

The financial data presented by the Management Board is consistent with the data included in the financial statements of Makarony Polskie SA and the consolidated financial statements of the Makarony Polskie Group. The Management Board presented the financial and property situation of the Company and the Makarony Polskie Group based on its actual economic condition.

The report presents the directions of economic activity, and the assessment of existing opportunities and threats for the development of the Company's and Group's operations in the future.

The Supervisory Board applies to the General Assembly for approval of the Management Board's Report on the Company's operations and on the Makarony Polskie Group's operations in the financial year 2018.

Assessment of the Management Board's application regarding the distribution of net profit for the period from 1 January 2018 to 31 December 2018

By the Resolution No. 1 of 17 April 2019, the Company's Management Board recommended that the net profit for the period from 1 January 2018 to 31 December 2018, in the amount of PLN

5,066,931.54 (in words: five million sixty-nine thousand six hundred and thirty-one zloty 54/100), was divided in such a way that:

- PLN 2 312 517.75 (in words: two million three hundred and twelve thousand five hundred seventeen zlotys 75/100) is proposed to be used to pay dividends, which means a dividend per share of PLN 0.25 (in words: twenty five groszy) gross.
- the remaining part of the profit in the amount of PLN 2 757 113.79 (in words: two million seven hundred fifty seven thousand one hundred and thirteen zlotys 79/100) is proposed to be allocated to the supplementary capital of Makarony Polskie SA.

The Supervisory Board, after considering the Management Board's proposal on the distribution of profit, positively evaluates this recommendation and is in favor of presenting to the General Assembly a draft resolution with the content proposed by the Company's Management Board.

Assessment of the Management Board's application regarding the coverage of accumulated previous years net loss of Makarony Polskie SA disclosed in the balance sheet of the Company as at 31 December 2018

By the Resolution No. 2 of 17 April 2019, the Company's Management Board recommended that the whole accumulated previous years loss amounting to PLN -492,337.89 (say: four hundred and ninety-two thousand three hundred and thirty-seven zlotys 89/100), disclosed in the balance sheet of the Company as at 31 December 2018, was covered from the supplementary capital of the Company.

The accumulated previous years loss originated from the adjustments introduced in the financial statements for the previous years, as made by the auditor, and refers to a change in the method of estimating the holiday leave provision (creation of a provision for previous periods), and creation of a provision for deferred income tax on account of land revaluation made before 31 December 2017.

The Supervisory Board, after considering the Management Board's proposal on the coverage of accumulated previous years loss, positively evaluates this recommendation and is in favor of presenting to the General Assembly a draft resolution with the content proposed by the Company's Management Board.

Assessment of the Supervisory Board based on the audit of the Consolidated Financial Statements of the Makarony Polskie Group

The subject of the assessment of the Supervisory Board were the consolidated financial statements of the Makarony Polskie Group for the financial year 2018, i.e. for the period from 1 January 2018 to 31 December 2018.



Assessment based on the audit of the consolidated financial statements of the Makarony Polskie Group for the period from 1 January 2018 to 31 December 2018

The Supervisory Board of Makarony Polskie SA pursuant to §19 item c) of the Articles of Association, appointed BDO Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, as a statutory auditor reviewing the Company's consolidated financial statements for the first half of the year and auditing financial statements for the financial year 2018-2019 (resolution No. 9 of the Supervisory Board of Makarony Polskie SA of 11 May 2018).

The auditing company has audited the consolidated financial statements of Makarony Polskie SA Group including:

- introduction to the consolidated financial statements,
- consolidated statement of financial position prepared as at 31 December 2018, which presented the total balance of assets, equity and liabilities in the amount of PLN 145791 k;
- consolidated statement of the total revenues for the financial year from 1 January 2018 to 31 December 2018, reporting the total net revenue in the amount of PLN 5830 k,
- consolidated statement of the other total revenues for the financial year from 1 January 2018 to 31 December 2018, reporting the other total net revenue in the amount of PLN 5830 k,
- consolidated statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018, showing an increase in equity by PLN 5830 k,
- consolidated statement of cash flows for the financial year from 1 January 2018 to 31 December 2018, reporting an increase in cash by the amount of PLN 1096 k;

- notes.

The auditor concluded that the audit was performed in accordance with the provisions of:

- Chapter 7 of the Accounting Act,
- national auditing standards issued by the National Board of Statutory Auditors in Poland.

The audit was planned and performed in such a way as to obtain data allowing to express an opinion on the consolidated financial statements of the Makarony Polskie Group. In particular, the audit included examining the accuracy of the Group Companies accounting principles (policy) and the significant estimates, verifying - accounting evidence and records supporting the amounts and information included in the consolidated financial statements and the overall evaluating of the consolidated financial statements.

The auditor concluded that the audited financial statements, in all material respects, give a true and fair view of information relevant to the assessment of the financial position of the Group as at 31 December 2018; and of its financial result for the financial year 2018. Have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and to the extent not covered by those standards - in accordance with the requirements of the Accounting Act and the implementing regulations issued thereunder, Are in compliance with the provisions of the law applicable to the Makarony Polskie Group, that influence contents of the consolidated financial statements

The Supervisory Board pursuant to Article 382 § 3 and 4 of the Commercial Companies Code, based on the audit performed by the statutory auditor, Report of the Audit Committee and additional information obtained from the Management Board, assessed the consolidated financial statements of Makarony Polskie Group for the financial year 2018, stating that those statements were prepared in accordance with the books and documents, as well as the facts.

The Supervisory Board of Makarony Polskie SA requests the General Assembly to approve the consolidated financial statements of the Makarony Polskie Group for the period from 1 January 2018 to 31 December 2018.